CUNA Mutual Insurance Society and Subsidiaries

Consolidated Financial Statements
As of December 31, 2010 and 2009 and for the Three Years Ended December 31, 2010
And Independent Auditors' Report

Index to Consolidated Financial Statements of CUNA Mutual Insurance Society and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CUNA Mutual Insurance Society and Subsidiaries:

We have audited the accompanying consolidated balance sheets of CUNA Mutual Insurance Society and its subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, policyholders' surplus and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of The CUMIS Group Limited and subsidiaries ("CUMIS"), the Company's 87%-owned Canadian subsidiary, which was sold on December 31, 2009 and which was accounted for as a discontinued operation in the accompanying consolidated financial statements as discussed in Note 14. We also did not audit the financial statements of the Company's 50% equity investment in CMG Mortgage Insurance Company and CMG Mortgage Assurance Company (collectively, "CMG"), which are accounted for under the equity method. The Company's equity investment in CMG's net assets was $103 million and $121 million at December 31, 2010 and 2009, respectively. The Company's equity in the net income (loss) of CMG was ($11) million, ($7) million, and $4 million for the years ended December 31, 2010, 2009, and 2008, respectively. The financial statements of CUMIS and CMG were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in the consolidated financial statements for CUMIS and CMG, is based solely on the reports of such other auditors.

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 financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of the other auditors, such financial statements present fairly, in all material respects, the consolidated financial position of CUNA Mutual Insurance Society and subsidiaries at December 31, 2010 and 2009, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the consolidated financial statements, the Company changed its method of accounting and reporting for other-than-temporary impairments in 2009.

Deloitte & Touche LLP

March 30, 2011

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2010 and 2009
(000s omitted)

Assets	2010	2009 (Note 14)
Cash and investments		
Debt securities, available for sale, at fair value		
(amortized cost 2010 - $7,028,203; 2009 - $6,287,120)	$ 7,104,215	$ 5,999,152
Equity securities, available for sale, at fair value		
(amortized cost 2010 - $82,883; 2009 - $181,759)	79,299	180,366
Mortgage loans	811,595	755,044
Real estate, at cost less accumulated depreciation		
(2010 - $38,564; 2009 - $6,445)	51,066	15,928
Real estate held-for-sale, at cost less accumulated depreciation		
(2009 - $26,074)	-	21,189
Policy loans	104,369	104,495
Short-term investments	994	8,066
Equity in unconsolidated affiliates	105,105	125,829
Limited partnerships	421,860	353,028
Other invested assets	60,579	85,266
Total investments	8,739,082	7,648,363
Cash and cash equivalents	243,912	346,178
Total cash and investments	8,982,994	7,994,541
Accrued investment income	95,004	80,286
Premiums receivable, net	123,946	123,898
Reinsurance recoverables	259,351	230,525
Receivable from the Federal Crop Insurance Corporation	260,064	202,937
Federal income taxes recoverable	-	11,185
Deferred policy acquisition costs	537,657	588,173
Office properties, equipment and computer software at cost less		
accumulated depreciation (2010 - $314,079; 2009 - $314,921)	160,268	168,746
Net deferred tax asset	199,149	322,258
Goodwill and other intangibles, net	107,012	108,011
Other assets and receivables	221,291	303,623
Assets of discontinued operations	223,401	193,274
Separate account assets	4,215,651	4,049,659
Total assets	$ 15,385,788	$ 14,377,116

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CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets, continued
December 31, 2010 and 2009
(000s omitted)

Liabilities and Policyholders' Surplus	2010	2009 (Note 14)
Liabilities		
Policyholder account balances	$ 4,723,960	$ 4,484,635
Claim and policy benefit reserves - life and health	2,460,839	2,297,796
Loss and loss adjustment expense reserves - property and casualty	496,259	431,140
Unearned premiums	408,937	439,014
Notes payable	247,497	113,852
Dividends payable to policyholders	15,289	15,587
Reinsurance payable	197,600	227,215
Federal income taxes payable	3,965	-
Accrued pension and postretirement benefit liability	221,683	180,241
Accounts payable and other liabilities	348,249	384,925
Liabilities of discontinued operations	168,776	143,617
Separate account liabilities	4,215,651	4,049,659
Total liabilities	13,508,705	12,767,681
Commitments and contingent liabilities (Note 13)		
Policyholders' surplus		
Retained earnings	1,990,081	1,903,352
Accumulated other comprehensive loss, net of tax benefit (2010 - ($28,804); 2009 - ($133,115))	(112,998)	(304,261)
Total CUNA Mutual policyholders' surplus	1,877,083	1,599,091
Noncontrolling interests	-	10,344
Total policyholders' surplus	1,877,083	1,609,435
Total liabilities and policyholders' surplus	$ 15,385,788	$ 14,377,116

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2010, 2009 and 2008
(000s omitted)

	2010	2009 (Note 14)	2008 (Note 14)
Revenues:			
Life and health premiums	$ 1,227,156	$ 1,203,141	$ 1,178,404
Contract charges	84,816	82,669	88,518
Property and casualty premiums	784,807	792,631	806,054
Net investment income	463,048	397,614	349,610
Net realized investment losses:			
Total other-than-temporary impairment losses	(38,991)	(325,736)	(441,035)
Portion of (gains) losses recognized in other comprehensive income/loss	(66,331)	85,347	-
Net other-than-temporary impairment losses recognized in operations	(105,322)	(240,389)	(441,035)
Sales and other realized investment gains (losses)	50,526	23,249	(21,371)
Total net realized investment losses	(54,796)	(217,140)	(462,406)
Other income	271,552	211,846	213,418
Total revenues	2,776,583	2,470,761	2,173,598
Benefits and expenses:			
Life and health insurance claims and benefits	802,930	766,832	715,651
Property and casualty insurance loss and loss adjustment expenses	579,633	606,162	524,708
Interest credited to policyholder account balances	173,440	165,416	148,988
Policyholder dividends	30,757	30,231	30,190
Operating and other expenses	1,075,199	1,018,732	1,000,020
Total benefits and expenses	2,661,959	2,587,373	2,419,557
Income (loss) from continuing operations before income taxes and equity in income (loss) of unconsolidated affiliates	114,624	(116,612)	(245,959)
Income tax expense (benefit)	29,240	(41,857)	(91,025)
Income (loss) from continuing operations before equity in income (loss) of unconsolidated affiliates	85,384	(74,755)	(154,934)
Equity in income (loss) of unconsolidated affiliates, net of tax expense (benefit) (2010 - ($6,402); 2009 - ($4,741); 2008 - $3,193)	(12,061)	(8,840)	5,930
Income (loss) from continuing operations	73,323	(83,595)	(149,004)
Gain (loss) from discontinued operations, net of tax (2010 - $6,209; 2009 - $35,740; 2008 - $16,691) (Note 14)	13,805	138,328	(816)
Net income (loss)	87,128	54,733	(149,820)
Less: net income (loss) attributable to noncontrolling interests	399	3,315	(909)
Net income (loss) attributable to CUNA Mutual	$ 86,729	$ 51,418	$ (148,911)

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES

Consolidated Statements of Policyholders' Surplus and Comprehensive Income (Loss)
Years Ended December 31, 2010, 2009 and 2008
(000s omitted)

		CUNA Mutual Policyholders' Surplus				
	Comprehensive income (loss)	Accumulated other comprehensive income (loss)	Retained earnings	Total	Noncontrolling interests	Total policyholders' surplus
Balance, December 31, 2007		**(156,849)**	**1,953,098**	**1,796,249**	**-**	**1,796,249**
Net loss	$ (148,911)	-	(148,911)	(148,911)	(909)	(149,820)
Cumulative effect of change in accounting for fair value measurment, net of tax - $435	-	-	809	809	-	809
Foreign currency translation adjustment, net of tax - $335	10,038	10,038	-	10,038	-	10,038
Change in unrealized losses, net of tax benefit - ($178,745)	(368,609)	(368,609)	-	(368,609)	-	(368,609)
Reclassification adjustment for losses included in net loss, net of tax - $7,665	14,236	14,236	-	14,236	-	14,236
Change in pension liability, net of tax benefit - ($31,628)	(58,739)	(58,739)	-	(58,739)	-	(58,739)
Change in discontinued operations	(40,720)	(40,720)	-	(40,720)	-	(40,720)
Comprehensive loss attributable to CUNA Mutual	$ (592,705)					
Noncontrolling interest attributable to acquisition of subsidiary		-	-	-	46,529	46,529
Acquisition of noncontrolling interests		-	-	-	(20,974)	(20,974)
Balance, December 31, 2008		**(600,643)**	**1,804,996**	**1,204,353**	**24,646**	**1,228,999**
Net income	$ 51,418	-	51,418	51,418	3,315	54,733
Cumulative effect of change in accounting for other-than-temporary-impairments, net of tax benefit - ($17,197)	-	(31,938)	46,938	15,000	-	15,000
Foreign currency translation adjustment, net of tax benefit - ($3,766)	(10,983)	(10,983)	-	(10,983)	-	(10,983)
Change in unrealized gains, net of tax - $73,891	164,555	164,555	-	164,555	-	164,555
Reclassification adjustment for losses included in net loss, net of tax - $88,085	163,587	163,587	-	163,587	-	163,587
Change in pension liability, net of tax - $7,565	14,050	14,050	-	14,050	-	14,050
Change in discontinued operations	6,195	6,195	-	6,195	-	6,195
Reclassification of accumulated other comprehensive income of discontinued operations at date of sale	(9,084)	(9,084)	-	(9,084)	-	(9,084)
Comprehensive income attributable to CUNA Mutual	$ 379,738					
Acquisition of noncontrolling interests		-	-	-	(17,617)	(17,617)
Balance, December 31, 2009		**(304,261)**	**1,903,352**	**1,599,091**	**10,344**	**1,609,435**
Net income	$ 86,729	-	86,729	86,729	399	87,128
Foreign currency translation adjustment, net of tax - $1,361	(3,219)	(3,219)	-	(3,219)	-	(3,219)
Change in unrealized gains, net of tax - $79,791	148,058	148,058	-	148,058	-	148,058
Reclassification adjustment for losses included in net loss, net of tax - $36,681	68,122	68,122	-	68,122	-	68,122
Change in pension liability, net of tax benefit - ($12,875)	(23,911)	(23,911)	-	(23,911)	-	(23,911)
Change in discontinued operations	2,213	2,213	-	2,213	-	2,213
Comprehensive income attributable to CUNA Mutual	$ 277,992					
Acquisition of noncontrolling interests		-	-	-	(10,743)	(10,743)
Balance, December 31, 2010		**$ (112,998)**	**$ 1,990,081**	**$ 1,877,083**	**$ -**	**$ 1,877,083**

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2010, 2009 and 2008
(000s omitted)

	2010	2009 (Note 14)	2008 (Note 14)
Cash flows from operating activities:			
Income (loss) from continuing operations	$ 73,323	$ (83,595)	$ (149,004)
Adjustments to reconcile income (loss) to net cash provided by continuing operating activities:			
Undistributed (earnings) losses of unconsolidated subsidiaries	12,061	9,562	(319)
Amortization of deferred policy acquisition costs	403,132	330,515	323,055
Policy acquisition costs deferred	(379,687)	(340,653)	(331,305)
Depreciation of office properties, equipment, software and real estate	35,724	36,881	42,621
Amortization of bond premium and discount	(14,780)	17,859	42,125
Net realized investment losses	54,796	217,140	462,406
Policyholder assessments on investment-type contracts	(26,015)	(24,500)	(26,580)
Interest credited to policyholder account balances	173,440	165,416	148,988
Gain on sale of operations	-	(21,741)	-
Impairment of computer software	-	10,241	15,725
Changes in other assets and liabilities:			
Accrued investment income	(14,731)	(11,112)	(3,745)
Reinsurance recoverables	(28,825)	(91,166)	18,879
Premiums receivable	(271)	80,320	(62,525)
Other assets and receivables	32,481	(24,437)	(34,399)
Deferred tax asset, net	34,247	39,108	(96,014)
Insurance reserves	228,203	176,429	137,119
Unearned premiums	(17,500)	33,221	14,026
Accrued income taxes	15,156	(1,690)	(3,993)
Accounts payable and other liabilities	(68,478)	(169,880)	(90,678)
Net cash provided by continuing operating activities	512,276	347,918	406,382

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2010, 2009 and 2008
(000s omitted)

	2010	2009 (Note 14)	2008 (Note 14)
Cash flows from investing activities:			
Purchases of investments:			
Debt securities	$ (3,264,882)	$ (3,710,458)	$ (2,268,806)
Equity securities	(65,274)	(66,609)	(284,111)
Mortgage loans	(187,101)	(98,403)	(98,418)
Real estate	(1,994)	(7,633)	(2,894)
Short-term investments	(82,728)	(8,126)	(410,435)
Other invested assets	(489,891)	(744,441)	(610,696)
Proceeds on sale or maturity of investments:			
Debt securities	2,481,188	2,975,622	1,483,432
Equity securities	167,258	70,437	381,876
Mortgage loans	109,449	89,644	51,266
Real estate	-	1,642	53,841
Short-term investments	85,052	218,269	210,231
Other invested assets	440,943	590,711	471,858
Purchases of office properties, equipment, and computer software, net	(26,389)	(26,732)	(39,534)
Proceeds from sale of discontinued operations	-	199,935	-
Proceeds from sale to mutual fund alliance	-	10,312	-
Proceeds (distribution) from sale of unconsolidated affiliate	-	(4,323)	1,312
Cash paid for acquisitions	-	(49,148)	-
Cash acquired in acquisition	-	77,292	-
Change in policy loans and other, net	1,501	(101)	6,164
Net cash used in investing activities	(832,868)	(482,110)	(1,054,914)
Cash flows from financing activities:			
Policyholder account deposits	834,508	1,032,472	1,146,125
Policyholder account withdrawals	(742,613)	(669,716)	(936,470)
Change in bank overdrafts	(1,238)	(28,010)	18,403
Repurchase of noncontrolling interests	(10,743)	(17,617)	(20,974)
Notes payable - borrowings	230,000	107,000	102,643
Notes payable - repayments	(95,177)	(122,000)	(3,572)
Net cash provided by financing activities	214,737	302,129	306,155
Change in cash and cash equivalents	(105,855)	167,937	(342,377)
Cash flow from discontinued operations (Note 14)	7,536	(59,726)	112,517
Effect of foreign exchange rate on cash balances	(3,947)	2,853	6,100
Cash and cash equivalents at beginning of year	346,178	235,114	458,874
Cash and cash equivalents at end of year	$ 243,912	$ 346,178	$ 235,114
Supplemental disclosure of cash information:			
Cash paid during the year for interest	$ 2,688	$ 2,484	$ 1,845
Cash paid (received) during the year for income taxes	(3,430)	(42,072)	15,594

See accompanying notes to consolidated financial statements.

Note 1: Nature of Business

CUNA Mutual Insurance Society ("CUNA Mutual" or the "Company") is a mutual life insurance company organized under the laws of Iowa for the principal purpose of serving the insurance needs of credit unions and their members. Its primary products include group credit life and group credit disability sold to credit unions; retirement plans, and group life and disability products for credit union employees; and life, health and annuity policies for credit union members. The Company markets its products for credit union members through face-to-face and direct response distribution systems, while group products are sold primarily by salaried representatives. The Company's subsidiaries and affiliates are also engaged in the business of property and casualty insurance, retail investment brokerage, private mortgage insurance, and other businesses useful to credit unions and their members, multi-peril crop insurance (through the federal government) and crop hail insurance directly written by the Company.

CUNA Mutual is licensed to sell insurance in all 50 states and the District of Columbia and most of its revenue and the revenues of its affiliated companies are generated in the United States. It also conducts business in foreign countries through branch offices or subsidiaries. None of these foreign operations and no individual state in the United States represents more than 12% of the Company's premiums for the year ended December 31, 2010.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CUNA Mutual and companies in which the Company directly or indirectly has a controlling financial interest. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and, in some cases, the difference could be material. Investment valuations, determinations of other-than-temporary impairments, deferred policy acquisition costs, capitalized costs for goodwill and intangible assets, deferred tax asset valuation reserves, insurance reserves, reinsurance balances and pension and post-retirement obligations are most affected by the use of estimates and assumptions.

Investments Other Than Investments in Unconsolidated Affiliates

Investments in debt securities, including bonds and redeemable preferred stocks, and investments in equity securities, including common stocks and non-redeemable preferred stocks, are classified as available for sale and are carried at fair value.

Unrealized gains and losses on investments in debt and equity securities, net of any deferred federal income taxes, are included in accumulated other comprehensive loss as a separate component of policyholders' surplus unless designated as a hedged item in a fair value hedge.

Debt securities are considered other-than-temporarily impaired, and their cost basis written down to fair value with the impairment loss being included in net realized investment losses, when management plans to sell or it is more likely than not it will be required to sell the security before it recovers or management does not expect to recover its cost. In determining whether an unrealized loss is expected to be other than temporary, the Company considers, among other factors, any plans to sell the security, the severity and duration of impairment, financial position of the issuer, recent events affecting the issuer's business and industry sector, credit ratings, and the ability of the Company to hold the investment until the fair value has recovered. See Note 3 for a more detailed discussion.

Equity securities are considered other-than-temporarily impaired, and their cost basis written down to fair value with the impairment loss being included in net realized investment losses, when management expects the cost not to be recoverable. In determining whether an unrealized loss is expected to be other than temporary, the Company considers, among other factors, any plans to sell the security, the severity and duration of impairment, financial position of the issuer, recent events affecting the issuer's business and industry sector, credit ratings, and the intent and ability of the Company to hold the investment until the fair value has recovered. See Note 3 for a more detailed discussion.

Mortgage loans held for investment are generally carried at their aggregate unpaid principal balance, net of valuation allowances. Mortgage loans are considered to be impaired when management, based on assessments performed on a loan-by-loan basis, finds it is probable that the Company will be unable to collect amounts due according to the contractual terms of the loan agreement. For mortgage loans that are deemed impaired, a valuation allowance is established for the difference between the carrying amount and the Company's share of either (a) the present value of the expected future cash flows discounted at the loan's original effective interest rate, (b) the loan's observable market price or (c) the fair value of the collateral. Changes in valuation allowance, if any, are recorded in net realized investment losses. In 2009, a subsidiary of the Company, which was an investment company, carried its investments in mortgage loans at fair value. In 2010 the subsidiary was liquidated and its remaining mortgage loans were transferred to CUNA Mutual at the subsidiaries' carrying amount of the loans. That carrying amount exceeded the amortized cost of the mortgage loans by $1,863 which the difference will be amortized to income over the life of the mortgage loans by CUNA Mutual.

Investments in real estate, including real estate held-for-sale are carried at cost net of accumulated depreciation. The cost of real estate is adjusted for impairment whenever events or circumstances indicate the carrying value of the asset will not be recoverable. Impairments are determined when the carrying value of the real estate investment exceeds the sum of the undiscounted cash flows expected to result from the investment. Impaired real estate is written down to estimated fair value with the impairment loss being included in net realized investment losses. Certain investments in real estate of $21,221 were reclassified to held-for-sale in 2008 based on management's decision at that time to market those properties for sale. As a result of this decision the Company ceased depreciating the properties. In 2010 the Company decided to discontinue actively marketing these properties. As a result of this decision, the Company reclassified the properties to held-for-investment, recorded $3,722 of depreciation that had not been recorded during the time the properties were classified as held-for-sale, and resumed normal depreciation of these properties. The $3,722 was included in net realized investment losses in 2010.

Policy loans are reported at their unpaid principal balance.

Short-term investments include debt securities with maturities under one year at date of purchase and are reported at amortized cost, which approximates fair value.

Limited partnerships represent interests in companies that primarily invest in debt and equity securities of other companies. Investments in limited partnerships are accounted for using the equity method. The portfolios of these limited partnerships frequently include non-investment grade debt and private equity securities of smaller, privately held companies, which are significantly less liquid than public securities. As such, the market valuations reported to the Company by the limited partnerships are subject to market-related risks and uncertainties and the risk inherent in estimating the fair value of such securities.

Other invested assets primarily represent derivatives and student loans receivable. Derivative financial instruments are accounted for at fair value. See "Derivative Financial Instruments" below for a detailed discussion of the Company's derivatives. Student loans receivable are also carried at fair value and changes in fair value are reported in net realized investment losses.

Interest income is recognized on an accrual basis. For mortgage-backed and other structured securities, income is recognized using a constant effective yield, based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. Such adjustments are reflected in net investment income. Prepayment assumptions for loan-backed bonds and structured securities are obtained from various industry averages or internal estimates. Discounts and premiums on debt securities are amortized over the estimated lives of the respective securities on an effective yield basis. Dividends are recorded at the ex-dividend date. Investment income is also derived from real estate investments, limited partnerships, student loans receivable and derivative activity. Income from real estate investments and student loans receivable is accounted for on the accrual basis. Income from investments in limited partnership interests accounted for under the equity method of accounting is recognized based on the reported financial results of the entity and the Company's proportionate interest, and is generally recognized on a three-month lag basis as a result of the typical delays in reporting by the limited partnerships. Income from derivatives is recognized when the cash settlement is received.

Realized gains and losses on the sale of investments are determined on a specific identification basis and are recorded on the trade date.

Derivative Financial Instruments

The Company uses derivative instruments, such as interest rate swaps, equity options, cross currency swaps, foreign currency futures and forwards, to manage exposure to various currency and market risks. All such derivatives are recorded in the consolidated balance sheets at estimated fair value.

Derivatives embedded within non-derivative host contracts must be separated from the host instrument when the embedded derivative is not clearly and closely related to the host instrument. Embedded derivative instruments subject to bifurcation are also accounted for at estimated fair value. Examples include certain guarantees contained in variable annuity policies and equity indexed annuities.

When derivatives meet specific criteria, the Company may classify them as fair value hedges, cash flow hedges or hedges of net investment. At inception of the hedge, the Company formally documents the hedging relationship and risk management objective and strategy. In addition, the documentation includes a description of the hedging instrument, hedged transaction, nature of the risk being hedged and methodologies for assessing effectiveness and measuring ineffectiveness. Quarterly, the Company performs procedures to measure the ineffectiveness and assesses the effectiveness of the hedging relationship and records any ineffectiveness in net realized investment losses.

Fair Value Hedges: The Company designates certain interest rate swaps and foreign currency futures and forward contracts as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. The changes in fair value of the hedging instruments used in fair value hedges are recorded in net realized investment losses. The changes in fair value of the hedged item, attributable to the risk being hedged, are also recorded in net realized investment losses. The difference between the changes in fair value of the hedging instrument and the changes in fair value of the hedged item represents the ineffectiveness in an otherwise effective hedging relationship.

Cash Flow Hedges: The Company designates cross currency swaps and interest rate swaps as cash flow hedges when the hedging instrument is highly effective in offsetting the hedged risk of variability in cash flows that could affect net income. The changes in fair value of the swaps attributable to hedged risk are recorded in accumulated other comprehensive loss to the extent it is effective. Amounts are reclassified from accumulated other comprehensive loss to net investment income when the hedged item is included in determining earnings.

Hedges of Net Investments: The Company uses foreign currency futures to hedge a portion of the outstanding after tax equity in its consolidated foreign affiliates from the effects of fluctuations in currency exchange rates. When deemed effective, changes in fair value of the foreign currency futures are recorded in accumulated other comprehensive loss. Any ineffectiveness, in an otherwise effective hedging relationship, is recorded currently in net realized investment losses.

Non-Hedge Derivatives: Changes in fair value, income and expense associated with derivatives that are not classified as qualified hedges are recorded in net realized investment losses.

Equity in Unconsolidated Affiliates

Equity in unconsolidated affiliates includes investments in companies (principally the Company's 50% interest in CMG Mortgage Insurance Company and CMG Mortgage Assurance Company) in which the Company can exercise significant influence over the operating and financial policies of the investee. Generally, this occurs when the Company's ownership ranges from 20% to 50%. The Company accounts for these investments using the equity method whereby the Company's proportionate share of the net income of these unconsolidated affiliates is reported in the consolidated statement of operations, net of related income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted deposits in financial institutions, money market mutual funds, and U.S. Treasury bills, money market instruments, and commercial paper with maturities at the date of purchase of 90 days or less.

Mutual Fund Alliance

On June 30, 2009 the Company established an alliance with an investment management firm for the administration and management of its mutual funds. The Company transferred the asset management of these funds to the alliance for $10,312 in cash and established a receivable for $13,948 accruing interest and to be paid in annual installments over the three years ending June 20, 2012. The Company will receive additional payments after three years subject to certain contingencies. The Company recorded a gain of $23,147 in 2009 on this transaction which is included in other income in the accompanying consolidated statement of operations. The Company also receives a percentage of the advisory fees charged by the alliance on an ongoing basis.

Recognition of Insurance Revenue and Related Benefits

Credit life and disability insurance coverages are issued on either a single premium or monthly premium basis and revenue is recognized in relation to anticipated benefits to policyholders. Generally, individual and group life and health insurance premiums are recognized as earned on a monthly pro rata basis over the time period to which the premiums relate. Property and casualty insurance premiums are generally earned ratably over the periods to which the premiums relate. Premiums for crop insurance are recorded on the later of the effective date of the contract or when the amount of premiums can be reasonably estimated, and are earned on a pro rata basis over the period of risk. Certain property and casualty contracts insure lenders against losses related to loan collateral. For these types of policies, the Company recognizes the premium over the expected period of exposure, usually two to six years; such premium is recognized on an accelerated basis versus on a pro rata method to reflect the higher loan balance, and therefore exposure to loss, in the early period of the loan term, which declines over the term of the loan. An unearned premium reserve is established for the unexpired portion of credit, property and casualty, health, and certain other insurance premiums.

Term-life and whole-life insurance premiums are recognized as premium income when due. Related policy benefits and expenses for these products are recognized in relation to the premiums so as to result in the recognition of profits over the expected lives of the policies and contracts.

Revenue is recognized at the time of issue on immediate annuity and supplemental contracts that subject the Company to mortality or longevity risk (risk that the Company will have to make payments contingent upon the continued survival of an insured or insureds). A deferred profit liability is established for the excess of the gross premium collected over the sum of acquisition expenses incurred plus the initial benefit and maintenance expense reserve established. The deferred profits are recognized over the expected benefit payment period.

Amounts collected on policies not subject to significant mortality or longevity risk, principally group annuity and deferred annuity contracts (investment contracts), are recorded as increases in policyholder account balances. Revenues for investment contracts principally consist of net investment income and contract charges such as expense and surrender charges. Expenses for investment contracts consist of interest credited to contracts, benefits incurred in excess of related policyholder account balances and policy maintenance costs.

Universal life-type policies are insurance contracts with terms that are not fixed or guaranteed. Amounts received as payments for such contracts are credited to policyholder account balances. Revenues from universal life-type policies, which are recorded as contract charges in the accompanying consolidated statements of operations, consist of fees assessed against policyholder account balances for surrender charges, cost of insurance and policy administration. Policy benefits and claims that are charged to expense include interest credited to contracts and benefits incurred in excess of related policyholder account balances.

Other Income

Until June 30, 2009 when the Company sold its mutual fund advisory practice to a newly formed alliance in which the Company has a 30% non-voting equity interest (see Mutual Fund Alliance within this note for a detailed description of this transaction), the Company acted as an advisor for mutual funds and earned investment advisory fees in accordance with the underlying agreements. After the sale the Company receives 30% of advisory fees earned by the alliance.

CUNA Mutual also acts as an investment advisor and administrator for employee benefit plans. Revenues for advisory services are recognized pro rata, largely based upon contractual rates applied to the market value of each customer's portfolio. Fees received for performance of recordkeeping and reporting services for benefit plans are recognized as revenue when the service is performed. Administrative fees paid in advance are deferred and recognized over the period of service. The Company sells non-proprietary insurance products and recognizes commission income on the policy effective date, net of an allowance for refunds on estimated cancellations. Service fee income is recognized ratably over the period of service.

Deferred Policy Acquisition Costs and Sales Inducements

Deferred Costs: The costs of acquiring insurance business that vary with, and are primarily related to, the production of new and renewal business are deferred to the extent that such costs are deemed recoverable from future profits. Such costs principally include commissions and sales costs, premium taxes, and certain policy issuance and underwriting costs. In addition, the Company reimburses credit unions for certain administrative expenses they incur in the production of new and renewal business sold for the Company. These expenses primarily relate to credit life and credit disability policies as well as property and casualty products sold to credit unions and credit union members, products of other insurers sold on a brokered basis, and certain investment products. Such reimbursements totaled $198,055, $202,741 and $200,972 for the periods ended December 31, 2010, 2009 and 2008, respectively. These expenses are also deferred unless the expenses are associated with non-insurance products or brokered business, or do not vary with production.

Amortization of Costs: Costs deferred on property and casualty insurance products and credit life and credit disability policies are amortized over the term of the related policies in proportion to the premium recognized as earned. For term-life and whole-life insurance products, deferred policy acquisition costs are amortized in proportion to the ratio of the annual premium to the total anticipated premiums generated by the deferred acquisition costs. For investment contracts (primarily deferred annuities) and universal life-type products, deferred policy acquisition costs are amortized principally over the expected contract life and in any one period in proportion to the relationship of actual gross profits for the period to the present value of all estimated gross profits from mortality, investment, and expense margins. The deferred policy acquisition cost assets for investment contracts and universal life-type products are adjusted retrospectively for changes in the present value of estimated gross profits. Such adjustments are recorded in the period that the change in the present value of future years' gross profits becomes apparent. An additional adjustment to deferred acquisition costs on investment contracts and universal life-type products is made representing the effect on deferred acquisition costs that would occur if the unrealized gains and losses on investments related to these contracts were realized; the offset to this adjustment is accumulated other comprehensive loss. Deferred policy acquisition costs on participating insurance contracts are amortized over the life of the participating contracts at a constant rate based on the present value of the estimated gross margin expected to be realized.

Estimating future gross profits is a complex process requiring considerable judgment and the forecasting of events well into the future. The primary assumptions for determining the amount of the estimated gross profits are future investment returns, including capital gains and losses, on assets supporting contract liabilities, interest crediting rates to contract holders, and the effects of future persistency, mortality, expenses, and hedges, if any. Recent economic turmoil, particularly the volatility of the financial markets and the impairment of securities, increases the variability and risk of estimating gross profits, which in turn could impact amortization of the deferred acquisition costs.

Recoverability and Loss Recognition: Deferred acquisition costs are subject to recoverability testing at the time of policy issue and loss recognition testing on an annual basis, or when an event occurs that may warrant loss recognition. To the extent that future policy premiums and investment income or gross profits are not adequate to cover the estimated anticipated losses and maintenance expenses at the time of policy issue, costs that would otherwise qualify for capitalization are not recoverable and are therefore expensed. The Company annually performs a loss recognition test of its deferred acquisition costs which is based on the Company's projections of future profits. If loss recognition is necessary, deferred acquisition costs would be written off in the consolidated statement of operations to the extent that future policy premiums and investment income or gross profits are not adequate to cover the estimated anticipated losses and expenses. Loss recognition in excess of the deferred acquisition costs balance is recognized by an increase in insurance reserves.

In 2010, for long term care insurance, the Company expensed $3,257 of otherwise deferrable acquisition costs related to the 2010 policy issues based on the Company's assessment of the future profitability of those policies and additionally wrote down deferred acquisition costs of $6,305 as a result of the Company's loss recognition test for all long term care insurance. In 2010, for loan default insurance, the Company wrote down deferred acquisition costs of $237 and recognized $3,981 of additional loss recognition reserves as a result of the loss recognition test. There was no impact in 2009 and 2008 from recoverability and loss recognition tests.

Internal Replacements: An internal replacement is defined as the modification of product benefits, features, rights or coverages that occurs by the exchange of an existing contract for a new contract, or by amendment, endorsement or rider, or by election of a feature or coverage within a contract. When an internal replacement occurs that results in a substantial change to a policy, unamortized deferred policy acquisition costs, unearned revenues and deferred sales inducements are written off to expense on the basis that the change constitutes the issuance of a new policy. Acquisition costs, sales inducements, and unearned revenue associated with the new replacement contract are deferred and amortized over the lifetime of the new contract. An internal replacement that is not a substantial change to the initial policy is accounted for as a continuation of the existing contract and the existing deferred acquisition costs, sales inducements and unearned revenue are carried over to the replacement contract.

(000s omitted)

Sales Inducements: The costs of sales inducements offered on sales to new policyholders are deferred and recorded in other assets and receivables. These costs are primarily related to deferred annuities and are in the form of additional credits to the policyholder's account balance or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts. Deferred sales inducements are amortized principally over the expected contract life in relation to the present value of estimated gross profits from mortality, investment and expense margins.

Office Properties, Equipment and Computer Software

Office properties, equipment, and computer software are carried at cost net of accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets. The useful life of office equipment and purchased software is generally three to seven years. The useful life of capitalized costs for internally developed software ranges from three to ten years, while the useful life for office properties is generally 20 years. The following table provides a summary of office properties, equipment, and computer software.

	2010	2009
Office properties	$ 203,845	$ 205,206
Office equipment	110,070	126,459
Computer software	160,432	152,002
Total cost of office properties, equipment, and computer software	474,347	483,667
Accumulated depreciation	(314,079)	(314,921)
Office properties, equipment and computer software at cost less accumulated depreciation	$ 160,268	$ 168,746

Depreciation expense totaled $33,401, $36,581, and $39,900 in 2010, 2009, and 2008, respectively. The Company recorded an expense included in operating and other expenses of $10,241 in 2009 and $15,725 in 2008 for impaired internally developed software.

(000s omitted)

Goodwill and Other Intangibles

Goodwill and indefinite-lived intangible assets are not amortized but are subject to an impairment test annually, or whenever events or circumstances indicate the carrying amount may not be recoverable. Finite-lived intangible assets are subject to an impairment test whenever events or circumstances indicate the carrying amount may not be recoverable. Based on impairment tests in 2010 and 2009 there were no impairment charges required. In 2008 the Company recorded a charge to expense of $376 when it determined that a covenant not to compete was impaired. Finite-lived intangible assets are amortized over their estimated useful lives, ranging from two to twenty years. Amortization is based on the pattern in which the economic benefits are expected to be used up, when that is determinable; otherwise, straight line amortization is used. Goodwill and other intangible assets are set forth in the following table.

	2010	2009
Goodwill, net	$ 66,641	$ 66,641
Indefinite-lived intangible asset	26,000	26,000
Intangible assets	17,024	16,790
Accumulated amortization on intangible assets	(2,653)	(1,420)
Intangible assets, net	40,371	41,370
Total goodwill and other intangibles, net	$ 107,012	$ 108,011

The indefinite-lived intangible asset primarily represents the value of an agreement with the Federal Crop Insurance Corporation to market multiperil crop insurance. The agreement is annually renewable, contingent upon the Company's compliance with program regulations. It is the Company's intent and expectation to apply for and receive annual approval to renew the agreement.

Amortization expense of other intangible assets was $1,208, $975, and $1,338 for the years ended December 31, 2010, 2009, and 2008, respectively. The weighted average amortization period of newly acquired finite-lived assets was 11.9 years as of December 31, 2010.

The Company completed a number of transactions in 2009 whereby it sold or purchased subsidiaries, resulting in reductions or additions of goodwill and other intangible assets. See Notes 14 and 15 for further descriptions of these transactions.

(000s omitted)

The following is a summary of the impact of the 2009 transactions on goodwill and other intangible assets.

	Effect of transaction on balance at transaction date		
Company sold or acquired	**Goodwill**	**Other intangible assets - finite**	**Other intangible assets - non-finite**
Sale of IRA Services [1]	$ (1,805)	$ -	$ -
Sale of Lending Call Center Services, LLC [1]	(364)	-	-
Purchase of CPI Qualified Plan Consultants, Inc.	22,478	12,347	-
Purchase of Producers AG Insurance Group, Inc.	29,396	3,000	26,000
Total impact of transactions	$ 49,705	$ 15,347	$ 26,000

[1] Accounted for as discontinued operations, see Note 14.

The following table is a summary of the estimated aggregate amortization expense for the next five years and thereafter.

Estimated aggregate amortization expense for intangible assets	
2011	1,256
2012	1,539
2013	1,775
2014	1,691
2015	1,481
Thereafter	6,629
Total estimated amortization expense	$ 14,371

Separate Accounts

Separate accounts represent customer accounts that are related to certain contracts issued by the Company, such as variable annuities and variable life insurance policies, where investment income and investment gains and losses accrue directly to the contract holders who bear the investment risk. In some contracts the Company provides certain guarantees. Such guarantees may include a minimum account value upon death, or minimum withdrawal or accumulation benefits. The liabilities for these guarantees are not included in the separate accounts as they are obligations of the Company's general account. See Note 3, Investments—Embedded Derivatives, for a discussion of these guarantees. Contract holders are able to invest in investment funds managed for their benefit. More than 49% of the separate account assets are invested in unit investment trusts that are registered with the Securities and Exchange Commission. In 2008 and for a portion of 2009 the Company acted as the investment advisor, administrator and distributor for more than 85% of the funds invested in the unit investment trusts and recorded $26,569 of fee income. In 2009 the Company entered into an agreement with a third party whereby the third party became the investment advisor, administrator and distributor, as applicable, for these unit investment trusts and the Company receives a fee based on the investments attributable to the insurance products generated by the Company. This fee was $8,520 and $4,331 in 2010 and 2009, respectively.

Separate account assets are legally segregated and may only be used to settle separate account liabilities. Separate account assets are carried at fair value. Separate account liabilities are equal to the separate account assets and represent contract holders' claims to the related assets. Contract holder deposits to and withdrawals from the separate accounts are recorded directly to the separate account assets and liabilities and are not included in the Company's consolidated statement of operations or accumulated other comprehensive income.

Charges made by the Company to the contract holders' balances include fees for maintenance, administration, cost of insurance, and surrenders of contracts prior to the contractually specified dates. Such fees are reflected as revenues (contract charges) in the accompanying consolidated statements of operations when they are assessed to the contract holder by the Company.

Insurance Reserves

Life and health reserves consist principally of future policy benefit reserves and reserves for estimates of future payments on incurred claims reported and unreported but not yet paid. Such estimates are developed using actuarial principles and assumptions based on past experience adjusted for current trends. Any change in the probable ultimate liabilities is reflected in net income in the period in which the change in probable ultimate liabilities is determined. Gross reserves for unpaid claims and adjustment expenses of $341,729 and $325,972 on certain claims, principally those resulting from a disability are discounted at rates between .61% and .98% and .54% and .98% as of December 31, 2010 and 2009, respectively.

For non-participating term-life and whole-life insurance products, or participating products for which no policyholder dividends are expected to be paid, future policy benefit reserves are computed using the net level premium method based on assumptions related to estimated future investment yield, mortality, morbidity, withdrawals and expenses. For participating term-life and whole-life insurance products, future policy benefit reserves are computed using the net level premium method based on assumptions related to estimated future investment yield, mortality, morbidity, withdrawals, dividends and expenses at the date of policy issuance. Mortality, morbidity and withdrawal assumptions reflect the Company's historical experience and industry standards. Interest rate assumptions range from 2.3% to 9.5%. Provisions for adverse deviation have been reflected in the interest assumption and also in the mortality/morbidity assumption where deemed necessary.

For immediate annuities or similar contracts with life contingencies, the reserve is calculated as the present value of future benefits. The mortality rates used are based on statutory valuation tables and the interest rates used range from 4.8% to 7.0%.

Reserves for property and casualty products represent the estimated claim cost and loss adjustment expense necessary to cover the ultimate cost of investigating and settling all losses incurred and unpaid as of the balance sheet date. Similar reserves are also recorded for unpaid life and accident and health benefits. Such reserve estimates are based on individual case estimates for reported losses, estimates for incurred but not reported losses based on past experience and estimated adjustments for ultimate loss expectations based on historical experience patterns and current economic trends and are stated net of estimated salvage and subrogation recoverables of $30,700 and $30,768 at December 31, 2010 and 2009, respectively. Any change in the probable ultimate liabilities, which might arise from new information emerging, is reflected in the consolidated statements of operations in the period the change is determined to be necessary. Such adjustments could possibly be significant.

Policyholder Account Balances

The Company recognizes a liability at the stated account value for policyholder deposits that are not subject to significant policyholder mortality or longevity risk and for universal life-type policies. The account value equals the sum of the original deposit and accumulated interest, less any withdrawals and expense charges. Average credited rates ranged from 3.0% to 4.1% in 2010 and 3.3% to 4.2% in 2009. Future minimum guaranteed interest rates during the life of the contracts vary from 1.2% to 4.5%.

Reinsurance

Reinsurance premiums, claims and benefits, commission expense reimbursements, and reserves related to reinsured business ceded are accounted for on a basis consistent with the accounting for the underlying direct policies that have been ceded and the terms of the reinsurance contracts. Premiums and insurance claims and benefits in the consolidated statements of operations are reported net of the amounts ceded to other companies under such reinsurance contracts. Reinsurance recoverables are recorded for ceded benefits paid and insurance reserves that have been ceded and recorded as an asset. A prepaid reinsurance asset is also recorded for the portion of unearned premiums that relate to ceded policies. Any contracts that do not effectively transfer the risk of loss are recorded using the deposit method of accounting.

Most crop insurance policies are written pursuant to a federal government program, for which the government establishes guidelines, subsidizes a portion of the premium and assumes part of the risk. The Federal Crop Insurance Corporation reinsurers a portion of the Company's crop premiums and losses. Participating insurers receive an administrative and operating subsidy from the program based on written premium volume, which offsets the cost of selling and servicing the policies. The subsidy is deferred and recognized as a reduction to expense ratably as the related premiums are earned.

Benefit Plans

The Company recognizes costs for its defined benefit pension plans and postretirement benefits on an accrual basis as employees perform services to earn the benefits. Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost and expected return on plan assets. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from changes in prior years' benefit costs due to plan amendments or initiation of new plans. The Company uses a December 31 measurement date for all pension and other postretirement benefit plans.

The Company recognizes the funded status of the benefit obligations for each of its plans on the consolidated balance sheet. The actuarial gains or losses, prior service costs and credits, and the remaining net transition asset or obligation that have not been included in net periodic benefit costs are charged, net of income tax, to accumulated other comprehensive loss. Changes in funded status each period is charged, net of income tax, to other comprehensive loss.

Calculations of benefit obligations for postretirement medical benefits reflect a reduction for subsidies expected from the federal government pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The cost of benefits provided to former or inactive employees after employment, but before retirement, is recognized during an employee's service years if certain requirements are met. Postretirement medical benefits are generally funded on a pay-as-you-go basis. These benefits were eliminated effective December 31, 2008 for non-represented employees and those represented employees who retired prior to June 1, 2005. See Note 8 for a further discussion of these changes. The Company reviewed the impacts of health care legislation enacted in 2010 and determined the legislation will not have a material impact on the consolidated financial statements.

Income Taxes

The Company recognizes taxes payable or refundable currently and deferred taxes for the tax consequences of differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured by applying the enacted tax rates to the difference between the financial statement and tax basis of assets and liabilities. Deferred income tax assets can be realized through future earnings, including but not limited to the generation of future income, reversal of existing temporary differences and available tax planning strategies. The Company records a valuation allowance for deferred tax assets if it determines it is more likely than not that the asset will not be realized. See Note 4 for a further discussion.

The Company is subject to tax-related audits in the normal course of operations. These audits may result in additional tax assets or liabilities. The Company accounts for such contingent liabilities and reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return.

Foreign Exchange

The Company's financial statements are impacted by changes in foreign currency exchange rates related to foreign-based subsidiaries and branch operations and investment holdings denominated in foreign currencies.

The accounts of significant foreign-based subsidiaries and branch operations are measured using the local currency as the functional currency. Revenues and expenses of these operations are translated into U.S. dollars at the average exchange rate for the period. Assets and liabilities of these operations are translated at the exchange rate as of the end of the reporting period. The resulting gains or losses from translating foreign currency are included in accumulated other comprehensive loss as a separate component of policyholders' surplus.

The foreign exchange impacts of investment holdings classified as available for sale are included in accumulated other comprehensive loss as a separate component of policyholders' surplus. The foreign exchange impacts on all other investment holdings are reflected as transaction gains and (losses) in operating and other expenses in the Company's consolidated statements of operations and were $620, $10,356 and ($9,410) for the year ended December 31, 2010, 2009 and 2008, respectively.

Subsequent Events

The Company evaluated subsequent events from December 31, 2010 through March 30, 2011, the issuance date of these financial statements. During this period, there were no significant subsequent events that required adjustment to or disclosure in the accompanying financial statements.

Recent Accounting Standards – Adopted

Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2009-17 (“ASU 2009-17”), *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* replaces the quantitative-based risk and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity (“VIE”) and which owner is the primary beneficiary and thus must consolidate it. The new guidance, effective for 2010, is more qualitative and also creates new disclosure requirements. A related pronouncement is ASU No. 2010-10, *Amendments for Certain Investment Funds,* which deferred application of the guidance in ASU 2009-17 for reporting entities with interest in an entity that applies the specialized accounting guidance for investment companies. The Company does not own any entities which it has determined to be VIEs under existing guidance and so the adoption of ASU 2009-17 had no impact on its 2010 consolidated financial statements. The Company does own limited partnerships which qualified for the deferral in ASU 2010-10 and for which the Company must reconsider the accounting in 2011. The Company has not yet determined the impact of the new standard on accounting for those limited partnerships.

FASB ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, adopted in 2010, provides a greater level of disaggregated information and more robust disclosures about valuation techniques and inputs to fair value measurements. New details required about purchases, sales, issuances, and settlements in the roll forward of activity in level 3 fair value measurements will be effective in 2011.

Recent Accounting Standards - Pending

In October 2010, the FASB issued new guidance regarding accounting for deferred acquisition costs (ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts)* effective in 2012, with prospective or retrospective application allowed. This guidance modifies the definition of costs that can be deferred by insurance entities when issuing and renewing insurance contracts. Capitalized costs can only include incremental direct costs of contract acquisition, as well as certain costs directly related to acquisition such as underwriting, policy issuance, and medical and inspection fees, and sales force contract selling. This guidance also specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized. All other acquisition related costs should be expensed as incurred. Under ASU 2010-26, in order to capitalize advertising costs and direct mail solicitation costs the capitalization criteria, included in the Other Assets and Deferred Costs Topic of the FASB Accounting Standards Codification (“ASC”) direct response advertising guidance, must be met. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In July, 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which is effective for 2011 for nonpublic entities such as CUNA Mutual. The guidance amends ASC Topic 310, *Receivables,* to require additional disclosures about financing receivables and the allowance for credit losses. Short-term trade accounts receivable and receivables measured at fair value are excluded. The new guidance does not change how financing receivables or allowances for credit losses are measured. Accordingly, the Company does not expect an impact from adoption other than disclosure.

In April 2010, the FASB issued ASU 2010-15, *How Investments Held through Separate Accounts Affect an Insurer’s Consolidation Analysis of Those Investments*, which clarifies that an insurance entity should not consider any separate account interests in an investment held for the benefit of policyholders to be the insurer’s interests and should not combine those interests with its general account interests in the same investment when assessing the investment for consolidation. This guidance will be effective in 2011 and will not have a material impact on the consolidated financial statements.

FASB ASU 2009-13, *Multiple Deliverable Revenue Arrangements,* will be effective for new or substantially modified arrangements with multiple deliverables in 2011. The new guidance establishes a selling price hierarchy for determining the selling price of a deliverable and establishes that the allocation of revenue is based on entity specific assumptions rather than those of a market place participant. Disclosures are also significantly expanded. Because most of the Company’s revenue is accounted for using guidance for insurance contracts, which is unchanged, ASU 2009-13 is not expected to have a material impact on the Company’s consolidated financial statements.

(000s omitted)

Note 3: Investments

Debt Securities

The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities at December 31, 2010 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 189,223	$ 1,770	$ (9,711)	$ 181,282
States and political subdivisions	630,474	4,151	(18,657)	615,968
Foreign government securities	24,062	3,380	(11)	27,431
Domestic corporate securities	3,743,500	200,897	(28,131)	3,916,266
Mortgage-backed securities:				
Residential mortgage-backed	917,474	14,703	(46,231)	885,946
Commercial mortgage-backed	409,462	9,760	(69,117)	350,105
Non-mortgage asset-backed securities:				
Collateralized debt obligations	82,828	367	(43,773)	39,422
Other	38,828	1,235	(1,871)	38,192
Foreign corporate securities	992,352	62,520	(5,269)	1,049,603
Total debt securities	$ 7,028,203	$ 298,783	$ (222,771)	$ 7,104,215

The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities at December 31, 2009 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 118,316	$ 1,327	$ (14,236)	$ 105,407
States and political subdivisions	437,997	4,390	(5,788)	436,599
Foreign government securities	24,195	3,644	(56)	27,783
Domestic corporate securities	3,344,823	100,761	(55,682)	3,389,902
Mortgage-backed securities:				
Residential mortgage-backed	1,064,561	4,001	(122,972)	945,590
Commercial mortgage-backed	347,765	525	(125,934)	222,356
Non-mortgage asset-backed securities:				
Collateralized debt obligations	122,102	74	(94,662)	27,514
Other	103,502	1,260	(3,491)	101,271
Foreign corporate securities	723,859	26,671	(7,800)	742,730
Total debt securities	$ 6,287,120	$ 142,653	$ (430,621)	$ 5,999,152

(000s omitted)

The amortized cost and estimated fair values of investments in debt securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Because of the potential for prepayment on mortgage-backed and non-mortgage, asset-backed securities, such securities have not been displayed in the table below by contractual maturity.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 171,414	$ 176,535
Due after one year through five years	961,668	1,010,237
Due after five years through ten years	3,021,156	3,183,215
Due after ten years	1,425,373	1,420,563
Mortgage-backed securities:		
Residential mortgage-backed	917,474	885,946
Commercial mortgage-backed	409,462	350,105
Non-mortgage asset-backed securities:		
Collateralized debt obligations	82,828	39,422
Other	38,828	38,192
Total debt securities	$ 7,028,203	$ 7,104,215

Equity Securities

The cost, gross unrealized gains and losses, and estimated fair value of investments in available for sale equity securities at December 31 are as follows:

		Gross Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
2010	$ 82,883	$ 2,175	$ (5,759)	$ 79,299
2009	181,759	8,438	(9,831)	180,366

(000s omitted)

Mortgage Loans

The Company's mortgage loan portfolio consists mainly of commercial mortgage loans made to borrowers throughout the United States. All outstanding commercial mortgage loans are collateralized by completed properties. At December 31, 2010, the commercial mortgage loan portfolio had an average remaining life of 5.7 years, with all principal due prior to 2034. The Company limits its concentrations of credit risk by diversifying its mortgage loan portfolio so that loans made in any one major metropolitan area are not greater than 20% of the aggregate mortgage loan portfolio balance. No loan to a single borrower represented more than 3.60% of the aggregate mortgage loan portfolio balance. The Company recorded a write down of $5,596 and $5,005 in 2010 and 2009, respectively when it became probable the Company would be unable to collect the total contractual amounts due on certain mortgages. The total contractual mortgage loan balance on which the Company recorded the write down was $11,917 and $14,600 at December 31, 2010 and 2009, respectively.

The Company had mortgage loan restructures in 2010 and 2009 that were considered troubled debt restructurings. The terms of the restructure in 2010 resulted in a charge to earnings of $1,567, which was included in net realized investment losses; the amount of the pre-restructuring contractual loan balance was $12,825. The 2009 restructure did not result in a charge to income and related to a loan balance of $7,465. The Company has no commitments at December 31, 2010 to lend additional funds to mortgagors whose existing mortgage terms have been restructured in a troubled debt restructuring.

The determination of the need for and level of a mortgage valuation allowance is an estimation process, which requires significant management judgment. Management has recorded its best estimate as of the balance sheet date. The ultimate outcome may vary from the Company's current evaluation, and if different outcomes emerge in the future than currently projected, management may change its assessment as to the need for a valuation allowance. Any such change in estimate, which could be significant to income in any single period, would be recorded at the time it becomes evident based on the then available facts and interpretation.

The Company's mortgage loans are located throughout the United States. The following table identifies states with greater than 5% of the commercial mortgage portfolio at December 31:

	2010	2009
California	16.7%	13.6%
Texas	9.4	9.2
Illinois	7.0	7.1
Ohio	6.6	5.2
Kansas	6.4	6.8
New Jersey	6.2	5.6
Florida	5.5	7.4
Missouri	4.8	5.7

(000s omitted)

The types of properties collateralizing the commercial mortgage loans at December 31 are as follows:

	2010	2009
Industrial	30.2%	30.5%
Office	25.9	27.1
Retail	25.6	25.2
Apartment	9.5	8.8
Other	8.8	8.4
Total	100.0%	100.0%

Valuations are performed on a regular basis using internal models and third party appraisals or data. The Company has $65,074 of mortgages outstanding at December 31, 2010 where the carrying amount of the loan was greater than the estimated value of the collateral. The weighted average loan-to-value percentage for the Company's entire commercial loan portfolio was 61.0% and 58.3% at December 31, 2010 and 2009, respectively.

Real Estate

Real estate investments consisted of the following at December 31:

	2010	2009
Real estate	$ 89,630	$ 22,373
Accumulated depreciation	(38,564)	(6,445)
Net real estate held for the production of income	$ 51,066	$ 15,928
Real estate held-for-sale	$ -	$ 47,263
Accumulated depreciation	-	(26,074)
Net real estate held-for-sale	$ -	$ 21,189

Depreciation expense on investments in real estate, which is netted against rental income and included in net investment income, totaled $2,323, $300 and $2,721 for the years ended December 31, 2010, 2009 and 2008, respectively. There were no impairments required to be recognized on real estate in 2010, 2009 or 2008. In 2010 and 2009 the Company acquired real estate owned properties with a fair value of $18,000 and $7,000, respectively, which had previously been collateral for mortgage loans. These transactions were accomplished through a deed in lieu of foreclosure and accordingly involved no cash payments and are not included in the consolidated statements of cash flows.

(000s omitted)

Real estate investments were categorized as follows at December 31:

	2010		2009	
	Amount	Percent	Amount	Percent
Real estate held for the production of income:				
Office	$ 32,309	63.3%	$ 12,163	76.4%
Land	3,766	7.4	3,765	23.6
Retail	694	1.3	-	-
Industrial	14,297	28.0	-	-
Total real estate investments	$ 51,066	100.0%	$ 15,928	100.0%
Real estate held-for-sale[1]:				
Office	$ -	- %	$ 20,092	94.8%
Retail	-	-	1,097	5.2
Total real estate investments	$ -	- %	$ 21,189	100.0%

[1] In 2010 the Company decided to discontinue actively marketing certain real estate properties and reclassified them to held for production of income.

Short-Term Investments

The details of short-term investments at amortized cost, which approximates fair value as of December 31, are as follows:

	2010	2009
Domestic corporate securities	$ -	$ 4,569
Certificates of deposit	994	3,497
Total short-term investments	$ 994	$ 8,066

(000s omitted)

Equity in Unconsolidated Affiliates

The carrying value, ownership percentage and summarized financial information of significant unconsolidated affiliates for the years ended and at December 31 are set forth in the table below:

Name of Affiliate and the Company's Ownership Percentage	CUNA Mutual Carrying Value 2010	CUNA Mutual Carrying Value 2009	CUNA Mutual Share of Net Income (Loss), After Tax 2010	2009	2008
CMG Mortgage Insurance Company (50%)	$ 95,032	$ 109,650	$ (8,951)	$ (6,070)	$ 4,233
CMG Mortgage Assurance Company (50%)	8,071	11,823	(2,388)	(1,412)	(94)
CMG Mortgage Reinsurance Company (50%) [1]	-	-	-	-	48
All other affiliates (various ownership percentages)	2,002	4,356	(722)	(1,358)	1,743
Total	$ 105,105	$ 125,829	$ (12,061)	$ (8,840)	$ 5,930

[1]In 2009 CMG Mortgage Reinsurance Company became a wholly-owned subsidiary of CMG Mortgage Assurance Company.

The total assets and liabilities for significant unconsolidated affiliates at December 31, 2010 and 2009 are set forth in the table below:

	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
CMG Mortgage Insurance Company	$ 387,018	$ 196,953	$ 406,167	$ 186,867
CMG Mortgage Assurance Company	51,146	35,003	47,704	24,058

Limited Partnerships

The Company accounts for its investments in limited partnerships using the equity method. Accordingly, the Company's investments in these limited partnerships are carried at cost plus or minus the Company's equity in the undistributed earnings or losses as reported by the partnerships. As a result of normal delays in the reporting of results by the partnerships, the Company generally records its equity interests on a one quarter lag basis, which means the partnership results for the fourth quarter are not recorded until the first quarter of the following year.

(000s omitted)

The cost and carrying values of limited partnerships by type were as follows at December 31:

	2010		2009	
	Cost	Carrying Value	Cost	Carrying Value
Energy funds	$ 43,917	$ 38,910	$ 25,764	$ 20,800
Mezzanine	163,234	159,976	155,846	147,144
Private equity	201,300	186,668	186,223	162,000
Real estate	72,261	36,306	56,737	23,084
Total limited partnerships	$ 480,712	$ 421,860	$ 424,570	$ 353,028

The Company funded additional investments in limited partnerships of $96,692 in 2010 and $98,532 in 2009, respectively. See Note 13 for further discussion on the Company's funding commitments to limited partnerships.

As a general rule, the limited partnerships owned were designed to be liquidated in eight to twelve years after full funding at the discretion of the general partners, and investors do not have the option to redeem their interests. For the Company's investments, most of the liquidations are expected to occur between 2013 and 2020.

Net Investment Income

Sources of net investment income for the years ended December 31 are summarized as follows:

	2010	2009	2008
Gross investment income (loss):			
Debt securities, available for sale	$ 376,892	$ 350,737	$ 323,342
Equity securities, available for sale	2,037	6,116	11,237
Mortgage loans	47,964	45,380	45,456
Real estate	10,496	11,044	15,774
Policy loans	6,843	7,193	7,106
Limited partnerships			
Equity in change in market value	12,685	(27,886)	(47,226)
Equity in other income	25,664	20,357	12,285
Derivative financial instruments	929	1,158	673
Short-term investments and other	5,497	5,576	11,047
Total gross investment income	489,007	419,675	379,694
Investment expenses	(25,959)	(22,061)	(30,084)
Net investment income	$ 463,048	$ 397,614	$ 349,610

Additional net investment income of $7,714, $15,991 and $23,042 in 2010, 2009 and 2008, respectively, has been included with the results of discontinued operations. See Note 14 for a detailed discussion.

Limited partnerships generally carry their investments at fair value. Changes in market value are a component of the results of operations reported by the partnerships and are therefore included in the Company's recorded share of income. This accounting policy contributes to potentially significant fluctuations in the operating results of the Company's interests in limited partnerships. In addition, determinations of the fair value of such investments by the limited partnerships are highly judgmental given the nature of the investments held by these limited partnerships, the fact that observable market data is frequently not available, and the current market conditions, which are still generally illiquid. Accordingly, the values assigned are subject to risks of variability. See discussion of "Fair Value Measurement" which is included in this Note.

(000s omitted)

The Company's equity in the change in market value of its limited partnerships for each of the past three years, by partnership type is summarized below:

	2010	2009	2008
Energy funds	$ (42)	$ (4,012)	$ (480)
Mezzanine	5,443	(3,585)	(2,961)
Private equity	9,591	(16,434)	(15,905)
Real estate	(2,307)	(8,802)	(23,132)
Other	-	4,947	(4,748)
Total change in equity in market value	$ 12,685	$ (27,886)	$ (47,226)

(000s omitted)

Net Realized Investment Losses

Realized investment losses for the years ended December 31 are summarized as follows:

	2010	2009	2008
Debt securities:			
Gross gains on sales	$ 77,041	$ 129,196	$ 40,250
Gross losses on sales	(22,511)	(25,717)	(42,283)
Other	8,934	(4,103)	(6,992)
Other than temporary impairment losses	(98,901)	(204,178)	(421,853)
Equity securities:			
Gross gains on sales	10,563	7,835	23,240
Gross losses on sales	(6,804)	(18,232)	(21,531)
Other	1,802	(3,212)	(1,436)
Other than temporary impairment losses	(825)	(31,206)	(19,182)
Real estate	(5,001)	1,158	31,194
Mortgage loans:			
Other	2,279	6,562	(1,593)
Other than temporary impairment losses	(5,596)	(5,005)	-
Derivative financial instruments	4,018	(59,224)	(23,367)
Derivative financial instruments - embedded	(20,283)	(8,367)	(5,424)
Other	488	(2,647)	(13,429)
Net realized investment losses	$ (54,796)	$ (217,140)	$ (462,406)

Proceeds from the sale of debt securities were $1,821,819, $2,760,979 and $982,121 in 2010, 2009 and 2008, respectively. Proceeds from the sale of equity securities were $167,258, $59,010 and $287,143 in 2010, 2009 and 2008, respectively.

Additional net realized investment gains of $3,042, $131,919 and $1,623 in 2010, 2009 and 2008, respectively, have been reported in the results of discontinued operations. See Note 14.

Other-Than-Temporary Investment Impairments

Investment securities are reviewed for other-than-temporary impairment on an ongoing basis. The Company creates a watchlist of securities based largely on the fair value of an investment security relative to its amortized cost. When the fair value drops below 95% of the Company's cost, the Company monitors the security for impairment. When the fair value drops below 80% of the Company's cost or amortized cost or the potential impairment is greater than $1,000, the Company performs a full analysis to determine if the decline in fair value qualifies as an other-than-temporary impairment. The determination of other-than-temporary impairment requires significant judgment on the part of the Company and depends on several factors, including, but not limited to:

- The existence of any plans to sell the investment security.
- The duration and extent to which fair value has been less than book value.
- The reason for the decline in fair value (credit concerns, interest rates, etc.).
- The financial condition and near term prospects of the issuer/borrower, including the ability to meet contractual obligations, relevant industry trends and conditions and implications of rating agency actions.
- The Company's intent to retain its investment in debt securities for a period of time sufficient to allow for an anticipated recovery in fair value.
- The Company's intent and ability to retain its investment in equity securities for a period of time sufficient to allow for an anticipated recovery in fair value.
- The Company's ability to recover all amounts due according to the contractual terms of the agreements.
- The Company's collateral position, in the case of bankruptcy or restructuring.

Determinations of other-than-temporary impairments are made by a combination of financial accounting and investment professionals after consideration of all of the relevant factors, including but not limited to those noted above. These determinations are estimates which are subject to risks and uncertainties of variability. The Company's best estimate of expected future cash flows used to determine the credit loss amount on its debt securities is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the security. The Company's best estimate of future cash flows involves assumptions including, but not limited to, various performance indicators, such as historical default and recovery rates, credit ratings, current delinquency rates, and loan-to-value ratios. In addition, for securitized debt securities, the Company considers factors including, but not limited to, commercial and residential property value declines that vary by property type and location and average cumulative collateral loss rates that vary by vintage year. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries. In addition, projections of expected future debt security cash flows may change based upon new information regarding the performance of the issuer and/or underlying collateral.

For impaired debt securities (i.e. debt securities whose fair value is less than amortized cost), where either the Company has the intent to sell the securities before the fair value recovers or the Company believes it is more likely than not that it will be required to sell the securities before the fair values recovers, the impairment is determined to be an other-than-temporary impairment ("OTTI"). At the time such determination is made, the Company records a realized loss equal to the difference between the amortized cost and fair value. The fair value of the other-than-temporarily impaired security becomes its new cost basis.

For impaired debt securities, where the Company does not have the intent to sell or does not believe it is more likely than not that it will be required to sell such debt securities, but where the Company believes it is probable it will not recover its amortized cost, the difference between the fair value and amortized cost is an OTTI. For these impairments, starting on April 1, 2009 with the adoption of FASB ASC 320, *Investments—Debt and Equity Securities* the Company must bifurcate that portion of the loss that is attributable to credit and that portion which is considered non-credit. The credit portion of the OTTI is the difference between the present value of the expected future cash flows and amortized cost. The gross OTTI is displayed on the statement of operations, with the non-credit portion subtracted and reallocated to accumulated other comprehensive loss, resulting in only the credit portion of the OTTI being charged to income.

For certain securitized financial assets with contractual cash flows, the Company is required to periodically update its best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, an OTTI charge is recognized. The Company also considers its intent to retain a temporarily impaired security until recovery. Estimating future cash flows is a judgment process involving both quantitative and qualitative factors. Such determinations incorporate various information and assessments regarding the future performance of the underlying collateral. In addition, projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral.

(000s omitted)

A rollforward of the amount of the credit component of OTTI related to debt securities recognized in retained earnings is presented in the following table:

	2010 Credit OTTI	2009 Credit OTTI
Beginning balance of credit losses on debt securities at		
January 1, 2010 and April 1, 2009	$ (392,726)	$ (439,879)
Additions for credit impairments recognized on:		
Securities not previously impaired	(26,934)	(75,531)
Securities previously impaired	(71,967)	(50,225)
Reductions for credit impairments previously recognized:		
Securities that matured or were sold during the period	129,266	172,909
Ending balance at December 31	$ (362,361)	$ (392,726)

As shown in the table on the next page the vast majority of the Company's charges for other-than-temporary impairments have been attributable to residential mortgage-backed securities and, to a lesser extent, commercial mortgage-backed securities and non-mortgage, asset-backed securities and other securities. The significant provision for these losses over the past three years, and particularly in 2008, is due to a number of significant factors and downward trends in the general economy and financial markets, which have negatively affected the values of virtually all financial investments. The most significant factor contributing to the losses in 2010, 2009 and 2008 is the severe decrease in residential real estate values.

For those equity securities where the decline in the fair value is deemed to be OTTI, a charge is recorded in net realized capital losses equal to the difference between the fair value and cost basis of the security. The previous cost basis less the amount of the estimated impairment becomes the security's new cost basis. The Company asserts its intent and ability to retain those equity securities deemed to be temporarily impaired until the price recovers. Once identified, these securities are systematically restricted from trading.

Management believes it has made an appropriate provision for other-than-temporarily impaired securities owned at December 31, 2010. As a result of the subjective nature of these estimates, however, additional provisions may subsequently be determined to be necessary, as new facts emerge and a greater understanding of economic trends develop. However, interpreting the effects and extent of the current market turmoil—particularly the decline in residential home values, the nature and effect of the government's actions, the overall employment trends, and the availability of credit—is a very complex estimation process and the predictive usefulness of historical trends is not known. Consistent with the Company's past practices, additional loss provisions will be recorded as appropriate and as determined by the Company's regular monitoring procedures of additional facts. In light of the variables involved, such additional provisions could be material.

(000s omitted)

The following table identifies the Company's other-than-temporary impairments by type of investment as of December 31:

	2010	2009	2008
Domestic corporate securities	$ (5,458)	$ (18,650)	$ (27,590)
States and political subdivisions	-	-	(27)
Mortgage-backed securities:			
Residential mortgage-backed			
Prime	(3,303)	(16,241)	(844)
Alt-A	(18,183)	(87,463)	(120,608)
Sub-prime	(13,843)	(19,902)	(59,871)
Other	(94)	(203)	(3,995)
Commercial mortgage-backed	(30,018)	(30)	-
Non-mortgage asset-backed securities			
Collateralized debt obligations	(28,002)	(34,025)	(199,968)
Other	-	(27,664)	(1,113)
Foreign corporate securities	-	-	(7,837)
Total debt securities	(98,901)	(204,178)	(421,853)
Equity securities	(825)	(31,206)	(19,182)
Mortgage loans	(5,596)	(5,005)	-
Total other than temporary impairment losses	$ (105,322)	$ (240,389)	$ (441,035)

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses) included in accumulated other comprehensive loss at December 31 were as follows:

	2010	2009	2008
Debt securities	$ 76,012	$ (287,968)	$ (766,535)
Equity securities	(3,584)	(1,393)	(57,408)
Derivatives	10,090	10,189	49,066
Deferred policy acquisition cost adjustments	(14,202)	423	56,740
Deferred income taxes	(19,558)	93,320	237,433
Other, including minority interest	(21,125)	(3,118)	(4,047)
Net unrealized investment gains (losses)	$ 27,633	$ (188,547)	$ (484,751)

(000s omitted)

The following table presents fair value and unrealized losses for the Company's available for sale debt securities and equity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2010.

	Months in Unrealized Loss Position						
	Less Than Twelve Months		Twelve Months or Greater		Total		
Debt securities	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Unrealized OTTI Losses**
U.S. government and agencies	$ 40,525	$ 474	$ 37,678	$ 9,237	$ 78,203	$ 9,711	$ -
States and political subdivisions	401,479	17,242	12,901	1,415	414,380	18,657	-
Foreign government securities	549	11	-	-	549	11	-
Domestic corporate securities	557,874	20,644	115,403	7,487	673,277	28,131	-
Mortgage-backed securities:							
Residential mortgage-backed	129,715	3,959	168,455	42,272	298,170	46,231	26,522
Commercial mortgage-backed	32,397	852	97,823	68,265	130,220	69,117	19,288
Asset backed non-mortgage-backed securities:							
Collateralized debt obligations	-	-	28,072	43,773	28,072	43,773	23,320
Other	-	-	10,500	1,871	10,500	1,871	-
Foreign corporate securities	125,795	4,066	4,989	1,203	130,784	5,269	-
Total of debt securities	$ 1,288,334	$ 47,248	$ 475,821	$ 175,523	$ 1,764,155	$ 222,771	$ 69,130
Equity securities	$ 14,827	$ 1,843	$ 4,043	$ 3,916	$ 18,870	$ 5,759	$ -
Total temporarily impaired securities	$ 1,303,161	$ 49,091	$ 479,864	$ 179,439	$ 1,783,025	$ 228,530	$ 69,130

At December 31, 2010, the Company owned 364 debt securities with a fair value of $1,764,155 in an unrealized investment loss position. Of these, 124, with a fair value of $475,821, have been in an unrealized loss position for twelve or more months. The $175,523 unrealized loss for debt securities with a loss period twelve months or greater represents an aggregate 26.9% price impairment. The price impairment on the remaining 240 debt securities is 3.5%. The total fair value of debt securities, which reflect an unrealized loss at December 31, 2010 and which are rated "investment grade," is $1,495,906 or 84.5% of the total fair value of all debt securities which reflect an unrealized loss at December 31, 2010. For these purposes "investment grade" is defined by the Company to be securities rated BBB or greater.

At December 31, 2010, the Company owned 10 equities with a fair value of $18,870 in an unrealized loss position. Of these, 6 with a fair value of $4,043 have been in an unrealized position for more than twelve months; the unrealized loss on these securities represents a 49.2% price impairment.

At December 31, 2010 the Company's commercial mortgage-backed securities ("CMBS") had unrealized losses of $68,265 which had been in a loss position for twelve months or more. The unrealized loss on this portfolio represents a 52.4% price decline. The Company has performed forward-looking stress scenarios on its CMBS portfolio. As of December 31, 2010, based on these analyses, the Company concluded no impairments were required on these holdings.

(000s omitted)

The following table presents fair value and unrealized losses for the Company's available for sale debt securities and equity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2009.

	Months in Unrealized Loss Position						
	Less Than Twelve Months		Twelve Months or Greater		Total		
Debt securities	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Unrealized OTTI Losses**
U.S. government and agencies	$ 37,601	$ 2,620	$ 35,715	$ 11,616	$ 73,316	$ 14,236	$ -
States and political subdivisions	168,620	2,704	42,309	3,084	210,929	5,788	-
Foreign government securities	-	-	1,973	56	1,973	56	-
Domestic corporate securities	661,525	13,391	385,116	42,291	1,046,641	55,682	2,641
Mortgage-backed securities:							
Residential mortgage-backed	482,667	21,705	247,689	101,267	730,356	122,972	62,152
Commercial mortgage-backed	51,809	444	122,031	125,490	173,840	125,934	6,754
Asset backed non-mortgage-backed securities:							
Collateralized debt obligations	207	2,587	27,125	92,075	27,332	94,662	13,800
Other	-	-	28,193	3,491	28,193	3,491	-
Foreign corporate securities	171,699	4,573	34,726	3,227	206,425	7,800	-
Total of debt securities	$ 1,574,128	$ 48,024	$ 924,877	$ 382,597	$ 2,499,005	$ 430,621	$ 85,347
Equity securities	$ 2,928	$ 2,424	$ 33,286	$ 7,407	$ 36,214	$ 9,831	$ -
Total temporarily impaired securities	$ 1,577,056	$ 50,448	$ 958,163	$ 390,004	$ 2,535,219	$ 440,452	$ 85,347

At December 31, 2009, the Company owned 936 debt securities with a fair value of $2,499,005 in an unrealized investment loss position. Of these, 538, with a fair value of $924,877, have been in an unrealized loss position for twelve or more months. The $382,597 unrealized loss for debt securities with a loss period twelve months or greater represents an aggregate 29.3% price impairment. The price impairment on the remaining 398 debt securities is 3.0%. The total fair value of debt securities, which reflect an unrealized loss at December 31, 2009 and which are rated "investment grade," is $2,186,805 or 86.7% of the total fair value of all debt securities which reflect an unrealized loss at December 31, 2009. For these purposes "investment grade" is defined by the Company to be securities rated BBB or greater.

At December 31, 2009, the Company owned 29 stocks with a fair value of $36,214 in an unrealized loss position. Of these, 21 with a fair value of $33,286 have been in an unrealized position for more than twelve months; the unrealized loss on these securities represents an 18.2% price impairment.

At December 31, 2009 the company's CMBS had unrealized losses of $125,490 which had been in a loss position for twelve months or more. The unrealized loss on this portfolio represents a 72.2% price decline. The Company has performed forward-looking stress scenarios on its CMBS portfolio. As of December 31, 2009, based on these analyses, the Company concluded no impairments were required on these holdings.

(000s omitted)

The following table summarizes the amortized cost and fair value of the Company's mortgage and asset-backed securities ("structured securities") which have an unrealized loss at December 31, 2010. The table further shows the number of months the structured securities have been in an unrealized loss position and the extent of impairment (percent of impairment=unrealized loss/amortized cost). Also shown is the number of structured securities involved.

		Fair Value By Percent of Impairment				
	Amortized Cost	Total	Under 20%	20-49%	50-80%	Greater than 80%
Residential mortgage-backed:						
Six months or less	$ 133,374	$ 129,459	$ 129,459	$ -	$ -	$ -
Greater than six to twelve months	300	256	256	-	-	-
Greater than twelve months	210,727	168,455	108,340	54,529	5,586	-
Total residential mortgage-backed	344,401	298,170	238,055	54,529	5,586	-
Number of securities		61	39	11	9	2
Commercial mortgage-backed:						
Six months or less	33,249	32,397	32,397	-	-	-
Greater than twelve months	166,089	97,823	46,146	27,801	23,053	823
Total commercial mortgage-backed	199,338	130,220	78,543	27,801	23,053	823
Number of securities		31	13	6	9	3
Collateralized debt obligations						
Greater than twelve months	71,846	28,072	4,989	8,502	13,774	807
Total collateralized debt obligations	71,846	28,072	4,989	8,502	13,774	807
Number of securities		14	1	2	8	3
Other structured securities						
Greater than twelve months	12,371	10,500	5,581	4,919	-	-
Total other structured securities	12,371	10,500	5,581	4,919	-	-
Number of securities		4	3	1	-	-
Total:						
Six months or less	166,623	161,856	161,856	-	-	-
Greater than six to twelve months	300	256	256	-	-	-
Greater than twelve months	461,033	304,850	165,056	95,751	42,413	1,630
Total number of securities		110	56	20	26	8
Total	$ 627,956	$ 466,962	$ 327,168	$ 95,751	$ 42,413	$ 1,630

(000s omitted)

The following table summarizes the amortized cost and fair value of the Company's mortgage and asset-backed securities which have an unrealized loss at December 31, 2009. The table further shows the number of months the structured securities have been in an unrealized loss position and the extent of impairment (percent of impairment=unrealized loss/amortized cost). Also shown is the number of structured securities involved.

		Fair Value By Percent of Impairment				
	Amortized Cost	Total	Under 20%	20-49%	50-80%	Greater than 80%
Residential mortgage-backed:						
Six months or less	$ 476,185	$ 462,195	$ 460,151	$ 805	$ 1,026	$ 213
Greater than six to twelve months	28,187	20,472	17,721	366	2,385	-
Greater than twelve months	348,956	247,689	140,508	94,816	9,219	3,146
Total residential mortgage-backed	853,328	730,356	618,380	95,987	12,630	3,359
Number of securities		134	77	29	15	13
Commercial mortgage-backed:						
Six months or less	49,219	48,821	48,821	-	-	-
Greater than six to twelve months	3,034	2,988	2,988	-	-	-
Greater than twelve months	247,521	122,031	47,821	33,891	37,513	2,806
Total commercial mortgage-backed	299,774	173,840	99,630	33,891	37,513	2,806
Number of securities		41	14	6	13	8
Collateralized debt obligations						
Greater than six to twelve months	2,794	207	-	-	39	168
Greater than twelve months	119,200	27,125	251	12,388	8,500	5,986
Total collateralized debt obligations	121,994	27,332	251	12,388	8,539	6,154
Number of securities		22	1	3	5	13
Other structured securities						
Greater than twelve months	31,684	28,193	17,844	10,349	-	-
Total other structured securities	31,684	28,193	17,844	10,349	-	-
Number of securities		5	3	2	-	-
Total:						
Six months or less	525,404	511,016	508,972	805	1,026	213
Greater than six to twelve months	34,015	23,667	20,709	366	2,424	168
Greater than twelve months	747,361	425,038	206,424	151,444	55,232	11,938
Total number of securities		202	95	40	33	34
Total	$ 1,306,780	$ 959,721	$ 736,105	$ 152,615	$ 58,682	$ 12,319

(000s omitted)

Investment Credit Risk

The Company maintains a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established exposure limits, diversification standards, and review procedures to mitigate credit risk. The Company's largest ten exposures by fair value to a single credit exposure, other than the United States government or agencies backed by the full faith and credit of the United States government, at December 31, 2010 are as follows:

	Average Credit Rating	Amortized Cost	Fair Value
The National Football League	A+	$ 24,406	$ 26,952
Westlb AG	AA+	24,314	26,417
Oracle Corp	A	24,105	24,275
Unicredit BK Austria AG	AA	21,897	22,765
Roche Hldgs Inc	A+	21,126	22,579
Washington Mutual Msc Mtge 2005-C1A	AA+	22,015	22,340
Hardwood Funding LLC	BBB+	20,000	22,269
Shell International Fin	AA+	20,932	22,222
Apollo Investment Corporation	BBB	20,000	22,189
JP Morgan Chase & Co	AA-	20,937	21,852
		$ 219,732	$ 233,860

The Company's largest ten unrealized loss positions, other than the United States government or agencies backed by the full faith and credit of the United States government, at December 31, 2010 are as follows:

	Amortized Cost	Fair Value	Unrealized Loss
G-force LLC 2005-RR2	$ 19,987	$ 4,205	$ (15,782)
Morgan Stanley Capital I 2004-RR2	12,420	3,574	(8,846)
Multi Security Asset Trust 2005-RR4A	12,561	5,161	(7,400)
Newport Waves CDO 2007-2A	9,988	2,763	(7,225)
TIAA Real Estate LTD 2007-C4	13,020	6,714	(6,306)
Bear Stearns Commer Mtge SEC 2005-T20	15,850	10,628	(5,603)
Crest Ltd 2003-2A	7,386	2,018	(5,368)
Arcap REIT 2006-RR7	8,487	3,252	(5,236)
Rutland Rated Investments DRYD-1A	10,000	5,113	(4,887)
Capital Trust Re CDO Ltd 2005-3A	21,116	16,272	(4,860)
	$ 130,815	$ 59,700	$ (71,513)

(000s omitted)

Derivative Financial Instruments

Consistent with its asset allocation strategy, the Company utilizes derivative financial instruments to help maximize risk-adjusted investment returns; reduce interest rate risks of long-term assets; manage exposure to various credit, currency and market risks; and manage exposure to various equity and fixed income market sectors. See related disclosures in Note 2, Summary of Significant Accounting Policies – Derivative Financial Instruments, and Fair Value Measurement within this Note.

The following table provides a summary of the carrying value, notional amount and current market or fair value of derivative financial instruments at December 31, 2010:

	Fair Value	Notional Amount	Fair Value Assets	Balance Sheet Classification	Fair Value Liabilities	Balance Sheet Classification
Derivatives designated as hedging instruments:						
Financial futures	$ (218)	$ 52,083	$ 58	Other invested assets	$ 276	Other invested assets
Cross currency swaps	(1,203)	27,989	1,789	Other invested assets	2,992	Other invested assets
Interest rate swaps	(11)	93,500	1,595	Other invested assets	1,606	Other invested assets
Total derivatives designated as hedging instruments	(1,432)	173,572	3,442		4,874	
Derivatives not designated as hedging instruments:						
Financial futures	(1,853)	87,535	-	Other invested assets	1,853	Other invested assets
Credit default swaps	4	8,000	4	Other invested assets	-	Other invested assets
Purchased option contracts	58,686	448,266	58,686	Other invested assets	-	Other invested assets
Written option contracts	(36,527)	751	-	Other invested assets	36,527	Other invested assets
Total derivatives not designated as hedging instruments	20,310	544,552	58,690		38,380	
Total derivative financial instruments	$ 18,878	$ 718,124	$ 62,132		$ 43,254	

(000s omitted)

The following table provides a summary of the carrying value, notional amount and current market or fair value of derivative financial instruments at December 31, 2009:

	Fair Value	Notional Amount	Fair Value Assets	Balance Sheet Classification	Fair Value Liabilities	Balance Sheet Classification
Derivatives designated as hedging instruments:						
Financial futures	$ 1,933	$ 58,656	$ 2,063	Other invested assets	$ 130	Other invested assets
Cross currency swaps	589	37,989	1,396	Other invested assets	807	Other invested assets
Interest rate swaps	3,967	60,845	3,967	Other invested assets	-	Other invested assets
Total derivatives designated as hedging instruments	6,489	157,490	7,426		937	
Derivatives not designated as hedging instruments:						
Financial futures	(2,653)	305,564	596	Other invested assets	3,249	Other invested assets
Purchased option contracts	70,086	345,974	70,086	Other invested assets	-	Other invested assets
Written option contracts	(51,832)	1,388	-	Other invested assets	51,832	Other invested assets
Total derivatives not designated as hedging instruments	15,601	652,926	70,682		55,081	
Total derivative financial instruments	$ 22,090	$ 810,416	$ 78,108		$ 56,018	

Futures Contracts: Futures contracts are a commitment to purchase or deliver securities or currency in the future at a predetermined price or yield, and are usually settled in cash. When a futures contract is entered into, a margin account is established with the broker based on the requirements of the futures exchange.

The Company utilizes short positions in foreign currency futures to manage the foreign currency fair value risk exposure to investments denominated in foreign currencies. Foreign currency futures designated as hedging the foreign currency risk of foreign currency denominated long-term bonds and common stock are classified as foreign currency fair value hedges. The Company assesses the effectiveness of foreign currency fair value hedges based on the changes in fair value attributable to changes in spot prices. The change in the fair value of the foreign currency futures related to the changes in the difference between the spot price and the futures price is excluded from the assessment of hedge effectiveness and recognized in earnings. Based on this assessment of effectiveness, the foreign currency fair value hedges using short foreign currency futures contracts were effective in 2010 and 2009. Ineffectiveness could be present in a hedging relationship even if the assessment of effectiveness shows a highly effective relationship. The ineffectiveness in a fair value hedge is calculated as the extent that the change in the fair value of hedging instrument does not offset the change in the fair value of the hedged item.

The Company utilizes short positions in foreign currency futures to hedge a portion of its net assets in its consolidated foreign affiliates from the effects of fluctuations in currency exchange rates and designates these futures as net investment hedges. The Company assesses the effectiveness of the foreign net investment hedges based on the changes in forward exchange rates. When deemed effective, changes in fair value of the foreign currency futures are recorded in accumulated other comprehensive loss. The amounts in accumulated other comprehensive loss will be reclassified into earnings in the same periods during which the hedged forecasted transactions affect earnings. Ineffectiveness could be present in a hedging relationship even if the assessment of effectiveness shows a highly effective relationship. Based on this assessment of effectiveness, the foreign net investment hedge using short foreign currency futures contracts were effective in 2010 and 2009.

Foreign currency futures and equity futures that cannot be designated to specific foreign currency risk are not accounted for under hedge accounting. All changes in the fair value of undesignated foreign currency futures are recorded in net realized investment losses.

Credit Default Swaps : The company purchased a credit default swap in 2010 to protect against credit risk in the domestic corporate debt portfolio. The credit default swap was not designated or accounted for under hedge accounting and as such, all changes in the fair value of this swap were recorded in net realized losses.

Currency Forwards: Currency forward contracts are a commitment to purchase or deliver currency in the future at a predetermined price and time. The Company utilizes short positions in foreign currency forwards to manage the foreign currency fair value risk exposure to investments denominated in foreign currencies. Foreign currency forwards designated as hedging the foreign currency risk of foreign currency denominated long-term bonds are classified as foreign currency fair value hedges. The Company assesses the effectiveness of the foreign currency fair value hedge based on the changes in fair value attributable to changes in spot prices. The change in the fair value of the foreign currency futures related to the changes in the difference between the spot price and the futures price is excluded from the assessment of hedge effectiveness and currently recognized in earnings. Based on this assessment of effectiveness, the foreign currency fair value hedges using short foreign currency forward contracts were highly effective in 2010 and 2009. If the foreign currency forwards were not deemed highly effective, the change in fair value of the foreign currency forwards would be recorded in net realized investment losses with no offset from the hedged item. Ineffectiveness could be present in a hedging relationship even if the assessment of effectiveness shows a highly effective relationship. The ineffectiveness in a fair value hedge is calculated as the extent that the change in the fair value of hedging instrument does not offset the change in the fair value of the hedged item.

Foreign currency forwards hedging foreign currency denominated bonds that cannot be designated to specific foreign currency risk are not accounted for under hedge accounting. All changes in the fair value of undesignated foreign currency forwards are recorded in net realized investment losses.

Cross Currency Swaps: Under cross currency swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between functional currency (U.S. Dollar) fixed or floating rate interest amounts and foreign currency fixed or floating rate interest amounts calculated by reference to agreed upon notional principal amounts. Generally, exchanges of functional currency (U.S. Dollar) and foreign currency notional amounts are made at the initiation and maturity of the contract. The Company uses cross currency swaps to eliminate the variability in functional currency equivalent cash flows of foreign currency denominated debt instruments. The Company designates the cross currency swaps as foreign currency cash flow hedges when the swaps are deemed highly effective. The changes in fair value of the cross currency swaps attributable to the hedged risk is recorded in accumulated other comprehensive loss to an extent it is effective. The amounts in accumulated other comprehensive loss will be reclassified into earnings in the same periods during which the hedged forecasted transactions affect earnings. If the cross currency swaps were not deemed highly effective, the change in fair value of the cross currency swaps would be recorded in net realized investment losses. Based on this assessment of effectiveness, the foreign currency fair value hedges using short foreign currency forward contracts were highly effective in 2010 and 2009.

Interest Rate Swaps: The Company uses interest rate swaps to reduce market risks from changes in interest rates and to properly align the risk characteristics of assets and liabilities. Under interest rate swaps the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Generally no cash is exchanged at the outset of the contract and no principal payments are made by either party. The interest rate swap contracts are entered into pursuant to master agreements that normally provide for a single net payment to be made by one counterparty at each due date.

The Company enters into certain interest rate swaps designated as cash flow hedges. The Company assesses the effectiveness of cash flow hedges based on a comparison of the change in fair value of the actual swap to the change in fair value of a "perfect" hypothetical swap which has terms that identically match the critical terms of the hedged items. Based on this assessment of effectiveness, the cash flow hedges were highly effective in 2010 and 2009. Accordingly, the fair value of the actual swap was recorded at fair value on the balance sheet and accumulated other comprehensive loss was adjusted to the lesser of the actual swap fair value or the hypothetical swap's fair value. If the amount in accumulated other comprehensive loss was limited to the hypothetical swap's fair value, the difference was recorded in net realized investment losses. The amounts in accumulated other comprehensive loss will be reclassified into earnings in the same periods during which the hedged forecasted transactions affect earnings. If the hedges were not deemed highly effective, the change in fair value of the interest rate swaps would be recorded in net realized investment losses with no offset from the hedged items. All changes in the fair value of undesignated interest rate swaps are recorded in net realized investment losses.

The Company enters into certain interest rate swaps designated as fair value hedges. The Company assesses the effectiveness of fair value hedges based on the changes in fair value attributable to changes in the benchmark interest rate. Based on this assessment of effectiveness, the fair value hedges were highly effective in 2010 and 2009. If the hedges were not deemed highly effective, the change in fair value of the interest rate swaps would be recorded in net realized investment losses with no offset from the hedged item. All changes in the fair value of undesignated interest rate swaps are recorded in net realized investment losses.

Options: Options are contracts that grant the purchaser, for a premium payment, the right to receive an amount of money based on a specified formula within a specified period of time. The Company issues market index certificates, equivalent to a written option. In return for the premium received, the Company agrees to pay the participant a percentage of the market price increase of an equity index above an agreed upon strike price at the end of a specified term. The Company mitigates risk from these agreements by purchasing over-the-counter call options with identical terms.

The Company also purchases over-the-counter call options to mitigate the risk of returns offered to policyholders who purchase equity indexed annuities. Net gains (losses) of $12,694, $8,547 and ($13,823) were recorded to net realized investment losses in 2010, 2009 and 2008, respectively.

The Company issues equity-indexed annuity contracts that guarantee a return of principal to the customer and credit interest based on certain indices, primarily the S&P 500 Index. A portion of the premium from each customer is invested in investment grade fixed income securities and is intended to cover the minimum guaranteed value due to the customer at the end of the term. A portion of the premium is used to purchase over-the-counter call options to hedge the potential growth in interest credited to the customer as a direct result of the increases in the related indices.

(000s omitted)

The following table provides the financial statement classification and impact of derivatives used in qualifying and non-qualifying hedge relationships, excluding embedded derivatives and the offset of the hedged item in an effective hedge for the years ended December 31:

	2010	2009	2008	Income Statement Classification
Net investment income, reclassed from accumulated other comprehensive income (loss):				
Interest rate swaps, cash flow hedge	$ 1,118	$ 1,424	$ 317	Net investment income
Total derivatives reclassed to net investment income	1,118	1,424	317	
Net realized investment gains (losses):				
Currency futures, fair value hedge	(770)	(2,279)	1,863	Operating and other expenses
Currency futures, ineffectiveness in hedge	(24)	17	188	Other income
Currency futures, net investment hedge	-	17,001	-	Other income
Currency futures, non-qualifying	(604)	(3,604)	1,271	Other income
Currency forwards, non-qualifying	-	-	(14)	Other income
Credit default swap	4	-	-	
Equity futures, non-qualifying	(3,278)	(79,295)	(10,736)	Other income
Interest rate swaps, fair value hedge	(3,977)	3,967	(1,706)	Operating and other expenses
Interest rate swaps, ineffectiveness in hedge	-	-	(366)	Other income
Options, non-qualifying	12,667	4,969	(13,867)	Other income
Total net realized investment gains (losses) on derivatives	4,018	(59,224)	(23,367)	
Accumulated other comprehensive income (loss):				
Currency futures, net investment hedge	2,903	(29,691)	33,951	Other income
Cross currency swaps, cash flow hedge	(1,884)	(7,762)	9,843	Other income
Interest rate swaps, cash flow hedge	-	-	5,408	Other income
Total accumulated other comprehensive income (loss) on derivatives	1,019	(37,453)	49,202	
Total derivative impact	$ 6,155	$ (95,253)	$ 26,152	

(000s omitted)

The following table presents the components of accumulated other comprehensive loss, before income tax, related to cash flow hedges as of December 31:

	2010	2009	2008
Unrealized gain on derivatives included in accumulated other comprehensive loss as of January 1	$ 10,189	$ 49,066	$ 181
Gains (losses) deferred in accumulated other comprehensive loss on the effective portion of cash flow hedges	1,019	(37,453)	49,202
Amounts reclassified to net investment income	(1,118)	(1,424)	(317)
Unrealized gain on derivatives included in accumulated other comprehensive loss as of December 31	$ 10,090	$ 10,189	$ 49,066

The Company estimates that $920 will be reclassed in 2011 from accumulated other comprehensive loss to net investment income as contractual cash flows on cross currency swaps are settled and from cash flows on interest rate swaps designated as cash flow hedges that were terminated in 2010. The Company is hedging its exposure to the variability in future cash flows for a maximum of 9 years on forecasted transactions excluding those transactions related to the payment of variable interest on existing instruments.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its swap and forward agreements. The Company monitors the credit standing of the counterparties and has entered into cash collateral agreements based on the credit rating of the counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the contracts given their high credit ratings. The futures contracts are traded on a regulated exchange and, in the opinion of management, have low counterparty risk.

(000s omitted)

Embedded Derivatives

The Company issues products that contain embedded derivatives including equity indexed annuities and guarantees contained in variable annuity policies. Such embedded derivatives are required to be separated from their host contracts and accounted for at fair value. The following table presents the fair value of embedded derivatives, which are reported as part of policyholder account balances in the consolidated balance sheets, as of December 31:

	2010	2009
Equity indexed annuities	$ 51,468	$ 29,048
Guarantees on variable annuities	6,305	8,442
Total embedded derivatives	$ 57,773	$ 37,490

The change in fair value related to embedded derivatives was ($20,283), ($8,367) and ($5,424) for the years ended December 31, 2010, 2009 and 2008, respectively and was recorded as part of net realized investment losses.

Fair Value Measurement – Recurring Basis

The Company follows the provisions of FASB ASC 820 *Fair Value Measurements and Disclosures ("FASB ASC 820"),* which defines fair value, establishes a framework for measuring fair value under GAAP, establishes a fair value hierarchy based on the observability of inputs used to measure fair value, and enhances disclosures about fair value measurements. FASB ASC 820 provides guidance on how to measure fair value when required under existing accounting standards. The Company does not apply FASB ASC 820 to nonfinancial assets and liabilities as permitted by FASB ASC 820-10-15 and FASB ASC 820-10-50-8A.

FASB ASC 820 establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value into three broad levels. The Company has categorized its financial instruments, based on the degree of subjectivity inherent in the valuation technique, as follows:

- Level 1: Inputs are directly observable and represent quoted prices for identical assets or liabilities in active markets the Company has the ability to access at the measurement date (for example, U.S. Government securities and active exchange-traded equity securities).

- Level 2: Inputs are observable, either directly or indirectly, other than quoted prices included in Level 1, for the asset or liability. This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means (for example, certain corporate and municipal bonds and certain preferred stocks).

- Level 3: Inputs are unobservable inputs reflecting the Company's estimates of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk (for example, certain structured securities and privately held investments).

For purposes of applying the provisions of FASB ASC 820, observable inputs are those inputs used by market participants in valuing financial instruments, which are developed based on market data obtained from independent sources. In the absence of sufficient observable inputs, unobservable inputs, reflecting the Company's estimates of the assumptions market participants would use in valuing financial assets and liabilities, are developed based on the best information available in the circumstances. The Company uses prices and inputs that are current as of the measurement date. In periods of market turmoil the ability to observe prices and inputs may be reduced for many investments, which in turn could cause an investment to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3. In some instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The availability of observable inputs varies by investment. The availability can also be significantly affected by illiquid or disrupted markets such as the market at December 31, 2009 and, to a somewhat lesser extent, at December 31, 2010. In situations where the fair value is based on inputs that are unobservable in the market or on inputs from inactive markets, the determination of fair value requires more judgment and is subject to the risk of variability. The degree of judgment exercised by the Company in determining fair value is typically greatest for investments categorized in Level 3. Transfers in and out of level categorizations are reported as having occurred at the end of the quarter in which the transfer occurred. Therefore, for all transfers into Level 3, all realized gains and losses and all changes in unrealized gains and losses in the fourth quarter are not reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2010. A transfer into Level 3 during the year ended December 31, 2010 was related to a domestic corporate security and was due to a change in a model using primarily observable inputs to a model using primarily unobservable inputs.

(000s omitted)

The hierarchy requires the use of market observable information when available for assessing fair value. The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010.

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents[1]	$ 26,500	$ -	$ -	$ 26,500
Debt securities:				
U.S. government and agencies	91,188	90,094	-	181,282
States and political subdivisions	-	615,968	-	615,968
Foreign government securities	-	27,431	-	27,431
Domestic corporate securities	-	3,854,072	62,194	3,916,266
Mortgage-backed securities:				
Residential mortgage-backed	-	627,654	258,292	885,946
Commercial mortgage-backed	-	309,085	41,020	350,105
Collateralized debt obligations	-	-	39,422	39,422
Other structured securities	-	33,095	5,097	38,192
Foreign corporate securities	-	1,045,113	4,490	1,049,603
Total debt securities	91,188	6,602,512	410,515	7,104,215
Equity securities	58,939	28	20,332	79,299
Short-term investments	994	-	-	994
Student loans receivable[2]	-	-	18,896	18,896
Derivative assets[2]	(2,072)	20,950	-	18,878
Separate account assets	-	4,215,651	-	4,215,651
Total assets	$ 175,549	$ 10,839,141	$ 449,743	$ 11,464,433

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivatives embedded in annuity contracts	$ -	$ -	$ 57,773	$ 57,773
Total liabilities	$ -	$ -	$ 57,773	$ 57,773

[1]As of December 31, 2010 excludes $217,412 of cash that is not subject to fair value accounting.
[2]As of December 31, 2010 excludes $22,805 of investments that are not subject to fair value accounting, which are included with Other invested assets.

(000s omitted)

The hierarchy requires the use of market observable information when available for assessing fair value. The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2009.

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents[1]	$ 165,000	$ -	$ -	$ 165,000
Debt securities:				
U.S. government and agencies	100,092	5,315	-	105,407
States and political subdivisions	-	436,599	-	436,599
Foreign government securities	-	27,783	-	27,783
Domestic corporate securities	-	3,315,834	74,068	3,389,902
Mortgage-backed securities:				
Residential mortgage-backed	-	652,191	293,399	945,590
Commercial mortgage-backed	-	189,721	32,635	222,356
Collateralized debt obligations	-	-	27,514	27,514
Other structured securities	-	96,194	5,077	101,271
Foreign corporate securities	-	742,730	-	742,730
Total debt securities	100,092	5,466,367	432,693	5,999,152
Equity securities	130,303	27,159	22,904	180,366
Mortgage loans[2]	-	-	50,218	50,218
Short-term investments	3,497	4,569	-	8,066
Student loans receivable[3]	-	-	15,845	15,845
Derivative assets[3]	1,744	20,346	-	22,090
Separate account assets	-	4,049,659	-	4,049,659
Total assets	$ 400,636	$ 9,568,100	$ 521,660	$ 10,490,396

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivatives embedded in annuity contracts	$ -	$ -	$ 37,490	$ 37,490
Total liabilities	$ -	$ -	$ 37,490	$ 37,490

[1]As of December 31, 2009 excludes $195,558 of cash that is not subject to fair value accounting.
[2]As of December 31, 2009, excludes $704.826 of mortgage loans that are not subject to fair value accounting.
[3]As of December 31, 2009 excludes $47,331 of investments that are not subject to fair value accounting, which are included with Other invested assets.

A summary of valuation techniques for classes of financial assets and liabilities by fair value hierarchy level are as follows:

Level 1 Measurements
Cash equivalents: Consists of money market funds; valuation is based on the closing price as of the balance sheet date.

U.S. government and agencies: Consists of U.S. Treasury securities and debentures (non-MBS/ABS) issued by agencies of the U.S. government. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Equity securities - common and preferred stock, publicly traded: Consists of U.S. and Canadian exchange traded common and preferred stocks; valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Short-term investments: Consists of U.S. Treasury securities and short-term domestic securities; valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Derivative assets: Exchange traded derivatives (primarily futures and options) that are actively traded and are valued based on quoted prices for identical instruments in markets that are active. Other derivatives are reported in Level 2, as their fair value is based on inputs that are not directly observable and based on certain valuation inputs.

Level 2 Measurements
U.S. Government and agencies: Valued based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

States and political subdivisions: Consists of municipal general obligation and revenue bonds for which pricing is determined based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and comparable trades in the municipal bond markets.

Foreign government securities: Consists primarily of Canadian and Australian sovereign and provincial debentures. Valued based on observable inputs such as the applicable market yield curve, market indicated spreads by security rating, and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Domestic corporate securities: Valued based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Residential mortgage-backed securities: Valuation is principally based on observable inputs including quoted prices for similar assets in markets that are active and observable market data, such as the U.S. Treasury curve.

Commercial mortgage-backed securities: Valuation is principally based on observable inputs including quoted prices for similar assets in markets that are active and observable market data, such as the U.S. Treasury curve.

Non-mortgage asset-backed securities: Valued based on inputs including quoted prices for identical or similar assets in markets that are not active.

Foreign corporate securities: Valued based on observable inputs such as the applicable, country-specific market yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Equity securities - common and preferred stock, publicly traded: Consists of U.S. and Canadian exchange traded common and preferred stocks; valuation is based on observable inputs such as the applicable market yield curve, market indicated spreads by security rating, and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Short-term investments: Consists of U.S. Treasury securities and short-term domestic securities; valuation is based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Derivatives: Consists of derivatives such as interest-rate swaps, currency forwards, and other over the counter derivatives used for hedging purposes. Valuation inputs having a material effect on fair value include market quoted interest rates, market-implied volatility and other observable inputs regularly used by industry participants in the over-the-counter derivatives markets. Exchange traded derivatives are reported in Level 1.

Separate account assets: Consists of mutual funds which the Company could redeem its investment in at net asset value per share with the investee.

<u>Level 3 Measurements</u>
Foreign government securities: Valued based on unobservable inputs such as quoted prices for similar assets in markets that may not be active.

Domestic corporate securities: Valued based on unobservable inputs such as quoted prices from a third party for identical assets in markets that are not active and/or similar assets in markets that are active.

Residential mortgage-backed securities: Valuation is principally based on unobservable inputs including quoted prices for similar assets in markets that may not be active. When available, market indices and observable inputs, along with analytical modeling are used. However, observable inputs on non-distressed asset trades are not frequent.

Commercial mortgage-backed securities: Valuation is principally based on unobservable inputs including quoted prices for similar assets in markets that may not be active. When available, market indices and observable inputs, along with analytical modeling are used. However, observable inputs on non-distressed asset trades are not frequent.

Non-mortgage asset-backed securities: Valuation is principally based on unobservable inputs including quoted prices for similar assets in markets that may not be active. When available, market indices and observable inputs, along with analytical modeling are used. However, observable inputs on non-distressed asset trades are not frequent.

Foreign corporate securities: Valued based on unobservable inputs such as quoted prices from a third party for identical assets in markets that are not active and/or similar assets in markets that are active.

Equity securities - common and preferred stock, non-publicly traded: Consists of non-public securities primarily acquired in conjunction with investments in limited partnerships. Such investments are initially valued at transaction price and subsequently adjusted when evidence is available to support adjustments. Such evidence includes change in value as a result of public offerings, market comparables, market liquidity, the investees' financial results, sales restrictions, or other items.

Mortgage loans: Consists of commercial mortgage loans; valuation is based on the loan interest rate compared to published rates of similar loans based on type, duration (including prepayment positions), and interest rate and by considering collateral values and credit risk of the borrower.

Student loans receivable: Valued based on discounted cash flow analyses with interest rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings.

Derivatives embedded in annuity contracts: The Company offers certain variable annuity products with guaranteed minimum benefit riders. These include guaranteed minimum withdrawal benefit ("GMWB") riders and guaranteed minimum accumulation benefit ("GMAB") riders. GMWB and GMAB riders are embedded derivatives, which are measured at fair value separately from the host variable annuity contract. Equity indexed annuities also contain an embedded derivative, the option on a stock index.

The fair value for these embedded derivatives is estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. The Company projects cash flows from the derivatives under multiple capital market scenarios using observable risk free rates then includes an adjustment for the Company's own credit and risk margins for non-capital market inputs. The Company's own credit adjustment is determined taking into consideration publicly available information relating to the Company's debt as well as its claims paying ability. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment. These derivatives may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in the Company's own credit standing; and variations in actuarial assumptions regarding policyholder behavior and risk margins related to non-capital market inputs may result in significant fluctuations in the fair value of the derivatives that could materially affect net income. See Embedded Derivatives within this Note for the impact to net income (loss).

(000s omitted)

The following table sets forth the fair values of assets classified as level 3 within the fair value hierarchy at December 31, 2010:

	Balance January 1, 2010	Total Realized/Unrealized Gain (Loss) Included in: Earnings[1]	Other Comprehensive Income	Net Purchases, (Sales) and (Maturities)	Transfer in to Level 3	Balance December 31, 2010 [2]
Debt securities:						
Domestic corporate securities	$ 74,068	$ (5,900)	$ 8,586	$ (14,560)	$ -	$ 62,194
Mortgage-backed securities:						
Residential mortgage-backed	293,399	(31,861)	73,317	(76,563)	-	258,292
Commercial mortgage-backed	32,635	(29,069)	28,552	8,902	-	41,020
Collateralized debt obligations	27,514	(37,607)	51,182	(1,667)	-	39,422
Other structured securities	5,077	-	1,121	(1,101)	-	5,097
Foreign corporate securities	-	-	393	250	3,847	4,490
Total debt securities	432,693	(104,437)	163,151	(84,739)	3,847	410,515
Equity securities	22,904	312	(166)	(2,718)	-	20,332
Mortgage loans	50,218	-	2,277	(52,495)	-	-
Student loans receivable	15,845	96	-	2,955	-	18,896
Total assets	$ 521,660	$ (104,029)	$ 165,262	$ (136,997)	$ 3,847	$ 449,743
Derivatives embedded in annuity contracts	$ 37,490	$ 20,283	$ -	$ -	$ -	$ 57,773
Total liabilities	$ 37,490	$ 20,283	$ -	$ -	$ -	$ 57,773

[1] Included in earnings is amortization of premium/discount, impairments, realized gains and losses and lapses associated with embedded derivatives.
[2] There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as level 3 that are still held at December 31, 2010.

(000s omitted)

The following table sets forth the fair values of assets classified as level 3 within the fair value hierarchy at December 31, 2009:

	Balance January 1, 2009	Total Realized/Unrealized Gain (Loss) Included in: Earnings[1]	Other Comprehensive Income	Net Purchases, (Sales) and (Maturities)	Transfer in to Level 3	Balance December 31, 2009 [2]
Debt securities:						
Foreign government securities	$ 1,103	$ 57	$ -	$ (1,160)	$ -	$ -
Domestic corporate securities	76,822	(7,694)	5,939	(7,396)	6,397	74,068
Mortgage-backed securities:						
Residential mortgage-backed	369,621	(115,749)	80,760	(41,233)	-	293,399
Commercial mortgage-backed	51,729	(222)	(18,756)	(116)	-	32,635
Collateralized debt obligations	44,591	(42,546)	24,127	1,342	-	27,514
Other structured securities	7,444	18	2,470	2,260	(7,115)	5,077
Foreign corporate securities	24,195	-	9	-	(24,204)	-
Total debt securities	575,505	(166,134)	94,550	(46,306)	(24,922)	432,693
Equity securities	23,369	(484)	(3,275)	3,261	33	22,904
Mortgage loans	55,767	-	6,562	(12,111)	-	50,218
Student loans receivable	8,159	(1,840)	-	9,526	-	15,845
Total assets	$ 662,800	$ (168,458)	$ 97,837	$ (45,630)	$ (24,889)	$ 521,660
Derivatives embedded in annuity contracts	$ 29,123	$ 8,367	$ -	$ -	$ -	$ 37,490
Total liabilities	$ 29,123	$ 8,367	$ -	$ -	$ -	$ 37,490

[1] Included in earnings is amortization of premium/discount, impairments, realized gains and losses and lapses associated with embedded derivatives.
[2] There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as level 3 that are still held at December 31, 2009.

Fair Value Measurement - Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Other than the re-measurement of the Company's equity interest in Producers AG Insurance Group, Inc. in 2010 and 2009 as detailed in Note 15, the Company had no assets or liabilities that required a fair value adjustment as of December 31, 2010 or 2009.

(000s omitted)

Fair Value Option and Student Loans

The Company elected the fair value option with respect to all student loans receivable to better reflect their economics. These loans are included in other invested assets at December 31, 2010 and 2009.

The fair value and the aggregate unpaid principal balance of the Company's student loans for which the fair value option has been elected at December 31, 2010 and 2009 are as follows:

		2010		2009
Fair value	$	20,629	$	16,768
Aggregate contractual principal and accrued interest outstanding		22,902		19,001
Fair value (under) aggregate contractual principal and accrued interest outstanding	$	(2,273)	$	(2,233)

The fair values of the student loans are estimated using discounted cash flow analyses with interest rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings. In addition, the Company makes assumptions regarding the default rate, prepayment rate and market rate. Loans with similar characteristics are aggregated for purposes of the calculations. The change in the fair value of the loans is included in net realized investment losses in the accompanying consolidated statement of operations. Interest income is recorded on an accrual basis and is included in net investment income. The Company had $4,520 and $1,440 of loans at December 31, 2010 and 2009, respectively that were in repayment status with an immaterial amount of loans greater than 90 days past due in both years.

Securities on Deposit/Assets Designated

Iowa law requires that assets equal to a life insurer's "legal reserve" must be designated for the Iowa Department of Commerce, Insurance Division. The legal reserve is equal to the net present value of all outstanding policies and contracts involving life contingencies. At December 31, 2010 and 2009, bonds and notes, mortgage loans and policy loans with a carrying value of $6,955,925 and $5,960,101, respectively, were accordingly designated for Iowa. Other regulatory jurisdictions require cash and securities to be deposited for the benefit of policyholders. Pursuant to these requirements, securities with a fair value of $48,225 and $50,370 were on deposit as of December 31, 2010 and 2009, respectively.

A subsidiary of the Company entered into a one year revolving credit facility agreement with JP Morgan Chase Bank in 2010, to which the Company serves as guarantor. The Company, as guarantor, is required to comply with financial covenants including a maximum ratio of total debt to policyholders' surplus, a minimum statutory risk-based capital ratio, and minimum statutory surplus. As of December 31, 2010 the Company has pledged assets of $38,757 to secure this guarantee. See Note 10, Notes Payable, for a further description of this agreement.

The Company has entered into modified coinsurance agreements, under the terms of which the risk of loss is not sufficiently transferred to the reinsurers. Accordingly, the agreements are accounted for using the deposit method. As part of the agreements the Company is required to manage certain assets according to guidelines contained in the agreements and provide the basis for investment income to be earned and paid to the reinsurers.

(000s omitted)

Asset Restrictions

At December 31, 2010 and 2009, $40,120 and $42,845 of securities were held in trust, securing an agreement to provide, under certain circumstances, capital support to an unconsolidated affiliate. See Note 13, Commitments and Contingencies—Capital Support Agreement, for a further description of this arrangement.

Note 4: Income Tax

CUNA Mutual and certain of its domestic subsidiaries file a consolidated life-nonlife federal income tax return. The Company has entered into a tax sharing agreement with its subsidiaries. The agreement provides for the allocation of tax expense between CUNA Mutual and its subsidiaries and is based on each subsidiary's contribution to the consolidated federal income tax liability. The agreement is substantially in accordance with Reg. Section 1.1552-1(a)(1) and 1.1502-33(d)(3). The agreement departs from Reg. Section 1.1552-1(a)(1) and 1.1502-33(d)(3) in that subsidiaries which have incurred losses are reimbursed regardless of the utilization of the loss in the current year.

Income Tax Expense (Benefit) on Continuing Operations

Income tax expense (benefit) attributable to income (loss) from continuing operations for the years ended December 31 is as follows:

	2010	2009	2008
Current tax expense (benefit)	$ 7,066	$ (87,693)	$ (6,671)
Deferred tax expense (benefit)	22,174	45,836	(84,354)
Total income tax expense (benefit)	$ 29,240	$ (41,857)	$ (91,025)

The income tax effects of discontinued operations are shown in Note 14.

(000s omitted)

Reconciliation to U.S. Tax Rate

Income tax expense (benefit) differs from the amount computed by applying the U.S. federal corporate income tax rate of 35% to income (loss) from continuing operations before income taxes, equity in income (loss) of unconsolidated affiliates and net income (loss) attributable to non-controlling interests due to the items listed in the following reconciliation:

	2010	2009	2008
Tax expense (benefit) computed at federal corporate tax rate	$ 40,118	$ (40,814)	$ (86,086)
Tax-exempt investment income	(4,842)	(4,718)	(4,511)
Settlement of prior year taxes	(7,333)	(3,425)	(466)
Dividends-received deduction	(3,210)	(3,461)	(2,761)
Meals and entertainment	959	553	986
Valuation allowance	-	11,600	-
Foreign operations	(76)	105	(48)
Non-deductible business acquisition costs	3,158	-	-
Other, net	466	(1,697)	1,861
Total income tax expense (benefit) on continuing operations	$ 29,240	$ (41,857)	$ (91,025)

(000s omitted)

Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets:		
Policy liabilities and reserves	$ 152,054	$ 137,102
Pension and other employee benefits	93,806	78,314
Investments	55,475	90,522
Unearned revenue	32,415	42,552
Loss reserve discounting	16,829	12,534
Accrued expenses	31,534	29,161
Dividends payable to policyholders	12,829	12,790
Foreign currency translation	13,645	15,005
Loss carryforwards	9,473	14,959
Unrealized investment losses	-	96,720
Other	18,063	12,199
Gross deferred tax assets	436,123	541,858
Deferred tax liabilities:		
Unrealized investment gains	19,558	-
Deferred policy acquisition costs	139,348	147,481
Deferred and uncollected premium	10,819	9,000
Fixed assets and real estate	9,826	5,490
Intangible assets	27,300	19,243
Undistributed net income of unconsolidated affiliates	22,573	29,602
Other	7,550	8,784
Gross deferred tax liabilities	236,974	219,600
Deferred tax asset, net	$ 199,149	$ 322,258

Valuation Allowance

The Company determines the need for a valuation allowance for recorded gross deferred income tax assets based on all available evidence, both positive and negative. Sources of taxable income available under the tax law to realize these deferred tax assets, which represent a combination of tax benefits associated with temporary differences and carryforwards, may include (1) future reversals of existing taxable temporary differences, (2) future taxable income exclusive of reversing temporary differences and carryforwards, (3) taxable income in prior carryback years, and (4) tax planning strategies. To qualify as a source of taxable income, tax planning strategies must, besides meeting other tests, be prudent and feasible.

Forming a conclusion with respect to valuation allowances can be difficult in certain circumstances, including situations where there are significant deferred tax assets related to realized and unrealized capital losses, the benefit of which requires the realization of future capital gain taxable income during a carryforward period that is limited by tax law. These determinations are ultimately judgments based on an evaluation of the best facts available at the time. The ultimate outcome could vary from the amounts recorded.

The Company considered the need for a valuation allowance with respect to its gross deferred tax assets, including deferred tax assets that relate to realized and unrealized capital losses recorded in the determination of income and other comprehensive income for financial statement purposes as of December 31, 2010 and 2009 Based on the Company's evaluation the Company had no valuation allowances at December 31, 2010 or 2009. The realization of further investment capital losses in 2011 could generate additional deferred tax assets. The outcome of future determinations would be based on the facts and circumstances at that time and cannot be predicted with certainty.

Income tax expense in 2009 includes $11,600 attributable to an increase in the valuation allowance relating to the deferred tax assets on investment capital losses recorded in the first quarter of 2009. This valuation allowance was released in connection with the implementation of the amendments to FASB ASC 320 on April 1, 2009; however, the release was recorded as an increase to retained earnings and therefore did not reverse the amount recorded in income tax expense on a year-to-date basis. The release of the valuation allowance is related to the reversal of previously recorded other-than-temporary impairments that would not have been recorded under the new guidance. Management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized based on the Company's assessment that the deductions ultimately recognized for tax purposes will be fully utilized.

Other Tax Items

As of December 31, 2010 and 2009, the Company had federal capital loss carryforwards of approximately $10,000 and $27,000, respectively; the related tax benefits are approximately $3,500 and $9,000. These carryforwards expire in 2015. As of December 31, 2010 and 2009, the Company had federal operating loss carryforwards of approximately $14,500 and $13,000, respectively; the related tax benefits are approximately $5,000 and $5,000. These carryforwards expire in years 2024 through 2028. As of December 31, 2010 and 2009, the Company had state operating loss carryforwards of approximately $20,000 and $17,400, respectively; the related tax benefits are approximately $900 and $800, respectively. These carryforwards expire in various years through 2026.

The Company generally does not provide U.S. deferred income taxes or foreign withholding taxes on undistributed earnings from foreign affiliates since the earnings are intended to be reinvested indefinitely. However, as disclosed in Note 14, the Company announced in January 2011 that it will be selling its Australian business operations. In connection with this plan the Company recorded a deferred tax liability of approximately $4,000 related to the undistributed earnings in its Australian subsidiaries most of which relates to earnings of prior years.

(000s omitted)

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2010	2009
Balance at January 1	$ 58,486	$ 62,449
Reductions based on tax positions related to the current year	(2,640)	(2,390)
Additions for prior years' tax positions	611	3,343
Reductions for prior years' tax positions	(9,912)	(4,123)
Reductions for settlements	(85)	-
Reductions for expiration of statutes	(2,947)	(793)
Balance at December 31	$ 43,513	$ 58,486

Included in the balance of unrecognized tax benefits at December 31, 2010 and 2009 are $28,765 and $33,250, respectively, of unrecognized tax benefits that, if recognized would affect the effective income tax rate in future periods. The statute of limitations relating to certain tax years may close in 2011. Management does not anticipate that the closing of any statute of limitation will result in a material change in its uncertain tax benefits.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as part of the income tax provision. During the years ended December 31, 2010 and 2009, the Company recognized approximately ($534) and ($2,448) in interest and penalties, respectively. The Company had accrued $23,963 and $24,497 for the payment of interest and penalties at December 31, 2010 and 2009, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. For the major jurisdictions where it operates, the Company is generally no longer subject to income tax examinations by tax authorities for years ended before December 31, 2005 for CUNA Mutual and subsidiaries and December 31, 2005 for CUNA Mutual Life Insurance Company (“CMLIC”) and subsidiaries. However, the statutes remain open for years ended after December 31, 1997 for CMLIC and subsidiaries. CUNA Mutual and CMLIC merged on December 31, 2007. For tax purposes the merger was effective January 1, 2008.

(000s omitted)

Note 5: Reinsurance

The Company enters into reinsurance agreements to reduce overall risk, including exposure to large losses and catastrophic events. The Company retains the risk of loss in the event that a reinsurer is unable to meet the obligations assumed under the reinsurance agreements. The Company also assumes insurance risk that was directly written by other insurance entities.

The effects of reinsurance on premiums and on claims, benefits, and losses incurred for the years ended December 31 are as follows:

	2010		2009		2008	
	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance
Premiums:						
Direct	$ 1,238,125	$ 849,404	$ 1,214,273	$ 547,185	$ 1,192,886	$ 478,214
Assumed from ProAg[1]	-	-	-	230,708	-	248,309
Assumed from non-affiliates	3,023	204,040	3,842	123,762	1,450	160,623
Ceded to ProAg[1]	-	-	-	(65,931)	-	(66,857)
Ceded to non-affiliates	(13,992)	(268,637)	(14,974)	(43,093)	(15,932)	(14,235)
Net premiums	$ 1,227,156	$ 784,807	$ 1,203,141	$ 792,631	$ 1,178,404	$ 806,054
Claims, benefits and losses incurred:						
Direct	$ 814,077	$ 635,952	$ 777,237	$ 380,125	$ 727,628	$ 252,270
Assumed from ProAg[1]	-	-	-	228,681	-	203,466
Assumed from non-affiliates	1,437	127,264	1,063	93,942	758	127,712
Ceded to ProAg[1]	-	-	-	(62,309)	-	(49,828)
Ceded to non-affiliates	(12,584)	(183,583)	(11,468)	(34,277)	(12,735)	(8,912)
Net claims, benefits and losses	$ 802,930	$ 579,633	$ 766,832	$ 606,162	$ 715,651	$ 524,708

[1] Through October 30, 2009, the date Producer's AG Insurance Group, Inc. ("ProAg") became a 100%-owned subsidiary (see Note 15).

The balance of reinsurance recoverables at December 31, 2010 and 2009 was $259,351 and $230,525, respectively. These balances are subject to uncertainties similar to the estimates of the gross reserves for claims and policy benefits and loss and loss adjustment expenses. The collection of the balances is also subject to risks. The Company evaluates the risks to collection of these balances in determining the need to establish an allowance for uncollectible reinsurance. In making this determination, the Company considers, among other factors, the credit rating of the reinsurers, its past collection experience, the aging of balances, and any known credit concerns or disputes over contract interpretations. The aggregate recoverable balance of three of the largest reinsurers was $193,262 and $174,191 at December 31, 2010 and 2009, respectively. Included among the balances from these three reinsurers is $42,194 and $30,286 due from the Federal Crop Insurance Corporation ("FCIC") under a crop reinsurance contract with the FCIC, an entity of the Department of Agriculture of the U.S. government. Based on the Company's evaluation an immaterial allowance for uncollectible reinsurance balances was established at December 31, 2010 and 2009.

(000s omitted)

Note 6: Deferred Policy Acquisition Costs

A summary of the deferred policy acquisition costs ("DAC") deferred and amortized at and for the year ended December 31, 2010 and 2009 is shown in the following table:

	2010		2009	
	Life and Health Insurance	Property and Casualty Insurance	Life and Health Insurance	Property and Casualty Insurance
Balance at beginning of year	$ 563,571	$ 24,602	$ 634,239	$ 19,622
Policy acquisition costs deferred	247,491	132,196	270,802	69,851
Policy acquisition costs amortized and adjustments for changes in life and health gross profit assumptions	(273,992)	(129,140)	(265,644)	(64,871)
DAC Effect of change in net unrealized gains (losses) on securities available for sale	(27,071)	-	(75,826)	-
Balance at end of year	$ 509,999	$ 27,658	$ 563,571	$ 24,602

(000s omitted)

Note 7: Liability for Claim Reserves

The following table presents activity relating to unpaid claim and claim adjustment expense reserves for property and casualty and certain accident and health insurance policies:

	2010		2009	
	Accident and Health Insurance	**Property and Casualty Insurance**	**Accident and Health Insurance**	**Property and Casualty Insurance**
Balance as of January 1	$ 393,974	$ 431,140	$ 399,178	$ 415,816
Less experience refunds liability	36,474	6,375	50,664	5,241
Less reinsurance recoverables	6,330	64,015	6,277	47,662
Net balance as of January 1	351,170	360,750	342,237	362,913
Incurred, net of reinsurance recoverable, related to:				
Current year	233,557	595,253	234,990	579,160
Prior years	26,422	(15,620)	9,124	29,857
Total incurred	259,979	579,633	244,114	609,017
Paid, net of reinsurance recoverable related to:				
Current year	78,132	347,973	79,682	333,796
Prior years	163,527	171,449	155,499	277,384
Total paid	241,659	519,422	235,181	611,180
Net balance at December 31	369,490	420,961	351,170	360,750
Plus experience refunds liability	29,316	10,694	36,474	6,375
Plus reinsurance recoverables	6,159	64,604	6,330	64,015
Balance at December 31	$ 404,965	$ 496,259	$ 393,974	$ 431,140

For accident and health products the liability for claim reserves from prior years increased by $26,422 and $9,124 in 2010 and 2009, respectively. For property and casualty products, the decrease was $15,620 in 2010 and the increase was $29,857 in 2009.

For accident and health products, the adverse development in 2010 and 2009 of prior year reserves was primarily due to an increase in credit disability coverage reporting period. For property and casualty products, the decrease in 2010 relates to the net of favorable development on the December 31, 2009 crop reserves offset by loss adjustment expenses incurred in 2010 for claims paid primarily on the 2009 crop year. For property and casualty products, the 2009 increase in prior years incurred losses primarily relates to adverse development of December 31, 2008 crop reserves.

(000s omitted)

Note 8: Benefit Plans

The Company has noncontributory defined benefit pension plans covering substantially all full time employees other than employees of CPI Qualified Plan Consultants, Inc. or Producers AG Insurance Group, Inc., both 100% owned subsidiaries of the Company. Certain employees and directors are also eligible for non-qualified defined benefit plans. Retirement benefits are provided using either a traditional or cash balance formula. The traditional formula provides benefits based on compensation and years of service. The cash balance formula utilizes notional accounts which credit participants with benefits equal to a percentage of eligible pay as well as earnings credits for each account balance. The cash balance formula applies to employees hired after December 31, 2001 for employees not covered under a collective bargaining agreement and September 1, 2005 for employees covered under a collective bargaining agreement and the majority of the benefit obligations relate to the traditional formula. The Company's policy is to fund pension costs as required to meet the minimum funding requirements under the Employee Retirement Income Security Act of 1974. At December 31, 2010 and 2009 $98,346 and $191,558 of the benefit plan assets shown in the table below are invested in the Ultra Series Fund, a family of mutual funds which is managed by an alliance that the Company is party to. (See Note 2 Mutual Fund Alliance.)

The Company's Board adopted an amendment to freeze the traditional formula portion of the pension plan for non-represented employees, effective August 1, 2009. Employees retain the benefits they have accrued under the grandfathered plans as of the date of the freeze; however, no additional benefits will be accrued under the traditional formula. The effect of this amendment was a $57,578 decrease in the projected benefit obligation. CUNA Mutual continues to accrue future benefits for these employees under the cash balance formula. The Company has postretirement benefit plans which provide certain medical and life insurance benefits to eligible participants and dependents. The cost of postretirement benefits is recognized over the period the employees perform services to earn the benefits. Effective December 31, 2008 retiree health benefits were eliminated for all non-represented employees and those represented employees who had retired prior to June 1, 2005. As discussed in greater detail below, the effect of eliminating these benefits was a pre-tax increase to 2008 income of $121,823.

The measurement date for all benefit plans is December 31.

Amounts recognized in accumulated other comprehensive loss as of December 31, 2010 and 2009 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Net prior service costs	$ (18,235)	$ (20,216)	$ (1,315)	$ (1,772)
Net actuarial loss	218,494	192,361	(11,437)	(19,614)
Total recognized in accumulated other comprehensive loss, before tax	200,259	172,145	(12,752)	(21,386)
Tax expense	69,292	59,424	(4,413)	(7,382)
Total recognized in accumulated other comprehensive loss, net of tax	$ 130,967	$ 112,721	$ (8,339)	$ (14,004)

The estimated net actuarial loss and prior service costs that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2011 for the pension benefit plans are $14,729 and ($1,981), respectively, and for the other postretirement benefit plans are ($633) and ($457), respectively.

(000s omitted)

The following table summarizes information about the plans at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2010	**2009**	**2010**	**2009**
Fair value of plan assets	$ 496,001	$ 471,171	$ 7,805	$ 7,157
Benefit obligation	(674,290)	(616,456)	(51,199)	(42,113)
Net liability recognized in the consolidated balance sheet	$ (178,289)	$ (145,285)	$ (43,394)	$ (34,956)

The accumulated benefit obligations for the Company's defined benefit pension plans were $627,274 and $573,710 at December 31, 2010 and 2009, respectively.

The following table provides information for the plans for the years ended December 31:

	Pension Benefits			Other Benefits		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Pension and other benefits:						
Employer contributions	$ 19,363	$ 57,374	$ 3,402	$ 1,319	$ 1,371	$ 7,520
Benefit payments	36,624	34,589	37,375	1,319	1,371	7,520
Net periodic benefit cost	23,429	31,428	11,014	1,123	998	10,963
Settlement gain	-	-	-	-	-	75,101
Curtailment gain	-	1,629	-	-	247	46,722

The pension benefit costs for 2009 include recognition of a curtailment gain of $1,629. The postretirement benefit costs for 2009 include recognition of a curtailment gain of $247. These curtailment gains result from workforce reductions.

The postretirement benefit costs for 2008 include recognition of a curtailment gain of $46,722. This curtailment gain is the result of the suspension of the Company's retiree health benefits for employees not represented under a collective bargaining agreement, effective December 31, 2008. Subsequently, retiree health benefits were eliminated for those non-represented employees and retirees as well as represented employees who retired prior to June 1, 2005. This resulted in a settlement gain of $75,101 recorded as a reduction to 2008 operating expenses in the consolidated 2008 statement of operations.

(000s omitted)

In the table below, information is presented as of December 31 for those pension plans for which the accumulated benefit obligation exceeds the fair value of plan assets.

		2010		2009
Projected benefit obligation	$	674,290	$	616,456
Accumulated benefit obligation		627,274		573,710
Fair value of plan assets:				
Debt securities	$	390,453	$	330,377
Equity securities		74,561		128,226
All other investments		30,987		12,568
Total fair value of plan assets	$	496,001	$	471,171

Actuarial Assumptions

CUNA Mutual's actuarial assumptions used to develop pension and other postretirement benefit obligations for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Discount rate	5.5%	6.0%	5.6%	6.1%
Assumed rate of annual compensation increase	4.1	4.1	4.2	4.2

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 9.3% reducing to 4.4% by 2066.

CUNA Mutual's actuarial assumptions used to develop pension and other postretirement benefit expenses for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
Discount rate	6.0%	6.6%	5.7%	6.1%	6.6%	6.0%
Assumed rate of annual compensation increase	4.1	4.1	4.1	4.2	4.2	4.2
Expected long-term rate of return on plan assets	7.1	7.4	7.9	7.1	6.2	8.0

In determining the discount rate, the Company used the Citibank Above Median Pension Curve, which is represented by a series of annualized individual discount rates from six months to thirty years. The curve is constructed from the above median option adjusted spreads of AA corporate bonds. The specific curve is constructed by grouping bonds into five maturity zones (1-3yr, 3-7yr, 7-15yr, 15-25yr, and 25yr+) and taking the average spread by maturity zone and using linear interpolation to determine specific rates per period. In determining the expected long-term rate of return on plan assets, the Company used the current investment allocation applied to a long-term historical indexed rate of return for these asset classes.

Medicare Part D Subsidy

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The effects of the subsidy are reflected in the measurement of the net periodic postretirement benefit costs. The effect of the subsidy for 2010 was a reduction of the postretirement benefit cost of $250 including $175 related to service cost, $290 related to interest cost and ($214) related to recognized net actuarial gain/loss. Comparable figures for 2009 were a reduction of the postretirement benefit cost of $478 including $181 related to service cost, $296 related to interest cost and no costs related to recognized net actuarial gain/loss. The subsidy reduced the 2010 accumulated postretirement benefit obligation by $5,220 compared to $4,767 in 2009. Subsidies received in 2010 and 2009 amounted to $51 and $21, respectively.

(000s omitted)

Estimated Future Benefit Payments

Estimated future benefit payments for the years ended December 31 are as follows:

	Pension Benefits	Other Benefits Before Subsidy	Other Benefits Medicare Subsidy	Other Benefits After Subsidy
Estimated future benefit payments				
2011	$ 36,095	$ 1,338	$ 28	$ 1,309
2012	36,956	1,581	38	1,543
2013	38,000	1,852	51	1,801
2014	39,700	2,176	65	2,111
2015	41,119	2,548	84	2,464
2016-2020	234,059	18,221	841	17,380

We anticipate making a minimum contribution to the pension plans of approximately $17,000 in 2011 with future amounts to be determined based on future asset performance and liabilities. For other benefits, the employer contribution will be equivalent to the estimated 2011 benefits.

Pension Plan Assets

The Company's overall investment strategy is to achieve a mix of approximately 80 percent debt related exposure and 20 percent equity exposure. Equity securities primarily include investments in large-cap and mid-cap mutual funds primarily located in the United States. Debt related securities primarily include investment grade corporate bond funds. The Company limits its concentrations of risk by diversifying its plan assets through investment in funds rather than individual holdings. The Company maintains a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards, and review procedures to mitigate risk.

The Company directly ties market performance into the key pension assumption related to discount rate. Overall investment strategy is intended to match market asset movements with discount rate related liability changes as closely as possible. This strategy is intended to limit the range of contributions needed by the Company to maintain the plan at minimum funding levels.

CUNA Mutual invests the pension plans' assets with the goal of meeting short and long term obligations, employing optimization techniques to achieve the highest expected return under a target level of portfolio risk. The portfolio risk target is based on the pension plans' funded status, payout features, and participants' characteristics. This methodology takes into account asset class correlations to assure appropriate portfolio diversification. Asset class allocations are allowed to approximate target with a small tolerance to changes in overall portfolio risk. Derivatives may be used to maintain the target allocation.

The expected rates of return and variance for each asset class are derived using statistical techniques based on long-term historical data. Returns and correlations are adjusted slightly to reflect trends and portfolio manager expectations.

(000s omitted)

CUNA Mutual's pension plan asset allocation at December 31, by asset category, as a percentage of plan assets, and the target allocation, is shown below:

	2010	2009	2010 Target Allocation
Asset category			
Debt securities	78.7%	70.1%	80.0%
Equity securities	15.0	27.4	20.0
Other investments	6.3	2.5	-
Total	100.0%	100.0%	100.0%

The fair value of the Company's pension plan assets by asset category at December 31, 2010 are presented in the following table.

Plan assets, at fair value	Level 1	Level 2	Other	Total
Cash equivalents	$ 19,399	$ -	$ -	$ 19,399
Debt securities	328,660	61,793	-	390,453
Equity securities	38,007	36,554	-	74,561
Total plan assets at fair value	386,066	98,347	-	484,413
Other assets	-	-	11,588	11,588
Total plan assets	$ 386,066	$ 98,347	$ 11,588	$ 496,001

The fair value of the Company's pension plan assets by asset category at December 31, 2009 are presented in the following table.

Plan assets, at fair value	Level 1	Level 2	Other	Total
Cash equivalents	$ 11,876	$ -	$ -	$ 11,876
Debt securities	193,257	137,120	-	330,377
Equity securities	80,780	47,446	-	128,226
Total plan assets at fair value	285,913	184,566	-	470,479
Other assets	-	-	692	692
Total plan assets	$ 285,913	$ 184,566	$ 692	$ 471,171

A summary of valuation techniques for classes of pension plan and other benefit assets by fair value hierarchy level are as follows:

Level 1 Measurements
Cash equivalents: Consists of money market funds; valuation is based on the closing price as of the balance sheet date.

Debt securities: Consists of actively traded mutual funds that have daily quoted net asset values at which the Company could transact.

Equity securities - common and preferred stock, publicly traded: Consists of U.S. and Canadian exchange traded common and preferred stocks; valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Level 2 Measurements
Debt securities: Valuation based on observable inputs such as U.S. Treasury yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Equity securities - common and preferred stock, publicly traded: Consists of U.S. and Canadian exchange traded common and preferred stocks; valuation is based on observable inputs such as the applicable market yield curve, market indicated spreads by security rating, and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Other Assets
Other assets consists primarily of dividends receivable and limited partnerships, which are not part of the fair value hierarchy.

Other Post Employment Benefits

The Company has a plan to provide severance pay and continuation of certain life and health benefits to qualifying inactive or former employees during the severance period. The Company also provides certain life and health benefits to employees in disability status. The liability for these other post employment benefits was $8,844 and $11,804 at December 31, 2010 and 2009, respectively.

Defined Contribution Plans

The Company sponsors thrift and savings plans, which covers substantially all regular full-time employees and agents who meet certain eligibility requirements. Under the plans, the Company contributes an amount equal to a participant's contribution, up to a maximum of 5% of a participant's salary, other than the employees of Producers AG Insurance Group. The Company match is vested according to plan schedules. The Company's contributions for the years ended December 31, 2010, 2009 and 2008 were $11,576, $12,738 and $13,884, respectively.

Benefit Plans Funded with Rabbi Trusts

The Company also has a variety of deferred compensation plans for key executives and directors. The accrued liability for these plans was $74,045 and $69,979 as of December 31, 2010 and 2009, respectively, and is included in accounts payable and other liabilities in the consolidated balance sheets. These plans have been partially funded with assets in Rabbi trusts. Assets placed in trust also include amounts deposited to fund certain qualified defined benefit plans which are excluded from the determination of the accrued liability. The total amounts held in the Rabbi trusts were $58,055 and $58,621 at December 31, 2010 and 2009, respectively. These assets represent investments in mutual funds carried at fair value and are included with other equity securities in the consolidated balance sheets. Assets in such trusts are held for the benefit of the plan beneficiaries but remain the property of the Company.

Note 9: Statutory Financial Data and Dividend Restrictions

The Company and its insurance subsidiaries are subject to statutory regulations as to maintenance of policyholders' surplus and the payment of dividends. Generally, ordinary dividends from an insurance subsidiary to its parent company must meet notice requirements promulgated by the regulator of the subsidiary's state of domicile ("Insurance Department"). Extraordinary dividends, as defined by state statutes, must be approved by the Insurance Department. The Company has three wholly-owned subsidiaries that are subject to statutory dividend restrictions in Iowa. CUMIS Insurance Society, Inc. and CUMIS Specialty Insurance Company, Inc. have dividend restrictions at December 31, 2010 of $47,037 (unaudited) and $5,077 (unaudited), respectively. MEMBERS Life Insurance Company is restricted from paying dividends. The Company has two wholly-owned subsidiaries subject to statutory dividend restrictions in Texas. At December 31, 2010, Producers Agriculture Insurance Company and Producers Lloyds Insurance Company have dividend restrictions of $5,248 and $589, respectively.

Risk-based capital requirements promulgated by the National Association of Insurance Commissioners require U.S. insurers to maintain minimum capitalization levels that are determined based on formulas incorporating credit risk, insurance risk, interest rate risk, and general business risk. At December 31, 2010, the Company and its insurance affiliates' adjusted surplus exceeded the minimum requirements.

CUNA Mutual and its insurance company affiliates file statutory-basis financial statements with insurance regulatory authorities. The Insurance Department has allowed CUNA Mutual to use certain accounting practices which differ from prescribed statutory accounting practices (permitted practices). These permitted practices relate to the carrying value of mortgage insurance affiliates and the method of recognizing certain group life, credit life, and credit disability premiums. The use of these permitted practices increased reported statutory surplus by $51,691 and $65,850 as of December 31, 2010 and 2009, respectively.

Statutory-basis net income (loss) of CUNA Mutual was $33,437 (unaudited), $281,644 and ($37,828) for the years ended December 31, 2010, 2009 and 2008, respectively. Statutory-basis surplus was $1,354,817 (unaudited) and $1,201,075 at December 31, 2010 and 2009, respectively.

Note 10: Notes Payable

Surplus Notes

CUNA Mutual entered into an agreement with certain lenders to issue $85,000 in fixed-rate, 20-year surplus notes in July, 2010. The surplus notes have a coupon rate of 8.5% and require the Company to make semi-annual interest payments. The surplus notes are subordinated, unsecured obligations of the Company, ranking subordinate to the claims of policyholders and all other creditors. The Company may not pay any principal, interest or make-whole amounts (fee paid on prepayment of principal) unless it has given notice to the applicable insurance regulatory authority and received approval to make any such payment. A request for payment of interest in January 2011 was approved by the applicable insurance regulatory authority. Beginning on July 31, 2020, and continuing annually thereafter until July 2030, scheduled principal payments (in equal annual installments) will be due and payable, subject to the foregoing regulatory approvals. The Company is required to comply with certain financial covenants including maintenance of a minimum statutory risk-based capital ratio and minimum total adjusted statutory capital level. At December 31, 2010 the Company was in compliance with these covenants.

Line of Credit – JP Morgan

CUNA Mutual entered into a $200,000 three year unsecured revolving credit facility agreement with JP Morgan Chase Bank and other lenders in November 2010. This agreement replaces the previous $255,000 three year unsecured revolving credit facility agreement the Company had entered into with JP Morgan Chase Bank in 2008. Under the new facility, a fee ranging from .20% to .35% per year is assessed on the unused committed principal. The unused fee is determined based on the Company's debt to capital ratio and was assessed at .25% at December 31, 2010. Under the original agreement a facility fee of .08% per year was assessed on the used and unused principal. Interest amounts calculated under both agreements vary based on certain benchmark interest rates. Under both agreements, the Company is required to comply with certain financial covenants including a maximum ratio of total debt to policyholders' surplus, a minimum statutory risk-based capital ratio, and minimum statutory surplus. At December 31, 2010 the Company was in compliance with these covenants. The Company was also charged a commitment fee should the total borrowing exceed 50% of the credit facility under the original agreement. In 2008 the Company had borrowed $50,000 under the original agreement. Interest was accrued at the London InterBank Offered Rate ("LIBOR") plus 27 basis points and was due quarterly and upon maturity. The rate was 2.1% for the 2008 borrowing. In January 2010 the Company repaid the $50,000 of debt related to this revolving credit facility. As of December 31, 2010 the Company had no outstanding borrowings under the JP Morgan facility. The credit facility expires in November, 2013. The Company has designated up to $37,000 from the line of credit to be used to fund the capital needs of a subsidiary in the event that the subsidiary needs additional capital to meet regulatory minimums. Accordingly, $163,000 of the line of credit is available for general corporate purposes.

A consolidated subsidiary of the Company entered into a $35,000 one year revolving credit facility agreement with JP Morgan Chase Bank in November 2010, to which the Company serves as guarantor. This agreement is an amendment to the previous $35,000 one year unsecured revolving credit facility the subsidiary had entered into with JP Morgan Chase Bank in 2009. Under the new facility, an annual non-use fee of .125% on the daily amount of the unused committed principal is assessed. A facility fee of .25% per year on the committed principal was assessed per the previous agreement. Under the previous and new agreements, interest accrues at the LIBOR rate plus 125 basis point and 75 basis points, respectively. Interest is due at maturity or quarterly, whichever is first. The subsidiary is also charged a commitment fee. Under both agreements, the Company, as guarantor, is required to comply with financial covenants including a maximum ratio of total debt to policyholders' surplus, a minimum statutory risk-based capital ratio, and minimum statutory surplus. The subsidiary is required to comply with a minimum statutory risk-based capital ratio. At December 31, 2010 the subsidiary and the Company were in compliance with all of these covenants. In November 2009, the subsidiary borrowed $35,000 under the facility at a rate of 1.5%. This borrowing was outstanding at December 31, 2009 and was repaid in March 2010. In

November 2010, the subsidiary borrowed $35,000 under the facility at a rate of 1.06%. This borrowing was outstanding at December 31, 2010. The credit facility expires in November 2011.

Line of Credit – Federal Home Loan Bank

The Company has additional borrowing capacity as a result of contractual arrangements with the Federal Home Loan Bank of Des Moines ("FHLB") that were entered in 2007 and evidenced by Advances, Collateral Pledge, and Security Agreements. These agreements provide that the Company would be entitled to borrow from the FHLB if the Company purchased FHLB common stock and provided securities as collateral for such borrowings. The amount of such permitted borrowings would be 22.5 times the Company's FHLB stock ownership, with an overall limitation based on 30% of the Company's statutory assets. As of December 31, 2010 the Company had borrowed $100,000. There were no outstanding borrowings as of December 31, 2009. Interest on borrowings was calculated daily at floating rates that ranged from .29% to .49% in 2010 and .30% to .31% in 2009. As of December 31, 2010 the Company owned $16,031 of FHLB common stock, and had pledged securities of $117,528. Borrowings from the FHLB are used for general corporate purposes.

Other

As part of the acquisition of Producers AG Insurance Group, Inc. (see Note 15 for a detailed discussion) CUNA Mutual issued a 5% secured promissory note for $28,933 payable to the former owners. The first installment payment of principal and interest of $6,550 was made December 31, 2010, with additional payments of principal and interest due January 2011 and March 2012.

(000s omitted)

Note 11: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	Foreign currency translation gains (losses)	Unrealized investment gains (losses) and Shadow DAC	Minimum pension liability	Discontinued Operations	Accumulated other comprehensive income (loss)
Balance, December 31, 2008	$ (18,494)	$ (484,751)	$ (112,767)	$ 15,369	$ (600,643)
Foreign currency translation, net of tax - ($7,102)	(10,983)	-	-	(29,133)	(40,116)
Unrealized holding gains, net of tax - $171,745	-	328,142	-	23,299	351,441
Cumulative effect of change in accounting for other-than-temporary-impairments, net of tax - ($17,197)	-	(31,938)	-	-	(31,938)
Minimum pension liability adjustment, net of tax - $8,324	-	-	14,050	2,945	16,995
Balance, December 31, 2009	(29,477)	(188,547)	(98,717)	12,480	(304,261)
Foreign currency translation, net of tax - ($269)	(3,219)	-	-	979	(2,240)
Unrealized holding gains, net of tax - $117,455	-	216,180	-	1,234	217,414
Minimum pension liability adjustment, net of tax - ($12,875)	-	-	(23,911)	-	(23,911)
Balance, December 31, 2010	$ (32,696)	$ 27,633	$ (122,628)	$ 14,693	$ (112,998)

Note 12: Fair Value Measurement of Other Financial Instruments

Accounting standards require disclosure of fair value information about certain on- and off-balance sheet financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not readily available, fair values are based on estimates using present value of estimated cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could cause these estimates to vary materially. In that regard, the derived fair value estimates in many cases cannot be substantiated by comparison to independent markets and may not be realized in the immediate settlement of the instruments.

Certain financial instruments, investments accounted for using the equity method, and all nonfinancial instruments are excluded from the disclosure requirements.

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

Mortgage Loans: The fair values for mortgage loans are estimated using discounted cash flow analyses with interest rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. Fair values for mortgages in default are reported at the estimated fair value of the underlying collateral.

Policy Loans: The Company believes it is not practicable to determine the fair value of its policy loans since there is no stated maturity and policy loans are often repaid by reductions to policy benefits.

Notes Receivable: The fair values for notes receivable are estimated using discounted cash flow analyses with interest rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings.

Cash, Short-term Investments, and Accrued Investment Income: The carrying amounts for these instruments approximate their fair values due to their short term nature.

Investment-Type Contracts: Investment-type contracts include group and individual annuity contracts and deposit-type contracts in the general account. In most cases, the fair values are determined by discounting expected liability cash flows and required profit margins using the year-end swap curve plus a spread equivalent to a cost of funds for insurance companies. This methodology, while theoretically valid and consistent with industry practice, produces lower than expected fair values at December 31, 2010. This anomaly is mainly attributable to the large illiquidity premium embedded in the insurance company cost of funds spread used for discounting. In a few cases where liability cash flows are not available, fair value was assumed to equal statutory book value.

Notes Payable: The fair value for notes payable is estimated using discounted cash flow analyses with interest rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings.

Separate Account Liabilities: Separate account liabilities represent the account value owed to the customer which is equal to the segregated assets carried at fair value.

(000s omitted)

The carrying amounts and estimated fair values of the Company's financial instruments, not disclosed in Note 3 Investments – Fair Value Measurement, at December 31 are as follows:

	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial instruments recorded as assets:				
Mortgage loans	$ 811,595	$ 869,641	$ 704,826	$ 698,924
Policy loans	104,369	104,369	104,495	104,495
Notes receivable	15,456	15,456	15,589	15,589
Cash	217,412	217,412	181,178	181,178
Accrued investment income	95,004	95,004	80,286	80,286
Financial instruments recorded as liabilities:				
Investment-type contracts	4,572,513	4,588,338	4,287,965	3,842,159
Notes payable	247,497	244,298	113,852	112,391
Separate account liabilities	4,215,651	4,215,651	4,049,659	4,049,659

Note 13: Commitments and Contingencies

Investment Commitments

The Company has the following investment commitments outstanding at December 31:

	2010	2009
Limited partnerships:		
Energy funds	$ 45,514	$ 19,242
Mezzanine	106,981	83,689
Private equity	62,526	73,794
Real estate	27,737	43,320
Mortgage loans	6,275	10,315
Student loan receivables	-	2,527
Private placement debt	23,740	24,000

Limited partnership commitments generally represent commitments to acquire financial interests or instruments. The Company enters into these agreements to allow for additional participation in certain limited partnership investments.

Mortgage loan commitments are agreements to fund commercial mortgages after year end for loans approved prior to year end.

Student loan commitments represent additional loan purchases after year end related to disbursements to borrowers on loans approved prior to year end.

Private placement debt commitments are contracts signed prior to year end to purchase debt securities after year end.

Acquisition

In connection with the Company's acquisition of Producers AG Insurance Group, Inc. ("ProAg"), the Company has contingent consideration arrangements which may require the Company to pay to (or receive from) the former owners of ProAg additional amounts based on formulas set forth in the purchase agreement. See Note 15 for a detailed description of these contingencies.

Leases

The Company contracts for long-term leases for office space, autos, and equipment, most of which are classified as operating leases. Certain leases have renewal options and/or fixed rental increases. Renewal options that are reasonably assured of exercise are included in determining the lease term. Any rent abatements or lease incentives, in addition to fixed rental increases, are included in the calculation of rent expense and amortized on a straight-line basis over the defined lease term.

The Company accounts for certain lease agreements, substantially all for computer equipment, as capital leases; these capital lease obligations totaled $3,677 and $5,949 at December 31, 2010 and 2009, respectively. These obligations are included in office properties, equipment and computer software and accounts payable and other liabilities in the Company's consolidated balance sheets. Amortization of capitalized leased assets is included in depreciation expense.

At December 31, 2010, the Company was committed under non-cancelable operating and capital leases with minimum rentals of approximately $33,645 of which $7,054 is due in 2011, $5,575 in 2012, $3,889 in 2013, $3,334 in 2014, $2,212 in 2015 and $11,580 in 2016 and thereafter. Rental expense included in the Company's results of operations amounted to $7,951, $10,198 and $15,200 in 2010, 2009 and 2008, respectively.

Insurance Guaranty Funds

The Company is liable for guaranty fund assessments related to certain unaffiliated insurance companies that have become insolvent during 2010 and prior years. The Company includes a provision for all known assessments that will be levied as well as an estimate of amounts that it believes will be assessed in the future relating to past insolvencies. The Company has established a liability of $2,274 and $2,975 at December 31, 2010 and 2009, respectively, for guaranty fund assessments. The Company also estimates the amount recoverable from future premium tax payments related to these assessments and has established an asset of $1,709 and $2,122 at December 31, 2010 and 2009, respectively. Recoveries of assessments from premium taxes are generally made over a five-year period.

Support Agreement

The Company owns 50% of CMG Mortgage Insurance Company (“CMG”), a Wisconsin company which sells residential mortgage guaranty insurance. The other 50% of CMG is owned by PMI Mortgage Insurance Company (“PMI”), an unaffiliated company. The Company is party to a capital support agreement revised in 2010 whereby PMI and the Company agreed to contribute up to $37,650 each, subject to certain limitations, so as to maintain the statutory risk-to-capital ratio of CMG at or below 23 to 1, the ratio was 19 to 1 under the prior agreement. The Company was required to place investments in trust to secure their agreement. The period of the agreement is three years, but may be terminated earlier if certain conditions are met. At December 31, 2010, the statutory risk-to-capital ratio for CMG was 20 to 1. The carrying value of securities owned by the Company and held in a trust pursuant to this agreement was $40,120 and $42,845 as of December 31, 2010 and 2009, respectively. In the event that CUNA Mutual needs funds to meet the terms of the agreement, it may draw from this trust.

Legal Matters

Various legal and regulatory actions, including state market conduct exams and federal audits, are currently pending that involve the Company and specific aspects of its conduct of business. Like other members of the insurance industry, the Company is routinely involved in a number of lawsuits and other types of proceedings, some of which may involve claims for substantial or indeterminate amounts. These actions are based on a variety of issues and involve a range of the Company's practices. The ultimate outcome of these disputes is unpredictable.

These matters in some cases raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including but not limited to, the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard or investigated; differences in applicable laws and judicial interpretations; the length of time before many of these matters might be resolved by settlement, through litigation or otherwise and, in some cases, the timing of their resolutions relative to other similar matters involving other companies. In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding. In the opinion of management, the ultimate liability, if any, resulting from all such pending actions will not materially affect the consolidated financial statements of the Company.

Note 14: Discontinued Operations

The Company sold certain operations in 2009 and prior years and plans to sell certain operations in 2011. As a result those operations have been accounted for in the accompanying financial statements as discontinued operations. Accordingly, the results of operations and the gain or loss on the sale of the discontinued operations after applicable taxes, the assets of the discontinued operations, and the liabilities of the discontinued operations are each reported on a one-line basis in the consolidated statements of operations and balance sheets for all years presented.

The principal components of discontinued operations relate to five dispositions, including a planned transaction in 2011 (the Company’s Australian business), three transactions in 2009 (The CUMIS Group Ltd. [a Canadian subsidiary], Lending Call Center Services, LLC and IRA Services) and one immaterial transaction from earlier years. Those transactions are generally described in the following paragraphs.

On January 26, 2011 the Company announced that it had reached an agreement to sell its Australian business operations. The sale is expected to close in the first half of 2011.

On December 31, 2009 the Company sold its 87% interest in The CUMIS Group Ltd,. a Canadian subsidiary and recorded $163,735 in proceeds and an $114,253 after-tax gain on the sale in 2009. The Company recorded an additional gain of $9,639 in 2010 after resolution of certain contingencies in 2010.

(000s omitted)

On October 31, 2009 the Company sold its interest in Lending Call Center Services, LLC ("LCCS"), including certain related assets. The Company recorded $2,353 in proceeds, a receivable of $4,507 that accrues interest and has two annual payments due through 2015 and a $3,528 after-tax gain on the sale, which is net of $364 of goodwill attributed to the sale.

On June 30, 2009 the Company sold its IRA Services division, including certain related assets. The Company recorded $33,847 in proceeds and a $20,269 after-tax gain on the sale, which is net of $1,805 of goodwill attributed to the sale.

In 1998 the Company sold a property and casualty insurance subsidiary. Under the terms of that agreement the Company was entitled to receive additional sales proceeds in the event the insurance reserves assumed by the purchaser developed favorably. In 2010, the Company recorded a pre-tax benefit of $1,120 related to this agreement.

The following table displays the components of discontinued operations for 2010, 2009 and 2008.

	2010	2009	2008
Total revenues	$ 99,395	$ 224,220	$ 257,763
Total expenses	89,020	220,651	239,980
Income from discontinued operations before income taxes and non-operating items	10,375	3,569	17,783
Equity in income (loss) of unconsolidated affiliates	-	1,285	(722)
Gain on disposal	9,639	169,214	-
Income tax expense (benefit)	6,209	35,740	16,691
Net Income	13,805	138,328	370
Less: net income attributable to noncontrolling interests	-	-	1,186
Gain (loss) from discontinued operations, net of tax	$ 13,805	$ 138,328	$ (816)

Included in the gain on disposal for 2009 is $3,031 of disposal costs related to the sales of The CUMIS Group Ltd., IRA Services and LCCS.

(000s omitted)

Net assets of discontinued operations at December 31, 2010 and 2009 are as follows:

	2010	2009
Assets		
Investments	$ 120,031	$ 112,845
Cash and cash equivalents	27,974	15,724
Reinsurance recoverables	11,003	4,297
Deferred policy acquisition costs	8,817	7,830
Office properties, equipment and computer software	1,560	1,114
Deferred tax asset, net	2,943	173
Goodwill	3,571	3,543
Other assets and receivables	47,457	47,324
Total assets	223,356	192,850
Liabilities		
Reserves	(41,286)	(30,602)
Unearned premium	(82,156)	(71,220)
Accounts payable and other liabilities	(45,289)	(41,371)
Total liabilities	(168,731)	(143,193)
Total net assets	$ 54,625	$ 49,657

Summarized cash flow statement information for 2010, 2009 and 2008 relating to discontinued operations is as follows:

	2010	2009	2008
Cash flows from operating activities	$ 17,997	$ (29,952)	$ (28,478)
Cash flows from investing activities	(4,206)	(21,930)	47,763
Cash flows from financing activities	-	(11,227)	(1,319)
Cash provided (used) by discontinued operations	13,791	(63,109)	17,966
(Increase) decrease in cash included in net assets of discontinued operations	(12,249)	3,344	104,594
Effect of foreign exchange rate on cash balances of discontinued operations	5,994	39	(10,043)
Cash flows from discontinued operations	$ 7,536	$ (59,726)	$ 112,517

Note 15: Acquisition of Controlling and Non-controlling Interests

Producers AG Insurance Group, Inc.

The Company has been involved in the crop insurance business since 2007. This involvement was first accomplished through reinsurance assumed from Producers AG Insurance Group, Inc. ("ProAg") (see Note 5) as well as partial equity ownership of ProAg which was subsequently increased. The Company's acquisition of its equity interests in ProAg are described in the paragraphs that follow.

From August 2007 to March 2008 the Company's equity interest in ProAg was 25.2%, and from March 2008 to October 30, 2009 the Company's equity interest in ProAg was 22.6%. During this period the Company accounted for ProAg on an equity basis and thereby recorded its investment at cost plus its respective equity interest in the earnings of ProAg. On October 30, 2009, the Company's wholly owned subsidiary, CUNA Mutual Investment Corporation ("CMIC"), purchased the remaining 77.4% of ProAg, resulting in ProAg becoming a wholly-owned subsidiary of the Company as of October 30, 2009. Subsequent to that date the accounts of ProAg are consolidated in the accompanying consolidated financial statements.

Under the terms of the purchase agreement for the acquisition of the remaining 77.4%, the stated purchase price was $42,876, which was comprised of a $14,238 cash payment and the issuance of notes payable of $28,638, subject to potential adjustments. The potential adjustments require the Company to pay (or receive from) the former owners of ProAg additional amounts based on the future performance of ProAg as defined in the purchase agreement ("Additional Payments"), and resolution of indemnifications provided by the sellers ("Indemnifications"). The Additional Payments, if required, would be primarily payable in 2012 and 2013 and could range from a return of purchase price of $3,280 to an additional payment of $37,900. In accordance with FASB ASC 805, formerly FASB Statement 141(R), *Business Combinations*, the Company estimated as of the acquisition date the fair value of the Additional Payments to be a liability of $1,290 resulting in a total purchase price of $44,166 for the 77.4% ownership interest acquired in 2009. In accordance with ASC 805 in 2010 the Company finalized its business combination accounting and adjusted the provisional amounts established at the acquisition date. Based on the Company's revised estimates the adjusted fair value of the Additional Payments is $5,419 and the fair value of the Indemnifications is $6,500, resulting in a total purchase price of $41,795 for the 77.4% ownership interest acquired in 2009. As required by ASC 805, these adjustments have been made retrospectively as of the acquisition date and accordingly reflected in the accompanying balance sheet as of both December 31, 2009 and 2010. In accordance with ASC 805 the Company is required to continue to adjust the fair value of these amounts in subsequent periods until the ultimate amounts are known. Adjustments in fair value subsequent to October 30, 2010 (one year after the acquisition date) will be recorded in the statements of operations.

In accordance with FASB ASC 805, the Company determined the fair values of the assets and liabilities acquired with the difference between purchase price and the fair values of the identified net assets recorded as goodwill. As a result of this process $58,396 was assigned to intangibles as follows:

- $3,000 Trade name (amortized 20 years on straight line basis)
- $26,000 FCIC reinsurance agreement and insurance licenses which the Company expects to perpetually renew at minimal cost (indefinite-lived asset and not amortized)
- $29,396 Goodwill (indefinite-lived asset and not amortized)

(000s omitted)

The following represents the fair values of the assets and liabilities of ProAg acquired at October 30, 2009:

		Assets and Liabilities Assumed
Assets		
Investments	$	5,590
Cash and cash equivalents		65,105
Reinsurance recoverables		328,160
Receivable from the Federal Crop Insurance Corporation		225,400
Premium receivable		89,373
Office properties, equipment and computer software		5,720
Income tax receivable		9,410
Goodwill and other intangibles, net		58,396
Other assets and receivables		1,050
Total assets		788,204
Liabilities		
Loss and loss adjustment expense reserves - property and casualty		149,357
Notes payable		25,187
Reinsurance payable		525,006
Accounts payable and other liabilities		34,623
Total liabilities		734,173
Fair value of ProAg as of October 30, 2009	$	54,031

The Company has accounted for its acquisition of ProAg in accordance with FASB ASC 805, *Business Combinations*. Accordingly the Company adjusted its carrying value of its previously acquired 22.6% equity interest to fair value at October 30, 2009. The effect of this adjustment was to increase the previously recorded value, which resulted in a pretax gain of $4,233 included in the results of operations.

CPI Qualified Plan Consultants, Inc.

On June 30, 2009 (the acquisition date) the Company purchased 100% of the common stock of CPI Qualified Plan Consultants, Inc. (“CPI”) for cash of $34,910, subject to potential adjustments. The potential adjustments require the Company to pay certain employees of CPI additional amounts based on retention and on future performance measures of CPI, as defined in the purchase agreement. The additional payments, if required, would be primarily payable in 2011 and 2012 and would be an additional payment between $5,600 and $6,500. CPI is a third party plan administrator which administers a variety of employee benefit plans including retirement plans, 401(k), profit-sharing, money purchase and 403(b) plans.

(000s omitted)

In accordance with FASB ASC 805, the Company determined the fair values of the assets and liabilities acquired with the difference between purchase price and the fair values of the identified net assets recorded as goodwill. As a result of this process $34,825 was assigned to intangibles as follows:

- $1,154 Internally developed software (amortized over 3 years on straight line basis)
- $11,193 Customer contracts/broker dealer relationships (amortized over 10 years in relation to expected cash flows)
- $22,478 Goodwill (indefinite-lived asset and not amortized)

The acquisition of CPI furthers the Company's growth strategy and expands the Company's diversification of products, while strengthening a product line in which it is already a recognized leader.

The following represents the fair values of the assets and liabilities of CPI acquired at June 30, 2009:

	Assets and Liabilities Assumed	
Assets		
Office properties, equipment and computer software	$	3,680
Goodwill and other intangibles, net		34,825
Other assets and receivables		26,161
Total assets		64,666
Liabilities		
Deferred tax liability		2,909
Accounts payable and other liabilities		26,847
Total liabilities		29,756
Fair value of CPI as of June 30, 2009	$	34,910

CU System Funds

The Company's 37.3% ownership of CU System Funds ("CUSF") as of July 2008 increased throughout 2008, 2009 and 2010 as investors withdrew from the fund. CUSF was a private investment fund which purchased commercial mortgage loans and certain other secured loans originated by credit unions. Prior to August 2008 the Company accounted for CUSF on the equity method of accounting. In 2010 the Company became the 100% owner of CUSF, which subsequently liquidated and dissolved the fund. All investments were liquidated in kind to its sole remaining investor which was a subsidiary within the Company's consolidated group. CUSF paid $10,743, $17,617 and $20,974 in 2010, 2009 and 2008, respectively, to these investors who redeemed from the fund.