CUNA Mutual Insurance Society and Subsidiaries

Consolidated Financial Statements as of December 31, 2007 and 2006 and for the Three Years Ended December 31, 2007 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CUNA Mutual Insurance Society:

We have audited the accompanying consolidated balance sheets of CUNA Mutual Insurance Society and its subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, changes in policyholders' surplus, and cash flows for each of the three years in the period ended December 31, 2007. 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 subsidiary, which statements reflect total assets of $1,238 million and $1,164 million at December 31, 2007 and 2006, respectively, and total revenues of $163 million, $131 million, and $174 million and total net income of $53 million, $17 million, and $13 million for the years ended December 31, 2007, 2006 and 2005, respectively. 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 $118 million and $121 million at December 31, 2007 and 2006, respectively. The Company's equity in the net income of CMG was $15 million, $17 million, and $11 million for the years ended December 31, 2007, 2006, and 2005, 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 report 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 report 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, 2007 and 2006, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes and defined pension and other postretirement plans in 2007.

Deloitte & Touche LLP

March 26, 2008

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2007 and 2006
(000s omitted)

Assets	2007	2006
Cash and investments		
Debt securities, available for sale, at fair value (amortized cost 2007 - $5,944,461; 2006 - $6,458,310)	$ 5,705,846	$ 6,508,844
Equity securities, available for sale, at fair value (amortized cost 2007 - $441,538; 2006 - $490,442)	467,757	624,559
Equity in unconsolidated affiliates	165,561	152,646
Mortgage loans	642,804	437,021
Real estate, at cost less accumulated depreciation (2007 - $63,764; 2006 - $65,760)	53,061	61,213
Policy loans	105,136	106,406
Short-term investments	232,864	351,602
Limited partnerships	245,485	85,097
Other invested assets	95,726	15,609
Total investments	7,714,240	8,342,997
Cash and cash equivalents	607,209	246,280
Total cash and investments	8,321,449	8,589,277
Accrued investment income	73,329	77,341
Premiums receivable	232,204	156,926
Reinsurance recoverables	157,609	114,945
Federal income taxes receivable	-	30,120
Deferred policy acquisition costs	734,316	658,775
Office properties, equipment and computer software at cost less accumulated depreciation (2007 - $367,822; 2006 - $344,748)	209,300	192,443
Deferred tax asset, net	227,800	21,422
Goodwill and other intangibles, net	23,350	20,800
Other assets and receivables	171,309	276,038
Separate account assets	5,051,272	4,908,098
Total assets	$ 15,201,938	$ 15,046,185

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Balance Sheets, continued
December 31, 2007 and 2006
(000s omitted)

Liabilities and Policyholders' Surplus	2007	2006
Liabilities		
Claim and policy benefit reserves - life and health	$ 2,785,007	$ 2,539,705
Loss and loss adjustment expense reserves - property and casualty	458,702	428,753
Policyholder account balances	3,649,865	3,840,995
Unearned premiums	503,024	554,661
Dividends payable to policyholders	18,136	16,082
Reinsurance payable	23,420	19,888
Federal income taxes payable	15,046	-
Accrued postretirement benefit liability	188,053	192,407
Accrued pension liability	83,737	33,012
Accounts payable and other liabilities	600,786	586,436
Separate account liabilities	5,051,272	4,908,098
Total liabilities	13,377,048	13,120,037
Commitments and contingent liabilities (Note 11)		
Minority interest	28,641	43,022
Policyholders' surplus		
Retained earnings	1,953,098	1,769,071
Accumulated other comprehensive income (loss), net of tax (2007 - $(101,013); 2006- $24,149)	(156,849)	114,055
Total policyholders' surplus	1,796,249	1,883,126
Total liabilities and policyholders' surplus	$ 15,201,938	$ 15,046,185

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2007, 2006 and 2005
(000s omitted)

	2007	2006	2005
Revenues:			
Life and health premiums	$ 1,262,066	$ 1,230,932	$ 1,204,398
Property and casualty premiums	712,035	561,084	489,601
Net investment income	451,503	419,138	353,516
Net realized investment gains (losses)	(69,874)	22,349	20,624
Contract charges	81,835	69,959	80,457
Other income	303,686	298,273	313,965
Total revenues	2,741,251	2,601,735	2,462,561
Benefits and expenses:			
Life and health insurance claims and benefits	796,388	741,659	760,765
Property and casualty insurance loss and loss adjustment expenses	420,264	360,251	337,110
Interest credited to policyholder account balances	150,710	149,137	149,479
Policyholder dividends	30,173	29,300	29,223
Operating and other expenses	1,147,234	1,096,522	1,060,317
Total benefits and expenses	2,544,769	2,376,869	2,336,894
Income from continuing operations before income taxes, equity in income of unconsolidated affiliates and minority interest	196,482	224,866	125,667
Income tax expense	45,381	57,028	13,520
Income from continuing operations before equity in income of unconsolidated affiliates and minority interest	151,101	167,838	112,147
Equity in income of unconsolidated affiliates, net of tax (2007 - $200; 2006 - $2,314; 2005 - $6,578)	16,492	19,096	11,972
Income from continuing operations before minority interest	167,593	186,934	124,119
Minority interest in (income) loss	(1,841)	(3,153)	1,105
Income from continuing operations	165,752	183,781	125,224
Gain from discontinued operations, net of tax (2007 - $9,945; 2006 - $433; 2005 - $3,435)	17,875	2,820	1,988
Net income	$ 183,627	$ 186,601	$ 127,212

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2007, 2006 and 2005
(000s omitted)

	2007	2006	2005
Net income	$ 183,627	$ 186,601	$ 127,212
Other comprehensive income (loss), net of tax:			
Foreign currency translation gains (losses) arising during period, net of tax (2007 - $1,601; 2006 - $891; 2005 - ($944))	33,331	(60)	4,712
Unrealized net holding (losses) arising during period, net of tax (2007 - $106,012; 2006 - $15,087; 2005 - $44,507)	(210,871)	(35,298)	(79,092)
Reclassification adjustment for (gains) losses included in net income, net of tax (2007 - $19,523; 2006 - ($12,192); 2005 - ($1,769))	(37,841)	38,397	2,758
Change in minimum pension liability, net of tax (2007 - ($1,975); 2006 - ($9,756); 2005 - $11,591)	3,667	18,369	(21,517)
Total other comprehensive income (loss)	(211,714)	21,408	(93,139)
Comprehensive income (loss)	$ (28,087)	$ 208,009	$ 34,073

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Changes in Policyholders' Surplus
Years Ended December 31, 2007, 2006 and 2005
(000s omitted)

	2007	2006	2005
Retained earnings:			
Balance at beginning of year	$ 1,769,071	$ 1,582,470	$ 1,455,258
Cumulative effect of change in accounting for income taxes	400	-	-
Net income	183,627	186,601	127,212
Balance at end of year	1,953,098	1,769,071	1,582,470
Accumulated other comprehensive income:			
Foreign currency translation gains (losses):			
Balance at beginning of year	5,229	5,289	577
Change in unrealized gains (losses) from foreign currency translation, net of tax (2007 - $1,601; 2006 - $891; 2005 - ($944))	33,331	(60)	4,712
Balance at end of year	38,560	5,229	5,289
Unrealized investment gains (losses):			
Balance at beginning of year	113,138	110,039	186,373
Change in unrealized (losses) gains on investment securities, net of tax (2007- ($125,535); 2006 - $2,895; 2005 - $42,738)	(248,712)	3,099	(76,334)
Balance at end of year	(135,574)	113,138	110,039
Minimum pension liability:			
Balance at beginning of year	(4,312)	(22,681)	(1,164)
Change in minimum pension liability, net of tax, prior to adoption of SFAS No. 158 (2007 - ($1,975); 2006 - ($9,756); 2005 - $11,591)	3,667	18,369	(21,517)
Cumulative effect of change in accounting for pension obligations, net of tax (2007 - $32,059)	(59,190)	-	-
Balance at end of year	(59,835)	(4,312)	(22,681)
Accumulated other comprehensive income (loss)	(156,849)	114,055	92,647
Total policyholders' surplus	$ 1,796,249	$ 1,883,126	$ 1,675,117

See accompanying notes to consolidated financial statements.

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2007, 2006 and 2005
(000s omitted)

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 183,627	$ 186,601	$ 127,212
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed (earnings) losses of unconsolidated subsidiaries	3,349	(1,657)	(11,972)
Other investment (income) loss	-	(696)	394
Amortization of deferred policy acquisition costs	317,348	284,503	312,662
Policy acquisition costs deferred	(371,137)	(458,044)	(328,715)
Depreciation of office properties, equipment, software and real estate	44,322	39,794	39,348
Amortization of bond premium and discount	12	11,481	26,491
Net realized investment (gains) losses	69,874	(22,349)	(20,624)
Policyholder assessments on investment-type contracts	(27,954)	(44,400)	(25,203)
Interest credited to policyholder account balances	162,143	149,137	149,479
Gain on sale of discontinued operations	(17,875)	(2,820)	(1,988)
Gain on mortgage loan sales	-	-	(3,566)
Origination of mortgage loans held for sale	-	-	(1,128,250)
Proceeds from sale of mortgage loans held for sale	-	-	1,165,983
Changes in other assets and liabilities:			
Accrued investment income	4,649	2,518	(1,661)
Reinsurance recoverables	(15,731)	88,126	(22,821)
Premiums receivable	(87,581)	(6,850)	(5,797)
Other assets and receivables	25,061	(72,239)	(823)
Deferred tax asset, net	(24,427)	12,156	(15,832)
Insurance reserves	273,273	163,421	190,340
Unearned premiums	(78,375)	2,725	55,838
Accrued income taxes	14,169	(20,484)	(20,314)
Accounts payable and other liabilities	(59,992)	49,325	128,592
Net cash provided by operating activities	414,755	360,248	608,773

CUNA MUTUAL INSURANCE SOCIETY AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2007, 2006 and 2005
(000s omitted)

	2007	2006	2005
Cash flows from investing activities:			
Purchases of investments:			
Debt securities	$ (1,970,580)	$ (3,138,725)	$ (4,516,159)
Equity securities	(344,491)	(341,865)	(77,824)
Mortgage loans	(277,746)	(260,445)	(9,327)
Real estate	(2,634)	(4,221)	(940)
Short-term investments	(240,597)	(292,842)	(64,271)
Other invested assets	(269,226)	(173,838)	(165,132)
Proceeds on sale or maturity of investments:			
Debt securities	2,322,072	3,535,678	4,038,660
Equity securities	521,419	356,851	134,907
Mortgage loans	73,890	48,503	49,324
Real estate	12,350	76	1,506
Short-term investments	362,657	154,682	56,374
Other invested assets	79,490	105,344	201,249
Purchases of office properties, equipment, and computer software	(53,065)	(46,486)	(43,277)
Proceeds from sale of discontinued operations	75,260	-	-
Investments in unconsolidated affiliates	(12,223)	(27,525)	(12,340)
Change in policy loans and other, net	1,445	5,418	1,391
Net cash provided (used) in investing activities	278,021	(79,395)	(405,859)
Cash flows from financing activities:			
Policyholder account deposits	1,079,225	999,597	595,876
Policyholder account withdrawals	(1,404,777)	(1,265,761)	(791,418)
Change in bank overdrafts	(5,485)	34,067	(12,253)
Repayment of notes payable	(810)	(56)	(60,149)
Net cash used in financing activities	(331,847)	(232,153)	(267,944)
Change in cash and cash equivalents	360,929	48,700	(65,030)
Cash and cash equivalents at beginning of year	246,280	197,580	262,610
Cash and cash equivalents at end of year	$ 607,209	$ 246,280	$ 197,580
Supplemental disclosure of cash information:			
Cash paid during the year for interest	$ 3,382	$ 62	$ 1,576
Cash paid during the year for income taxes, net of refunds	59,521	59,175	47,352

See accompanying notes to consolidated financial statements.

(000s omitted)

(1) General

Merger and Basis of Presentation

CUNA Mutual Insurance Society is a mutual life insurance company that represents the merger of two predecessor companies, CUNA Mutual Insurance Society and CUNA Mutual Life Insurance Company ("CMLIC"), both of which were mutual life insurance companies. Prior to the merger, which was consummated on December 31, 2007, CUNA Mutual Insurance Society and CMLIC had been joined in an agreement of permanent affiliation. The companies had a common management team and board of directors. During 2007 CUNA Mutual Insurance Society changed its state of domicile from Wisconsin to Iowa and both companies secured the necessary approvals from the Iowa Insurance Commissioner and the Attorney General as well as the approvals of their respective Boards of Directors and policyholders to merge into a single corporate entity ("CUNA Mutual" or the "Company"). The Internal Revenue Service also issued a private letter ruling that the merger would be tax free.

The merger has been accounted for as a pooling of interests. Accordingly, the accompanying consolidated financial statements reflect the sum of the two merged entities' previous financial statements as if they had been merged prior to the earliest period presented herein. The accompanying consolidated financial statements reflect the elimination of significant intercompany balances and transactions between the two merged companies as well as a tax-related adjustment described in the following paragraph.

Prior to the merger, each of the merged entities owned a 50% interest in a common affiliate, which had been accounted for by each of the merged entities on the equity basis. As a result, each of the merged entities had recorded a deferred tax liability for its share of the affiliate's undistributed earnings. After the merger, the common affiliate is now a 100% owned subsidiary which is accounted for on a consolidated basis. As a result, the deferred tax liability that had been established by both of the merged entities is no longer required as there will be no tax levied when the subsidiary dividends its earnings to the Company. The previous tax provision for this liability was eliminated as part of the pooling of interests in the accompanying financial statements as shown below:

	Net Income 2006	Net Income 2005	Policyholders' Surplus 2006
Sum of previous financial statements	$ 184,507	$ 123,829	$ 1,862,996
Elimination of deferred tax	2,094	3,383	20,130
Total, merged financial statements	$ 186,601	$ 127,212	$ 1,883,126

Nature of Business

CUNA Mutual 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, investment management, retail investment brokerage, private mortgage insurance, and other businesses useful to credit unions and their members. The Company discontinued its mortgage banking operations in 2005.

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 Canada and other foreign countries through branch offices or subsidiaries. None of these foreign operations and no individual state in the United States have a significant concentration of business.

(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 its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain amounts applicable to prior years have been reclassified to conform to the current year presentation.

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, deferred policy acquisition costs, impairment evaluations of goodwill and intangibles, and insurance reserves 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 deferred federal income taxes, are included in accumulated other comprehensive income (loss) as a separate component of policyholders' surplus unless designated as a hedged item in a fair value hedge.

Debt and 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 gains (losses) when management expects the decline in value to persist and its cost may not be recoverable. In determining whether an unrealized loss is expected to be other than temporary, the Company considers, among other factors, the severity of the impairment, 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 detailed discussion.

Mortgage loans held for investment are carried at their aggregate unpaid principal balance, net of valuation allowances. Valuation allowances are provided when it becomes probable the Company will be unable to collect the total contractual amounts due. Impairments are recorded in net realized investment gains (losses) and are determined based upon the carrying value of the recorded investment in the mortgage loan and the estimated fair value of the underlying collateral. Based on the Company's analysis as of December 31, 2007 and 2006 there was no need for a mortgage loan valuation allowance.

Investments in real estate are carried at cost net of accumulated depreciation. Depreciation expense on investments in real estate totaled $4,878, $5,201 and $4,937 in 2007, 2006 and 2005, respectively. The cost of real estate is adjusted for impairment whenever events or circumstances indicate the carrying value of the asset may not be recoverable. Impaired real estate is written down to estimated fair value with the impairment loss being included in net realized investment gains. There were no real estate impairments in 2007, 2006 or 2005.

Policy loans are reported at their unpaid principal balance.

Short-term investments, which include the reinvestment of cash collateral received for securities lending transactions and debt securities with maturities from date of purchase under one year, 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.

Other invested assets primarily represent derivatives. Derivative financial instruments are accounted for at fair value and changes in the fair value are reported in net investment income. See section below for a further discussion of the Company's derivative financial instruments.

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 purchased 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 and derivative activity. Income from real estate investments is accounted for on the accrual basis. Income from investments in limited partnership interests accounted for utilizing the equity method of accounting is recognized based on the financial results of the entity and Company's proportionate interest.

Realized gains and losses on the sale of investments are determined on a specific identification gain 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 derivatives are recorded in the consolidated balance sheets at estimated fair value. Derivatives embedded within non-derivative instruments 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.

When derivatives meet specific criteria, the Company may classify derivatives 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 assess effectiveness and measure effectiveness of the hedging relationship and records any ineffectiveness in realized investment gains and losses.

Fair Value Hedges: The Company designates certain of its 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 realized investment gains and losses. The changes in fair value of the hedged item, attributable to the risk being hedged, are also recorded in realized investment gains and 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 of the hedging relationship.

Cash Flow Hedges: The Company designates its cross currency swaps as foreign currency 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 cross currency swaps attributable to hedged risk are recorded in accumulated other comprehensive income to an extent it is effective. Amounts are reclassified from accumulated other comprehensive income (loss) to net investment income when the hedged item affects earnings.

Hedges of Net Investments: The Company uses 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. When deemed effective, changes in fair value of the foreign currency futures are recorded in accumulated other comprehensive income (loss). Any ineffectiveness is recorded currently in realized investment gains and losses.

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

Equity in Unconsolidated Affiliates

Equity in unconsolidated affiliates includes investments in companies in which 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, U.S. Treasury bills, money market instruments, and commercial paper with maturities at the date of purchase under 90 days.

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. Certain health insurance premiums are earned in relation to anticipated benefits to policyholders. Other group life and health insurance premiums are recognized as earned on a monthly prorata 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. Certain property and casualty contracts insure the difference between the salvage value of damaged autos used for loan collateral and the borrower's loan balance. For this type of policy, the Company recognizes the premiums using the Rule of 78s over the expected period of exposure, which accelerates premium recognition compared to a pro rata method. 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 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. Revenue for investment contracts consists of net investment income and policy fees 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.

The Company acts as an advisor for mutual funds and benefit plans and earns investment advisory fees for this service. Advisory fees are recognized in other income when earned in accordance with the underlying agreements.

Deferred Policy Acquisition Costs and Sales Inducements

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 similar selling expenses, premium taxes, sales costs, 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 $194,821, $184,775 and $180,587 for the periods ended December 31, 2007, 2006 and 2005, respectively.

These expenses are also deferred and amortized in deferred acquisition costs with the exception of expenses associated with non-insurance products, brokered business, and those that do not vary with production.

Costs deferred on property and casualty insurance products and credit life and credit disability policies are amortized over the term of the related policies generally on a straight line basis. 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 in relation to the present value of 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. The Company includes anticipated investment income in its periodic evaluation of whether deferred policy acquisition costs can be recovered from future profits. If such costs are deemed to be not recoverable, the adjustment is recorded in the current period consolidated statement of operations.

An internal replacement is defined as the modification of product benefits, features, rights or coverages that occurs by the exchange of a 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. An internal replacement that is not a substantial change is accounted for as a continuation of the existing contract.

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

(000s omitted)

	2007	2006
Office properties	$ 199,675	$ 190,434
Office equipment	190,174	198,382
Computer software	187,273	148,375
Total cost of office properties, equipment, and computer software	577,122	537,191
Accumulated depreciation	(367,822)	(344,748)
Office properties, equipment and computer software at cost less accumulated depreciation	$ 209,300	$ 192,443

Depreciation expense totaled $39,444, $34,593, and $34,411 in 2007, 2006, and 2005, respectively.

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 the contract holder typically bears the investment risk that the investment of the separate account assets may not meet the contract holder's investment objectives. 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. Contract holders are able to invest in investment funds managed for their benefit. Substantially all of the separate account assets are invested in unit investment trusts that are registered with the Securities and Exchange Commission. The Company acts as the investment advisor for more than 85% of the funds invested in the unit investment trusts.

Separate account assets and liabilities are carried at fair value. Separate account assets are legally segregated and may only be used to settle separate account liabilities. Separate account liabilities 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, except to the extent that the Company has an investment in the separate account.

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.

(000s omitted)

Goodwill and Other Intangibles

Goodwill and other intangible assets resulting from acquisitions are subject to an annual impairment test. See notes 13 and 14 for descriptions of 2006 and 2005 impairments charged to expense. Other intangible assets are amortized on the straight line basis over their estimated useful lives, typically five or six years. Goodwill and other intangible assets are set forth in the following table.

	2007	2006
Goodwill	$ 20,656	$ 27,381
Impairments of goodwill	-	(8,872)
Goodwill, net	20,656	18,509
Intangible assets	6,270	5,354
Impairment of intangibles	-	(486)
Accumulated amortization on intangible assets	(3,576)	(2,577)
Intangible assets, net	2,694	2,291
Total goodwill and other intangibles	$ 23,350	$ 20,800

Amortization expense of other intangible assets was $999, $727, and $690 for the years ended December 31, 2007, 2006, and 2005, respectively. The following table is a summary of the estimated aggregate amortization expense for the next five years and thereafter.

Estimated aggregate amortization expense for other intangibles	
2008	$ 1,331
2009	324
2010	255
2011	255
2012	201
Thereafter	328
Total estimated amortization expense	$ 2,694

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 was determined.

For non-participating term-life and whole-life insurance products, or participating products designed in such a manner that 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 2.3% to 9.5%. Provisions for adverse deviation have been reflected in the interest assumption and also in the mortality/morbidity assumption where deemed necessary.

For immediate annuities or similar contracts with life contingencies, the reserve is calculated as the present value of future benefits. The mortality rates used are based on statutory valuation tables and the interest rates used range from 3.5% to 7.5%.

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. 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 recoverable of $38,175 and $36,678 at December 31, 2007 and 2006, 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 is reflected in the consolidated statements of operations in the period the change is determined to be necessary. Such adjustments could possibly be significant, reflecting a variety of new and favorable or adverse trends.

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 2.8% to 7.0% in 2007 and 2.4% to 6.3% in 2006. Future minimum guaranteed interest rates during the life of the contracts vary from 1.5% to 4.5%.

Prepaid Commissions

The Company offers mutual funds to credit union members. Members purchasing "B" shares do not pay an upfront sales charge but are subject to higher annual fees and must pay a surrender charge for redemptions during a designated surrender period, usually six years. Commissions paid to the Company's sales representatives are deferred and amortized to expense ratably over the surrender charge period. The Company assesses the recoverability of the prepaid commissions by calculating the undiscounted cash flows expected from future annual fees and surrender charges. An impairment is required if the asset exceeds the expected cash flows. No such impairments were required in the periods presented.

Reinsurance

Reinsurance premiums, claims and benefits, commission expense reimbursements, and reserves related to reinsured business ceded are accounted for on a basis consistent with those used in 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 recorded for the portion of unearned premiums that relate to policies that have been ceded. The Company has evaluated its reinsurance contracts and determined that all significant contracts effectively transfer the underlying economic risk of loss. Any contracts that do not effectively transfer the risk of loss are recorded using the deposit method of accounting.

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.

Prior to December 31, 2007, the funded status of the pension and other postretirement plans, which is the difference between the fair value of plan assets and the projected benefit obligation (for pension plans) and the accumulated postretirement benefit obligation (for other plans), was netted against the unrecognized actuarial gains and losses, prior service cost and transition obligations to determine prepaid or accrued benefit cost, as applicable. The net amount was recorded as a prepaid or accrued benefit cost. Further, for pension plans, if the accumulated benefit obligation exceeded the fair value of the plan assets, that excess was recorded as an additional minimum pension liability with a corresponding intangible asset. Recognition of the intangible asset was limited to the amount of any unrecognized prior service cost. Any additional minimum pension liability in excess of the allowable intangible asset was charged, net of income tax, to accumulated other comprehensive income.

As described more fully in "Recent Accounting Standards - Adopted," the Company adopted in 2007 the provisions of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Postretirement Plans—An Amendment of FASB Statement Nos. 87, 88, 106, and 132(R)* ("SFAS 158"). Effective with the adoption of SFAS 158 on December 31, 2007, the Company recognized 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 had not yet been included in net periodic benefit costs as of December 31, 2007 are now charged, net of income tax, to accumulated other comprehensive income. Changes in funded status in future periods will also be charged, net of income tax, to other comprehensive income.

Additionally, SFAS 158 amended the additional minimum pension liability provision required by previous accounting guidance.

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. The cost of benefits provided to former or inactive employees after employment but before retirement are 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.

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 in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, beginning in 2007.

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 income (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 income (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 the Company's consolidated statements of operations.

Recent Accounting Standards - Pending

The Financial Accounting Standards Board ("FASB") issued a revision of Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations,* in 2007, which is effective prospectively for fiscal years beginning after December 14, 2008. 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 will be adopted prospectively, it will only have an impact on the Company in the event the Company makes future acquisitions.

In 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 provides consistent guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and is to be applied prospectively. In February 2008 the FASB issued Staff Positions No. 157-1 and No. 157-2 which partially defer the effective date of SFAS 157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from the scope of SFAS 157. The Company is currently evaluating the new statement and is unable to determine the impact on its consolidated balance sheet and statement of operations at this time.

In 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), effective for fiscal years beginning after November 15, 2007. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of this statement, except for the provisions relating to the valuation of debt and equity securities, apply only to entities that elect the fair value option. The initial adoption of SFAS 159 is expected to have no impact on the Company's consolidated balance sheet and statement of operations.

The FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS 160") in December 2007. The new statement 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. The Company is currently evaluating SFAS 160, which is effective for fiscal years beginning after December 14, 2008, and is unable to determine the impact on its consolidated balance sheet or statement of operations at this time.

Recent Accounting Standards - Adopted

In 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Statements No. 133 and 140* ("SFAS 155"), effective for fiscal years beginning after September 15, 2006. SFAS 155 addresses the accounting for hybrid instruments containing embedded derivatives that, under the provisions of SFAS No. 133, are required to be measured at fair value and bifurcated from the host contract. SFAS No. 155 allows entities to make an irrevocable election to measure such a hybrid instrument at fair value in its entirety, with changes in fair value of the contract recognized in earnings. In addition, SFAS No. 155 clarifies which interest-only and principal-only strips are not subject to the requirements of SFAS No.133 and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are derivatives or that contain embedded derivatives. Adoption of SFAS 155 in 2007 had no impact on the Company.

In 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"). SFAS 158 requires an employer to recognize in its balance sheet an asset for a plan's over funded status or a liability for a plan's under funded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in other comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after June 15, 2007 for companies like CUNA Mutual whose equity is not publicly traded. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company adopted SFAS 158 in 2007 and recognized a decrease in accumulated other comprehensive income and policyholders' surplus of $59,190, net of tax. The Company already uses its fiscal year end as a measurement date, so the measurement date provision will not have an effect on CUNA Mutual in 2008.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies that recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained. The tax position is measured as the amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company adopted the new guidance January 1, 2007 with the cumulative effect of $400 reported as an increase to beginning retained earnings and an increase to the liability for unrecognized tax benefits.

The American Institute of Certified Public Accountants issued Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* ("SOP 05-1") in 2005, which became effective January 1, 2007. SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts. An internal replacement is defined as a modification in 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 to a contract, or by the election of a feature of coverage within a contract. Modifications that result in a replacement contract that is substantially changed from the replaced contract should be accounted for as an extinguishment of the replaced contract. Unamortized deferred acquisition costs, unearned revenue liabilities and deferred sales inducements from the replaced contract must be written-off. Modifications that result in a contract that is substantially unchanged from the replaced contract should be accounted for as a continuation of the replaced contract. Adoption of the new standard in 2007 did not have a material impact on the Company's consolidated balance sheet or statement of operations.

(000s omitted)

(3) Investments

Debt Securities

The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities at December 31, 2007 are as follows:

December 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 88,258	$ 957	$ -	$ 89,215
States and political subdivisions	301,885	5,227	(1,450)	305,662
Foreign government securities	360,710	8,778	(2,812)	366,676
Domestic corporate securities	2,375,012	30,658	(44,564)	2,361,106
Mortgage-backed securities:				
Residential mortgage-backed	1,236,934	3,756	(183,557)	1,057,133
Commercial mortgage-backed	521,691	1,753	(35,213)	488,231
Asset backed non-mortgage-backed securities	220,231	485	(2,521)	218,195
Foreign corporate securities	839,740	10,867	(30,979)	819,628
Total debt securities	$ 5,944,461	$ 62,481	$ (301,096)	$ 5,705,846

(000s omitted)

The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities at December 31, 2006 are as follows:

December 31, 2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 127,075	$ 257	$ (1,688)	$ 125,644
States and political subdivisions	297,314	11,499	(15)	308,798
Foreign government securities	458,098	13,905	(4,418)	467,585
Domestic corporate securities	2,490,909	34,050	(14,765)	2,510,194
Mortgage-backed securities:				
Residential mortgage-backed	887,184	5,183	(8,924)	883,443
Commercial mortgage-backed	652,535	4,841	(4,013)	653,363
Asset backed non-mortgage-backed securities	852,790	3,560	(5,311)	851,039
Foreign corporate securities	692,405	20,167	(3,794)	708,778
Total debt securities	$ 6,458,310	$ 93,462	$ (42,928)	$ 6,508,844

(000s omitted)

The amortized cost and estimated fair values of investments in debt securities at December 31, 2007, 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 have not been displayed in the table below by contractual maturity.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 159,938	$ 160,857
Due after one year through five years	1,242,431	1,257,049
Due after five years through ten years	1,618,443	1,606,803
Due after ten years	944,793	917,578
Mortgage-backed securities:		
Residential mortgage-backed	1,236,934	1,057,133
Commercial mortgage-backed	521,691	488,231
Asset backed non-mortgage-backed securities	220,231	218,195
Total debt securities	$ 5,944,461	$ 5,705,846

Equity Securities

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2007	$ 441,538	$ 37,085	$ (10,866)	$ 467,757
2006	490,442	135,282	(1,165)	624,559

Mortgage Loans

The Company's mortgage loan portfolio consists mainly of commercial mortgage loans made to customers throughout the United States. All outstanding commercial mortgage loans are secured by completed income-producing properties. At December 31, 2007, the commercial mortgage loan portfolio had an average remaining life of 6.4 years, with all principal due prior to 2028. 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. At December 31, 2007, the Company held 11.4% of the mortgage loan portfolio in the Kansas City metropolitan area which was the highest concentration in one metropolitan area. No loan to a single borrower represented more than 3.6% of the aggregate mortgage loan portfolio balance.

(000s omitted)

Net Investment Income

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

	2007	2006	2005
Gross investment income:			
Debt securities, available for sale	$ 373,268	$ 366,851	$ 310,562
Equity securities, available for sale	32,293	25,080	12,297
Mortgage loans	37,732	25,288	21,730
Real estate	19,735	18,680	18,792
Policy loans	7,248	7,200	7,241
Derivative financial instruments	229	295	(116)
Short-term investments and other	16,302	7,879	8,278
Total gross investment income	486,807	451,273	378,784
Investment expenses	(35,304)	(32,135)	(25,268)
Net investment income	$ 451,503	$ 419,138	$ 353,516

Additional net investment income of $7,178 in 2007, $4,969 in 2006 and $8,252 in 2005 has been included with the results of discontinued operations. See Note 14.

(000s omitted)

Net Realized Investment Gains (Losses)

Realized gains (losses) for the years ended December 31 are summarized as follows:

	2007	2006	2005
Debt securities:			
Gross gains on sales	$ 18,245	$ 48,631	$ 35,760
Gross losses on sales	(36,401)	(54,615)	(44,921)
Maturities and other	10,988	7,292	3,593
Other than temporary impairment losses	(143,335)	(7,913)	(2,948)
Equity securities:			
Gross gains on sales	118,559	50,312	29,669
Gross losses on sales	(13,880)	(4,056)	(2,354)
Other	(225)	4	-
Other than temporary impairment losses	(4,966)	(409)	(3,841)
Real estate	1,927	-	918
Mortgage loans	6,441	-	(77)
Derivative financial instruments	(22,278)	(22,752)	3,970
Other	(4,949)	5,855	855
Net realized investment gains (losses)	$ (69,874)	$ 22,349	$ 20,624

Additional net realized investment gains of $19,531, $298 and $647 in 2007, 2006 and 2005, respectively, have been reported in the results of discontinued operations; they were recognized by a Canadian property and casualty subsidiary which was sold in 2007. Such, additional net realized investment gains of $12,208 in 2005 have also been recorded as part of the results of discontinued operations. Substantially all of these gains related to the sale of mortgage loans. See note 13.

Proceeds from the sale of debt securities were $1,812,882, $3,071,520 and $3,083,224 in 2007, 2006 and 2005, respectively. Proceeds from the sale of equity securities were $494,233, $310,413 and $127,868 in 2007, 2006 and 2005, respectively.

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 amortized cost, the Company goes through a full analysis to see 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 will depend on several factors, including:

- The duration and extent to which fair value has been less than book value (when applicable).
- 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 intent and ability of CUNA Mutual to retain its investment 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. Investments will be considered impaired when it is probable that amounts due according to contractual terms of the agreements will be uncollectible.
- The Company's collateral positions. The bankruptcy of an issuer will not automatically trigger other-than-temporary impairment for associated investments if the Company holds sufficient collateral.

Determinations of other-than-temporary impairments are made by a combination of financial accounting and investment professionals after consideration of the various factors noted above. These determinations are estimates which are subject to risks and uncertainties of variability. If a security is deemed to be other-than-temporarily impaired, a charge is recorded in net realized capital losses equal to the difference between the fair value and the cost or amortized cost basis of the security. In addition, for securities expected to be sold, an other-than-temporary impairment charge is recorded if the Company does not expect the fair value of the security to recover to its cost or amortized cost prior to the expected date of sale. The fair value of the other-than-temporarily impaired security becomes its new cost basis.

For certain securitized financial assets with contractual cash flows, Emerging Issues Task Force No. 99-20 requires the Company 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 other-than-temporary impairment charge is recognized. The Company also considers its intent and ability 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.

The provision for other-than-temporary impairments in 2007 was substantially larger than the provisions in 2006 and 2005. The increase was primarily related to debt securities and attributable to the general credit problems currently being encountered in the residential real estate market and the resulting impact of those conditions on the Company's holdings of debt securities that are dependent on this sector, primarily mortgage-backed and certain asset-backed securities.

(000s omitted)

Management believes it has made an appropriate provision for other-than-temporarily impaired securities owned at December 31, 2007, 2006 and 2005. As a result of the subjective nature of these estimates, however, additional provisions may subsequently be determined to be necessary, and such provisions could be material to the results of operations of any subsequent period during which the additional provision might be deemed to be necessary.

The fair value of the Company's total residential mortgage-backed securities ("RMBS") holdings at December 31, 2007, is $1,057,133. A portion of these holdings (as identified below) contain collateral comprised of sub-prime and Alt-A mortgages as part of a diversified pool of underlying collateral. The Company's investments in RMBS include collateralized debt obligations ("CDO"), which may contain multiple types of collateral including, but not limited to prime mortgages, sub-prime mortgages, and Alt-A mortgages. For the purpose of this disclosure, the Company has included the full amortized cost and fair value of a security even if the security contains only a portion of its underlying collateral in sub-prime and/or Alt-A mortgages.

The Company defines its sub-prime holdings in the general account as RMBS securities with underlying collateral composed of mortgage pools with a weighted average FICO score below 675 or any second mortgage pools. Second mortgage pools may be composed of pools with weighted average FICO scores above 675, but have all been included in the Company's definition of sub-prime due to the capital markets convention of treating both types of securities as home equity loan asset-backed securities and their similarity to sub-prime RMBS. The exhibit below details the Company's investment in securities with sub-prime mortgage collateral (securities that include either sub-prime or Alt-A mortgage collateral [as indicated], but not both sub-prime and Alt-A mortgage collateral).

	December 31, 2007					
Rating	Amortized Cost	Fair Value	2007 Impairments	Vintage 2007	Vintage 2006	Vintage 2005 or Prior
Investment grade	$ 159,791	$ 114,643	$ 26,121	3%	17%	80%
Below investment grade	29,860	26,074	43,702	- %	13%	87%
Total	$ 189,651	$ 140,717	$ 69,823			

The Company defines its Alt-A holdings in the general account as RMBS securities with underlying collateral composed of mortgages given to borrowers with loan documentation that does not fully conform to Fannie Mae and Freddie Mac underwriting guidelines. Weighted average FICO scores for the collateral pools underlying these securities generally range from 690 to 725. The exhibit below details the Company's investment in securities with Alt-A collateral (securities that include either sub-prime or Alt-A mortgage collateral [as indicated], but not both sub-prime and Alt-A mortgage collateral).

(000s omitted)

Rating	December 31, 2007 Amortized Cost	Fair Value	2007 Impairments	Vintage 2007	Vintage 2006	Vintage 2005 or Prior
Investment grade	$ 447,424	$ 397,804	$ 6,791	3%	11%	86%
Below investment grade	36,123	32,593	13,130	- %	82%	18%
Total	$ 483,547	$ 430,397	$ 19,921			

The Company also holds securities with both sub-prime and Alt-A mortgages as a portion of or all of the underlying collateral. The exhibit below details the Company's investment in securities containing both sub-prime and Alt-A collateral.

Rating	December 31, 2007 Amortized Cost	Fair Value	2007 Impairments	Vintage 2007	Vintage 2006	Vintage 2005 or Prior
Investment grade	$ 95,143	$ 43,883	$ 12,374	41%	26%	33%
Below investment grade	-	-	-	- %	- %	- %
Total	$ 95,143	$ 43,883	$ 12,374			

Net Unrealized Investment Gains (Losses)

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

	2007	2006	2005
Debt securities	$ (238,615)	$ 50,534	$ 69,977
Equity securities	26,219	134,117	107,727
Deferred policy acquisition cost adjustments	16,984	(9,992)	(7,330)
Deferred income taxes	69,945	(55,609)	(55,758)
Other, including minority interest	(10,107)	(5,912)	(4,577)
Net unrealized investment gains (losses)	$ (135,574)	$ 113,138	$ 110,039

(000s omitted)

The following table presents amortized cost 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, 2007.

	Period Under Twelve Months		Period Twelve Months or Greater		Total December 31, 2007	
Debt securities	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss
States and political subdivisions	$ 81,162	$ 1,440	$ 1,088	$ 10	$ 82,250	$ 1,450
Foreign government securities	116,742	2,516	28,415	296	145,157	2,812
Domestic corporate securities	936,089	36,049	163,613	8,515	1,099,702	44,564
Mortgage-backed securities:						
Residential mortgage-backed	716,930	149,644	307,607	33,913	1,024,537	183,557
Commercial mortgage-backed	286,896	24,704	120,166	10,509	407,062	35,213
Asset backed non-mortgage-backed securitites	165,689	2,110	8,497	411	174,186	2,521
Foreign corporate securities	387,779	20,127	97,859	10,852	485,638	30,979
Total of debt securities	2,691,287	236,590	727,245	64,506	3,418,532	$ 301,096
Equity securities	158,003	10,596	24,300	270	182,303	$ 10,866
Total temporarily impaired securities	$ 2,849,290	$ 247,186	$ 751,545	$ 64,776	$ 3,600,835	$ 311,962

(000s omitted)

The following table presents amortized cost 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, 2006.

	Period Under Twelve Months		Period Twelve Months or Greater		Total December 31, 2006	
Debt securities	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss	Amortized Cost	Unrealized Loss
U.S. government and agencies	$ 39,263	$ 389	$ 63,845	$ 1,299	$ 103,108	$ 1,688
States and political subdivisions	-	-	1,103	15	1,103	15
Foreign government securities	100,581	2,696	45,942	1,722	146,523	4,418
Domestic corporate securities	761,327	6,880	219,920	7,885	981,247	14,765
Mortgage-backed securities:						
Residential mortgage-	204,872	1,378	319,528	7,546	524,400	8,924
Commercial mortgage-	262,920	1,544	134,665	2,469	397,585	4,013
Asset backed non-mortgage-backed securitites	202,410	2,330	140,172	2,981	342,582	5,311
Foreign corporate securities	178,010	2,738	67,435	1,056	245,445	3,794
Total of debt securities	1,749,383	17,955	992,610	24,973	2,741,993	$ 42,928
Equity securities	46,835	832	25,753	333	72,588	$ 1,165
Total temporarily impaired securities	$ 1,796,218	$ 18,787	$ 1,018,363	$ 25,306	$ 2,814,581	$ 44,093

At December 31, 2007, the Company owned 955 debt securities with a fair value of $3,117,436 in an unrealized investment loss position. Of these, 162, with a fair value of $662,739, have been in an unrealized loss position for twelve or more months. The $64,506 unrealized loss for debt securities with a loss period twelve months or greater represents an 8.9% price impairment. The price impairment on the remaining 800 debt securities is 8.8%. Out of the $3,117,436 representing the fair value of debt securities in an unrealized loss position, $2,808,191or 90.1% relates to investment grade securities.

(000s omitted)

At December 31, 2007, the Company owned 58 stocks with a fair value of $171,437 in an unrealized loss position. Of these, 5 with a fair value of $24,030 have been in an unrealized position for more than twelve months; the unrealized loss on these securities represents less than a 1 percent price impairment.

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 tables below:

	Carrying Value		CUNA Mutual Share of Net Income (Loss), After Tax		
	2007	2006	2007	2006	2005
CMG Mortgage Insurance Company (50%)	$ 113,840	$ 116,523	$ 15,321	$ 16,802	$ 11,322
CMG Mortgage Assurance Company (50%)	4,411	4,594	(138)	78	45
CMG Mortgage Reinsurance Company (50%)	9,636	7,933	1,083	1,216	847
Credential Financial Inc. (50%)	15,597	11,816	1,690	1,315	(42)
All other affiliates (various ownership percentages)	22,077	11,780	(1,464)	(315)	(200)
Total	$ 165,561	$ 152,646	$ 16,492	$ 19,096	$ 11,972

	Assets 2007	Liabilities 2007	Assets 2006	Liabilities 2006
CMG Mortgage Insurance Company	$ 283,199	$ 55,518	$ 277,122	$ 44,076
CMG Mortgage Assurance Company	9,577	755	9,560	373
CMG Mortgage Reinsurance Company	23,859	4,588	18,640	2,773
Credential Financial Inc.	199,204	168,012	140,318	129,978

Securities Lending Agreements

The Company and certain of its subsidiaries are parties to securities lending agreements. Unrelated parties borrow debt securities from the Company and must deposit cash or short-term investments as collateral equal to a minimum of 102% of the fair value of the loaned securities. The security custodian monitors the collateral position daily and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. The Company remains the beneficial owner and the loaned securities are included with debt securities. At December 31, 2007 and 2006, the fair value of securities loaned by the Company and its subsidiaries totaled $236,514 and $242,857, respectively.

The majority of collateral received is invested in short-term securities and is included in the consolidated balance sheets as short-term investments with a corresponding liability included in accounts payable and other liabilities. The cash flow changes related to securities lending activities are included in the investing section of the consolidated statements of cash flow. The fair value of collateral held was $243,845 and $315,250 at December 31, 2007 and 2006, respectively of which $47,283 and $95,565 at December 31, 2007 and 2006, respectively, was not available for investment by the Company and is not reflected in the consolidated balance sheets. The Company earns income from the cash collateral or receives a fee from the borrower.

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.

(000s omitted)

The following table provides a summary of the carrying value, notional amount and current market or fair value of derivative financial instruments held at December 31, 2007:

December 31, 2007	Carrying Value	Notional Amount	Fair Value Assets	Fair Value Liabilities
Financial futures	$ 1,053	$ 142,418	$ 1,356	$ 303
Currency forwards	(24)	1,967	4	28
Cross currency swaps	(1,491)	37,989	197	1,687
Interest rate swaps	(2,388)	29,000	-	2,388
Purchased option contracts	17,155	233,430	17,155	-
Written option contracts	(10,113)	(4,238)	-	10,113
Total derivative financial instruments	$ 4,192	$ 440,566	$ 18,712	$ 14,519

The following table provides a summary of the carrying value, notional amount and current market or fair value of derivative financial instruments held at December 31, 2006:

December 31, 2006	Carrying Value	Notional Amount	Fair Value Assets	Fair Value Liabilities
Financial futures	$ 643	$ 236,427	$ 1,065	$ 422
Currency forwards	(36)	1,753	3	39
Cross currency swaps	288	42,040	475	187
Purchased option contracts	18,135	139,597	18,135	-
Written option contracts	(11,602)	(148,023)	-	11,602
Total derivative financial instruments	$ 7,428	$ 271,794	$ 19,678	$ 12,250

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 currently recognized in earnings. Based on this assessment of effectiveness, the foreign currency fair value hedges using short foreign currency futures contracts were effective in 2007. 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 would be to an extent that the change in the fair value of hedging instrument does not offset the change in the fair value of the hedged item. For 2007, net losses of ($1,283) were included in realized investment gains (losses) for this ineffectiveness.

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 income (loss). Net losses of ($1,783) were included in accumulated other comprehensive income (loss) at 2007. 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 would be to an 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 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 realized investment gains (losses). For 2007, net losses of ($5,326) were recorded to realized investment gains (losses) for the changes in fair value.

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 2007. 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 gains 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 would be to an extent that the change in the fair value of hedging instrument does not offset the change in the fair value of the hedged item. For 2007, there was an immaterial amount recognized in realized investment gains (losses) for this ineffectiveness.

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 realized investment gains (losses). For 2007, there was an immaterial amount recorded in realized investment gains (losses) for the changes in fair value.

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 income (loss) to an extent it is effective. For 2007, ($1,943) was recorded to other comprehensive income (loss) for the changes in fair value. No portion of the foreign currency cash flow hedges was ineffective or excluded from the assessment of hedge effectiveness in 2007. 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 gains (losses). In 2008 the Company estimates that ($463) will be reclassed from accumulated other comprehensive income (loss) to net investment income as contractual cash flows on cross currency swaps are settled.

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. In 2007, the Company designated its interest rate swaps 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 2007. 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 gains (losses) with no offset from the hedged item. All changes in the fair value of undesignated interest rate swaps are recorded in realized investment gains (losses). For 2007, ($173) was recorded to realized investment gains (losses) for the changes in fair value. In 2008 the Company estimates that $317 will be reclassed from accumulated other comprehensive income (loss) to net investment income as contractual cash flows are received from interest rate swaps designated as cash flow hedges that were terminated in 2007.

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. For 2007, $370 net gain was recorded to realized investment gains (losses) for the changes in fair value.

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 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 have little or no counterparty risk.

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, 2007 and 2006, bonds and notes, mortgage loans and policy loans with a carrying value of $4,924,728 and $2,688,660, respectively, were designated for Iowa. Other regulatory jurisdictions also require cash and securities to be deposited for the benefit of policyholders. Pursuant to these requirements, securities with a fair value of $37,595 and $37,831 were on deposit as of December 31, 2007 and 2006, respectively.

Asset Restrictions

Certain contract holders account balances that relate to contracts issued by the Company are legally "separate accounts" but are reported in the consolidated balance sheets as part of general account assets because the Company retained the risk of investment gains and losses. As a result, debt securities with a market value of $21,000 and $81,240 as of December 31, 2007 and 2006, respectively, are available only to satisfy the obligations of these contract holders.

The Company had pledged debt securities with a fair value of $94,722 as of December 31, 2006, to collateralize advances made under advances, collateral pledge and security agreements. The Company had not pledged any securities as of December 31, 2007. There were no outstanding borrowings under the agreements at December 31, 2007 or 2006.

(000s omitted)

(4) Income Tax

As described in Note 1, the merger of CUNA Mutual Insurance Society and CMLIC (merged companies) was completed at the close of business on December 31, 2007. Accordingly, each of the merged companies is required to file a federal income tax return for the year ended December 31, 2007 without respect to the merger.

CUNA Mutual Insurance Society will file a consolidated life-nonlife federal income tax return for 2007 with its 100% owned domestic subsidiaries: MEMBERS Life Insurance Company, CUMIS Insurance Society, Inc., CUMIS Specialty Insurance Company, Inc., CUNA Mutual Investment Corporation, CUNA Brokerage Services, Inc., CUNA Mutual Insurance Agency, Inc., CUNA Mutual General Agency of Texas, Inc., CUNA Mutual Business Services, Inc., CUNA Mutual Mortgage Corporation, Stewart Associates Incorporated, International Commons, Inc., and CMG Co-Investment Fund GP, Inc.

CMLIC will file a consolidated life-nonlife federal income tax return for 2007 with its 100% owned domestic subsidiaries: CMIA of Wisconsin, Inc., League Insurance Agency, Inc., and Member Protection Insurance Plans, Inc.

Each of the merged companies has entered into tax sharing agreements with their subsidiaries. The agreements provide for the allocation of tax expense between the merged companies and their subsidiaries 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 attributable to income from continuing operations for the years ended December 31 is as follows:

	2007	2006	2005
Current tax expense	$ 69,808	$ 44,338	$ 31,530
Deferred tax expense (benefit)	(24,427)	12,690	(18,010)
Total income tax expense	$ 45,381	$ 57,028	$ 13,520

The income tax effects of discontinued operations are shown in Note 13.

(000s omitted)

Income tax expense differs from the amount computed by applying the U.S. federal corporate income tax rate of 35% to income from continuing operations before income taxes, equity in net income of unconsolidated affiliates and minority interest due to the items listed in the following reconciliation:

	2007	2006	2005
Tax expense computed at federal corporate tax rate	$ 68,769	$ 78,703	$ 43,983
Tax-exempt investment income	(3,869)	(4,047)	(10,614)
Income tax benefit related to prior years	(9,623)	(12,378)	(3,252)
Adjustment to deferred tax accounts	-	-	(13,468)
Dividends-received deduction	(4,972)	(3,982)	(2,417)
Meals and entertainment	869	749	1,062
Investments held for sale	-	(3,151)	-
Foreign operations	(5,931)	(500)	266
Other, net	138	1,634	(2,040)
Total income tax expense on continuing operations	$ 45,381	$ 57,028	$ 13,520

In 2005, the Company conducted a detailed analysis of its deferred tax assets and liabilities. The analysis resulted in a tax benefit of $13,468.

(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, 2007 and 2006 are as follows:

	2007	2006
Deferred tax assets:		
Policy liabilities and reserves	$ 124,615	$ 105,194
Pension and other employee benefits	102,334	63,769
Investments	14,958	9,987
Unearned revenue	51,210	49,626
Loss reserve discounting	12,215	7,418
Accrued expenses	37,802	31,975
Fixed assets and real estate	5,714	-
Dividends payable to policyholders	11,734	5,977
Foreign currency translation	12,275	10,674
Loss carryforwards	12,152	6,774
Unrealized investment losses	66,886	-
Other	3,984	2,416
Gross deferred tax assets	455,879	293,810
Deferred tax liabilities:		
Unrealized investment gains	-	55,693
Deferred policy acquisition costs	166,479	151,641
Fixed assets and real estate	-	9,021
Intangible assets	16,670	18,494
Undistributed net income of unconsolidated affiliate	32,441	30,181
Other	12,489	7,358
Gross deferred tax liabilities	228,079	272,388
Deferred tax asset, net	$ 227,800	$ 21,422

Management believes that all gross deferred tax assets at December 31, 2007 and 2006 are fully realizable, thus no valuation allowance has been established.

The Company generally does not provide U.S. deferred income taxes or foreign withholding taxes on its undistributed earnings from its 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. In 2007, however, the Company established

(000s omitted)

U.S. deferred income taxes of $3,378 related to an anticipated dividend from its Canadian affiliate. The total amount of retained earnings for which such taxes have not been provided is approximately $64,000.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes in an enterprise's financial statements in accordance with FASB Statement No. 109 *Accounting for Income Taxes.* As a result of the implementation of FIN 48, the Company recognized a $400 decrease in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of retained earnings.

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

		2007
Balance at January 1, 2007	$	43,090
Additions based on tax positions related to the current year		12,521
Additions for prior years' tax positions		904
Reductions for prior years' tax positions		(56)
Reductions for settlements		(444)
Reductions for expiration of statutes		(34)
Balance at December 31, 2007	$	55,981

Included in the balance of unrecognized tax benefits at December 31, 2007 is $30,700 of unrecognized tax benefits that, if recognized would affect the effective income tax rate in future periods. The Company does not anticipate any significant changes in its positions in the next twelve months.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as part of the income tax provision. During the year ended December 31, 2007, the Company recognized approximately ($955) in interest and penalties. The Company had accrued $23,672 for the payment of interest and penalties at December 31, 2007.

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, 2001 for CUNA Mutual Insurance Society and subsidiaries and December 31, 1998 for CMLIC and subsidiaries.

(000s omitted)

(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.

(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:

	2007		2006		2005	
	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance
Premiums:						
Direct	$ 1,349,783	$ 535,144	$ 1,343,151	$ 499,775	$ 1,331,035	$ 435,838
Assumed from affiliates	-	127,830	-	1,288	-	911
Assumed from non-affiliates	14,991	126,131	14,951	111,910	16,074	98,956
Ceded to affiliates	-	(32,970)	-	-	-	-
Ceded to non-affiliates	(102,708)	(44,100)	(127,170)	(51,889)	(142,711)	(46,104)
Net premiums	$ 1,262,066	$ 712,035	$ 1,230,932	$ 561,084	$ 1,204,398	$ 489,601
Claims, benefits and losses incurred:						
Direct	$ 855,789	$ 300,614	$ 787,876	$ 309,086	$ 819,562	$ 298,737
Assumed from affiliates	-	93,418	-	2,989	-	(1,977)
Assumed from non-affiliates	15,440	81,059	12,928	77,221	14,185	67,320
Ceded to affiliates	-	(30,751)	-	-	-	-
Ceded to non-affiliates	(74,841)	(24,076)	(59,145)	(29,045)	(72,982)	(26,970)
Net claims, benefits and losses	$ 796,388	$ 420,264	$ 741,659	$ 360,251	$ 760,765	$ 337,110

(000s omitted)

The balance of reinsurance recoverables at December 31, 2007 and 2006 was $157,609 and $114,945, 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 risk. 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. Based on the Company's evaluation, no allowance for uncollectible reinsurance was recorded at December 31, 2007 and 2006. The Company has a recoverable of $21,890 from one reinsurer at December 31, 2007; the Company believes there is no significant risk of loss related to this recoverable.

On November 14, 2006, CUNA Mutual commuted a reinsurance agreement with an external party effective January 1, 2006. The Company recorded the following related to the commutation:

At December 31, 2006		
Deferred acquisition costs ending balance	$	61,782
Insurance reserves - life and health		67,480

For the year ending December 31, 2006		
Life and health premiums	$	25,033
Life and health insurance claims and benefits		14,404
Deferred acquisition costs amortized		7,456

(000s omitted)

(7) Deferred Policy Acquisition Costs

A summary of the policy acquisition costs deferred and amortized is shown in the following table:

	2007		2006	
	Life and Health Insurance	Property and Casualty Insurance	Life and Health Insurance	Property and Casualty Insurance
Balance at beginning of year	$ 632,149	$ 26,626	$ 451,303	$ 36,169
Policy acquisition costs deferred	309,440	61,697	411,518	46,526
Policy acquisition costs amortized and adjustments for changes in life and health gross profit assumptions	(256,467)	(60,881)	(242,415)	(42,088)
Effect of change in net unrealized gains (losses) on securities available for sale	26,976	-	(2,663)	
Impact of foreign exchange	(5,612)	388	162	263
Balance at end of year	$ 706,486	$ 27,830	$ 617,905	$ 40,870

(000s omitted)

(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:

	2007		2006	
	Accident and Health Insurance	Property and Casualty Insurance	Accident and Health Insurance	Property and Casualty Insurance
Balance as of January 1	$ 445,400	$ 428,753	$ 464,692	$ 422,884
Less discontinued operations	-	68,378	-	-
Less experience refunds liability	43,513	-	38,841	-
Less reinsurance recoverables	5,183	51,849	6,761	72,174
Net balance as of January 1	396,704	308,526	419,090	350,710
Incurred, net of reinsurance recoverable, related to:				
Current year	254,619	461,550	252,440	368,282
Prior years	(45,096)	(41,286)	(45,521)	(8,031)
Total incurred	209,523	420,264	206,919	360,251
Paid, net of reinsurance recoverable, related to:				
Current year	82,159	231,799	74,802	168,824
Prior years	156,489	132,407	154,503	165,233
Total paid	238,648	364,206	229,305	334,057
Net balance at December 31	367,579	364,584	396,704	376,904
Plus experience refunds liability	51,648	3,862	43,513	-
Plus reinsurance recoverables	5,805	90,256	5,183	51,849
Balance at December 31	$ 425,032	$ 458,702	$ 445,400	$ 428,753

The liability for claim reserves from prior years decreased by $45,096 and $45,521 for accident and health products in 2007 and 2006, respectively. For property and casualty products, the decreases were $41,286 and $8,031 in 2007 and 2006, respectively. The experience improvements, as determined by actuarial analysis, can be generally attributed to loss mitigation efforts, favorable development of prior year claims, and the benefit resulting from implementation of claim handling best practices.

For accident and health products, the 2007 decrease in claim reserves primarily relates to better experience in both group and credit disability products. For 2006, the Company also had better experience in group and credit disability products, while offsetting this was a deterioration in long term care results.

For property and casualty products, the significant decrease in 2007 relates to improvements from losses associated with fraudulent use of credit and debit cards issued by credit unions and covered by fidelity bond insurance issued by the Company. Smaller experience improvements in most other property and casualty lines were offset by worsened experience in workers compensation. The reserve decrease in 2006 was not material.

(9) Benefit Plans

The Company has noncontributory defined benefit pension plans covering substantially all full time employees other than employees of The CUMIS Group, Ltd., a holding company for the Canadian insurance operations owned 87% by CUNA Mutual. 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 vast 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. $448,033 and $468,707 of the United States benefit plan assets shown in the table below, in 2007 and in 2006, respectively, are invested in the Ultra Series Fund, a family of mutual funds which is managed by MCA.

The CUMIS Group, Ltd. maintains a noncontributory defined benefit pension plan, which covers substantially all of its employees, and two contributory defined benefit pension plans. Retirement benefits are based on length of service and final average earnings.

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.

The measurement date for all benefit plans is December 31.

(000s omitted)

As described in Note 2, the Company adopted the recognition and related disclosure provisions of SFAS No. 158 as of December 31, 2007. The incremental effect of this adoption on the individual line items in the December 31, 2007 consolidated balance sheet is shown in the following table:

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Accrued postretirement benefit liability	$ (192,769)	$ 4,716	$ (188,053)
Accrued pension liability	13,568	(97,305)	(83,737)
Net deferred tax asset	195,741	32,059	227,800
Minority interest	27,301	1,340	28,641
Accumulated other comprehensive income	(97,659)	(59,190)	(156,849)

Amounts recognized in accumulated other comprehensive income as of December 31, 2007 are as follows:

	As of December 31, 2007
Net transition obligation	$ (2,777)
Net prior service costs	(21,804)
Net actuarial loss	115,830
Total recognized in other comprehensive income, before tax	91,249
Tax expense	32,059
Total recognized in other comprehensive income, net of tax	$ 59,190

The estimated net actuarial loss and prior service cost for the postretirement benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2008 are $3,011 and $(2,709), respectively.

(000s omitted)

The Company's prepaid pension asset is recorded in other assets and receivables on the consolidated balance sheets. The following table summarizes information about the plans at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Fair value of plan assets	$ 635,670	$ 643,075	$ 8,918	$ 8,458
Benefit obligation	(719,407)	(789,404)	(196,971)	(178,113)
Funded status at	$ (83,737)	$ (146,329)	$ (188,053)	$ (169,655)
Amounts reflected in consolidated balance sheet:				
Prepaid benefit obligation	$ -	$ 56,156	$ -	$ -
Accrued benefit liability	(83,737)	(30,724)	(188,053)	(192,420)
Additional minimum liability	-	(5,577)	-	-
Intangible asset	-	993	-	-
Net asset (liability) recognized in the consolidated balance sheet	$ (83,737)	$ 20,848	$ (188,053)	$ (192,420)

The accumulated benefit obligations for the Company's defined benefit pension plans were $622,782 and $647,048 at December 31, 2007 and 2006, respectively.

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

	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Pension benefits:						
Employee contributions	$ -	$ 422	$ 385	$ -	$ -	$ -
Employer contributions	11,980	71,955	20,726	6,406	6,921	5,067
Benefit payments	45,103	49,450	25,736	6,406	6,921	5,067
Net periodic benefit cost	22,193	33,525	21,752	11,387	10,075	11,938
Curtailment gain	-	-	-	6,573	-	-

(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.

	2007	2006
Projected benefit obligation	$ 128,362	$ 206,547
Accumulated benefit obligation	113,709	164,587
Fair value of plan assets:		
Debt securities	$ 50,614	$ 37,719
Equity securities	27,890	87,634
All other securities	3,667	9,601
Total fair value of plan assets	$ 82,171	$ 134,954

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

	2007	2006
Discount rate	5.62%	5.54%
Expected long-term rate of return on plan assets	7.91%	7.87%
Assumed rate of compensation	4.89%	4.85%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation is 10.9% reducing to 3.8% by 2027. The discount rate used in determining the accumulated postretirement benefit obligation is 5.6% for 2007 and 2006.

(000s omitted)

The CUMIS Group Ltd.'s actuarial assumptions, which for 2006 include the Canadian property and casualty subsidiary sold in 2007 (see Note 13) used to develop pension and other postretirement benefit expense for the years ended December 31 were as follows:

	2007	2006
Discount rate	5.75%	5.05%
Expected long-term rate of return on plan assets	7.13%	6.87%
Assumed rate of compensation	4.25%	4.02%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for The CUMIS Group Ltd is 8.0% reducing to 5.0% by 2011. The discount rate used in determining the accumulated postretirement benefit obligation is 5.8% for 2007 and 5.6% for 2006.

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. Beginning in 2005, the effects of the subsidy are reflected in the measurement of the net periodic postretirement benefit costs. The effect of the subsidy for 2007 was a reduction of the postretirement benefit cost of $2,945 including $1,192 related to service cost, $1,482 related to interest cost and $271 related to recognized net actuarial gain/loss. Comparable figures for 2006 were a reduction of the postretirement benefit cost of $3,940 including $1,288 related to service cost, $1,638 related to interest cost and $1,014 related to recognized net actuarial gain/loss. The subsidy reduced the 2007 accumulated postretirement benefit obligation by $22,870 compared to $26,700 in 2006. Subsidies received in 2007 and 2006 amounted to $416 and $303, 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				
2008	$ 33,643	$ 9,616	$ 508	$ 9,554
2009	35,042	10,549	559	10,479
2010	36,626	11,509	620	11,418
2011	38,652	12,611	680	12,501
2012	40,308	13,328	766	13,179
2013-2017	235,214	78,434	5,315	76,739

The expected employer contributions to the various pension plans in 2008 are not known. For other benefits, the employer contribution will be equivalent to the estimated 2008 benefits.

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

	2007	2006	Target Allocation
Asset category			
Equity securities	62.2%	64.5%	65.8%
Debt securities	33.1	27.3	34.2
Cash	4.7	8.2	-
Total	100.0%	100.0%	100.0%

(000s omitted)

The CUMIS Group Ltd.'s pension plan allocation at December 31, by asset category, as a percentage of plan assets, and the target allocation, is shown below:

	2007	2006	Target Allocation
Asset category			
Equity securities	53.8%	51.5%	55.0%
Debt securities	40.6	43.9	45.0
All other	5.6	4.6	-
Total	100.0%	100.0%	100.0%

CUNA Mutual and CUMIS Group Ltd. invest 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 postretirement benefit costs for 2007 includes 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 prompted the recognition of the curtailment gain.

The curtailment was reduced by $3,329, the amount the Company recognized for the implementation of SFAS No. 158. 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.

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 after employment but before retirement. Such costs are expensed as incurred. The liability for other post employment benefits was $14,830 and $21,612 at December 31, 2007 and 2006, 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, 2007, 2006 and 2005 were $13,058, $12,973 and $13,047 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 $69,301 and $60,345 as of December 31, 2007 and 2006, 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 deposited in the Rabbi trust were $68,817 and $61,088 at December 31, 2007 and 2006, 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.

(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 payment of dividends. Generally, ordinary dividends, including those to the parent, must be reported to the Iowa Department of Commerce, Insurance Division ("Insurance Department") within five days following the declaration and can not be paid until at least 14 days after such notice is given. The Company must notify the Insurance Department at least 30 days in advance of payment of extraordinary dividends, as defined by Iowa statutes, and those dividends 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"), CUMIS Specialty Insurance Company, Inc. and MEMBERS have dividend restrictions at December 31, 2007 of $80,680, $1,569 and $2,589, respectively.

Risk-based capital requirements promulgated by the National Association of Insurance Commissioners require U.S. insurers to maintain minimum capitalization levels that are determined based on formulas incorporating credit risk, insurance risk, interest rate risk, and general business risk. At December 31, 2007, the Company and its insurance affiliates' adjusted surplus exceed the minimum requirements.

CUNA Mutual and its insurance company affiliates file statutory-basis financial statements with insurance regulatory authorities. The Insurance Department has allowed CUNA Mutual to use certain accounting practices which differ from prescribed statutory accounting practices (permitted practices). These permitted practices relate to the carrying value of mortgage insurance affiliates, the carrying value of fixed maturity securities held in the separate account which support certain funding agreements 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 $115,641 as of December 31, 2007 and $98,813 as of December 31, 2006.

(000s omitted)

Statutory-basis net income of CUNA Mutual was $10,605, $71,433 and $150,292 for the years ended December 31, 2007, 2006 and 2005, respectively. Statutory-basis surplus was $1,035,435 and $1,065,288 at December 31, 2007 and 2006, respectively.

(11) Commitments and Contingencies

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

	2007	2006
Private placements	$ -	$ 15,620
Mortgage loans	55,700	65,155
Limited partnerships	336,237	233,101
Bank loans	-	4,811

Private placement commitments represent conditional commitments to purchase private placement debt and equity securities at a specified future date.

Commitments to extend mortgage loans are agreements to lend to a borrower provided there is no violation of any condition established in the contract. The Company enters into these agreements to commit to future loan fundings at a predetermined interest rate. Commitments generally have fixed expiration dates or other termination clauses.

Limited partnership commitments to invest 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.

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

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

The Company accounts for certain lease agreements, substantially all for computer equipment, as capital leases; these capital lease obligations totaled $3,022 and $3,013 at December 31, 2007 and 2006, respectively. These obligations were included in office properties, equipment and computer software and accounts payable and other liabilities in the Company's consolidated balance sheets. Amortization of capital lease obligations is included in depreciation expense.

At December 31, 2007, the Company was committed under non-cancelable operating and capital leases with minimum rentals of approximately $38,636 of which $10,026 is due in 2008, $7,018 in 2009, $3,763 in 2010, $2,435 in 2011, $15,394 in 2012 and thereafter. Rental expense included in the Company's operations amounted to $16,496, $17,814 and $19,608 in 2007, 2006 and 2005, respectively.

The Company is liable for guaranty fund assessments related to certain unaffiliated insurance companies that have become insolvent during 2007 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 $4,899 and $5,220 at December 31, 2007 and 2006, 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 $3,564 and $4,000 at December 31, 2007 and 2006, respectively. Recoveries of assessments from premium taxes are generally made over a five-year period.

CUNA Mutual Investment Corporation ("CMIC"), a wholly-owned subsidiary of the Company, owns 50% of CMG Mortgage Insurance Company ("CMG"), a Wisconsin company which sells residential mortgage guaranty insurance. The other 50% is owned by PMI Mortgage Insurance Company ("PMI"), an unaffiliated company. In 2001, 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 18 to 1. At December 31, 2007, the statutory risk-to-capital ratio for CMG was 15 to 1. The carrying value of securities owned by CUNA Mutual and held in a trust pursuant to this agreement, was $41,243 and $40,884 as of December 31, 2007 and 2006, respectively. In the event that CMIC needs funds to meet the terms of the agreement, additional capital contributions to CMIC can be drawn from this trust.

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 the target of 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 target a range of the Company's practices. The ultimate outcome of these disputes is unpredictable.

These matters 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.

(12) Disclosures About Fair Value of 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 and all nonfinancial instruments are excluded from the disclosure requirements. In addition, the tax ramifications of the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been taken into consideration.

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

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

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.

Debt and Equity Securities: Fair values for debt securities are based on quoted market prices, where available. For debt securities not actively traded, fair values are estimated using values obtained from independent pricing services where the Company may rely on broker provided prices or, in the case of private placements, are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments. The Company performs internal modeling to gain comfort with any prices provided by brokers. The fair values of equity securities are based on quoted market prices.

Derivative Financial Instruments: The fair value of derivatives is based upon an estimate, using discounted cash flow techniques, of the amount which would be required to close the derivative position given the current market environment, or upon broker quotes. Fair values for derivatives traded on an exchange are based on quoted market prices.

Separate Account Assets and Liabilities: Separate account assets are substantially all investments in equity securities which are carried at fair value based on quoted market prices. Separate account liabilities represent the account value owed to the customer which is equal to the segregated assets carried at fair value.

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.

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 Treasury yield curve plus a spread equivalent to the AA cost of funds. Fair value was assumed to equal statutory book value where liability cash flows are not available.

(000s omitted)

The carrying amounts and estimated fair values of the Company's significant financial instruments at December 31 are as follows:

	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial instruments recorded as assets:				
Debt securities	$ 5,705,846	$ 5,705,846	$ 6,508,844	$ 6,508,844
Equity securities	467,757	467,757	624,559	624,559
Mortgage loans	642,804	657,409	437,021	449,049
Short-term investments	232,864	232,864	351,602	351,602
Cash and cash equivalents	607,209	607,209	246,280	246,280
Accrued investment income	73,329	73,329	77,341	77,341
Derivatives	18,712	18,712	19,678	19,678
Separate account assets	5,051,272	5,051,272	4,908,098	4,908,098
Financial instruments recorded as liabilities:				
Investment-type contracts	3,377,265	3,304,932	4,150,550	3,924,858
Derivatives	14,519	14,519	12,250	12,250
Separate account liabilities	5,051,272	5,051,272	4,908,098	4,908,098

(13) Discontinued Operations

The Company has sold certain operations that have been accounted for in the accompanying financial statements as discontinued operations. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* 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 statement of operations. Prior year consolidated statements of operations have been reclassified to conform to the current year presentation. The consolidated balance sheets of the prior years have not been reclassified to identify the assets and liabilities of these discontinued operations.

The principal components of the discontinued operations relate to three transactions. In 2007, the Company's 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 2005, the Company sold its mortgage servicing rights and ceased its mortgage banking operations. This sale resulted in a $10,782 loss, which included a goodwill impairment loss of $4,482. In connection with this sale the Company concluded in 2006 that it was also necessary to write down a receivable related to this sale by $1,012. 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.

(000s omitted)

The following table displays the components of discontinued operations for each of the years in the three-year period ended December 31, 2007.

	2007	2006	2005
Total revenues	$ 119,186	$ 96,026	$ 135,361
Total expenses	104,919	94,374	128,249
Gains from discontinued operations before income taxes and non-operating items	14,267	1,652	7,112
Gain (loss) on disposal	10,825	(452)	(10,782)
Gain from favorable loss reserve development	2,728	2,053	9,093
Income tax expense	(9,945)	(433)	(3,435)
Gain from discontinued operations, net of tax	$ 17,875	$ 2,820	$ 1,988

There are no significant assets or liabilities, other than a $2,400 liability related to the 1998 sale of the property and casualty company, pertaining to discontinued operations as of December 31, 2007. The Canadian subsidiary's assets and liabilities as of December 31, 2006 are included in the consolidated balance sheet. Significant amounts include cash and investments of $129,185, premiums receivable of $19,676, deferred policy acquisition costs of $14,255, net accrued employee benefit asset of $3,553 comprised of $27,649 of plan assets offset by $24,096 of plan liabilities, other assets of $9,519, insurance reserves – property and casualty of $117,135, and other liabilities of $7,595.

(14) Acquisition of Controlling and Minority Interests

In June 2007, 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. 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 is being amortized on a prorata basis over five years. 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 August 2007 CMIC purchased a 25% minority interest in Producers AG Insurance Group, Inc. ("ProAg") for $12,250 in cash. The Company assigned $6,107 of the acquisition cost to goodwill, which was recorded as part of CMIC's equity in unconsolidated affiliates. The Company had a previous reinsurance agreement with ProAg, which is in the crop insurance business, and the purchase was made to solidify the relationship between the two organizations. The goodwill was generated by the excess of the purchase price over the fair value of the net assets acquired. Both the Company and ProAg issue crop insurance policies and participate in a reinsurance pooling agreement. ProAg also acts as a managing general agent for the crop insurance business.

Operating results for the 2007 acquisitions have been presented in the statement of operations on their effective dates.

In December 2007, the Company bought out the minority owners of Lending Call Center Services, LLC ("LCCS") for $1,095, generating goodwill of $1,057. Half the purchase price was paid in cash and the remainder is payable in equal installments in December 2008 and 2009. LCCS processes loan applications and handles member service calls for credit unions and other financial institutions.

In May 2005, the Company purchased controlling interest in LCCS for $10,114 in cash pursuant to a put option exercised by the former owner. The Company had previously owned 46.2% of the outstanding stock and this transaction brought the ownership percentage to 92.7%. The 2005 transaction increased goodwill by $8,383. The Company recognized goodwill impairment losses of $6,096 in 2005 and $8,268 in 2006, after re-evaluating the strategic intent with respect to LCCS in both years. The Company also recognized an impairment loss of $486 in 2006, representing the unamortized balance of customer lists acquired in 2005.

(15) Subsequent Event

In February 2008, the Company entered into a three year unsecured revolving credit facility agreement in the principal amount of $255,000. A facility fee of .08% per year on the committed principal is required. 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 consolidated net worth. No borrowings have been made under the credit facility as of March 26, 2008.