Mutual of Omaha Insurance Company and Subsidiaries
Executive Summary and Analysis of Financial Condition
as of September 30, 2015 and December 31, 2014
and Results of Operations
for the Nine Months Ended September 30, 2015 and 2014

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Forward Looking Statements

This document contains certain forward-looking statements about Mutual of Omaha Insurance Company and certain of its subsidiaries (collectively, the "Company"). Forward-looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, sales efforts, financial results or other developments with respect to the Company, and contain words and phrases such as "may," "anticipates," "intend," "expects," "should" or similar expressions in this document.

Forward-looking statements are not guarantees of future performance, involve risks and uncertainties, and actual results may differ materially from those in any forward-looking statement as a result of various factors. These statements are based on current expectations and the current economic environment. The following uncertainties, among others, may have such an effect: continued difficult conditions in the global capital markets and the economy; sustained periods of low interest rates or a sudden spike in interest rates; declining or volatile residential mortgage-backed securities values due to prepayment risks; adverse regulatory developments, including those resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act, limitations on premium levels, mandated benefits, increases in minimum capital and reserves, and other financial viability requirements; adverse credit market conditions; significant market valuation fluctuations of certain of the Company's investments that are relatively illiquid; difficulties or assumption changes as to valuation of securities in the Company's investment portfolio; exposure to below investment grade bonds; defaults on mortgage loans held by the Company; increased expenses related to pension and postretirement benefit plans, as well as health care and other employee benefits; exposure to certain specific asset classes, including commercial and residential mortgage-backed securities, real estate and alternative investments; declines in the performance or valuation of real estate properties owned by the Company; heightened competition in the insurance or banking business, including, specifically, the intensification of price competition, the entry of new competitors and the development of new products by new and existing competitors; fluctuations in health care utilization trends impacting the Company's policies; downgrades or potential downgrades in the Company's ratings; the sensitivity of the amount of statutory capital the Company must hold to factors outside the Company's control; subjectivity in determining the amount of allowances and impairments taken on certain of the Company's investments; changes in the federal Medicare program and other regulatory developments that could adversely affect the demand for the Company's Medicare supplement insurance policies or the Company's competitive position in the Medicare supplement marketplace; impact on the Company's reported statutory surplus or net income that could result from the adoption of certain accounting standards issued by the National Association of Insurance Commissioners or pursuant to applicable laws and regulations; impact on the Company's reported GAAP equity or net income that could result from the adoption of the requirements of certain accounting pronouncements issued by authoritative bodies; tax law changes impacting the tax treatment of insurance and investment products; repeal of the federal estate tax; uncertainty as to the price and availability of reinsurance on business the Company currently writes or intends to write in the future; ineffectiveness of risk management policies and procedures; adequacy and recoverability of reinsurance that the Company has purchased; the failure of the Company's distribution channels to obtain new customers or retain existing customers; deviations from assumptions regarding persistency, mortality, or morbidity; losses due to the financial impairment of, or defaults by, others, including bank borrowers, issuers of investment securities or reinsurance and derivative instrument counterparties; deviations from assumptions regarding future mortality, morbidity and interest rates used in calculating reserve amounts and pricing our products; requirements to post collateral or make payments related to declines in market value of specified assets, and possible declines in the value of securities available for posting as collateral; unanticipated losses resulting from the Company's stable value wrap program; accelerated amortization of deferred acquisition costs; adverse results relating to the mixed-use real estate development adjacent to the Company's home office property; regulatory restrictions, financial viability and other risks in connection with the Company's ownership of Mutual of Omaha Bank; unanticipated changes in industry trends; liquidity and other risks in connection with the Company's securities lending program; impact of international tension between the United States and other nations, terrorist attacks, catastrophe losses, and ongoing military and other actions, or a large scale pandemic; changes in tax laws and the interpretation thereof; litigation and regulatory investigations; and a computer system failure or security breach.

Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not intend to undertake, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

All subsequent written and oral forward-looking information attributable to the Company or any person acting on its behalf is expressly qualified in its entirety by the cautionary statements contained or referred to in this section. The information contained in this document is accurate only as of the date of this document regardless of the time of delivery.

Part 1 – Condensed Consolidated Financial Statements

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Balance Sheets--Unaudited
(In Thousands)

	September 30, 2015	December 31, 2014
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 18,833,590	$ 17,870,525
Fixed maturities, trading, at fair value	150,166	153,243
Equity securities, available-for-sale, at fair value	13,371	12,397
Equity securities, trading, at fair value	39,299	41,149
Equity securities, at cost	58,530	49,080
Loans, net	7,197,491	7,086,612
Loans, held for sale	-	419
Real estate	176,545	198,982
Limited partnerships	425,973	496,483
Other invested assets	33,494	17,401
Policy loans	212,600	213,862
Short-term investments	178,714	136,765
Total investments	27,319,773	26,276,918
Cash and cash equivalents	503,539	483,583
Accrued investment income	187,293	166,081
Premiums and other receivables	131,865	105,052
Deferred policy acquisition costs	2,950,106	2,727,128
Reinsurance recoverable	468,167	436,591
Current income taxes receivable	-	1,441
Goodwill and intangible assets	183,933	186,318
Company-owned life insurance	367,033	377,896
Other assets	358,048	348,652
Separate account assets	3,110,039	3,371,510
Total assets	$ 35,579,796	$ 34,481,170
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits	$ 8,879,847	$ 8,489,989
Policyholder account balances	7,095,257	7,036,876
Unpaid claims	1,739,514	1,651,300
Unearned revenues	404,937	403,429
Bank deposits	5,376,654	5,107,154
Current income taxes payable	2,763	-
Deferred income taxes payable	808,559	833,082
Borrowings	1,886,115	1,391,066
Other liabilities	1,082,524	1,056,904
Separate account liabilities	3,110,039	3,371,510
Total liabilities	30,386,209	29,341,310
EQUITY		
Retained earnings	5,084,152	4,864,110
Accumulated other comprehensive income	109,435	275,750
Total equity	5,193,587	5,139,860
Total liabilities and equity	$ 35,579,796	$ 34,481,170

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries
Consolidated Statements of Operations--Unaudited
For the Nine Months Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Revenues		
Health and accident	$ 2,840,435	$ 2,712,067
Life and annuity	1,531,828	1,490,879
Net investment income	884,228	837,818
Other	46,175	71,641
Net realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities	(21,588)	(3,207)
Other-than-temporary impairments on fixed maturities transferred to other comprehensive income	2,884	2,058
Other net realized investment gains	32,603	29,543
Total net realized investment gains	13,899	28,394
Total revenues	5,316,565	5,140,799
Benefits and expenses		
Health and accident benefits	2,146,918	1,990,431
Life and annuity benefits	1,369,789	1,326,445
Interest credited	157,450	162,190
Policy acquisition costs	588,876	528,419
General insurance expenses	555,989	512,091
Non operating loss on extinguishment of debt	3,019	63,643
General bank expenses	128,153	153,099
Other	23,299	23,997
Total benefits and expenses	4,973,493	4,760,315
Income before income taxes	343,072	380,484
Income taxes	123,030	131,306
Net income	$ 220,042	$ 249,178
Other Comprehensive Income, Net of Tax		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the year net of related policyholder amounts (net of taxes of ($90,647) and $98,647, respectively)	(168,345)	183,201
Reclassification adjustments for realized holding (gains) losses (net of taxes of ($123) and $2,336, respectively)	(229)	4,338
Change in net unrealized gains	(168,574)	187,539
Unrealized holding gains arising during the year on other than temporarily impaired securities (net of taxes of $1,216 and ($1,830), respectively)	2,259	(3,398)
Other Comprehensive Income (Loss)	(166,315)	184,141
Comprehensive Income	$ 53,727	$ 433,319

See notes to consolidated financial statements.

Mutual of Omaha Insurance Company and Subsidiaries

Consolidated Statements of Changes in Equity--Unaudited

For the Year Ended December 31, 2014 and the Nine Months Ended September 30, 2015

(In Thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Accumulated Other Comprehensive Income (Loss): Unrealized Gains (Losses) on Other-Than-Temporarily Impaired Securities	Accumulated Other Comprehensive Income (Loss): Benefit Plan Adjustments	Total
BALANCE — January 1, 2014	$ 4,572,409	$ 286,399	$ 9,820	$ (134,410)	$ 4,734,218
Net income	291,701	-	-	-	291,701
Other comprehensive income (loss)	-	252,186	(5,753)	(132,492)	113,941
BALANCE — December 31, 2014	4,864,110	538,585	4,067	(266,902)	5,139,860
Net income	220,042	-	-	-	220,042
Other comprehensive income (loss)	-	(168,574)	2,259	-	(166,315)
BALANCE — September 30, 2015	$ 5,084,152	$ 370,011	$ 6,326	$ (266,902)	$ 5,193,587

See notes to consolidated financial statements.

Part 2 –Executive Summary and Analysis--Unaudited

1. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Mutual of Omaha Insurance Company, a mutual insurance company domiciled in the State of Nebraska, and its subsidiaries (the "Company"). The primary subsidiary companies are United of Omaha Life Insurance Company; Companion Life Insurance Company; and Omaha Financial Holdings, Inc. (the "Bank"), a savings and loan holding company. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany transactions and balances have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position and results of operations. These financial statements should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2014 and 2013 and independent auditors' report.

2. Strategic Business Unit and Product Group Structure

The Company offers financial products and services principally through three strategic business units ("SBUs"): Individual Financial Services ("IFS"), Group Benefit Services ("GBS") and the Bank. In addition, the Company reports certain results in Corporate and Other. A summary of the Company's reportable SBUs is as follows:

IFS includes individual health, life and annuity insurance products and utilizes three distribution channels: a career agency force, direct to consumer, and an independent distribution network ("Brokerage"). The IFS Health product group offers medical products such as Medicare supplement, accidental death and dismemberment ("AD&D") and accident only; and non-medical products such as disability income, long-term care ("LTC") and critical illness. The IFS Life product group offers term life, traditional life ("whole life") and interest-sensitive life ("universal life"). The IFS Annuity product group offers single premium deferred annuities, single premium immediate annuities and flexible premium deferred annuities.

GBS includes group health, life and annuity insurance products distributed through brokers and employee benefit consultants. The GBS Benefit Solutions product group offers employer products including long and short-term disability coverage, term life, AD&D, and dental products, and participant accident coverage ("special risk") primarily for students and sponsoring organizations. The GBS Retirement Plans product group includes guaranteed investment contracts, group annuities including income annuities which provide income streams at retirement, funding agreements, 401(k) products and a stable value wrap product.

Through the Bank, which includes Mutual of Omaha Bank, the Company provides banking products and services to consumer and commercial customers throughout the United States. Principal products and services provided include checking and savings accounts, certificates of deposit, mortgage loans, commercial loans, real estate loans and homeowner association banking.

The Corporate and Other product group consists primarily of certain affiliate results, corporate investment income and corporate expenses not allocated to IFS, GBS or the Bank.

Operating income is the measure the Company uses to evaluate SBU performance. Income before income taxes reconciles to operating income for the nine months ended September 30, 2015 and 2014, as follows (in thousands):

	2015	2014
Income before income taxes	$ 343,072	$ 380,484
Less: Total net realized investment gains, excluding Bank Other Real Estate Owned ("OREO")	12,036	27,848
Add: Non operating loss on extinguishment of debt	3,019	63,643
Operating income	$ 334,055	$ 416,279

Management believes that the presentation of "Operating Income", as defined above, enhances the understanding of the Company's results of operations by highlighting operating income attributable to the normal, recurring operations of the business. Net realized investment gains and losses related to Bank OREO are included in operating income as they are considered part of normal banking operations.

The non operating loss on extinguishment of debt relates to the Company's non-recurring repurchase of certain surplus notes. The Company excludes this loss from the calculation of operating income as it is not attributable to ongoing operations.

Operating income should not be construed as a substitute for net income determined in accordance with GAAP.

3. SBU Information

Operating income by SBU for the nine months ended September 30, 2015 and 2014, was as follows (in thousands):

	2015	2014
IFS	$ 266,879	$ 389,692
GBS	52,584	45,134
Bank	50,463	36,013
Corporate and Other	(35,871)	(54,560)
Operating Income	$ 334,055	$ 416,279

Nine Months Ended September 30, 2015 compared to the Nine Months Ended September 30, 2014

The Company's total operating income decreased $82,224,000 for the nine months ended September 30, 2015 compared to 2014. The following provides an explanation of the changes by SBU.

IFS

IFS operating income decreased $122,813,000 for the nine months ended September 30, 2015 compared to 2014 primarily due to lower life and Medicare supplement operating income. Life operating income decreased $78,442,000 compared to the same period in 2014 due to unfavorable mortality and updated persistency assumptions for reserves on certain universal life policies. Medicare supplement operating income decreased $30,081,000 compared to the same period in 2014 primarily due to higher claim costs. The Medicare supplement business plan calls for a continued investment in increasing new business which is driving the increased benefit ratios.

GBS

GBS operating income increased $7,450,000 for the nine months ended September 30, 2015 compared to 2014 primarily due to increases in Benefit Solutions operating income. Within Benefit Solutions, life and AD&D results increased $19,500,000 primarily due to lower claim costs. Disability results decreased $11,014,000 over 2014 due to an increase in the loss ratio driven by higher long term disability and LTC claim experience.

Bank

Bank operating income increased $14,450,000 for the nine months ended September 30, 2015 compared to 2014 due to lower operating expenses and a lower provision for loan losses. These improvements were partially offset by decreases in non-interest income from lower gains on the sale of mortgage loans due to a strategic shift away from originating mortgage loans.

Corporate and Other

Corporate and Other losses for the nine months ended September 30, 2015 were $18,689,000 better than the same 2014 period primarily due to an increase in bond call income.

4. Balance Sheet

Total assets increased $1,098,626,000 for the nine months ended September 30, 2015, primarily as a result of increases in available-for-sale fixed maturity investments from business growth. Total liabilities increased $1,044,899,000 for the nine months ended September 30, 2015, primarily due to increases in borrowings, future policy benefits and bank deposits. Borrowings increased $495,049,000 as the result of an increase in line of credit advances for investment arbitrage purposes. Future policy benefits increased $389,858,000 due to business growth. Bank deposits increased $269,500,000 due to growth in demand and a increase in association banking deposits.

5. Investment Performance

The Company's investment strategy seeks to balance risk, return and expense in order to provide attractive, cost-effective risk-adjusted investment returns to the Company's product lines. The portfolio is managed to fund policyholder liabilities and contribute to surplus stability and growth. The Company's investment strategy also strives to generate growth capital through the investment of surplus funds in a diversified portfolio that includes private equity limited partnerships, with total return maximization being the primary objective.

<u>Net Investment Income</u>

Net investment income increased $46,410,000 for the nine months ended September 30, 2015 compared to 2014. The increase was primarily due to the increase in fixed maturity investments discussed above and increased private equity distributions from income producing funds.

The sources of net investment income for the nine months ended September 30, 2015 and 2014, were as follows (in thousands):

	2015	2014
Fixed maturities	$ 612,849	$ 582,972
Loans	242,761	251,132
Real estate	(11,768)	(10,222)
Private equity	40,019	16,808
Policy loans and other	16,284	14,371
	900,145	855,061
Less: investment expense	(15,917)	(17,243)
Net investment income	$ 884,228	$ 837,818

Net Realized Investment Gains (Losses)

Net realized investment gains were $14,495,000 lower than those for the nine months ended September 30, 2014 as a result of an increase in fixed maturities impairment losses in mortgage backed securities in 2015.

Net realized investment gains (losses) for the nine months ended September 30, 2015 and 2014, were as follows (in thousands):

	2015	2014
Fixed maturities	$ (25,685)	$ (3,632)
Equity securities	1,176	5,085
Loans	1,356	(134)
Private equity	36,257	37,058
Other	795	(9,983)
Net realized investment gains	$ 13,899	$ 28,394