CUNA Mutual Insurance Society and Subsidiaries

Consolidated Financial Statements
As of December 31, 2009 and 2008 and for the Three Years Ended December 31, 2009
And Independent Auditors' Report

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

Deloitte.

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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, 2009 and 2008, 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, 2009. 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 has been accounted for as a discontinued operation in the accompanying consolidated financials statements as discussed in Note 15. 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 $121 million and $122 million at December 31, 2009 and 2008, respectively. The Company's equity in the net income (loss) of CMG was ($7) million, $4 million, and $15 million for the years ended December 31, 2009, 2008, and 2007, 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. An audit includes 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, 2009 and 2008, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2009 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 and the fair value measurement of financial instruments in 2008.

Deloitte & Touche LLP

March 26, 2010

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2009 and 2008
(000s omitted)

Assets	2009	2008
Cash and investments		
Debt securities, available for sale, at fair value		
(amortized cost 2009 - $6,390,278; 2008 - $5,697,669)	$ 6,109,533	$ 4,918,570
Equity securities, available for sale, at fair value		
(amortized cost 2009 - $181,759; 2008 - $254,023)	180,366	196,615
Mortgage loans	755,044	744,805
Real estate, at cost less accumulated depreciation		
(2009 - $6,445; 2008 - $6,145)	15,928	9,190
Real estate held-for-sale, at cost less accumulated depreciation		
(2009 - $26,074; 2008 - $27,917)	21,189	21,221
Policy loans	104,495	104,339
Short-term investments	8,066	221,312
Equity in unconsolidated affiliates	125,829	142,582
Limited partnerships	353,028	329,684
Other invested assets	87,731	61,345
Total investments	7,761,209	6,749,663
Cash and cash equivalents	376,281	251,271
Total cash and investments	8,137,490	7,000,934
Accrued investment income	81,488	70,213
Premiums receivable, net	160,599	275,279
Reinsurance recoverables	273,573	119,477
Federal income taxes recoverable	10,990	773
Deferred policy acquisition costs	596,003	659,366
Office properties, equipment and computer software at cost less		
accumulated depreciation (2009 - $322,897; 2008 - $306,810)	169,860	179,085
Deferred tax asset, net	322,431	510,407
Goodwill and other intangibles, net	90,648	19,521
Other assets and receivables	295,691	230,597
Receivable from the FCIC	257,234	-
Separate account assets	4,049,659	3,284,611
Assets of discontinued operations	-	870,411
Total assets	$ 14,445,666	$ 13,220,674

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CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets, continued
December 31, 2009 and 2008
(000s omitted)

Liabilities and Policyholders' Surplus	2009	2008
Liabilities		
Claim and policy benefit reserves - life and health	$ 2,305,830	$ 2,185,357
Loss and loss adjustment expense reserves - property and casualty	453,707	432,945
Policyholder account balances	4,484,635	3,979,256
Unearned premiums	510,235	523,524
Notes payable	113,852	100,000
Dividends payable to policyholders	16,659	16,012
Reinsurance payable	271,467	68,275
Accrued postretirement benefit liability	34,956	30,488
Accrued pension liability	145,285	199,489
Accounts payable and other liabilities	449,946	369,746
Separate account liabilities	4,049,659	3,284,611
Liabilities of discontinued operations	-	801,972
Total liabilities	12,836,231	11,991,675
Commitments and contingent liabilities (Note 11)		
Policyholders' surplus		
Retained earnings	1,903,352	1,804,996
Accumulated other comprehensive loss, net of tax (2009 - ($133,115); 2008 - ($306,081))	(304,261)	(600,643)
Total CUNA Mutual policyholders' surplus	1,599,091	1,204,353
Noncontrolling interests	10,344	24,646
Total policyholders' surplus	1,609,435	1,228,999
Total liabilities and policyholders' surplus	$ 14,445,666	$ 13,220,674

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2009, 2008 and 2007
(000s omitted)

	2009	2008 (Note 15)	2007 (Note 15)
Revenues:			
Life and health premiums	$ 1,211,450	$ 1,188,588	$ 1,172,061
Contract charges	82,669	88,518	81,835
Property and casualty premiums	852,639	866,625	695,535
Net investment income	404,864	357,919	440,091
Net realized investment losses:			
Total other-than-temporary impairment losses	(325,736)	(441,035)	(148,301)
Portion of other-than-temporary impairment losses recognized in accumulated other comprehensive loss	85,347	-	-
Net other-than-temporary impairment losses recognized in operations	(240,389)	(441,035)	(148,301)
Sales and other realized investment gains (losses)	23,105	(20,122)	51,960
Total net realized investment losses	(217,284)	(461,157)	(96,341)
Other income	212,112	215,361	261,849
Total revenues	2,546,450	2,255,854	2,555,030
Benefits and expenses:			
Life and health insurance claims and benefits	769,740	720,658	714,775
Property and casualty insurance loss and loss adjustment expenses	644,316	563,327	410,691
Interest credited to policyholder account balances	165,416	148,988	150,710
Policyholder dividends	30,638	30,385	30,173
Operating and other expenses	1,048,231	1,036,827	1,092,185
Total benefits and expenses	2,658,341	2,500,185	2,398,534
Income (loss) from continuing operations before income taxes and equity in income (loss) of unconsolidated affiliates	(111,891)	(244,331)	156,496
Income tax expense (benefit)	(39,987)	(89,356)	36,320
Income (loss) from continuing operations before equity in income (loss) of unconsolidated affiliates	(71,904)	(154,975)	120,176
Equity in income (loss) of unconsolidated affiliates, net of tax expense (benefit) (2009 - ($4,741); 2008 - $3,193; 2007 - $200)	(8,840)	5,930	14,984
Income (loss) from continuing operations	(80,744)	(149,045)	135,160
Gain (loss) from discontinued operations, net of tax (2009 - $33,870; 2008 - $15,022; 2007 - $19,006) (Note 15)	135,477	(775)	48,467
Net income (loss)	54,733	(149,820)	183,627
Less: net income (loss) attributable to noncontrolling interests	3,315	(909)	-
Net income (loss) attributable to CUNA Mutual	$ 51,418	$ (148,911)	$ 183,627

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Policyholders' Surplus and Comprehensive Income (Loss)
Years Ended December 31, 2009, 2008 and 2007
(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, 2006		**$ 114,055**	**$ 1,769,071**	**$ 1,883,126**	**$ -**	**$ 1,883,126**
Net income	$ 183,627	-	183,627	183,627	-	183,627
Cumulative effect of change in accounting for income taxes	-	-	400	400	-	400
Cumulative effect of change in accounting for pension obligations, net of tax - ($32,059)	-	(59,190)	-	(59,190)	-	(59,190)
Foreign currency translation adjustment, net of tax - ($1,601)	159	159	-	159	-	159
Change in unrealized losses, net of tax - ($93,696)	(169,612)	(169,612)	-	(169,612)	-	(169,612)
Reclassification adjustment for (gains) included in net income, net of tax - ($19,523)	(37,841)	(37,841)	-	(37,841)	-	(37,841)
Change in pension liability, net of tax - $5,169	8,360	8,360	-	8,360	-	8,360
Change in discontinued operations	(12,780)	(12,780)	-	(12,780)	-	(12,780)
Comprehensive loss attributable to CUNA Mutual	$ (28,087)					
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 - $3,239	9,640	9,640	-	9,640	-	9,640
Change in unrealized losses, net of tax - ($181,109)	(372,813)	(372,813)	-	(372,813)	-	(372,813)
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 - ($31,628)	(58,739)	(58,739)	-	(58,739)	-	(58,739)
Change in discontinued operations	(36,118)	(36,118)	-	(36,118)	-	(36,118)
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 - ($17,197)	-	(31,938)	46,938	15,000	-	15,000
Foreign currency translation adjustment, net of tax - ($7,102)	(10,934)	(10,934)	-	(10,934)	-	(10,934)
Change in unrealized gains, net of tax - $77,252	170,701	170,701	-	170,701	-	170,701
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
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**

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2009, 2008 and 2007
(000s omitted)

	2009	2008 (Note 15)	2007 (Note 15)
Cash flows from operating activities:			
Income (loss) from continuing operations	$ (80,744)	$ (149,045)	$ 135,160
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Undistributed (earnings) losses of unconsolidated subsidiaries	9,562	(319)	(8,304)
Amortization of deferred policy acquisition costs	334,863	327,292	272,216
Policy acquisition costs deferred	(345,661)	(335,919)	(284,706)
Depreciation of office properties, equipment, software and real estate	37,354	42,880	41,652
Amortization of bond premium and discount	11,493	42,154	(2,478)
Net realized investment losses	217,284	461,157	96,341
Policyholder assessments on investment-type contracts	(24,500)	(26,580)	(27,954)
Interest credited to policyholder account balances	165,416	148,988	162,143
Gain on sale of operations	(21,741)	-	-
Impairment of computer software	10,241	15,725	-
Changes in other assets and liabilities:			
Accrued investment income	(11,153)	(3,345)	3,639
Reinsurance recoverables	72,251	15,866	(82,828)
Premiums receivable	75,463	(65,877)	(91,876)
Other assets and receivables	(279,647)	(33,737)	70,574
Deferred tax asset, net	37,689	(93,638)	1,943
Insurance reserves	177,556	144,681	206,391
Unearned premiums	41,265	17,475	(12,525)
Accrued income taxes	(440)	(6,159)	13,450
Accounts payable and other liabilities	(91,541)	(61,519)	(57,207)
Net cash provided by continuing operating activities	335,010	440,080	435,631

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2009, 2008 and 2007
(000s omitted)

	2009	2008 (Note 15)	2007 (Note 15)
Cash flows from investing activities:			
Purchases of investments:			
Debt securities	$ (3,756,319)	$ (2,297,481)	$ (1,510,770)
Equity securities	(66,609)	(284,111)	(336,353)
Mortgage loans	(98,403)	(98,418)	(270,064)
Real estate	(7,633)	(2,894)	(2,634)
Short-term investments	(8,126)	(414,498)	(240,597)
Other invested assets	(744,441)	(610,696)	(269,226)
Proceeds on sale or maturity of investments:			
Debt securities	3,028,717	1,510,899	1,868,647
Equity securities	70,471	381,876	449,060
Mortgage loans	89,644	51,266	73,883
Real estate	1,642	53,841	12,350
Short-term investments	222,599	215,814	362,657
Other invested assets	564,735	487,640	79,490
Purchases of office properties, equipment, and computer software, net	(27,405)	(40,107)	(59,422)
Proceeds from sale of discontinued operations	199,935	-	75,260
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	(101)	6,103	1,435
Net cash provided by (used in) investing activities	(497,161)	(1,039,454)	233,716
Cash flows from financing activities:			
Policyholder account deposits	1,032,472	1,146,125	1,079,225
Policyholder account withdrawals	(669,716)	(936,470)	(1,404,777)
Change in bank overdrafts	(28,010)	18,403	(5,485)
Repurchase of noncontrolling interests	(17,617)	(20,974)	-
Notes payable - borrowings	107,000	102,643	-
Notes payable - repayments	(122,000)	(3,572)	(810)
Net cash provided by (used in) financing activities	302,129	306,155	(331,847)
Cash flow from discontinued operations (Note 15)	(21,838)	63,578	(75,132)
Effect of foreign exchange rate on cash balances	6,870	2,497	1,697
Change in cash and cash equivalents	139,978	(293,219)	337,500
Cash and cash equivalents at beginning of year	251,271	478,415	214,350
Cash and cash equivalents at end of year	$ 376,281	$ 251,271	$ 478,415
Supplemental disclosure of cash information:			
Cash paid during the year for interest	$ 2,484	$ 1,845	$ 595
Cash paid (received) during the year for income taxes, net of refunds	(40,588)	16,658	49,265

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 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 represent a significant concentration of the Company's business.

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. The Company consolidates Variable Interest Entities ("VIE") in which it is the primary beneficiary. A primary beneficiary of a VIE is one that will absorb a majority of the expected losses or receive a majority of the VIE's expected returns, or both. The Company began consolidating CU System Funds ("CUSF"), a VIE, after it became the primary beneficiary in 2008. CUSF invests primarily in commercial mortgage loans issued by credit unions.

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. Investment valuations, determinations of other-than-temporary impairments, deferred policy acquisition costs, capitalized internally developed software, goodwill and intangible assets, deferred tax asset valuation, insurance reserves, premiums receivable, reinsurance balances, pension and post-retirement obligations and accrued expenses 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 intent of the Company to hold the investment until the fair value has recovered. See Recent Accounting Standards-Adopted below and 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. The Company carries certain investments in mortgage loans that are owned by an investment company at fair value.

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 were reclassified to held-for-sale in 2008. These investments have not been depreciated after that date. The Company continues its efforts to actively market and sell these properties.

Policy loans are reported at their unpaid principal balance.

Short-term investments include debt securities with maturities from date of purchase under one year 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 corporations. 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 industry survey values 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 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 and 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 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.

Recognition of Insurance Revenue and Related Benefits

Credit life and disability 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 they 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 compared to the pro rata method to reflect the pattern of declining exposure to loss. 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 Note 17 for a detailed description of this transaction), the Company acted as an advisor for mutual funds and recognized investment advisory fees when earned in accordance with the underlying agreements. After the sale the Company will receive 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 the 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 expected 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 from the production of new and renewal business sold by 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 $205,195, $203,801 and $194,821 for the periods ended December 31, 2009, 2008 and 2007, 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 is made and allocated to accumulated other comprehensive income for the effect on deferred acquisition costs that would occur if the unrealized gains and losses on investments related to these contracts were realized. 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.

(000s omitted)

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. 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 related losses and expenses.

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. Acquisition costs, sales inducements, and unearned revenue associated with the new 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.

Sales Inducements: The costs of sales inducements offered on sales to new policyholders are deferred and recorded in other assets. 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 equipment and purchased software is generally three to seven years. The useful life of capitalized, internally developed software ranges from three to ten years, while for office properties it is generally 20 years. The following table provides a summary of office properties, equipment, and computer software.

	2009	2008
Office properties	$ 205,206	$ 201,074
Office equipment	128,718	117,392
Computer software	158,833	167,429
Total cost of office properties, equipment, and computer software	492,757	485,895
Accumulated depreciation	(322,897)	(306,810)
Office properties, equipment and computer software at cost less accumulated depreciation	$ 169,860	$ 179,085

Depreciation expense totaled $37,054, $40,159, and $36,774 in 2009, 2008, and 2007, respectively. In July 2009 the Company entered into an alliance with State National Insurance Company, Inc. ("State National"). Under the terms of the alliance, collateral protection insurance sales leads, which are generated by the Company and for which the Company earns a commission, are written and administered by State National with approximately 50% of such business ceded to the Company. As a result of this alliance the Company determined that a portion of its internally developed software related to its collateral protection insurance product was impaired, as it does not expect the useful life of the software to extend past 2010 when it will no longer directly write this coverage. The Company recorded an expense included in operating and other expenses of $10,241 in 2009 for this impairment and $15,725 in 2008, also related to this 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 2009 and 2007 there were no impairment charges required. See Note 16 for a description of the 2008 impairment charged to expense. 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.

	2009	2008
Goodwill, net	$ 49,278	$ 18,472
Indefinite-lived intangible asset	26,000	-
Intangible assets	16,790	5,402
Accumulated amortization on intangible assets	(1,420)	(4,353)
Intangible assets, net	41,370	1,049
Total goodwill and other intangibles, net	$ 90,648	$ 19,521

Amortization expense of other intangible assets was $975, $1,338, and $999 for the years ended December 31, 2009, 2008, and 2007, respectively. 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 15 and 16 for further descriptions of these transactions.

The Company completed a number of transactions in 2009 whereby it sold or purchased other companies, resulting in write-offs or additions of goodwill and other intangible assets. The following is a summary of the impact of these transactions on goodwill and other intangible assets.

	Effect of transaction on balance at transaction date	
Company sold or acquired	Goodwill	Other intangible assets
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.	8,490	29,000
Total impact of transactions	$ 28,799	$ 41,347

[1] Accounted for as discontinued operations.

(000s omitted)

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		
2010	$	1,208
2011		1,256
2012		1,539
2013		1,775
2014		1,691
Thereafter		8,110
Total estimated amortization expense	$	15,579

Separate Accounts

Separate accounts represent customer accounts that are related to certain contracts issued by the Company, such as variable annuities, variable life insurance policies, and certain other contracts, 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 return or account value upon death, partial withdrawal or specified contract anniversary date. The liabilities for these guarantees are not included in the separate accounts. 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 47% of the separate account assets are invested in unit investment trusts that are registered with the Securities and Exchange Commission. In 2008 the Company acted as the investment advisor 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 an agreement with a third party whereby the third party is now the investment advisor for these unit investment trusts and the Company receives a fee based on the investments attributable to the insurance products generated by the Company.

Separate account assets are carried at fair value. Separate account assets are legally segregated and may only be used to settle separate account liabilities. 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) by the Company when they are assessed to the contract holder.

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.

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 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 2.5% 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. Certain claims, usually resulting from a disability, are discounted. Such estimates are based on individual case estimates for reported losses and estimates for incurred but not reported losses based on past experience and are stated net of estimated salvage and subrogation recoverables of $34,241 and $33,702 at December 31, 2009 and 2008, respectively. These estimates are adjusted in the aggregate for ultimate loss expectations based on historical experience patterns and current economic trends. 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 3.3% to 4.2% in 2009 and 3.4% to 4.3% in 2008. Future minimum guaranteed interest rates during the life of the contracts vary from 1.3% 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 as an asset for the portion of benefits paid and insurance reserves that have been ceded. A prepaid reinsurance asset is also recorded for the portion of unearned premiums that relate to policies that have been ceded. 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. Participating insurers receive an administrative and operating subsidy from the program based on written premium volume, which offsets the cost of selling and serving the policies. The subsidy is deferred and recognized as a reduction to expense in relation to the premiums earned.

Receivable from the FCIC

Under the federal crop reinsurance agreement with the Federal Crop Insurance Corporation ("FCIC"), all multi peril crop insurance ("MPCI") premiums collected are settled and paid to the government and all losses are funded by the government. The Company estimates the net amount due to or due from the FCIC for each crop year (premiums less losses) and reports the net underwriting gain or loss as a separate asset or liability in the consolidated balance sheets.

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. 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 9 for a further discussion of these changes. 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.

Income Taxes

The Company recognizes taxes payable or refundable currently and deferred taxes for the tax consequences of differences between financial reporting and the 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.

Recent Accounting Standards – Adopted

On July 1, 2009, *FASB Accounting Standards Codification™* ("ASC") became the sole source of authoritative GAAP literature recognized by the Financial Accounting Standards Board for financial statements issued for interim and annual periods ending after September 15, 2009. ASC did not change GAAP, but rather combined the sources of GAAP and the framework for selecting among those sources into a single source. Accordingly, the adoption of ASC had no impact on the financial results of the Company.

Prior to the adoption of ASC, the Company adopted various standards which have been codified into ASC. A discussion of these standards, along with a reference to the ASC topics into which they have been codified, and the effect of adoption on the Company, follows.

In April 2009, the Financial Account Standards Board ("FASB") issued amendments to FASB Accounting Standards Codification 320, *Investments—Debt and Equity Securities* ("FASB ASC 320"), effective for interim and annual periods ending after June 15, 2009. The amendments provide recognition guidance for debt securities classified as available-for-sale and subject to other-than-temporary impairment ("OTTI"). If the fair value of a debt security is less than its amortized cost basis, which is its cost adjusted for accretion, amortization and previously recorded OTTI losses, at the reporting date, an entity shall assess whether the impairment is an OTTI. FASB ASC 320 requires an OTTI loss equal to the difference between fair value and amortized cost to be recognized in earnings if the Company intends to sell the debt security or if it is more likely than not the Company will be required to sell the debt security before recovery of its amortized cost basis or management does not expect to recover its cost.

The remaining debt securities in an unrealized loss position are evaluated to determine if a credit loss exists, even if it does not intend to sell the security and it is not more likely than not that it would be required to sell the security before recovery of its amortized cost basis. If the Company does not expect to recover the entire amortized cost basis of a debt security, the security is deemed to have an OTTI for credit reasons. For these securities, the Company must bifurcate the OTTI loss into a credit component and a non-credit component. The credit component is recognized in earnings and represents the difference between the present value of the future cash flows that the Company expects to collect and a debt security's amortized cost basis ("credit loss"). The non-credit component is recognized in accumulated other comprehensive loss and represents the difference between fair value and the present value of the future cash flows that the Company expects to collect.

The amendments to FASB ASC 320 expand the disclosure requirements for both debt and equity securities and require a more detailed, risk-oriented breakdown of security types and related information. In addition, new disclosures are required about significant inputs used in determining credit losses as well as a rollforward of credit losses each period. The disclosures are not required for earlier periods presented for comparative purposes. Application of the FASB ASC 320 amendments apply to existing and new investments held as of the beginning of the interim period of adoption. See Note 3, Other-Than-Temporary Investment Impairments, for expanded disclosures.

The Company adopted the provisions of FASB ASC 320 as of April 1, 2009. The adoption resulted in the reclassification of $49,135 of previously recorded OTTI write-downs from retained earnings to accumulated other comprehensive loss. The cumulative effect of adoption was an increase in retained earnings of $46,938 and a decrease in accumulated other comprehensive loss of $31,938 with a net benefit to equity of $15,000. The benefit to equity resulted from a decrease in a deferred tax asset valuation allowance, which had been established in the first quarter of 2009 by a charge to operations, the reversal of which was not permitted to be recorded in operations. The adoption did not have an impact on the Company's Consolidated Statement of Operations.

The FASB revised FASB ASC 805, *Business Combinations,* effective prospectively from January 1, 2009. Some of the significant provisions include: a clear definition of the acquirer in a business combination; full recognition of all assets acquired and liabilities assumed at their fair values on the acquisition date, including certain contingencies; expensing acquisition-related costs; and recognition of a bargain purchase as a gain in earnings. Because the new statement was adopted prospectively, there was no impact upon the Company's consolidated financial statements on the adoption date. The Company applied the new guidance to the 2009 business combinations described in Note 16.

The FASB amended FASB ASC 810, *Consolidation*, effective in 2009. The new guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest that should be reported in equity; requires disclosure in the income statement of the amounts of consolidated net income attributed to both the parent and the noncontrolling interest; establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation; and requires a parent to recognize a gain or loss in net income when a subsidiary is deconsolidated. Financial statements and disclosures for periods prior to 2009 reflect the retrospective application of the accounting for noncontrolling interests as required under this guidance. The adoption resulted in $36,932 of noncontrolling interest being reclassified to total equity on the December 31, 2008 consolidated balance sheet, which included $12,286 that was reclassified to liabilities of discontinued operations in 2009. The adoption did not have a material effect on the Company's results of operations.

The FASB amended FASB ASC 815, *Derivatives and Hedging,* requiring enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The amended guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Because it only requires additional disclosures, it had no impact on the Company's consolidated balance sheets and statements of operations, and cash flows (see Note 3).

The FASB issued interpretive guidance specific to accounting for financial guarantee insurance contracts, effective in 2009. The Company does not issue financial guarantee insurance contracts and therefore it had no impact on its consolidated financial statements.

The FASB modified the disclosure requirements for postretirement benefit plan assets effective for fiscal years ending after December 15, 2009. The main objectives of the new guidance are to expand information about benefit plan assets and provide detail about determination of fair values of plan assets consistent with FASB ASC 820. The Company implemented the increased disclosures but adoption had no impact on the Company's consolidated balance sheets and statements of operations.

FASB Accounting Standards Update ("ASU") 2009-05, *Measuring Liabilities at Fair Value,* updated Topic 820 *Fair Value Measurements and Disclosures* and became effective in 2009. This update clarified some issues related to measuring the fair value of liabilities, which can be difficult because observable market information is scarce, restrictions often prevent transfers of liabilities, and it may be difficult to compare non-performance risk. If a quoted price of a liability is not available, the quoted price for the liability traded as an asset may be used. The Company did not change its methods for estimating the fair values of liabilities as a result of adopting ASU 2009-05.

FASB ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* became effective in 2009. It applies to reporting entities that hold an investment that is required or permitted to be measured or disclosed at fair value, such as hedge or private equity funds. It allows entities to use net asset value as a practical expedient for estimating fair value. The Company reports its investments in such entities using the equity method, not at fair value. Accordingly, the new standard did not affect its consolidated financial statements. There are some expanded disclosure requirements related to investment attributes, redemption restrictions and fund investment strategies which the Company added.

FASB ASC 855, *Subsequent Events*, was adopted for 2009 reporting. The only change to existing guidance was to require entities to disclose the date through which subsequent events have been evaluated for issued and reissued financial statements.

Recent Accounting Standards - Pending

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. The Company has not determined the impact of ASU 2009-13 on its consolidated financial statements.

FASB 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 and which owner is the primary beneficiary and thus must consolidate it. The new guidance is more qualitative and also creates new disclosure requirements; it is effective for 2010. The Company has not determined the impact of ASU 2009-17 on its consolidated financial statements.

FASB ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, will provide a greater level of disaggregated information and more robust disclosures about valuation techniques and inputs to fair value measurements. It will be effective for 2010 financial statements except that 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.

(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, 2009 are as follows:

	Amortized	Gross Unrealized		Estimated
	Cost	Gains	Losses	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	73,192	7,948	(516)	80,624
Domestic corporate securities	3,346,520	100,855	(55,682)	3,391,693
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	776,323	30,537	(8,381)	798,479
Total debt securities	$ 6,390,278	$ 150,917	$ (431,662)	$ 6,109,533

The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities at December 31, 2008 are as follows:

	Amortized	Gross Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
U.S. government and agencies	$ 451,149	$ 9,359	$ (2,371)	$ 458,137
States and political subdivisions	348,691	1,339	(22,345)	327,685
Foreign government securities	101,472	5,260	(5,936)	100,796
Domestic corporate securities	2,358,712	22,538	(275,302)	2,105,948
Mortgage-backed securities:				
Residential mortgage-backed	1,084,999	12,347	(178,647)	918,699
Commercial mortgage-backed	437,880	1,670	(136,573)	302,977
Non-mortgage asset-backed securities:				
Collateralized debt obligations	160,743	-	(116,212)	44,531
Other	100,621	101	(12,490)	88,232
Foreign corporate securities	653,402	2,481	(84,318)	571,565
Total debt securities	$ 5,697,669	$ 55,095	$ (834,194)	$ 4,918,570

(000s omitted)

The amortized cost and estimated fair values of investments in debt securities at December 31, 2009, 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	$ 188,972	$ 191,816
Due after one year through five years	1,229,348	1,274,379
Due after five years through ten years	2,343,795	2,386,174
Due after ten years	990,234	960,434
Mortgage-backed securities:		
Residential mortgage-backed	1,064,561	945,590
Commercial mortgage-backed	347,765	222,356
Non-mortgage asset-backed securities:		
Collateralized debt obligations	122,102	27,514
Other	103,501	101,270
Total debt securities	$ 6,390,278	$ 6,109,533

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
2009	$ 181,759	$ 8,438	$ (9,831)	$ 180,366
2008	254,023	2,497	(59,905)	196,615

(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 2009	CUNA Mutual Carrying Value 2008	CUNA Mutual Share of Net Income (Loss), After Tax 2009	2008	2007
CMG Mortgage Insurance Company (50%)	$ 109,650	$ 117,903	$ (6,070)	$ 4,233	$ 15,321
CMG Mortgage Assurance Company (50%)	11,823	4,324	(1,412)	(94)	(138)
CMG Mortgage Reinsurance Company (50%) [1]	-	9,501	-	48	1,083
All other affiliates (various ownership percentages)	4,356	10,854	(1,358)	1,743	(1,282)
Total	$ 125,829	$ 142,582	$ (8,840)	$ 5,930	$ 14,984

[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, 2009 and 2008 are set forth in the table below:

	Assets 2009	Liabilities 2009	Assets 2008	Liabilities 2008
CMG Mortgage Insurance Company	$ 406,167	$ 186,867	$ 339,431	$ 103,625
CMG Mortgage Assurance Company	47,704	24,058	9,344	696
CMG Mortgage Reinsurance Company [1]	-	-	30,577	11,575

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

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, 2009, the commercial mortgage loan portfolio had an average remaining life of 5.5 years, with all principal due prior to 2027. 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 4.28% of the aggregate mortgage loan portfolio balance. The Company recorded a valuation allowance of $5,005 in 2009 when it became probable the Company would be unable to collect the total contractual amounts due on certain mortgages. The mortgage loan investment on which the Company recorded the valuation allowance was $14,600 at December 31, 2009. The Company had a mortgage loan restructure in 2009 that was considered a troubled debt restructuring. The terms of the restructure did not result in the recognition of an allowance in the current period and the value of the loan was $7,465 at December 31, 2009. The Company has no commitments to lend additional funds to mortgagees whose terms have been restructured in a troubled debt restructuring at December 31, 2009. There were no delinquencies and no valuation allowances as of December 31, 2008. The determination of the need for and level of a mortgage valuation allowance is an estimation process, which requires significant management judgments. Management has recorded its best estimate as of the balance sheet date based on its best estimate and interpretation of the facts. The ultimate outcome may vary from the Company's current evaluation, and as further facts emerge and future events occur, management may change its assessment. 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 that the valuation allowance requires adjustment.

(000s omitted)

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:

	2009	2008
California	13.6%	15.1%
Texas	9.2	8.0
Florida	7.4	5.8
Illinois	7.1	8.3
Kansas	6.8	7.3
Missouri	5.7	6.4
New Jersey	5.6	-
Ohio	5.2	5.9
Washington	4.4	5.1
New York	1.0	5.4

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

	2009	2008
Industrial	30.5%	26.1%
Office	27.1	31.7
Retail	25.2	23.2
Apartment	8.8	9.6
Other	8.4	9.4
Total	100.0%	100.0%

The average loan to value was 58.3% and 53.8% for December 31, 2009 and 2008, respectively. Valuations are performed on a regular basis using third party appraisals or data and internal models. In 2009 the Company took ownership of one real estate parcel with a fair value of $7,000 in lieu of foreclosure; there were no foreclosures in 2009 or 2008.

(000s omitted)

Real Estate

Real estate investments consisted of the following at December 31:

		2009		2008
Real estate held for the production of income	$	22,373	$	15,335
Accumulated depreciation		(6,445)		(6,145)
Net real estate held for the production of income	$	15,928	$	9,190
Real estate held-for-sale	$	47,263	$	49,138
Accumulated depreciation		(26,074)		(27,917)
Net real estate held-for-sale	$	21,189	$	21,221

Depreciation expense on investments in real estate totaled $300, $2,721 and $4,878 for the years ended December 31, 2009, 2008 and 2007, respectively. There were no impairments required to be recognized on real estate in 2009, 2008 or 2007.

Real estate investments were categorized as follows at December 31:

	2009			2008		
		Amount	Percent		Amount	Percent
Real estate held for the production of income:						
Office	$	12,163	76.4%	$	5,425	59.0%
Land		3,765	23.6		3,765	41.0
Total real estate investments	$	15,928	100.0%	$	9,190	100.0%
Real estate held-for-sale:						
Office	$	20,092	94.8%	$	20,164	95.0%
Retail		1,097	5.2		1,057	5.0
Total real estate investments	$	21,189	100.0%	$	21,221	100.0%

(000s omitted)

Short-Term Investments

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

	2009	2008
U.S. government and agencies	$ -	$ 211,605
Foreign government securities	-	3,525
Domestic corporate securities	4,569	1,001
Certificates of deposit	3,497	4,381
Foreign corporate securities	-	800
Total short-term investments	$ 8,066	$ 221,312

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.

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

	2009		2008	
	Cost	Carrying Value	Cost	Carrying Value
Energy funds	$ 25,764	$ 20,800	$ 16,189	$ 15,237
Mezzanine	155,846	147,144	130,464	125,348
Private equity	186,223	162,000	151,977	144,290
Real estate	56,737	23,084	43,087	18,241
Other	-	-	31,279	26,568
Total limited partnerships	$ 424,570	$ 353,028	$ 372,996	$ 329,684

The Company funded additional investments in limited partnerships of $98,532 in 2009 and $177,926 in 2008, respectively. See Note 11 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 in 2015 to 2018.

(000s omitted)

Net Investment Income

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

	2009	2008	2007
Gross investment income (loss):			
Debt securities, available for sale	$ 355,996	$ 328,465	$ 358,528
Equity securities, available for sale	6,116	11,237	32,225
Mortgage loans	45,380	45,456	37,711
Real estate	11,044	15,774	18,848
Policy loans	7,193	7,106	7,223
Limited partnerships			
Equity in change in market value	(27,886)	(47,226)	(2,414)
Equity in other income	20,357	12,285	4,151
Derivative financial instruments	1,158	673	229
Short-term investments and other	7,686	14,333	16,871
Total gross investment income	427,044	388,103	473,372
Investment expenses	(22,180)	(30,184)	(33,281)
Net investment income	$ 404,864	$ 357,919	$ 440,091

Additional net investment income of $8,740, $14,733 and $18,590 in 2009, 2008 and 2007, respectively, has been included with the results of discontinued operations. See Note 15 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 illiquid markets. Accordingly, the values assigned are subject to risks of variability. See discussion of "Fair Value Measurement" which is included in this Note.

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:

	2009	2008	2007
Energy funds	$ (4,012)	$ (480)	$ (472)
Mezzanine	(3,585)	(2,961)	(2,111)
Private equity	(16,434)	(15,905)	1,846
Real estate	(8,802)	(23,132)	(1,713)
Other	4,947	(4,748)	36
Total change in equity in market value	$ (27,886)	$ (47,226)	$ (2,414)

(000s omitted)

Net Realized Investment Losses

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

	2009	2008	2007
Debt securities:			
Gross gains on sales	$ 130,998	$ 40,250	$ 13,629
Gross losses on sales	(25,898)	(42,283)	(32,353)
Other	6,561	(19,891)	10,988
Other than temporary impairment losses	(204,178)	(421,853)	(143,335)
Equity securities:			
Gross gains on sales	7,835	23,240	92,660
Gross losses on sales	(18,232)	(21,531)	(13,880)
Other	(3,212)	(1,436)	(225)
Other than temporary impairment losses	(31,206)	(19,182)	(4,966)
Real estate	1,158	31,194	1,927
Mortgage loans:			
Other	6,562	(1,593)	6,441
Other than temporary impairment losses	(5,005)	-	-
Derivative financial instruments	(72,625)	(11,866)	(22,278)
Derivative financial instruments - embedded	(8,367)	(5,424)	-
Other	(1,675)	(10,782)	(4,949)
Net realized investment losses	$ (217,284)	$ (461,157)	$ (96,341)

Additional net realized investment gains of $132,063, $373 and $45,999 in 2009, 2008 and 2007, respectively, have been reported in the results of discontinued operations. See Note 15.

Proceeds from the sale of debt securities were $2,789,942, $982,121 and $1,397,887 in 2009, 2008 and 2007, respectively. Proceeds from the sale of equity securities were $59,010, $287,143 and $434,471 in 2009, 2008 and 2007, respectively.

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 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:

- 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 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 shown as subtracted and reallocated to accumulated other comprehensive loss, resulting in only the credit portion of the OTTI being charged to income.

For those equity securities where the decline in the fair value is deemed to be other-than-temporary, 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 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.

In early 2010, management made the decision to sell substantially all of its publicly traded equity securities, which had a fair value on December 31, 2009 of $71,339. Because the Company no longer had the intent to hold these securities until the price recovered, CUNA Mutual recognized an impairment loss in the 2009 consolidated financial statements of $20,663. Subsequent 2010 sales of those securities did not result in significant realized investment gains or losses.

(000s omitted)

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.

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:

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

The provision for other-than-temporary impairments in 2009 ($240,389) was less than the provision in 2008 ($441,035) and greater than the provision in 2007 ($148,301). 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 increase in the 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 2009, 2008 and 2007 is the severe decrease in residential real estate values.

Management believes it has made an appropriate provision for other-than-temporarily impaired securities owned at December 31, 2009. 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 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:

	2009	2008	2007
Domestic corporate securities	$ (18,650)	$ (27,590)	$ (3,024)
Foreign government securities	-	-	(261)
States and Political subdivisions	-	(27)	-
Mortgage-backed securities:			
Residential mortgage-backed			
Prime	(16,241)	(844)	(938)
Alt-A	(87,463)	(120,608)	(18,978)
Sub-prime	(19,902)	(59,871)	(76,162)
Other	(203)	(3,995)	(974)
Commercial mortgage-backed	(30)	-	(1,900)
Non-mortgage asset-backed securities			
Collateralized debt obligations	(34,025)	(199,968)	(40,600)
Other	(27,664)	(1,113)	(74)
Foreign corporate securities	-	(7,837)	(424)
Total debt securities	(204,178)	(421,853)	(143,335)
Equity securities	(31,206)	(19,182)	(4,966)
Mortgage loans	(5,005)	-	-
Total other than temporary impairment losses	$ (240,389)	$ (441,035)	$ (148,301)

(000s omitted)

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:

	2009	2008	2007
Debt securities	$ (280,745)	$ (779,099)	$ (241,270)
Equity securities	(1,393)	(57,408)	25,249
Derivatives	6,352	56,988	(2,471)
Deferred policy acquisition cost adjustments	423	56,740	16,984
Deferred income taxes	91,340	239,085	67,060
Other, including minority interest	(1,368)	(4,047)	5,284
Net unrealized investment gains (losses)	$ (185,391)	$ (487,741)	$ (129,164)

(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	4,163	399	4,043	117	8,206	516	-
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	182,693	4,960	36,970	3,421	219,663	8,381	-
Total of debt securities	$ 1,589,285	$ 48,810	$ 929,191	$ 382,852	$ 2,518,476	$ 431,662	$ 85,347
Equity securities	$ 2,928	$ 2,424	$ 33,286	$ 7,407	$ 36,214	$ 9,831	$ -
Total temporarily impaired securities	$ 1,592,213	$ 51,234	$ 962,477	$ 390,259	$ 2,554,690	$ 441,493	$ 85,347

At December 31, 2009, the Company owned 955 debt securities with a fair value of $2,518,476 in an unrealized investment loss position. Of these, 542, with a fair value of $929,191, have been in an unrealized loss position for twelve or more months. The $382,852 unrealized loss for debt securities with a loss period twelve months or greater represents an aggregate 29.2% price impairment. The price impairment on the remaining 413 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 86.8% 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.

Commercial mortgage-backed securities ("CMBS") represent the largest unrealized loss for twelve months or greater at December 31, 2009. The Company has performed forward-looking stress scenarios on its CMBS portfolio. As of December 31, 2009, based on these analyses, the Company did not take impairments on this portfolio.

(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, 2008.

	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**
U.S. government and agencies	$ 255,552	$ 2,371	$ -	$ -	$ 255,552	$ 2,371
States and political subdivisions	260,438	20,008	7,192	2,337	267,630	22,345
Foreign government securities	48,034	5,936	-	-	48,034	5,936
Domestic corporate securities	1,388,306	211,317	114,516	63,985	1,502,822	275,302
Mortgage-backed securities:						
Residential mortgage-backed	298,682	76,586	78,359	102,061	377,041	178,647
Commercial mortgage-backed	223,613	69,161	34,218	67,412	257,831	136,573
Asset backed non-mortgage-backed securitites						
Collateralized debt obligations	19,784	36,390	21,463	79,822	41,247	116,212
Other	66,565	6,496	9,033	5,994	75,598	12,490
Foreign corporate securities	417,042	68,551	35,249	15,767	452,291	84,318
Total of debt securities	$ 2,978,016	$ 496,816	$ 300,030	$ 337,378	$ 3,278,046	$ 834,194
Equity securities	$ 91,931	$ 46,491	$ 19,725	$ 13,414	$ 111,656	$ 59,905
Total temporarily impaired securities	$ 3,069,947	$ 543,307	$ 319,755	$ 350,792	$ 3,389,702	$ 894,099

At December 31, 2008, the Company owned 1,715 debt securities with a fair value of $3,278,046 in an unrealized investment loss position. Of these, 270, with a fair value of $300,030, have been in an unrealized loss position for twelve or more months. The $337,378 unrealized loss for debt securities with a loss period twelve months or greater represents an aggregate 52.9% price impairment. The price impairment on the remaining 1,445 debt securities is 14.3%. The total fair value of debt securities, which reflect an unrealized loss at December 31, 2008 and which are rated "investment grade," is $2,985,436 or 91.1% of the total fair value of all debt securities which reflect an unrealized loss at December 31, 2008. For these purposes "investment grade" is defined by the Company to be securities rated BBB or greater.

At December 31, 2008, the Company owned 76 stocks with a fair value of $111,656 in an unrealized loss position. Of these, 13 with a fair value of $19,725 have been in an unrealized position for more than twelve months; the unrealized loss on these securities represents a 40.5% price impairment.

(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, 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 are 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)

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, 2008. 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 are 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	$ 177,834	$ 157,744	$ 120,795	$ 36,949	$ -	$ -
Greater than six to twelve months	197,434	140,938	46,135	90,984	3,819	-
Greater than twelve months	180,420	78,359	22,869	30,372	19,265	5,853
Total residential mortgage-backed	555,688	377,041	189,799	158,305	23,084	5,853
Number of securities		100	55	30	9	6
Commercial mortgage-backed:						
Six months or less	225,656	183,909	154,268	18,329	10,888	424
Greater than six to twelve months	67,118	39,704	6,161	26,147	6,768	628
Greater than twelve months	101,630	34,218	-	17,817	10,576	5,825
Total commercial mortgage-backed	394,404	257,831	160,429	62,293	28,232	6,877
Number of securities		55	25	11	12	7
Collateralized debt obligations						
Six months or less	21,915	4,961	2,155	-	-	2,806
Greater than six to twelve months	34,259	14,823	-	9,791	3,529	1,503
Greater than twelve months	101,285	21,463	-	-	16,500	4,963
Total non-mortgage asset-backed securities	157,459	41,247	2,155	9,791	20,029	9,272
Number of securities		28	6	2	9	11
Non-mortgage asset-backed securities:						
Six months or less	73,061	66,565	60,484	6,081	-	-
Greater than twelve months	15,027	9,033	-	9,033	-	-
Total non-mortgage asset-backed securities	88,088	75,598	60,484	15,114	-	-
Number of securities		27	24	2	1	-
Total:						
Six months or less	498,466	413,179	337,702	61,359	10,888	3,230
Greater than six to twelve months	298,811	195,465	52,296	126,922	14,116	2,131
Greater than twelve months	398,362	143,073	22,869	57,222	46,341	16,641
Total number of securities		210	110	45	31	24
Total	$ 1,195,639	$ 751,717	$ 412,867	$ 245,503	$ 71,345	$ 22,002

(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, 2009 are as follows:

	Average Credit Rating	Amortized Cost	Fair Value
American Capital Strategies	B	$ 31,417	$ 31,224
BP Capital Markets PLC	AA+	30,377	30,727
Spartech Corporation	BBB-	29,272	30,327
Procter & Gamble Co	AA-	26,883	27,767
United Parcel Service	AA-	21,250	22,328
Oracle Corp	A	21,355	21,524
Coca-Cola Co	A+	20,589	21,189
Chevron Corp	AA	19,988	21,021
Cisco Systems	A+	21,399	20,868
Shell International Finance	AA+	20,015	20,776
		$ 242,545	$ 247,751

The Company's largest ten unrealized loss positions, at December 31, 2009 are as follows:

	Amortized Cost	Fair Value	Unrealized Loss
G-Force LLC 2005	$ 19,999	$ 4,329	$ (15,671)
Capital Trust Re CDO 2005-3A	20,978	8,711	(12,267)
Greenwich Capital Comm Fndg 2006-RR1	15,285	3,358	(11,927)
JER CDO 2005-1A	10,987	928	(10,058)
Alesco Preferred Funding 10X	9,998	131	(9,867)
Morgan Stanley Capital 2005-6	12,454	3,200	(9,254)
Bank of America Alt. Loan Trust 2005-6	22,098	12,887	(9,210)
Wachovia Bank Comm Mtg Tr 2004-C14	14,284	5,149	(9,135)
Multi-Security Asset Trust 2005-RR4A	12,551	4,662	(7,890)
Morgan Stanley Capital 2005-RR6	8,070	597	(7,472)
	$ 146,704	$ 43,952	$ (102,751)

(000s omitted)

Derivative Financial Instruments

Consistent with its asset allocation strategy, the Company utilizes derivative financial instruments to help maximize risk-adjusted investment returns; to reduce interest rate risks of long-term assets; to manage exposure to various credit, currency and market risks; and to manage exposure to various equity and fixed income market sectors.

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 Location	Fair Value Liabilities	Balance Sheet Location
Derivatives designated as hedging instruments:						
Financial futures	$ 4,397	$ 146,809	$ 4,560	Other invested assets	$ 163	Accounts payable
Cross currency swaps	589	37,989	1,396	Other invested assets	807	Accounts payable
Interest rate swaps	3,967	60,845	3,967	Other invested assets	-	
Total derivatives designated as hedging instruments	8,953	245,643	9,923		970	
Derivatives not designated as hedging instruments:						
Financial futures	(2,653)	305,564	596	Other invested assets	3,249	Accounts payable
Purchased option contracts	70,086	345,974	70,086	Other invested assets	-	Accounts payable
Written option contracts	(51,832)	1,388	-	Other invested assets	51,832	Accounts payable
Total derivatives not designated as hedging instruments	15,601	652,926	70,682		55,081	
Total derivative financial instruments	$ 24,554	$ 898,569	$ 80,605		$ 56,051	

(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, 2008:

	Fair Value	Notional Amount	Fair Value Assets	Balance Sheet Location	Fair Value Liabilities	Balance Sheet Location
Derivatives designated as hedging instruments:						
Financial futures	$ (3,428)	$ 55,846	$ -	Other invested assets	$ 3,428	Accounts payable
Cross currency swaps	8,352	37,989	8,352	Other invested assets	-	Accounts payable
Total derivatives designated as hedging instruments	4,924	93,835	8,352		3,428	
Derivatives not designated as hedging instruments:						
Financial futures	(10,799)	248,832	115	Other invested assets	10,914	Accounts payable
Purchased option contracts	11,737	280,733	11,737	Other invested assets	-	Accounts payable
Written option contracts	(8,902)	2,808	-	Other invested assets	8,902	Accounts payable
Total derivatives not designated as hedging instruments	(7,964)	532,373	11,852		19,816	
Total derivative financial instruments	$ (3,040)	$ 626,208	$ 20,204		$ 23,244	

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 2009 and 2008. 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 2009 and 2008.

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.

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 2009 and 2008. 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 2009 and 2008.

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 2009 and 2008. 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 2009 and 2008. 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 $8,547, ($13,823) and $459 were recorded to net realized investment losses in 2009, 2008 and 2007, 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:

	2009	2008	2007	Income Statement Location
Net investment income, reclassed from accumulated other comprehensive income (loss):				
Cross currency swaps, cash flow hedge	$ -	$ -	$ (2,208)	Other income
Interest rate swaps, cash flow hedge	1,424	317	148	Other income
Total derivatives reclassed to net investment income	1,424	317	(2,060)	
Net realized investment gains (losses):				
Currency futures, fair value hedge	(15,413)	13,245	(10,065)	Operating and other expenses
Currency futures, ineffectiveness in hedge	(250)	307	(268)	Other income
Currency futures, net investment hedge	17,001	-	-	Other income
Currency futures, non-qualifying	(3,604)	1,271	(10,377)	Other income
Currency forwards, non-qualifying	-	(14)	(171)	Other income
Equity futures, non-qualifying	(79,295)	(10,736)	333	Other income
Interest rate swaps, fair value hedge	3,967	(1,706)	(1,927)	Operating and other expenses
Interest rate swaps, ineffectiveness in hedge	-	(366)	(173)	Other income
Interest rate swaps, non-qualifying	-	-	-	Other income
Options, non-qualifying	4,969	(13,867)	370	Other income
Total net realized investment gains (losses) on derivatives	(72,625)	(11,866)	(22,278)	
Accumulated other comprehensive income (loss):				
Currency futures, net investment hedge	(41,449)	44,525	(1,783)	Other income
Cross currency swaps, cash flow hedge	(7,762)	9,843	(3,896)	Other income
Interest rate swaps, cash flow hedge	-	5,408	1,571	Other income
Total accumulated other comprehensive income (loss) on derivatives	(49,211)	59,776	(4,108)	
Total derivative impact	$ (120,412)	$ 48,227	$ (28,446)	

Income (loss) on derivative activity is included in other income for all activity, except for currency futures-fair value hedge and interest rate swaps-fair value hedge which are included with operating and other expenses.

(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:

	2009	2008	2007
Unrealized gain (loss) on derivatives included in accumulated other comprehensive loss as of January 1	$ 56,988	$ (2,471)	$ (423)
Gains (losses) deferred in accumulated other comprehensive loss on the effective portion of cash flow hedges	(49,211)	59,776	(4,108)
Amounts reclassified to net investment income	(1,424)	(317)	2,060
Unrealized gain (loss) on derivatives included in accumulated other comprehensive loss as of December 31	$ 6,353	$ 56,988	$ (2,471)

The Company estimates that $956 will be reclassed in 2010 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 2009. The Company is hedging its exposure to the variability in future cash flows for a maximum of ten 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 little or no 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:

	2009	2008
Equity indexed annuities	$ 29,048	$ 20,272
Guarantees on variable annuities	8,442	8,851
Total embedded derivatives	$ 37,490	$ 29,123

The following table presents changes in fair value related to embedded derivatives for the years ended December 31:

	2009	2008	2007
Net realized investment gains (losses)	$ 8,367	$ 5,424	$ -
Interest credited to policyholder account balances	-	-	1,136

Fair Value Measurement

The Company adopted FASB ASC 820 *Fair Value Measurements and Disclosures ("FASB ASC 820")* effective January 1, 2008. FASB ASC 820 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 applied the provisions of FASB ASC 820 in the 2008 consolidated financial statements. The Company's adoption of FASB ASC 820 did not materially impact the fair values of its financial instruments. The Company did 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. In accordance with FASB ASC 820, we have categorized our 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, such as that existing at year end 2009 and 2008, 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, 2008 and, to a somewhat lesser extent, at December 31, 2009. 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.

(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	$ 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	-	80,624	-	80,624
Domestic corporate securities	-	3,317,625	74,068	3,391,693
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	-	798,479	-	798,479
Total debt securities	100,092	5,576,748	432,693	6,109,533
Equity securities	130,303	27,159	22,904	180,366
Mortgage loans	-	-	50,218	50,218
Short-term investments	3,497	4,569	-	8,066
Student loans receivable	-	-	15,845	15,845
Derivative assets	1,744	22,810	-	24,554
Separate account assets	-	4,049,659	-	4,049,659
Total assets	$ 400,636	$ 9,680,945	$ 521,660	$ 10,603,241

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

(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, 2008.

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 69,533	$ -	$ -	$ 69,533
Debt securities:				
U.S. government and agencies	375,226	82,911	-	458,137
States and political subdivisions	-	327,685	-	327,685
Foreign government securities	-	99,693	1,103	100,796
Domestic corporate securities	-	2,029,126	76,822	2,105,948
Mortgage-backed securities:				
Residential mortgage-backed	-	549,078	369,621	918,699
Commercial mortgage-backed	-	251,248	51,729	302,977
Collateralized debt obligations	-	-	44,591	44,591
Other structured securities	-	80,728	7,444	88,172
Foreign corporate securities	-	547,370	24,195	571,565
Total debt securities	375,226	3,967,839	575,505	4,918,570
Equity securities	169,093	4,153	23,369	196,615
Mortgage loans	-	-	55,767	55,767
Short-term investments	219,841	1,471	-	221,312
Student loans receivable	-	-	8,159	8,159
Derivative assets	(14,227)	11,187	-	(3,040)
Separate account assets	3,284,611	-	-	3,284,611
Total assets	$ 4,104,077	$ 3,984,650	$ 662,800	$ 8,751,527

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivatives embedded in annuity contracts	$ -	$ -	$ 29,123	$ 29,123
Total liabilities	$ -	$ -	$ 29,123	$ 29,123

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.

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

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 actively traded mutual funds that have daily quoted net asset values at which the Company could transact.

Level 3 Measurements

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. Changes in fair value are reported in net realized investment losses.

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.

(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]	Total Realized/Unrealized Gain (Loss) Included in: Other Comprehensive Income	Net Purchases, (Sales) and (Maturities)	Transfer in to Level 3	Balance December 31, 2009 [2]
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.

The following table sets forth the fair values of assets classified as level 3 within the fair value hierarchy at December 31, 2008:

	Balance January 1, 2008	Total Realized/Unrealized Gain (Loss) Included in: Earnings[1]	Total Realized/Unrealized Gain (Loss) Included in: Other Comprehensive Income	Net Purchases, (Sales) and (Maturities)	Transfer in to Level 3	Balance December 31, 2008 [2]
Debt securities	$ 213,374	$ (198,546)	$ 16,729	$ (16,092)	$ 560,040	$ 575,505
Equity securities	19,404	(1,004)	(9,118)	14,087	-	23,369
Mortgage loans	-	(3,336)	-	59,103	-	55,767
Student loans receivable	-	(530)	-	8,689	-	8,159
Total assets	$ 232,778	$ (203,416)	$ 7,611	$ 65,787	$ 560,040	$ 662,800
Derivatives embedded in annuity contracts	$ 23,807	$ 5,316	$ -	$ -	$ -	$ 29,123
Total liabilities	$ 23,807	$ 5,316	$ -	$ -	$ -	$ 29,123

[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, 2008.

(000s omitted)

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 remeasurement of the Company's equity interest in Producers AG Insurance Group, Inc. detailed in Note 16, the Company had no assets or liabilities that required a fair value adjustment as of December 31, 2009 or 2008.

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, 2009 and 2008.

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, 2009 and 2008 are as follows:

	2009	2008
Fair value	$ 16,768	$ 8,343
Aggregate contractual principal amount outstanding	19,001	8,862
Fair value (under) aggregate contractual principal amount outstanding	$ (2,233)	$ (519)

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. At December 31, 2009 $1,440 of loans were in repayment status with an immaterial amount of loans past due.

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, 2009 and 2008, bonds and notes, mortgage loans and policy loans with a carrying value of $5,960,101 and $5,133,615, 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 $50,370 and $38,578 were on deposit as of December 31, 2009 and 2008, respectively.

A subsidiary of the Company entered into a one year unsecured revolving credit facility agreement with JP Morgan Chase Bank in 2009, 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, 2009 the Company has pledged assets of $42,535 to guarantee this agreement. See Note 12, Notes Payable, for a further description of this agreement.

(000s omitted)

The Company entered into a modified coinsurance agreement in 2008. For 2009 the amount deposited was increased by $10,000 and the rate was increased by 8%. Under the terms of the coinsurance agreement the risk of loss is not sufficiently transferred to the reinsurer. Accordingly, the agreement is accounted for using the deposit method. As part of the agreement the Company is required to maintain certain assets according to guidelines contained in the agreement. These assets are managed according to guidelines contained in the agreement and provide the basis for investment income to be earned and paid to the reinsurer.

Asset Restrictions

At December 31, 2009 and 2008, $42,845 and $41,506 of securities were held in trust, securing an agreement originally entered into by the Company's wholly-owned subsidiary, CUNA Mutual Investment Corporation, now secured by the Company, to provide, under certain circumstances, capital support to an unconsolidated subsidiary. See Note 11, 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) and1.1502-33(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) attributable to income (loss) from continuing operations for the years ended December 31 is as follows:

	2009	2008	2007
Current tax expense (benefit)	$ (84,499)	$ (5,792)	$ 74,247
Deferred tax expense (benefit)	44,512	(83,564)	(37,927)
Total income tax expense (benefit)	$ (39,987)	$ (89,356)	$ 36,320

The income tax effects of discontinued operations are shown in Note 15.

(000s omitted)

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 noncontrolling interests due to the items listed in the following reconciliation:

	2009	2008	2007
Tax expense (benefit) computed at federal corporate tax rate	$ (39,162)	$ (85,516)	$ 54,773
Tax-exempt investment income	(4,718)	(4,511)	(3,869)
Settlement of prior year taxes	(3,115)	343	(9,623)
Dividends-received deduction	(3,461)	(2,761)	(4,972)
Meals and entertainment	553	986	869
Valuation allowance	11,600	-	-
Rate differential on dividends received from foreign affiliates	-	637	-
Foreign operations	11	(396)	(1,318)
Other, net	(1,695)	1,862	460
Total income tax expense (benefit) on continuing operations	$ (39,987)	$ (89,356)	$ 36,320

(000s omitted)

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, 2009 and 2008 are as follows:

	2009	2008
Deferred tax assets:		
Policy liabilities and reserves	$ 137,102	$ 116,167
Pension and other employee benefits	78,448	86,518
Investments	91,091	136,960
Unearned revenue	46,580	49,292
Loss reserve discounting	12,534	11,951
Accrued expenses	29,279	32,445
Dividends payable to policyholders	12,790	12,517
Foreign currency translation	14,302	7,201
Loss carryforwards	14,959	25,469
Unrealized investment losses	94,740	252,085
Other	11,626	5,132
Gross deferred tax assets	543,451	735,737
Less: valuation allowance	-	13,000
Net deferred tax assets	543,451	722,737
Deferred tax liabilities:		
Deferred policy acquisition costs	148,987	145,825
Deferred and uncollected premium	9,000	7,789
Fixed assets and real estate	5,403	3,375
Intangible assets	19,243	15,450
Undistributed net income of unconsolidated affiliates	29,602	31,500
Other	8,785	8,391
Gross deferred tax liabilities	221,020	212,330
Deferred tax asset, net	$ 322,431	$ 510,407

The Company determines the need for a valuation allowance for recorded gross deferred income tax assets. All available evidence, both positive and negative, is considered in making this evaluation. 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, 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, among 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, aggregating $259,000 and $434,000,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, 2009 and 2008, respectively. Included in the $259,000 and $434,000 is approximately $134,000 and $280,000, respectively, related to fixed income securities with unrealized losses, for which a valuation allowance is not required as management has the intent and ability to hold these securities to recovery. Based on the Company's evaluation of both the positive and negative evidence and certain identified tax planning strategies, the Company recorded a valuation allowance of $13,000 at December 31, 2008, all of which related to investment capital losses, and had no valuation allowance at December 31, 2009. The realization of further investment capital losses in 2010 could generate additional deferred tax assets. Those deferred tax assets, along with the remaining deferred tax assets from December 31, 2009, would be subjected to subsequent determinations of the need for a valuation allowance. The outcome of such future determinations would necessarily be based on the facts and circumstances at that time and cannot be predicted with certainty.

Income tax expense 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 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.

As of December 31, 2009 and 2008, the Company had federal capital loss carryforwards of approximately $27,000 and $57,000, respectively; the related tax benefits are $9,000 and $20,000. These carryforwards expire in 2012 and 2013. As of December 31, 2009 and 2008, the Company had federal operating loss carryforwards of approximately $13,000 and $13,000, respectively; the related tax benefits are approximately $5,000 and $5,000. These carryforwards expire in years 2024 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. It is not practical to estimate the amount of additional taxes that might be payable on such undistributed earnings.

(000s omitted)

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

	2009	2008
Balance at January 1	$ 62,449	$ 55,981
Additions (reductions) based on tax positions related to the current year	(2,390)	4,526
Additions for prior years' tax positions	3,343	7,303
Reductions for prior years' tax positions	(4,123)	(631)
Reductions for settlements	-	(4,657)
Reductions for expiration of statutes	(793)	(73)
Balance at December 31	$ 58,486	$ 62,449

Included in the balance of unrecognized tax benefits at December 31, 2009 and 2008 are $33,250 and $35,500, 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 2010. 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, 2009 and 2008, the Company recognized approximately ($2,448) and $3,273 in interest and penalties. The Company had accrued $24,497 and $26,944 for the payment of interest and penalties at December 31, 2009 and 2008, respectively.

The Company or one of its subsidiaries 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.

Note 5: Related Party Transactions

In the normal course of business, there are various transactions between the Company and other related entities. In certain circumstances, expenses are shared between the companies. Expenses incurred that are specifically identifiable with a particular company are borne by that company; other expenses are allocated among the companies on the basis of time and usage studies.

In 2006, the Company began offering through a program called the CMG Employee Co-Investment Fund ("Co-Investment plan") the ability for selected senior leaders to participate in a program to invest their personal funds in limited partnerships in which the Company had invested in. This participation came in the form of a percentage share of the underlying investment pool of all of the Company's limited partnership investments. In July 2008, the Company bought out the employee participants in the Co-Investment plan due to the increasing complexity of the program from an administrative and tax perspective for both the Company and the participants. The participants received their net capital contributions through their last statement date of March 31, 2008 and calculated interest on those contributions from inception of their investment through the buyout date. The total distributed to the participants was $2,300, including $189 of interest.

(000s omitted)

Note 6: 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:

	2009		2008		2007	
	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance
Premiums:						
Direct	$ 1,226,295	$ 609,328	$ 1,207,757	$ 541,059	$ 1,187,323	$ 494,765
Assumed from ProAg[1]	-	230,708	-	248,309	-	127,830
Assumed from non-affiliates	3,842	123,762	1,430	160,623	2,137	125,342
Ceded to ProAg[1]	-	(65,931)	-	(66,857)	-	(32,970)
Ceded to non-affiliates	(18,687)	(45,228)	(20,599)	(16,509)	(17,399)	(19,432)
Net premiums	$ 1,211,450	$ 852,639	$ 1,188,588	$ 866,625	$ 1,172,061	$ 695,535
Claims, benefits and losses incurred:						
Direct	$ 782,694	$ 418,313	$ 736,004	$ 290,645	$ 733,471	$ 281,400
Assumed from ProAg[1]	-	228,681	-	203,466	-	93,418
Assumed from non-affiliates	1,063	93,942	758	127,712	(1,280)	80,730
Ceded to ProAg[1]	-	(62,309)	-	(49,828)	-	(30,751)
Ceded to non-affiliates	(14,017)	(34,311)	(16,104)	(8,668)	(17,416)	(14,106)
Net claims, benefits and losses	$ 769,740	$ 644,316	$ 720,658	$ 563,327	$ 714,775	$ 410,691

[1] Through October 30, 2009, date ProAg became a 100%-owned subsidiary (see Note 16).

The balance of reinsurance recoverables at December 31, 2009 and 2008 was $273,573 and $119,477, 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 Company has recoverables of $212,942 from three non-affiliated reinsurers at December 31, 2009 and $45,397 from a non-affiliated reinsurer at December 31, 2008. The Company believes there is no significant risk of loss related to these recoverables. Based on the Company's evaluation an immaterial allowance was established at December 31, 2009; no allowance for uncollectible reinsurance was recorded at December 31, 2008.

(000s omitted)

Note 7: Deferred Policy Acquisition Costs

A summary of the policy acquisition costs deferred and amortized at and for the year ended December 31, 2009 and 2008 is shown in the following table:

	2009		2008	
	Life and Health Insurance	Property and Casualty Insurance	Life and Health Insurance	Property and Casualty Insurance
Balance at beginning of year	$ 636,356	$ 23,010	$ 557,341	$ 25,801
Policy acquisition costs deferred	272,630	73,031	268,724	67,195
Policy acquisition costs amortized and adjustments for changes in life and health gross profit assumptions	(267,142)	(67,721)	(258,217)	(69,075)
Effect of change in net unrealized gains (losses) on securities available for sale	(75,826)	-	69,084	-
Impact of foreign exchange	647	1,018	(576)	(911)
Balance at end of year	$ 566,665	$ 29,338	$ 636,356	$ 23,010

(000s omitted)

Note 8: 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:

	2009		2008	
	Accident and Health Insurance	Property and Casualty Insurance	Accident and Health Insurance	Property and Casualty Insurance
Balance as of January 1	$ 399,178	$ 432,945	$ 425,032	$ 380,653
Less experience refunds liability	50,664	5,241	51,648	3,862
Less reinsurance recoverables	6,277	47,662	5,805	23,613
Net balance as of January 1	342,237	380,042	367,579	353,178
Incurred, net of reinsurance recoverable, related to:				
Current year	234,990	610,881	236,681	624,678
Prior years	9,124	29,857	(26,936)	(61,352)
Total incurred	244,114	640,738	209,745	563,326
Paid, net of reinsurance recoverable related to:				
Current year	79,682	360,079	82,406	362,931
Prior years	155,499	277,384	152,681	173,531
Total paid	235,181	637,463	235,087	536,462
Net balance at December 31	351,170	383,317	342,237	380,042
Plus experience refunds liability	36,474	6,375	50,664	5,241
Plus reinsurance recoverables	6,330	64,015	6,277	47,662
Balance at December 31	$ 393,974	$ 453,707	$ 399,178	$ 432,945

The liability for claim reserves from prior years increased by $9,124 in 2009 and decreased by $26,936 in 2008 for accident and health products. For property and casualty products, the increase was $29,857 in 2009 and the decrease was $61,352 in 2008.

For accident and health products, the 2009 increase in prior years incurred losses primarily relates to an increase in the reporting period for credit disability coverages. For accident and health products, the 2008 decrease in claim reserves was driven by better experience in both group and credit disability products.

For property and casualty products, the 2009 increase in prior years incurred losses primarily relates to adverse development of December 31, 2008 crop reserves. For property and casualty products, the significant decrease in 2008 relates to improvements from losses associated with fraudulent use of credit and debit cards issued by credit unions, which were in part covered by fidelity bond insurance issued by the Company. Smaller favorable development in certain other property and casualty lines was offset by adverse experience in workers compensation.

(000s omitted)

Note 9: 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, 2009 $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 18.) At December 31, 2008, $231,772, of the benefit plan assets shown in the table below are invested in the Ultra Series Fund, which was then managed by a wholly-owned subsidiary of the Company.

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 will 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 will continue to fund 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 income as of December 31, 2009 and 2008 are as follows:

	2009	2008
Net prior service costs	$ (21,987)	$ (1,982)
Net actuarial loss	172,747	174,275
Total recognized in accumulated other comprehensive loss, before tax	150,760	172,293
Tax expense	52,042	59,525
Total recognized in accumulated other comprehensive loss, net of tax	$ 98,718	$ 112,768

The estimated net actuarial loss and prior service cost for the postretirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2010 are $10,690 and ($2,438), respectively.

(000s omitted)

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

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Fair value of plan assets	$ 471,171	$ 389,424	$ 7,157	$ 6,625
Benefit obligation	(616,456)	(588,913)	(42,113)	(37,113)
Net liability recognized in the consolidated balance sheet	$ (145,285)	$ (199,489)	$ (34,956)	$ (30,488)

The accumulated benefit obligations for the Company's defined benefit pension plans were $573,710 and $522,660 at December 31, 2009 and 2008, respectively.

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

	Pension Benefits			Other Benefits		
	2009	2008	2007	2009	2008	2007
Pension benefits:						
Employer contributions	$ 57,374	$ 3,402	$ 8,040	$ 1,371	$ 7,520	$ 6,025
Benefit payments	34,589	37,375	41,919	1,371	7,520	6,025
Net periodic benefit cost	31,428	11,014	19,518	998	10,963	9,413
Settlement gain	-	-	-	-	75,101	-
Curtailment gain	1,629	-	-	247	46,722	6,573

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 include the result of 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.

The postretirement benefit costs for 2007 include recognition of a curtailment gain of $6,573. This curtailment gain is the result of the termination of a significant number of employees covered under the plan as the result of the Company's outsourcing effort that began in 2005. Termination dates for the impacted employees ended in 2007, which triggered the recognition of the curtailment gain.

The 2007 curtailment was net of $3,329, which is the amount the Company recognized for the implementation of a change in its method of accounting for defined pensions an other postretirement plans. This reduction was for the elimination of prior service costs related to the curtailment that were recognized as a part of the curtailment gain in postretirement benefit costs.

(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.

	2009	2008
Projected benefit obligation	$ 616,456	$ 588,890
Accumulated benefit obligation	573,710	522,660
Fair value of plan assets:		
Debt securities	$ 330,377	$ 245,550
Equity securities	128,226	118,439
All other investments	12,568	25,435
Total fair value of plan assets	$ 471,171	$ 389,424

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

	2009	2008
Discount rate	6.57%	5.20%
Expected long-term rate of return on plan assets	7.40%	8.00%
Assumed rate of compensation	4.12%	4.12%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 10.00% reducing to 4.50% by 2078. The discount rate used in determining the accumulated postretirement benefit obligation is 6.09% and 6.8% for 2009 and 2008 respectively.

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.

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 2009 was 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. Comparable figures for 2008 were a reduction of the postretirement benefit cost of $2,388 including $938 related to service cost, $1,266 related to interest cost and $184 related to recognized net actuarial gain/loss. The subsidy reduced the 2009 accumulated postretirement benefit obligation by $4,767 compared to $4,500 in 2008. Subsidies received in 2009 and 2008 amounted to $21 and $489, respectively.

(000s omitted)

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				
2010	$ 33,921	$ 1,345	$ 24	$ 1,321
2011	35,219	1,570	34	1,537
2012	36,430	1,791	47	1,745
2013	37,580	2,055	61	1,994
2014	39,234	2,379	77	2,302
2015-2019	222,207	17,220	798	16,422

We anticipate making a minimum contribution of $10,000 in 2010 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 2010 benefits.

The Company's overall investment strategy is to achieve a mix of approximately 70 percent debt related exposure and 30 percent equity exposure. Equity securities primarily include investments in large-cap and mid-cap 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.

(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:

	2009	2008	2009 Target Allocation
Asset category			
Equity securities	27.4%	30.7%	30.0%
Debt securities	70.1	63.0	70.0
Other investments	2.5	6.3	-
Total	100.0%	100.0%	100.0%

The fair value of the Company's 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
Debt securities	$ 193,257	$ 137,120	$ -	$ 330,377
Equity securities	80,780	47,446	-	128,226
Total plan assets at fair value	274,037	184,566	-	458,603
Other assets	-	-	12,568	12,568
Total plan assets	$ 274,037	$ 184,566	$ 12,568	$ 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
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: 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.

Other assets: Consists primarily of cash and dividends receivable.

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.

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 $11,804 and $6,235 at December 31, 2009 and 2008, respectively.

Defined Contribution Plans

The Company sponsors thrift and savings plans which cover 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. The Company match is vested according to plan schedules. The Company's contributions for the years ended December 31, 2009, 2008 and 2007 were $12,738, $13,884 and $13,058 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 $69,979 and $64,340 as of December 31, 2009 and 2008, 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 $58,621 and $55,105 at December 31, 2009 and 2008, 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 10: 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, including those to the parent, 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. CUMIS Insurance Society, Inc., CUMIS Specialty Insurance Company, Inc. and MEMBERS Life Insurance Company ("MEMBERS") have dividend restrictions at December 31, 2009 of $39,873, $4,164 and $4,531, respectively. MEMBERS, through its parent company, paid the Company $15,000 in return of capital in 2008; this return of capital was eliminated in consolidation. The Company has two wholly-owned subsidiaries subject to statutory dividend restrictions in Texas. At December 31, 2009, Producers Agriculture Insurance Company has a restriction of $4,962 and Producers Lloyds Insurance Company has a restriction of $561.

(000s omitted)

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, 2009, 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 amount of admitted deferred tax assets (2008 only), 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 $65,850 as of December 31, 2009 and $162,628 as of December 31, 2008.

Unaudited statutory-basis net income (loss) of CUNA Mutual was $281,644, ($37,828) and $10,605 for the years ended December 31, 2009, 2008 and 2007, respectively. Unaudited statutory-basis surplus was $1,201,075 and $985,178 at December 31, 2009 and 2008, respectively.

Note 11: Commitments and Contingencies

Investment Commitments

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

	2009	2008
Limited partnerships:		
Energy funds	$ 19,242	$ 25,862
Mezzanine	83,689	87,719
Private equity	73,794	77,956
Real estate	43,320	52,819
Other	-	16,273
Mortgage loans	10,315	-
Student loan receivables	2,527	2,324
Private placement debt	24,000	-
Bank loans	-	2,945

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.

Bank loan commitments represent commitments to acquire loans from banks at a specified future date.

Acquisition

In connection with the Company's acquisition of Producers AG Insurance Group, Inc. ("ProAg"), the Company has a contingent consideration arrangement which may require the Company to pay (or receive from) the former owners of ProAg additional amounts based on formulas defined in the purchase agreement. See Note 16 for a detailed description of this contingency.

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 $5,949 and $2,327 at December 31, 2009 and 2008, 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 assets is included in depreciation expense.

At December 31, 2009, the Company was committed under non-cancelable operating and capital leases with minimum rentals of approximately $23,555 of which $6,021 is due in 2010, $3,900 in 2011, $2,745 in 2012, $1,637 in 2013, and $9,253 in 2014 and thereafter. Rental expense included in the Company's results of operations amounted to $10,974, $16,063 and $14,762 in 2009, 2008 and 2007, respectively.

Insurance Guaranty Funds

The Company is liable for guaranty fund assessments related to certain unaffiliated insurance companies that have become insolvent during 2009 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 $2,975 and $3,760 at December 31, 2009 and 2008, 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 $2,122 and $2,582 at December 31, 2009 and 2008, respectively. Recoveries of assessments from premium taxes are generally made over a five-year period.

Capital Support Agreement

Prior to 2009 CUNA Mutual Investment Corporation ("CMIC"), a wholly-owned subsidiary of the Company, owned 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. In 2009 CMIC, through a stock dividend, transferred ownership to CUNA Mutual which now owns the 50% of CMG. In 2008, PMI and CMIC executed a capital support agreement whereby the parties 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 19 to 1. The period of the agreement is three years, but may be terminated earlier if certain conditions are met. This agreement was also transferred to CUNA Mutual. At December 31, 2009, the statutory risk-to-capital ratio for CMG was 17 to 1. The carrying value of securities owned by the

Company and held in a trust pursuant to this agreement, was $42,845 and $41,506 as of December 31, 2009 and 2008, 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, 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 12: Notes Payable

CUNA Mutual entered into a $255,000 three year unsecured revolving credit facility agreement with JP Morgan Chase Bank in 2008. A facility fee of .08% per year on the committed principal is assessed. Interest on amounts borrowed will vary based on certain benchmark interest rates. The Company 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. At December 31, 2009 the Company was in compliance with all of these covenants. As of December 31, 2009 the Company had $50,000 outstanding from borrowings made in 2008. In 2008 the Company had borrowed $100,000 in two separate borrowings of $50,000 in September 2008 and December 2008. Interest is being accrued at the London InterBank Offered Rate ("LIBOR") plus 27 basis points and is due at maturity or quarterly, whichever is first. The rate is 3.4% for the September borrowing and 2.1% for the December borrowing. The Company is also charged a commitment fee should the total borrowing exceed 50% of the credit facility. The credit facility expires in February, 2011. In January 2010 the Company repaid the remaining $50,000 of debt related to this revolving credit facility.

A consolidated subsidiary of the Company entered into a $35,000 one year unsecured revolving credit facility agreement with JP Morgan Chase Bank in 2009, to which the Company serves as guarantor. A facility fee of .25% per year on the committed principal is assessed. 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, 2009 the subsidiary and the Company were in compliance with all of these covenants. As of December 31, 2009 the subsidiary had borrowed $35,000. Interest is being accrued at LIBOR plus 125 basis points and is due at maturity or quarterly, whichever is first. The rate is 1.5% for this borrowing. The Company is also charged a commitment fee. The credit facility expires in November 2010.

As part of the acquisition of Producers AG Insurance Group, Inc. (see Note 16 for a detailed discussion) CUNA Mutual entered into a 5% secured promissory note for $28,933 with the former owners due March 31, 2012. Payments will be made December 31, 2010 and March 31, 2012.

(000s omitted)

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. Interest on borrowings during 2009 and 2008 was calculated daily at floating rates that ranged from .30% to .31% in 2009 and 2.24% to 2.63% in 2008. As of December 31, 2009 the Company owned $11,655 of FHLB common stock, but did not have any pledged securities or outstanding borrowings under these arrangements. Borrowings from the FHLB are used for short-term cash flow management and are typically settled within one month.

Note 13: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	Foreign currency translation gains (losses)	Unrealized investment gains (losses)	Minimum pension liability	Discontinued Operations	Accumulated other comprehensive income (loss)
Balance, December 31, 2007	$ (18,858)	$ (129,164)	$ (54,029)	$ 45,202	$ (156,849)
Foreign currency translation, net of tax - $3,239	9,640	-	-	(28,236)	(18,596)
Unrealized holding losses, net of tax - ($176,679)	-	(358,577)	-	(10,743)	(369,320)
Minimum pension liability adjustment, net of tax - ($31,628)	-	-	(58,739)	2,861	(55,878)
Balance, December 31, 2008	(9,218)	(487,741)	(112,768)	9,084	(600,643)
Foreign currency translation, net of tax - ($7,102)	(10,934)	-	-	(29,182)	(40,116)
Unrealized holding losses, net of tax - $171,745	-	334,288	-	17,153	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	$ (20,152)	$ (185,391)	$ (98,718)	$ -	$ (304,261)

Note 14: 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 cannot be substantiated by comparison to independent markets and, in many cases, could 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.

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 in the general account and deposit-type contracts in the general and separate accounts. 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, 2009. 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 the section above at December 31 are as follows:

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial instruments recorded as assets:				
Mortgage loans	$ 704,826	$ 698,924	$ 689,038	$ 693,421
Policy loans	104,495	104,495	104,339	104,339
Cash	211,281	211,281	181,738	181,738
Accrued investment income	81,488	81,488	70,213	70,213
Financial instruments recorded as liabilities:				
Investment-type contracts	4,287,965	3,842,159	3,749,389	2,751,777
Notes payable	113,852	112,391	100,000	85,082
Separate account liabilities	4,049,659	4,049,659	3,284,611	3,284,611

Note 15: Discontinued Operations

The Company sold certain operations that have been accounted for in the accompanying financial statements as discontinued operations. The results of operations and the gain or loss on the sale of the discontinued operations are reported, after applicable taxes, on a one-line basis in the consolidated statements of operations. Assets and liabilities of the discontinued operations have also been presented on a one line basis in the consolidated balance sheets. Prior year consolidated balance sheets and statements of operations have been reclassified to conform to the current year presentation

The principal components of discontinued operations relate to five dispositions, including three transactions in 2009 (The CUMIS Group Ltd (a Canadian subsidiary), Lending Call Center Services, LLC and IRA Services) and two transactions from earlier years.

On September 17, 2009 the Company announced plans to sell its 87% interest in The CUMIS Group Ltd., a Canadian subsidiary. On December 31, 2009 the Company completed the transaction and recorded $163,735 in proceeds and an $114,253 after-tax gain on the sale.

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 will accrue interest and be paid over the next five years 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.

(000s omitted)

In 2007, the Company's then 87%-owned Canadian subsidiary sold its wholly-owned property and casualty subsidiary. The Canadian subsidiary recorded $75,260 in proceeds and a $5,091 after-tax gain on 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. Subsequent favorable development has been recorded as part of discontinued operations in 2007.

The following table displays the components of discontinued operations for 2009, 2008 and 2007.

	2009	2008	2007
Total revenues	$ 148,530	$ 175,507	$ 304,736
Total expenses	149,682	159,352	250,483
Gain (loss) from discontinued operations before income taxes and non-operating items	(1,152)	16,155	54,253
Equity in income (loss) of unconsolidated affiliates	1,285	(722)	1,508
Gain on disposal	169,214	-	10,825
Gain from favorable loss reserve development	-	-	2,728
Income tax expense (benefit)	33,870	15,022	19,006
Net Income	135,477	411	50,308
Less: net income attributable to noncontroling interests	-	1,186	1,841
Gain (loss) from discontinued operations, net of tax	$ 135,477	$ (775)	$ 48,467

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, 2008 are as follows:

		2008
Assets		
Investments	$	470,509
Cash and cash equivalents		27,583
Reinsurance recoverables		74,311
Deferred policy acquisition costs		117,256
Office properties, equipment and computer software		13,370
Deferred tax asset, net		6,589
Other assets and receivables		31,294
Separate account assets		129,499
Total assets		870,411
Liabilities		
Reserves and policyholder account balances		(603,578)
Accounts payable and other liabilities		(68,895)
Separate account liabilities		(129,499)
Total liabilities		(801,972)
Total net assets	$	68,439

There are no significant assets or liabilities pertaining to discontinued operations as of December 31, 2009.

(000s omitted)

Summarized cash flow statement information relating to discontinued operations is as follows:

	2009	2008	2007
Cash flows from operating activities	$ (2,664)	$ (62,176)	$ (19,191)
Cash flows from investing activities	(6,879)	32,303	44,305
Cash flows from financing activities	(11,227)	(1,319)	(9,023)
Cash provided (used) by discontinued operations	(20,770)	(31,192)	16,091
(Increase) decrease in cash included in net assets of discontinued operations	2,910	101,210	(96,864)
Effect of foreign exchange rate on cash balances of discontinued operations	(3,978)	(6,440)	5,641
Cash flows from discontinued operations	$ (21,838)	$ 63,578	$ (75,132)

Note 16: Acquisition of Controlling and Noncontrolling Interests

Producers AG Insurance Group, Inc.

The Company has been involved in the crop insurance business since 2007. This involvement was accomplished through reinsurance assumed from Producers AG Insurance Group, Inc. ("ProAg") (see Note 6) as well as various levels of equity ownership of ProAg. 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, CMIC, purchased the remaining 77.4% of ProAg, resulting in ProAg being 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 financial statements.

Under the terms of the purchase agreement for the acquisition of the remaining 77.4%, the purchase price was $42,876, which is subject to potential adjustments (contingent consideration) based on future performance of ProAg. The $42,876 was comprised of a $14,238 cash payment and the issuance of notes payable of $28,638. The contingent consideration arrangement requires the Company to pay (or receive from) the former owners of ProAg additional amounts based on formulas defined in the purchase agreement. The contingent payments, if required, would be primarily payable in 2012 and 2013, and could range from a return of purchase price of $4,000 to an additional payment of $37,000. The Company has estimated the fair value of the contingent consideration to be $1,290, resulting in a total purchase price for the 77.4% of $44,166.

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 $4,927 included in the results of operations.

(000s omitted)

In accordance with FASB ASC 805, *Business Combinations* 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 $37,490 was assigned to intangibles as follows:

- $3,000 Trade name (amortized 20 years on straight line basis)
- $26,000 FCIC reinsurance agreement which the Company expects to perpetually renew these agreements and licenses at minimal cost (indefinite-lived asset and not amortized)
- $8,490 Goodwill (indefinite-lived asset and not amortized)

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		76,790
Reinsurance recoverables		582,481
Premium receivable		89,373
Office properties, equipment and computer software		5,720
Income tax receivable		9,410
Goodwill and other intangibles, net		37,490
Other assets and receivables		1,050
Total assets		807,904
Liabilities		
Loss and loss adjustment expense reserves - property and casualty		145,769
Notes payable		25,187
Reinsurance payable		525,006
Accounts payable and other liabilities		54,846
Total liabilities		750,808
Fair value of ProAg as of October 30, 2009	$	57,096

(000s omitted)

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. 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.

In accordance with FASB ASC 805, *Business Combinations* 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)
- $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 increased its 37.3% ownership of CU System Funds ("CUSF") to a 51.1% ownership when an investor withdrew from the fund in 2008. CUSF is a private investment fund which purchases commercial mortgage loans and certain other secured loans originated by credit unions. Subsequent to August 1, 2008, the acquisition date, CUSF is accounted for on a consolidated basis. Included in the 2008 results of operations and the balance sheet at December 31, 2008 are the following amounts related to CUSF: net realized loss of $1,401, expenses of $468, net loss of $1,869, assets of $60,945, and liabilities of $9,569. Prior to August 2008 the Company accounted for CUSF on the equity method of accounting. Throughout 2009 the Company has continued to increase its ownership of CUSF as other investors have withdrawn from the fund. The Company currently owns 76.3% of CUSF.

Other Acquisitions

On June 29, 2007 (the acquisition date), CMIC purchased 100% of the common stock of CU BizSource, LLC from MEMBERS Development Company, LLC ("MDC") for $787 in cash. The Company owns a 49% interest in MDC. Operating results attributable to the Company's increased interested in CU BizSource are included in the statement of operations subsequent to the purchase date. The Company assigned $537 of the purchase price to an intangible asset for a covenant not to compete, which was recorded as an asset by the parent (CMIC) and was being amortized on a pro rata basis over five years. The Company determined that the covenant not to compete was impaired in 2008 and recorded a charge to expense of $376. In addition, goodwill of $1,060 and a note payable of $928 were acquired as part of the transaction. CU BizSource provides certification services and maintains underwriting standards for commercial loans issued by credit unions.

In December 2007 the Company bought the interests of the minority owners of Lending Call Center Services, LLC ("LCCS") for $1,095, generating goodwill of $1,057. LCCS processes loan applications and handles member service calls for credit unions and other financial institutions. LCCS was sold in 2009 as described in Note 15.

Note 17: 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 over the next three years. The Company will receive additional payments after three years should the alliance meet certain contingencies. The Company recorded a gain of $23,147 on this transaction which is included in other income in the accompanying statement of operations. The Company also receives a percentage of the advisory fees charged by the alliance.

Note 18: Subsequent Event

The Company evaluated subsequent events from December 31, 2009 through March 26, 2010, the issuance date of these financial statements. During this period, there has been no significant subsequent events that require adjustment to or disclosure in the financial statements as of December 31, 2009 or for the twelve months then ended.