observable market price at December 31, 2014 or 2013. They are stated at the value provided by the FHLB with no adjustments made by management.

Transfers, if any, are recorded as of the beginning of the reporting period. There were no transfers in or out of levels 1 and 2 during either 2014 or 2013.

Note 5. Reinsurance

We reinsure a portion of our insurance business with other insurance companies on both a pro rata and excess of loss basis. The ceding of reinsurance does not legally discharge us from primary liability under our policies, and we must pay the loss if the reinsurer fails to meet its obligation. We are contingently liable for ceded insurance in force of $1,130,059 at December 31, 2014, of which approximately 99% has been ceded to five reinsurers.

Premiums ceded in 2014 and 2013 were $3,308 and $3,150, respectively. Ceded reserves and unpaid claims recoverable of $5,497 and $3,934 at December 31, 2014 and 2013, respectively, have been deducted from the related policy liabilities. Reinsurance recoveries received were $2,157 and $2,069 in 2014 and 2013, respectively.

Amounts recoverable from reinsurers of $533 and $57 were reported as a component of other admitted assets at December 31, 2014 and 2013, respectively. In management's opinion, all amounts are collectable with regard to reinsurance recoverables.

Note 6. Capital and Surplus

Under the applicable laws and regulations of the state of Iowa, we are required to maintain minimum capital stock, paid-in capital and unassigned surplus of the greater of $5,000 or the required amount of risk-based capital ("RBC") as defined by the NAIC for life insurance companies. The NAIC RBC formula establishes capital requirements based on an individual company's insurance risk, business risk, asset credit risk, and interest rate risk. The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2014 and 2013, we had adjusted capital in excess of the required capital levels.

We are required to obtain approval from the Iowa Insurance Commissioner in order to pay our only stockholder, United Fire, a dividend if the total to be paid plus any dividends paid within the preceding twelve months exceeds the greater of 10% of surplus at the beginning of the year or the net gain from operations of the previous year. In the absence of unassigned surplus, no dividends may be paid. Based on these restrictions, no dividend may be paid until December 17, 2015 without approval at which point $15,567 may be paid without approval. A dividend of $10,000 was approved by Iowa and then paid on December 17, 2014. In 2013, a dividend of $10,000 was paid on December 17th.

(In thousands, except policy counts)

Note 7. Federal Income Taxes

We file a consolidated federal income tax return with our Parent and other affiliated companies. The method of allocation between the companies is subject to a written agreement, which has been approved by the Board of Directors. The amount to be allocated is based on separate return calculations with current credit provided for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2009. The Internal Revenue Service is conducting a routine examination of our income tax return for the 2011 tax year.

The Company performs a quarterly review of its tax positions and makes a determination whether it is more likely than not that the tax position will be sustained upon examination. If based on this review, it appears not more likely than not that the position will be sustained, the Company will calculate any unrecognized tax benefits and calculate any interest and penalties. We have not recognized a liability for unrecognized tax benefits at December 31, 2014 or 2013 or at any time during 2014 or 2013. In addition, no interest and penalties related to unrecognized tax benefits have been accrued at December 31, 2014 or 2013. However, if interest and penalties would need to be accrued, such amounts would be recognized as a component of federal income tax expense.

The components of the net deferred tax asset recognized in the accompanying statements of admitted assets, liabilities and capital and surplus are as follows:

	December 31, 2014			December 31, 2013		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Total of all deferred tax assets	**$ 12,237**	**$ 1,660**	**$ 13,897**	$ 11,990	$ 1,701	$ 13,691
Total of all deferred tax liabilities	**3,078**	**5,946**	**9,024**	3,598	5,365	8,963
Net deferred tax asset			**4,873**			4,728
Total nonadmitted deferred tax asset			**-**			-
Total admitted deferred tax asset			**$ 4,873**			$ 4,728
Decrease in nonadmitted deferred tax asset			$ -			$ -

(In thousands, except policy counts)

The components of the admitted deferred tax assets are as follows:

	December 31, 2014			December 31, 2013			Total
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Federal income taxex paid in prior years recoverable through loss carrybacks	$ 6,944	$ -	$ 6,944	$ 6,831	$ 12	$ 6,843	$ 101
Adjusted gross deferred tax assets expected to be realized after threshold limitation	-	-	-	-	-	-	-
Adjusted gross deferred tax assets allowed per limitation threshold			22,619			22,987	(368)
Adjusted gross deferred tax assets offset by deferred tax liabilities	5,293	1,660	6,953	5,159	1,689	6,848	105
Deferred tax assets admitted	$ 12,237	$ 1,660	$ 13,897	$ 11,990	$ 1,701	$ 13,691	$ 206
Ratio percentage used to determine recovery and threshold limitation amount			1044%			1043%	1%
Amount of adjusted capital and surplus to determine recovery period and threshold limitation			$ 167,160			$171,181	$ (4,021)

The major components of federal income taxes incurred for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013	Change
Federal income tax on operations	$ 1,948	$ 3,381	$ (1,433)
Tax expense on net realized capital gains	935	1,060	(125)
Change in provision	8	(292)	300
Federal income taxes incurred	$ 2,891	$ 4,149	$ (1,258)

(In thousands, except policy counts)

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31		
	2014	**2013**	**Change**
Deferred tax assets			
Ordinary			
Loss reserves	$ **6,704**	$ 6,562	$ 142
Deferred acquisition costs	**4,543**	4,635	(92)
Compensation and benefits	**989**	783	206
Other	**1**	10	(9)
Total ordinary deferred tax assets	**12,237**	11,990	247
Nonadmitted	**-**	-	-
Admitted ordinary deferred tax assets	**12,237**	11,990	247
Capital			
Investments	**1,660**	1,661	(1)
Unrealized capital losses	**-**	40	(40)
Total capital deferred tax assets	**1,660**	1,701	(41)
Nonadmitted	**-**	-	-
Admitted capital deferred tax assets	**1,660**	1,701	(41)
Total admitted deferred tax assets	**13,897**	13,691	206
Deferred tax liabilities			
Ordinary			
Market bond discount	**1,083**	1,674	(591)
Deferred and uncollected	**1,860**	1,801	59
Pension	**135**	123	12
Total ordinary deferred tax liabilities	**3,078**	3,598	(520)
Capital			
Investments	**486**	436	50
Unrealized capital gains	**5,460**	4,929	531
Total capital deferred tax liabilities	**5,946**	5,365	581
Total deferred tax liabilities	**9,024**	8,963	61
Net admitted deferred tax asset	$ **4,873**	$ 4,728	$ 145

(In thousands, except policy counts)

The change in net deferred income taxes is comprised of the following:

	December 31					
	2014		2013		Change	
Total deferred tax assets	$	**13,897**	$	13,691	$	206
Total deferred tax liabilities		**9,024**		8,963		61
Net deferred tax asset	$	**4,873**	$	4,728		145
Tax effect of change in unrealized capital gains						572
Change in net deferred income taxes					$	717

None of the adjusted gross or net admitted deferred tax assets were admitted using a tax planning strategy. There was no valuation allowance recorded for deferred tax assets at December 31, 2014 or 2013.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income from operations before federal income tax expense and net realized capital losses. The significant items contributing to this difference are as follows:

	Effective Tax Rate Percentage	
	2014	2013
Provision computed at statutory rate	**35.0 %**	35.0
IMR amortization	**(6.0)**	(5.2)
Other	**(1.8)**	0.2
Total	**27.2 %**	30.0
Federal income taxes incurred	**24.5 %**	26.8
Realized capital gains tax	**11.7**	9.2
Change in net deferred income taxes	**(9.0)**	(6.0)
Total statutory income taxes incurred	**27.2 %**	30.0

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is as follows:

Current year	$	2,884
First preceding year		4,448
Second preceding year		565

Note 8. Related Party Transactions

Various expenses, including rent, telephone, computer operations, printing, supplies and other expenses incurred by the Parent for the mutual benefit of the group, are apportioned between its member companies using allocation methods, which are designed to provide a reasonable representation of the value of the benefits received by the respective companies.

We reported amounts due to the Parent of $436 and $296 at December 31, 2014 and 2013, respectively. The balance payable relates to amounts incurred under intercompany service and expense allocation agreements. These agreements require that intercompany balances be settled within 30 days.

We provide group life insurance coverage for employees of the United Fire Group. The total premium received for this coverage was $530 and $491 in 2014 and 2013, respectively.

Credit Facilities

In the fourth quarter of 2011, United Fire & Casualty Company (our parent) entered into a credit agreement with a syndicate of financial institutions as lenders party thereto, KeyBank National Association as administrative agent, lead arranger, sole book runner, swingline lender, and letter of credit issuer. The four-year credit agreement provides for a $100,000 unsecured revolving credit facility that includes a $20,000 letter of credit subfacility and a swing line subfacility in the amount of up to $5,000.

On June 4, 2013, United Fire & Casualty, United Fire Group, Inc. and the syndicated lenders entered into an Assignment, Joinder, Assumption, and Release Agreement (the “Joinder Agreement”) transferring the obligations under the credit agreement from United Fire & Casualty Company to United Fire Group, Inc. Effective with the execution of the Joinder Agreement, United Fire & Casualty Company was released from any further obligations under the credit agreement.

During the term of this credit facility, United Fire Group, Inc. has the right to increase the total facility from $100,000 up to $125,000, provided that no event of default has occurred or is continuing and certain other conditions are satisfied. The credit facility is available for general corporate purposes, including working capital, acquisitions and liquidity purposes. Any principal outstanding under the credit facility is due in full at maturity, on December 22, 2015. The interest rate is based on our monthly choice of either the London Interbank Offered Rate (“LIBOR”) or a base rate plus, in each case, a calculated margin amount. A commitment fee on each lender’s unused commitment under the credit facility is also payable quarterly.

The credit agreement contains customary representations, covenants and events of default, including certain covenants that limit or restrict our ability to engage in certain activities. Subject to certain exceptions, these activities include restricting our ability to sell or transfer assets or enter into a merger or consolidate with another company, grant certain types of security interest, incur certain types of liens, impose restrictions on subsidiary dividends, enter into leaseback transactions, or incur certain indebtedness. The credit agreement contains certain financial covenants including covenants that require the group to maintain a minimum consolidated net worth, a debt to capitalization ratio and minimum stockholders’ equity. There was no outstanding balance on the credit facility at December 31, 2014 or 2013. United Fire Group was in compliance with all covenants of the credit agreements at December 31, 2014.

(In thousands, except policy counts)

United Life Insurance Company can access this line of credit through an inter-company transaction whereby the Parent borrows the funds from United Fire Group, Inc. and loans them to us. The Company did not make use of this borrowing capacity during 2014 or 2013.

Federal Home Loan Bank (FHLB) Agreements

The Company is a member of the FHLB of Des Moines, IA. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged and assets and liabilities related to the agreement with FHLB of Des Moines:

	Current Year	Prior Year
FHLB stock purchased/owned as part of the agreement	$ 1,978	$ 2,012
Collateral pledged to the FHLB	-	-
Borrowing capacity currently available	492,199	498,340
Agreement assets and liabilities	-	-

Note 9. Employee Benefit Obligations

The Parent sponsors a defined benefit pension plan covering substantially all employees of the United Fire Group, Inc. Under this plan, retirement benefits are primarily a function of the number of years of service and the level of compensation. The Parent charges each affiliate for its allocable share of contributions based on a percentage of payroll. Pension costs allocated to the Company were $428 and $511 for 2014 and 2013, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a postretirement healthcare benefit plan covering substantially all benefit-eligible employees of the United Fire Group, Inc. The plan pays stated percentages of most necessary medical and dental expenses incurred by retirees, after subtracting payments by Medicare or other providers and after the stated deductible has been met. Participants become eligible for the benefits if they retire from the group after reaching age 55 with 10 or more years of participation in the plan and 10 or more years of employment with the group. The plan is contributory, with retiree contributions generally adjusted annually. Postretirement benefit costs allocated to us were $564 and $491 for 2014 and 2013, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a profit-sharing plan in which employees of the United Fire Group, Inc. who meet service requirements are eligible to participate. The amount of contributions to this plan is discretionary and is determined annually, but cannot exceed the amount deductible for federal income tax purposes. Our allocated cost for this plan in 2014 and 2013 was $141 and $74, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors an employee stock ownership plan for the benefit of eligible employees of the United Fire Group, Inc. and their beneficiaries. All employees are eligible to participate in the plan upon completion of specific requirements. Contributions to this plan are at the discretion of the Parent. Our allocated cost for this plan in 2014 was $14. We did not receive an allocation for this plan in 2013. We have no legal obligation for benefits under this plan.

(In thousands, except policy counts)

Note 10. Concentrations of Risk

Annuity considerations represented 72.8% or $146,943 and 65.6% or $109,738, of direct premiums collected in 2014 and 2013, respectively, of which $52,639 and $47,015 were collected in Iowa during 2014 and 2013, respectively. Annuity reserves represented 68% and 71% of our total aggregate reserves for life policies and annuity contracts at December 31, 2014 and 2013, respectively. In both 2014 and 2013, one large marketing agency produced a substantial portion, approximately, 28% of all premiums collected in 2014 compared to approximately 26% in 2013.

We believe that the risk of substantial unexpected withdrawals of these annuity funds is unlikely based on the surrender penalties inherent in these contracts. All but $3,720 and $4,232 of annuity considerations received in 2014 and 2013, respectively, were from the sale of primarily two single premium products. These products have a guaranteed minimum interest rate based on current market conditions with an annual review that allows this rate to increase if market conditions warrant. One has a surrender charge period of six years beginning at 6% in the first year and decreasing 1% in each of the next five years, while the other has a surrender charge period of four years with 4% in years one and two, 3% in year three and 2% in year four.

We have in place a renewal program that offers the policyowner the opportunity to purchase a new contract with a minimum interest rate based on the market conditions at that time. This program has been in place since the mid 1990's. However, due to current market conditions that have existed over the last few years, at December 31, 2014 and 2013 there was $268,041, or 31.0%, and $276,460, or 29.9%, respectively, of the annuity account value that was outside the surrender charge period and was earning the minimum interest rate stated in the contract. At December 31, 2014, $91,583, or 47.3%, of these funds were earning between 3.0% and 4.0% compared to $102,050 or 57.6%, at December 31, 2013. The funds are earning a higher rate of interest than is currently available in the market place, therefore, they are less likely to be surrendered for their cash value in the near future. However, these funds may be paid out at any time due to deaths.

At December 31, 2014, the withdrawal characteristics of our annuity reserves and other deposit-type liabilities are as follows (the Company has only general account funds):

	Amount	Percent of Total
Subject to discretionary withdrawal		
At book value less surrender charge of 5% or more	$ 182,561	17.7%
At book value without adjustment (minimal or no surrender charge or adjustment)	697,678	67.6%
Not subject to discretionary withdrawal	151,644	14.7%
	$ 1,031,883	100.0%

Reinsurance is not applicable to the above amounts.

Note 11. Contingencies

From time to time, we are a defendant in various legal actions arising from normal business activities. We believe, after consultation with legal counsel, that the ultimate liabilities, if any, resulting from any legal actions will not materially affect our financial position or results of operations.

Note 12. Reconciliation

There were no reconciling difference to the 2014 annual statement.

Following is a reconciliation of fair value for preferred stocks and short-term investments which were understated in Note 20A of the Notes to the Financial Statements in the 2013 annual statement filed March 1, 2014 to Note 4 of this report:

	As Filed	Corrected	Difference
		(In Thousands)	
Preferred stocks - fair value	$ 3,699	$ 3,766	$ 67
Short-term investments - fair value	5,595	6,984	1,389

There was no change in the admitted value as reported on the asset page of the annual statement.

Note 13. Subsequent Events

We have evaluated all events occurring after December 31, 2014, through May 23, 2015, the date the financial statements were available to be issued, to determine if any events required either recognition or disclosure in the financial statements. No material subsequent events were noted.

Supplementary Information

Statutory-Basis

Building a better working world

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Report of Independent Auditors on Supplementary Information

Board of Directors and Stockholder
United Life Insurance Company

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of selected statutory-basis financial data and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects in relation to the statutory-basis financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 18, 2015

United Life Insurance Company

Schedule of Selected Financial Data

Year Ended December 31, 2014
(In Thousands)

Investment income earned:		
U.S. government bonds	$	1,754
Other bonds (unaffiliated)		55,548
Preferred stocks (unaffiliated)		237
Common stocks (unaffiliated)		546
Mortgage loans		252
Contract loans		458
Cash and short-term investments		83
Other invested assets		727
Aggregate write-ins for investment income		1,125
Gross investment income		60,730
Mortgage loans – book value:		
Commercial mortgages - good standing	$	4,199
Other long-term assets	$	13,482
Due within one year or less	$	322,983
Over 1 year through 5 years		402,565
Over 5 years through 10 years		672,663
Over 10 years through 20 years		142,476
Over 20 years		11,246
Total by maturity	$	1,551,933
By NAIC designation – statement value (prior to non-admitted items):		
NAIC 1	$	931,727
NAIC 2		575,382
NAIC 3		39,147
NAIC 4		5,377
NAIC 5		–
NAIC 6		300
Total by NAIC desgination	$	1,551,933
Bonds and short-term investments publicly traded	$	1,396,213
Bonds and short-term investments privately placed	$	155,720
Preferred stock - book/adjusted carrying value	$	3,910
Common stock - fair value	$	24,319
Short-term investments - book/adjusted carrying value	$	35,430
Cash on deposit	$	6,822
Life insurance in force:		
Ordinary	$	5,098,668
Credit life	$	–
Group life	$	267,392

United Life Insurance Company

Schedule of Selected Financial Data (continued)

Amount of accidental death insurance in force under ordinary policies	$	39,583
Life insurance policies with disability provisions in force:		
Ordinary	$	3,249
Supplementary contracts in force:		
Ordinary – not involving life contingencies:		
On deposit	$	53,800
Income payable	$	5,104
Ordinary – involving life contingencies:		
Income payable	$	2,492
Annuities:		
Ordinary:		
Immediate – amount of income payable	$	5,110
Deferred – fully paid – account balance	$	818,824
Deferred – not fully paid – account balance	$	44,782
Accident and health insurance – premiums in force:		
Other	$	1,263
Deposit funds and dividend accumulations:		
Deposit funds – account balance	$	63,091
Claim payments – year ended December 31, 2013:		
Other accident and health:		
2014	$	113
2013	$	190
2012	$	166
2011	$	178
2010	$	286
Prior	$	3,456

United Life Insurance Company

Summary Investment Schedule

December 31, 2014

Summ

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement		
	Amount	Percentage	Amount	Securities Lending	Percentage
Bonds:					
U.S. Treasury securities	$ 776	0.0%	$ 776	$ -	0.0%
U.S. government agency:					
Issued by U.S. government agencies	–	0.0%	–	–	0.0%
Issued by U.S. government sponsored agencies	205,918	12.8%	205,918	–	12.8%
Foreign government	–	0.0%	–	–	0.0%
Securities issued by states, territories, and possessions:					
States territories and possessions general obligations	–	0.0%	–	–	0.0%
Political subdivisions of states, territories, and possessions general obligations	–	0.0%	–	–	0.0%
Revenue and assessment obligations	3,018	0.2%	3,018	–	0.2%
Industrial development and similar obligations	7,466	0.5%	7,466	–	0.5%
Mortgage-backed securities (includes residential and commercial MBS):					
Pass-through securities:					
Guaranteed by GNMA	97	0.0%	97	–	0.0%
Issued by FNMA and FHLMC	1,941	0.1%	1,941	–	0.1%
All other	–	0.0%	–	–	0.0%
CMOs and Remics:					
Issued by FNMA and FHLMC	223,310	13.9%	223,310	–	13.9%
Privately issued and collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	–	0.0%	–	–	0.0%
All other privately issued	–	0.0%	–	–	–
Other debt and other fixed income securities (excluding short-term):					
Unaffiliated domestic (including credit tenant loans and hybrid secrurities)	948,943	58.9%	948,943	–	58.9%
Unaffiliated non-U.S. securities (including Canada)	125,034	7.8%	125,034	–	7.8%
Affiliated securities	–	0.0%	–	–	–
Equity interests:					
Investments in mutual funds	186	0.0%	186	–	–
Preferred stocks:					
Affiliated	–	0.0%	–	–	–
Unaffiliated	3,910	0.2%	3,910	–	0.2%
Publicly traded (excluding preferred stocks):					
Affiliated	–	0.0%	–	–	0.0%
Unaffiliated	22,156	1.4%	22,156	–	1.4%
Other equity securities:					
Affiliated	–	–	–	–	–
Unaffiliated	1,977	0.1%	1,977	–	0.1%
Mortgage loans:					
Commercial loans	4,199	0.3%	4,199	–	0.3%
Contract loans	5,916	0.4%	5,916	–	0.4%
Receivable for securities	–	0.0%	–	–	0.0%
Cash and short-term investments	42,252	2.6%	42,252	–	2.6%
Other invested assets	13,482	0.8%	13,482	–	0.8%
Total invested assets	$ 1,610,581	100.0%	$ 1,610,581	$ -	100.0%

Supplementary Information – Statutory-Basis

December 31, 2014

Note – Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2014, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2014 Statutory Annual Statement as filed with the Insurance Division, Department of Commerce, of the State of Iowa.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2014
(To Be Filed by April 1)

Of The United Life Insurance Company

ADDRESS (City, State and Zip Code) Cedar Rapids , IA 52401-1212

NAIC Group Code 0248 NAIC Company Code 69973 Federal Employer's Identification Number (FEIN) 42-6061188

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,635,363,969

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Fannie Mae	Bonds	$ 75,295,678	4.6 %
2.02	Federal Home Loan Banks	Bonds	$ 71,459,706	4.4 %
2.03	Freddie Mac	Bonds	$ 34,433,361	2.1 %
2.04	Federal Farm Credit Banks	Bonds	$ 24,741,851	1.5 %
2.05	Principal Enhanced Property Fund	Partnership	$ 10,957,836	0.7 %
2.06	Hershey Company	Bonds	$ 9,462,440	0.6 %
2.07	FMC Corporation	Bonds	$ 9,238,102	0.6 %
2.08	CVS Caremark Corporation	Bonds	$ 8,344,193	0.5 %
2.09	BB&T Corporation	Bonds	$ 8,278,340	0.5 %
2.10	Mosaic Company	Bonds	$ 8,110,979	0.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 931,726,664	57.0 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 575,382,470	35.2 %	3.08	P/RP-2	$ 3,210,000	0.2 %
3.03	NAIC-3	$ 39,147,312	2.4 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 5,378,537	0.3 %	3.10	P/RP-4	$ 699,719	0.0 %
3.05	NAIC-5	$	0.0 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 300,000	0.0 %	3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$ 82,351,323	5.0 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC-1	$ 79,605,923	4.9 %
5.02	Countries designated NAIC-2	$ 2,655,400	0.2 %
5.03	Countries designated NAIC-3 or below	$ 0	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
6.01	Country 1: Great Britain	$ 30,681,791	1.9 %
6.02	Country 2: Netherlands	$ 15,024,529	0.9 %
	Countries designated NAIC - 2:		
6.03	Country 1: Spain	$ 2,355,400	0.1 %
6.04	Country 2: Iceland	$ 300,000	0.0 %
	Countries designated NAIC - 3 or below:		
6.05	Country 1:	$ 0	0.0 %
6.06	Country 2:	$ 0	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$ 0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC-1	$	0.0 %
8.02	Countries designated NAIC-2	$	0.0 %
8.03	Countries designated NAIC-3 or below	$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC - 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC - 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	United Utilities PLC	2FE	$ 5,316,214	0.3 %
10.02	BG Energy Capital PLC	1FE	$ 5,164,962	0.3 %
10.03	Shell International Finance BV	1FE	$ 5,002,415	0.3 %
10.04	International Nederland Bank NV	2FE	$ 4,990,277	0.3 %
10.05	Weatherford Bermuda	2FE	$ 4,777,015	0.3 %
10.06	Alibaba Group Holding Ltd	1FE	$ 3,969,733	0.2 %
10.07	Vodafone Group PLC	2FE	$ 3,521,501	0.2 %
10.08	Holcim US Finance Sarl & Cie SCS	2FE	$ 3,185,299	0.2 %
10.09	National Grid PLC	2FE	$ 3,150,661	0.2 %
10.10	Ensco PLC	2FE	$ 3,127,627	0.2 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$ 42,883,107	2.6 %
11.03	Canadian-currency-denominated investments	$ 0	0.0 %
11.04	Canadian-denominated insurance liabilities	$ 0	0.0 %
11.05	Unhedged Canadian currency exposure	$ 0	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02	Principal Enhanced Property Fund LP	$ 10,957,836	0.7 %
13.03	Cummins Inc	$ 6,578,477	0.4 %
13.04	Alliant Energy Corp	$ 5,459,724	0.3 %
13.05	General Electric Capital Corp	$ 3,210,000	0.2 %
13.06	U S Bancorp	$ 2,732,241	0.2 %
13.07	CIT Group	$ 2,533,759	0.2 %
13.08	Ryan Fund X LLC	$ 2,524,144	0.2 %
13.09	Federal Home Loan Bank Des Moines	$ 1,977,700	0.1 %
13.10	Spectra Energy Corp	$ 728,000	0.0 %
13.11	Intel Corp	$ 725,600	0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Residential 1	Residential 2	Commercial 3	Commercial 4	Agricultural 5	Agricultural 6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91 to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81 to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71 to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
22.01 Hedging	$ 0	0.0 %	$	$	$
22.02 Income generation	$ 0	0.0 %	$	$	$
22.03 Replications	$ 0	0.0 %	$	$	$
22.04 Other	$ 0	0.0 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
23.01 Hedging	$ 0	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - STATUTORY - BASIS

United Life Insurance Company
Years Ended December 31, 2013 and 2012
With Reports of Independent Auditors

United Life Insurance Company

Financial Statements and Supplementary Information
Statutory-Basis

Years Ended December 31, 2013 and 2012

Contents

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Report of Independent Auditors

Board of Directors and Stockholder
United Life Insurance Company

We have audited the accompanying statutory-basis financial statements of United Life Insurance Company (the Company), which comprise the statements of admitted assets, liabilities, and capital and surplus as of December 31, 2013 and 2012, and the related statutory-basis statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of United Life Insurance Company at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa.

Basis of Accounting

As described in Note 2 to the financial statements, to meet the requirements of Iowa, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction of Use

Our auditors' report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 23, 2014

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Angela Lee
Sep 22, 2017 18:09

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Board of Directors
United Life Insurance Company

In planning and performing our audit of the statutory-basis financial statements of United Life Insurance Company (the Company) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Directors, management of United Life Insurance Company, others within the organization and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 23, 2014

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Board of Directors
United Life Insurance Company

We have audited, in accordance with auditing standards generally accepted in the United States, the statutory-basis financial statements of United Life Insurance Company (the Company) as of December 31, 2013, and 2012, and for the years then ended, and have issued our report thereon dated May 23, 2014. In connection with that report, we advise you as follows:

We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Iowa Board of Public Accountancy.

The engagement partner and engagement manager, who are certified public accountants, have 21 years and 8 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 85% of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

We understand that the Company intends to file its audited statutory-basis financial statements and our report thereon with the Insurance Division, Department of Commerce, of the State of Iowa ("Iowa Insurance Division") and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory-basis financial condition of the Company.

While we understand that an objective of issuing a report on the statutory-basis financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance department personnel should understand that the objectives of an audit of statutory-basis financial statements in accordance with auditing standards generally accepted in the United States is to form an opinion and issue a report on whether the statutory-basis financial statements present fairly in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division. Consequently, under auditing standards generally accepted in the United States, we have the responsibility, within the inherent limitations of the audit process, to plan and perform our audit to obtain reasonable assurance about whether the statutory-basis financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are

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Angela Lee
Sep 22, 2017 18:09

effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division.

The Iowa Insurance Division personnel and other state insurance commissioners should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory-basis financial position of insurers and should not rely solely upon our report.

We will retain the workpapers prepared in the conduct of our audit until the Iowa Insurance Division has filed a Report of Examination covering 2013, but no longer than seven years. After notification to the Company, we will make the workpapers available for review by the Iowa Insurance Division at the offices of the insurer, at our offices, at the Iowa Insurance Division, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Iowa Insurance Division, photocopies (or printouts of electronic files) of pertinent audit workpapers may be made (under our control) and such copies may be retained by the Iowa Insurance Division.

The engagement partner has served in that capacity with respect to the Company since 2009, is licensed by the Illinois Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

To the best of our knowledge and belief, we are in compliance with the requirements of the rules and regulations of the Iowa Insurance Division regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Iowa Insurance Division and other state insurance departments and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 23, 2014

United Life Insurance Company

Statements of Admitted Assets, Liabilities and Capital and Surplus – Statutory-Basis

	December 31	
	2013	2012
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	**$ 1,554,966**	$ 1,587,820
Preferred stocks	**3,766**	688
Common stocks	**23,042**	18,164
Mortgage loans	**4,423**	4,633
Contract loans	**6,261**	6,671
Short-term investments	**6,984**	19,559
Cash	**9,962**	2,189
Other invested assets	**12,653**	5,324
Total cash and invested assets	**1,622,057**	1,645,048
Life insurance premiums due and uncollected and agents' balances	**5,146**	4,911
Investment income due and accrued	**15,875**	18,253
Federal income tax recoverable	**–**	1,794
Deferred federal income tax	**4,728**	5,618
Other admitted assets	**213**	87
Total admitted assets	**$ 1,648,019**	$ 1,675,711
Liabilities and capital and surplus		
Liabilities:		
Aggregate reserves:		
Life policies and annuity contracts	**$ 1,341,473**	$ 1,361,381
Accident and health policies	**6,323**	6,572
Liability for deposit-type contracts	**113,499**	115,038
Policy and contract claims	**2,033**	2,583
Other policy and contract liabilities	**1,863**	2,094
Accrued expenses and other liabilities	**6,704**	12,183
Federal income tax payable	**215**	–
Asset valuation reserve	**17,935**	17,140
Total liabilities	**1,490,045**	1,516,991
Capital and surplus:		
Common stock (par value $15,000; 500 shares authorized; 351 shares issued and outstanding)	**5,265**	5,265
Gross paid in and contributed surplus	**63,783**	63,783
Unassigned surplus	**88,926**	89,672
Total capital and surplus	**157,974**	158,720
Total liabilities and capital and surplus	**$ 1,648,019**	$ 1,675,711

See accompanying notes.

United Life Insurance Company

Statements of Operations − Statutory-Basis

	Years Ended December 31	
	2013	2012
	(In Thousands)	
Premiums and annuity considerations	**$ 164,347**	$ 154,160
Considerations from supplementary contracts with life contingencies	**4,932**	4,595
Net investment income	**65,741**	71,169
Other income	**2,710**	2,527
Total income	**237,730**	232,451
Death benefits and matured endowments	**18,646**	17,879
Annuity benefits	**43,466**	39,207
Disability and accident and health benefits	**1,224**	1,523
Surrender benefits and other fund withdrawals	**157,099**	109,696
Interest and adjustments on policy or deposit-type contract funds	**3,500**	3,987
Payments on supplementary contracts with life contingencies	**2,752**	1,790
Change in aggregate reserves	**(20,156)**	28,350
Total policy benefits	**206,531**	202,432
Commission expense	**12,467**	13,103
General insurance expenses	**9,082**	9,372
Insurance taxes, licenses, and fees	**1,432**	1,378
Total policy benefits and expenses	**229,512**	226,285
Income from operations before federal income tax expense (benefit) and net realized capital gains (losses)	**8,218**	6,166
Federal income tax expense (benefit)	**3,089**	(1,282)
Income before net realized capital gains (losses)	**5,129**	7,448
Net realized capital gains (losses)	**813**	(28)
Net income	**$ 5,942**	$ 7,420

See accompanying notes.

United Life Insurance Company

Statements of Changes in Capital and Surplus − Statutory-Basis

	Years Ended December 31	
	2013	2012
	(In Thousands)	
Capital and surplus, beginning of year	**$ 158,720**	$ 167,174
Net income	**5,942**	7,420
Change in net unrealized gains	**2,593**	683
Change in net deferred income tax	**693**	(2,746)
Change in non-admitted assets	**821**	2,169
Change in asset valuation reserve	**(795)**	20
Dividends paid to stockholder	**(10,000)**	(16,000)
Net change in capital and surplus for the year	**(746)**	(8,454)
Total capital and surplus, end of year	**$ 157,974**	$ 158,720

See accompanying notes.

United Life Insurance Company

Statements of Cash Flow – Statutory-Basis

	Years Ended December 31	
	2013	2012
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance paid	**$ 169,079**	$ 158,189
Net investment income received	**77,665**	82,690
Other income received	**973**	917
Benefits and losses paid, net of reinsurance recoveries	**(227,287)**	(174,798)
Commissions and other expenses paid	**(23,555)**	(22,764)
Federal income taxes paid	**(2,139)**	(1,338)
Net cash (used in) provided by operating activities	**(5,264)**	42,896
Investing activities		
Proceeds from investments sold, matured, or repaid	**336,608**	407,167
Cost of investments acquired	**(320,076)**	(450,288)
Net decrease in contract loans	**411**	573
Net cash provided by (used in) investing activities	**16,943**	(42,548)
Financing and other activities		
Net deposits on deposit-type contracts and other insurance liabilities	**(1,539)**	(1,154)
Dividends paid to stockholder	**(10,000)**	(16,000)
Other cash (used) provided	**(4,942)**	5,162
Net cash used in financing and other activities	**(16,481)**	(11,992)
Net decrease in cash and short-term investments	**(4,802)**	(11,644)
Cash and short-term investments, beginning of year	**21,748**	33,392
Cash and short-term investments, end of year	**$ 16,946**	$ 21,748

See accompanying notes.

United Life Insurance Company

Notes to Financial Statements - Statutory-Basis

(In thousands, except policy counts)

December 31, 2013 and 2012

Note 1. Organization

United Life Insurance Company (the "Company", or "our", or "us"; or "we") is an Iowa domiciled legal reserve stock life insurance company and is licensed in 37 states, primarily in the Midwest and Western United States. The Company underwrites and markets ordinary life insurance (primarily universal life, single premium whole life and term life) and annuities (primarily single premium) to individuals and groups through independent agencies. Approximately 74.9% of direct premiums in 2013 were written in five states: Iowa, Illinois, Minnesota, Nebraska and Wisconsin.

On February 1, 2012, a reorganization of our Parent (United Fire & Casualty Company) and all the subsidiary/affiliated companies was completed. Upon completion of this reorganization, United Fire Group, Inc., an Iowa corporation, replaced United Fire & Casualty Company, an Iowa corporation, as the publicly held corporation, and the holders of United Fire & Casualty Company Common Stock now hold the same number of shares and same ownership percentage of United Fire Group, Inc. as they held of United Fire & Casualty Company immediately prior to the reorganization. On February 2, 2012, shares of United Fire Group, Inc. Common Stock commenced trading on the NASDAQ Global Select Market under the symbol "UFCS." The directors and executive officers of United Fire Group, Inc. immediately following the reorganization are the same individuals who were directors and executive officers, respectively, of United Fire & Casualty Company immediately prior to the reorganization. This reorganization had no direct impact on United Life Insurance Company.

Immediately following the Reorganization, United Fire Group, Inc. owns 100 percent of one subsidiary, United Fire & Casualty Company. United Fire & Casualty Company owns 100 percent of seven subsidiaries: United Life Insurance Company, Addison Insurance Company, Mercer Insurance Group, Inc., Lafayette Insurance Company, United Fire & Indemnity Company, American Indemnity Financial Corporation and United Real Estate Holdings, LLC.

In addition, Mercer Insurance Group, Inc. owns 100 percent of two subsidiaries: Mercer Insurance Company and Financial Pacific Insurance Group, Inc. Mercer Insurance Company owns 100 percent of three subsidiaries: Mercer Insurance Company of New Jersey, Inc., Franklin Insurance Company and BICUS Services Corporation. Financial Pacific Insurance Group, Inc. owns 100 percent of one affiliate: Financial Pacific Insurance Company. United Fire & Indemnity Company has one affiliate: United Fire Lloyds. American Indemnity Financial Corporation owns 100 percent of one subsidiary: Texas General Indemnity Company.

Note 2. Accounting Policies

Basis of Reporting

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa, which differ from U.S. generally accepted accounting principles (GAAP). The Company does not use any permitted accounting practices.

Certain reclassifications have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or capital and surplus of the prior period.

The more significant variances from GAAP are as follows:

Investments: Investments in bonds are generally reported at cost or amortized cost, while GAAP requires that such securities be classified as held-to-maturity, available-for-sale, or trading. Under GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with unrealized gains and losses reported as a component of current operations or as a component of accumulated other comprehensive income, respectively.

Fair values of certain investments in bonds and stocks are based on values specified by the National Association of Insurance Commissioners (NAIC) rather than on actual or estimated fair values.

Other-than-temporary impairment (OTTI) charges are reported in operations. Under GAAP, realized losses from OTTI charges on bonds attributable to a deterioration in credit are reported in operations while OTTI charges related to other factors are reported in accumulated other comprehensive income.

The Asset Valuation Reserve (AVR) and Interest Maintenance Reserve (IMR) are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of capital and surplus.

i) The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus.

ii) The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into operations on a straight-line basis over the remaining period to maturity based on groupings of individual securities sold in five-year bands.

Realized capital gains and losses are reported in operations, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis. Under GAAP, realized capital gains and losses are reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

Deferred Income Taxes: Deferred tax assets and liabilities are recognized and deferred tax assets are admitted based on prescribed limitations. Changes in deferred tax assets and liabilities are charged or credited directly to surplus. Deferred taxes do not include amounts for state taxes. Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and the change in net deferred taxes is included in earnings.

Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, provided certain risk-based capital thresholds are met, and (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted.

Policy Acquisition Costs: Commissions and other costs of acquiring new business are charged to operations as incurred rather than being deferred and amortized to expense in proportion to the expected premium revenue or gross profits. The effect of the nondeferral of these acquisition costs is partially offset by the use of modified reserve valuation methods.

Non-admitted Assets: Certain assets designated as "non-admitted assets" (principally certain receivables and non-operating system software, and other assets not specifically identified as an admitted asset within the NAIC's *Accounting Practices and Procedures Manual*) are charged directly to unassigned surplus.

Benefit Reserves: Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioner's Annuity Reserve Valuation Method.

Reinsurance: The reserves for certain policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserve amounts rather than as assets as would be required under GAAP.

Pension and Other Postretirement Benefits: For purposes of calculating pension and postretirement benefit obligations, prior to 2013, only vested participants and current retirees were included in the valuation. With the adoption of Statement of Statutory Accounting Principles (SSAP) 102, *Accounting for Pensions* (SSAP102) and SSAP 92, *Accounting for Postretirement Benefits Other Than Pensions* (SSAP 92), in 2013, there will no longer be a difference in the determination of these liabilities. Under GAAP, SSAP 102 and SSAP 92, active participants not currently vested are also included in the valuation.

Under the transition guidance for SSAP 92, *Accounting for Postretirement Benefits Other Than Pensions,* the transition surplus may be recognized on the balance sheet immediately or over a period not to exceed ten years. The Parent has elected to establish a transition liability to be recognized over a ten year period with an insignificant increase to the Company's allocated portion of the total liability.

Under the transition guidance for SSAP 102, *Accounting for Pensions,* the transition surplus was required to be offset against the gains in the plan during the current year and as a result, the Parent recognized the full transition liability during 2013 with an insignificant increase to the Company's allocated portion of the total liability.

Revenues: Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

Statements of Cash Flow: Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and investments with initial maturities of three months or less.

If the accompanying financial statements had been prepared in conformity with GAAP, reported capital and surplus as of December 31, 2013 and 2012 would have been $222,986 and $244,917, respectively, and net income for the years ended December 31, 2013 and 2012 would have been $ 8,736 and $6,635, respectively.

Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

Investments

Investments are stated at values prescribed or permitted by the NAIC:

Bonds not backed by other loans are stated at amortized cost, except for NAIC class 6 bonds, which are stated at the lower of cost or fair value.

Preferred stocks are stated at the lower of cost or fair value.

Common stocks are stated at fair value with the related unrealized capital gains and losses reported in unassigned surplus along with any adjustment for federal income taxes.

Mortgage loans are stated at amortized cost.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at amortized cost, which approximates fair value.

Other invested assets are partially comprised of minor ownership interests in limited liability companies and are stated at values that are based on the Company's interest in the underlying audited GAAP equity of the investee. The other portion is comprised of pooled separate account funds and are stated at the estimated fair value provided by the fund managers based on the net asset values of the underlying assets of the investment. They are recorded on the equity method of accounting with no adjustments to the net asset values provided by the fund managers.

Amortization of bond premiums and accretion of bond discount are recognized on an effective yield method. Realized gains or losses on investments sold are determined on a specific identification basis.

All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations, are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective adjustment method. If we determine that a decline in fair value for these types of securities is other-than-temporary, an OTTI charge will be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and fair value of the security if we intend to sell the security or have assessed that we do not have the intent and ability to retain our investment in the security for a period of time sufficient to allow for the recovery of its amortized cost basis. However, an OTTI charge will also be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and the present value of future cash flows for the security even if we do not intend to sell the security and there is an intent and ability to hold the security if we determine that we will not recover its amortized cost basis.

Our accounting policy for investment impairment recognition requires OTTI charges to be recorded when it is determined that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of bonds or that the anticipated recovery in fair value of the common stocks will not occur in a reasonable amount of time. OTTI charges are recorded based on the fair value of the impaired investment at the measurement date and are recognized as a component of net realized capital losses. Factors considered in evaluating whether a decline in value is other-than-temporary for these types of securities include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; the receipt of principal and interest when due; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery. The Company did not incur any OTTI charges in 2013. OTTI charges totaled $4 in 2012.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. If the impairment is deemed temporary, the mortgage loan is carried at the lower of amortized cost or fair value of the collateral (net of estimated costs to obtain and sell) with any resulting unrealized loss reported in unassigned surplus. If the impairment is deemed other-than-temporary, the mortgage loan is written down to realizable value, and a realized loss is recognized in the statutory-basis statements of operations. There were no OTTI charges for mortgage loans in 2013 and 2012.

Aggregate Reserves

In accordance with the insurance laws under which we operate, we have actuarially computed reserves to meet our obligations on various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company's policy obligations as they are expected to occur. While we believe the liabilities for aggregate reserves are adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

We waive deduction of deferred fractional premiums upon the death of the insured and return any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Substandard reserves are determined using the present value of future benefits. Policies issued for substandard lives are charged an extra premium in addition to the regular gross premiums for the rated age.

The Tabular Interest, Tabular Less Actual Reserve Released, and the Tabular Cost, which are components of the aggregate reserving calculation, have been determined by formula as described in the NAIC *Annual Statement Instructions*. The Tabular Interest on funds not involving life contingencies has been determined by formula as described in those instructions, which is then validated by an independent calculation using appropriate valuation rates and mean liabilities.

Anticipated investment income was not utilized in the calculation of any premium deficiency reserve. Premium deficiency reserves were evaluated at December 31, 2013 and 2012. This reserve totaled $2,880 and $3,294 at December 31, 2013 and 2012, respectively.

(In thousands, except policy counts)

The following table summarizes the primary valuation methods followed, the mortality tables used, and the interest rates assumed in computing the liabilities for aggregate life policy reserves:

Valuation Method	Mortality Table	Interest Rate
Commissioners reserve valuation method	1958 CSO	3 – 4 ½%
Commissioners reserve valuation method	1980 CSO	4 – 6%
Commissioners reserve valuation method	2001 CSO	3 ½% – 4 ½%
Net level premium	1958 CSO	3 – 4 ½%
Net level premium	1980 CSO	4 – 5%
Net level premium	2001 CSO	3 ½ – 4 ½%
Immediate annuity	1983 IAM	5 ½ – 10%
Immediate annuity	a-2000	2.65 – 7%

Policy and Contract Claims

The liability for policy and contract claims is based on estimates of the costs of individual cases for losses and claims reported prior to year-end and unpaid, and also includes an estimate for losses incurred but not yet reported. These estimates are based on historical experience, along with certain assumptions about future events. Changes in assumptions for such things as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. While management believes the liability for policy and contract claims is adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

Recognition of Premium Revenue and Related Expenses

Premiums are recognized on the anniversary date of the policy for traditional life business (i.e., term and whole life) and as received for nontraditional life business (i.e., universal life) and annuities. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

Allocation of Expenses

General insurance expenses, taxes, licenses and fees, and investment expenses are allocated on a direct basis whenever possible. When not possible to allocate on a direct basis, one of the following methods is used as appropriate to the individual expense being allocated: premium collected, in-force amount, policy count or reserve amount. Inter-company agreements exist where United Fire & Casualty Company, incurs expenses for the benefit of the group. The following agreements exists: expenses agreement, federal income tax agreement and investment expense allocation. These agreements require that inter-company balances be settled within 30-days. There is also a credit agreement where the Parent can borrow from the Company and /or the Company can borrow from the Parent at a fixed interest rate to facilitate cash flow.

New Accounting Pronouncements

In December 2013, the NAIC substantively revised SSAP No. 35(R), *Guaranty Fund and Other Assessments.* The revisions adopt, with modification, Accounting Standards Update (ASU) 2011-06: *Fees Payable to the Federal Government by Health Insurers*. The revisions require recognition of the liability and expense for the Affordable Care Act fee on January 1 of the fee year. SSAP No. 35(R) is effective January 1, 2014. The Company will adopt the new guidance effective January 1, 2014. The adoption will not have a material impact on the financial statements.

In December 2013, the NAIC substantively revised SSAP No. 104, *Share-Based Payments* (now referred to as SSAP No. 104(R)). The revisions adopt, with modifications, GAAP guidance regarding the exchange of equity instruments for goods or services with non-employees as reflected in Subtopic 505-50-*Equity, Equity-Payments to Non-Employees*. SSAP No. 104(R) is effective December 31, 2014. The company will adopt the new guidance effective January 1, 2015.

In 2013, the Company prospectively adopted SSAP No. 104, *Share-Based Payments* which adopts, with modifications, FAS 123(R), *Share-Based Payment* and supersedes SSAP No. 13, *Stock Options and Stock Purchase Plans*. It also incorporates the guidance reflected in Emerging Issues Task Force 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust* as well as accounting and disclosure requirements for holding company/consolidated plans. The new guidance includes replacing the intrinsic value measurement model currently in statutory accounting with the grant date fair value measurement model required by GAAP. The adoption of SSAP No. 104 in 2013 did not have a material effect on the financial statements.

In 2013, the Company adopted SSAP No. 92 and SSAP No. 102, which supersedes SSAP No. 14, *Postretirement Benefits Other Than Pensions* and SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*. These standards further define the measurement and recognition of costs, assets and liabilities, and the related disclosure requirements associated with defined benefit other than postretirement employee benefit and pension plans. It adopts the disclosures in U.S. GAAP guidance as well as changes the periodic pension cost and the projected benefit obligation to include both non-vested and vested employees. Previously, only vested employees were included. The adoption of SSAP No. 92 and SSAP No 102 in 2013 did not have a material effect on the financial statements.

In 2013, the NAIC adopted SSAP No. 105, *Working Capital Finance Investments,* which provides accounting and reporting guidelines for the right to receive payment under working capital finance programs that meet particular criteria. This statement amends SSAP No. 20, *Nonadmitted Assets,* to allow working capital finance investments as admitted assets to the extent they conform to the requirements of this statement. The Company will adopt the new guidance effective January 1, 2014. The adoption of this new guidance will not have a material impact on the financial statements.

In 2012, the Company adopted the revisions to SSAP No. 101, *Income Taxes*, which supersedes the guidance in SSAP No. 10 and SSAP No. 10(R). The adopted guidance adds conservatism in the accounting for tax contingencies by applying a modified SSAP No. 5(R) approach and includes revisions to the admissibility calculation for deferred tax assets. SSAP No. 101 and the related changes to SSAP

(In thousands, except policy counts)

No. 5(R) are effective for periods beginning January 1, 2012. The adoption of SSAP No. 101 in 2012 did not have a material impact on the financial statements and is a change in presentation only.

Note 3. Investments

The adjusted book value and fair value of our investments in bonds, preferred stocks and common stocks held by us at December 31, 2013 and 2012 are as follows:

	Adjusted Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2013				
Bonds:				
U.S. government	**$ 1,295**	**$ 10**	**$ -**	**$ 1,305**
Special revenue	**153,011**	**-**	**9,809**	**143,202**
Industrial and miscellaneous	**1,148,552**	**30,794**	**11,396**	**1,167,950**
Loan backed	**252,108**	**2,492**	**13,343**	**241,257**
Total bonds	**1,554,966**	**33,296**	**34,548**	**1,553,714**
Common stocks:				
Industrial and miscellaneous	**8,530**	**14,340**	**24**	**22,846**
Mutual funds	**277**	**-**	**81**	**196**
Total common stocks	**8,807**	**14,340**	**105**	**23,042**
Preferred stocks	**3,766**	**-**	**-**	**3,766**
Total	**$ 1,567,539**	**$ 47,636**	**$ 34,653**	**$ 1,580,522**
At December 31, 2012				
Bonds:				
U.S. government	$ 1,314	$ 24	$ -	$ 1,338
Special revenue	15,220	52	44	15,228
Industrial and miscellaneous	1,345,227	71,702	1,243	1,415,686
Loan backed	226,059	8,173	1,705	232,527
Total bonds	1,587,820	79,951	2,992	1,664,779
Common stocks:				
Industrial and miscellaneous	8,108	9,906	74	17,940
Mutual funds	277	-	53	224
Total common stocks	8,385	9,906	127	18,164
Preferred stocks	688	-	-	688
Total	$ 1,596,893	$ 89,857	$ 3,119	$ 1,683,631

(In thousands, except policy counts)

The adjusted book value and fair value of bonds by contractual maturity at December 31, 2013 are shown below. Expected maturities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Adjusted Book Value	Fair Value
Due in one year or less	$ 200,388	$ 204,066
Due after one year through five years	470,504	490,864
Due after five years through ten years	522,094	516,599
Due after ten years	153,187	144,649
Mortgage-backed securities	3,098	3,007
Collateralized mortgage obligations	205,695	194,529
Total bonds	$ 1,554,966	$ 1,553,714

The following table summarizes information concerning the disposal of bonds and stocks:

	Years Ended December 31	
	2013	2012
Proceeds from sales and repayments - bonds	**$ 331,651**	$ 403,781
Proceeds from sales - stocks	**523**	685
	$ 332,174	$ 404,466
Gross realized gains from sales - bonds	**$ 437**	$ 484
Gross realized gains from repayments - bonds	**1,825**	3,917
Gross realized gains from repayments - stocks	**261**	336
Gross realized gains from sales - other assets	**1,198**	-
Gross realized losses from sale - bonds	**(82)**	(13)
Gross realized losses from repayments - bonds	**-**	(1,684)
Gross realized losses from repayments - stocks	**(7)**	-
Gross realized losses from other-than-temporary impairments - stocks	**-**	(4)
Gross realized losses from repayments - other assets	**(342)**	-
	3,290	3,036
Amount transferred to the IMR	**2,180**	3,260
Federal income tax benefit	**297**	(196)
Net realized capital gains (losses)	**$ 813**	$ (28)

(In thousands, except policy counts)

A summary of our investments in bonds and common stocks that were in an unrealized loss position at December 31, 2013 and 2012 is provided below. We believe the unrealized depreciation in value of these investments is primarily attributable to market price interest rates and not the credit quality of the issuer of the respective securities. We have no intent to sell and it is more likely than not that we will not be required to sell the securities until such time that the fair value recovers or the securities mature.

	Less than 12 months			Greater than 12 months			Total	
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
At December 31, 2013								
Bonds:								
Special revenue	40	$ 9,809	$ 142,972	-	$ -	$ -	$ 9,809	$ 142,972
Industrial and miscellaneous	93	9,960	304,428	5	1,436	13,421	11,396	317,849
Loan backed	50	7,713	131,788	16	5,630	53,091	13,343	184,879
Total bonds	183	27,482	579,188	21	7,066	66,512	34,548	645,700
Common stocks:								
Industrial and miscellaneous	-	-	-	2	24	250	24	250
Mutual funds	-	-	-	1	81	196	81	196
Total common stocks	-	-	-	3	105	446	105	446
Total	183	$ 27,482	$ 579,188	24	$ 7,171	$ 66,958	$ 34,653	$ 646,146
At December 31, 2012								
Bonds:								
Special revenue	2	$ 44	$ 7,956	-	$ -	$ -	$ 44	$ 7,956
Industrial and miscellaneous	8	360	25,408	12	883	26,807	1,243	52,215
Loan backed	21	1,308	77,270	6	397	12,278	1,705	89,548
Total bonds	31	1,712	110,634	18	1,280	39,085	2,992	149,719
Common stocks:								
Industrial and miscellaneous	2	74	201	-	-	-	74	201
Mutual funds	-	-	-	1	53	224	53	224
Total common stocks	2	74	201	1	53	224	127	425
Total	33	$ 1,786	$ 110,835	19	$ 1,333	$ 39,309	$ 3,119	$ 150,144

We have evaluated the unrealized losses reported for all of our securities at December 31, 2013, and have concluded that the duration and severity of these losses do not warrant the recognition of an OTTI charge at December 31, 2013. Our largest unrealized loss greater than 12 months on an individual security at December 31, 2013, was $944. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

(In thousands, except policy counts)

At December 31, 2013 and 2012, various invested assets (primarily bonds) with a book value of $1,596,803 and $1,635,119, respectively, were on deposit with or available to insurance departments of various states to meet statutory requirements.

There were no interest rate reductions on mortgage loans during 2013 or 2012.

We do not engage in off-balance sheet, derivative or hedging activities, and there are no significant industry, credit risk, or other concentrations.

Note 4. Fair Value of Financial Instruments

The carrying value and estimated fair value of our financial instruments reported at December 31, 2013 and 2012 are as follows:

	December 31			
	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Bonds	**$ 1,554,966**	**$ 1,553,714**	$ 1,587,820	$ 1,664,779
Preferred stocks	**3,766**	**3,766**	688	688
Common stocks	**23,042**	**23,042**	18,164	18,164
Mortgage loans	**4,423**	**4,725**	4,633	5,037
Contract loans	**6,261**	**6,261**	6,671	6,671
Short-term investments	**6,984**	**6,984**	19,559	19,559
Cash	**9,962**	**9,962**	2,189	2,189
Other invested assets	**12,653**	**12,653**	5,324	5,324
Liabilities				
Annuity (accumulations)	**911,791**	**941,636**	969,109	1,043,866
Supplemental contracts (other than asset retention)	**44,881**	**66,356**	43,993	43,928
Structured settlements	**791**	**1,170**	931	931
Guaranteed investment contracts	**49,206**	**72,750**	48,842	48,842

The following methods and assumptions were used by us in estimating the fair value of our financial instruments:

Assets

In most cases, quoted market prices are used to determine the fair value of bonds, preferred stocks and common stocks as prescribed by the NAIC Securities Valuation Office (SVO). We exercise prudence and significant judgment in analyzing and validating fair values which are primarily provided by third-parties (Interactive data Corp, Northern Trust, or KeyBanc Capital Markets, Inc.). When quoted market prices do not exist, we base fair values on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the investment. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing that investment. Pre-payment assumptions for residential and commercial mortgage-backed as well as other loan backed and structured securities are derived from broker-dealer information found on Bloomberg.

The estimated fair value of mortgage loans is based upon discounted cash flows, utilizing the market rate of interest for similar loans in effect at the valuation date.

The estimated fair value of contract loans is equivalent to their carrying value. No contract loans are made for amounts in excess of the cash surrender value of the related policy. In all instances, the contract loans are fully collateralized by the related liability for future policy benefits for traditional life policies and by the policyholders' account balance for nontraditional life policies.

Our other invested asset investments consist of holdings in a pooled separate account fund and a limited liability partnership fund. The estimated fair value of other invested assets is provided by the fund managers based on the net asset values of the underlying assets of the investments and are recorded on the equity method of accounting. We have not adjusted the net asset values provided by the fund managers.

The fair value of short-term investments, cash, and investment income due and accrued approximate their carrying values due to the short-term nature of these financial instruments.

Liabilities

The fair value of the liabilities for all annuity products is based upon the estimated value of the business, using current market rates and forecast assumptions and risk-adjusted discount rates, when relevant observable market data does not exist.

The fair value of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, such that our exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under the related insurance contracts. The primary purpose for matching invested assets with contract and policy liabilities is liquidity. With appropriate matching, investments will mature when cash is needed, thereby preventing the need to liquidate other assets prematurely. Mismatches in the duration of our assets and liabilities can cause significant fluctuations in our results of operations. The average duration of our bond portfolio was 5.0 years and 4.0 years at December 31, 2013 and 2012, respectively.

SSAP No. 100, *Fair Value Measurements*, establishes a fair value hierarchy in which to categorize financial instruments that are measured at fair value on a recurring and nonrecurring basis. The following financial instruments are carried at fair value in the accompanying statements of admitted assets, liabilities and capital and surplus as of December 31, 2013: common stocks, preferred stocks, and certain bonds that have been classified with an NAIC rating of 6.

The level at which financial instruments are categorized within the fair value hierarchy is based on the inputs to the valuation technique. Level 1 valuations are based on unadjusted quoted prices in active markets for identical financial instruments that we have the ability to access. Level 2 valuations are based on quoted prices for similar financial instruments, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument. Level 3 valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument. We review our fair value hierarchy categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed.

(In thousands, except policy counts)

The following is a summary of the categorization of our financial instruments measured at fair value on a recurring basis at December 31, 2013 and 2012:

	Fair Value	Level 1	Level 2	Level 3
At December 31, 2013				
Bonds:				
Industrial and miscellaneous	**$ 684**	**$ -**	**$ 684**	**$ -**
Common stocks:				
Industrial and miscellaneous	**22,846**	**20,818**	**16**	**2,012**
Mututal funds	**196**	**196**	**-**	**-**
Preferred stocks	**3,766**	**669**	**3,097**	**-**
Short-term investments:				
Money markets	**6,984**	**6,984**	**-**	**-**
Total	**$ 34,476**	**$ 28,667**	**$ 3,797**	**$ 2,012**
At December 31, 2012				
Bonds:				
Industrial and miscellaneous	$ 1,701	$ -	$ 1,701	$ -
Common stocks:				
Industrial and miscellaneous	17,940	15,929	26	1,985
Mututal funds	224	224	-	-
Preferred stocks	688	688	-	-
Short-term investments:				
Money markets	19,559	19,559	-	-
Total	$ 40,112	$ 36,400	$ 1,727	$ 1,985

(In thousands, except policy counts)

The carrying value, fair value, and categorization of the Company's financial instruments in accordance with SSAP No. 100 are as follows:

	Admitted Value	Aggregrate Fair Value	Level 1	Level 2	Level 3
At December 31, 2013					
Assets					
Bonds	$ 1,554,966	$ 1,553,714	$ -	$ 1,538,308	$ 15,406
Preferred stocks	3,766	3,766	668	3,098	-
Common stocks	23,042	23,042	21,014	16	2,012
Mortgage loans	4,423	4,725	-	-	4,725
Short-term					
Money markets	6,984	6,984	6,984	-	-
Cash	9,962	9,962	9,962	-	-
Contract loans	6,261	6,261	-	-	6,261
Total Assets	$ 1,609,404	$ 1,608,454	$ 38,628	$ 1,541,422	$ 28,404
Liabilities					
Annuity (accumulations)	$ 911,791	$ 941,636	$ -	$ -	$ 941,636
Supplemental contracts (other than asset retention)	44,881	66,356	-	-	66,356
Structured settlements	791	1,170	-	-	1,170
Guaranteed interest contracts	49,206	72,750	-	-	72,750
Total Liabilities	$ 1,006,669	$ 1,081,912	$ -	$ -	$ 1,081,912
At December 31, 2012					
Assets					
Bonds	$ 1,587,820	$ 1,664,779	$ -	$ 1,645,761	$ 19,018
Preferred stocks	688	688	688	-	-
Common stocks	18,164	18,164	16,153	26	1,985
Mortgage loans	4,633	5,037	-	-	5,037
Short-term					
Money markets	19,559	19,559	19,559	-	-
Cash	2,189	2,189	2,189	-	-
Contract loans	6,671	6,671	-	-	6,671
Total Assets	$ 1,639,724	$ 1,717,087	$ 38,589	$ 1,645,787	$ 32,711
Liabilities					
Annuity (accumulations)	$ 969,109	$ 1,043,866	$ -	$ -	$ 1,043,866
Supplemental contracts (other than asset retention)	43,993	43,928	-	-	43,928
Structured settlements	931	931	-	-	931
Guaranteed interest contracts	48,842	48,842	-	-	48,842
Total Liabilities	$ 1,062,875	$ 1,137,567	$ -	$ -	$ 1,137,567

(In thousands, except policy counts)

The fair value of the majority of our investments in common stocks and preferred stocks has been determined using unadjusted quoted prices for identical financial instruments in active markets at the measurement date. Accordingly, these investments would be considered to be Level 1 securities in the fair value hierarchy.

The fair value of our investments in bonds that have been classified with an NAIC rating of 6 has been determined by management in reliance on market values obtained from independent pricing services and brokers. Such estimated fair values do not necessarily represent the values for which these securities could have been sold at the reporting date. Our independent pricing services and brokers obtain prices from reputable pricing vendors in the marketplace and continually monitor and review the external pricing sources, while actively participating to resolve any pricing issues that may arise. Accordingly, these investments would be considered to be Level 2 securities in the fair value hierarchy.

The following is a summary of the activity for Level 3 assets measured at fair value during 2013 and 2012:

	Beginning Balance	Transfers into Level 3	Realized Gain/ Loss	Unrealized Gain/ Loss	Purchases	Sales	Ending Balance
December 31, 2013							
Common stocks:							
Insustrial and miscellaneous	**$ 1,985**	**$ -**	**$ -**	**$ -**	**$ 27**	**$ -**	**$ 2,012**
Total	**$ 1,985**	**$ -**	**$ -**	**$ -**	**$ 27**	**$ -**	**$ 2,012**
December 31, 2012							
Common stocks:							
Insustrial and miscellaneous	$ 1,924	$ -	$ -	$ -	$ 111	$ 50	$ 1,985
Total	$ 1,924	$ -	$ -	$ -	$ 111	$ 50	$ 1,985

We purchased these Level 3 securities in the Federal Home Loan Bank (FHLB) of Des Moines, as a requirement to obtain membership and secure a loan used to assist our Parent as part of the acquisition financing of the Mercer Insurance Group in 2011. These securities were classified as Level 3 because there was no observable market price at December 31, 2013 or 2012. They are stated at the value provided by the FHLB with no adjustments made by management.

Transfers, if any, are recorded as of the beginning of the reporting period. There were no transfers in or out of levels 1 and 2 during either 2013 or 2012.

Note 5. Reinsurance

We reinsure a portion of our insurance business with other insurance companies on both a pro rata and excess of loss basis. The ceding of reinsurance does not legally discharge us from primary liability under our policies, and we must pay the loss if the reinsurer fails to meet its obligation. We are contingently liable for ceded insurance in force of $1,112,688 at December 31, 2013, of which approximately 99% has been ceded to five reinsurers.

Premiums ceded in 2013 and 2012 were $3,150 and $2,964, respectively. Ceded reserves and unpaid claims recoverable of $3,934 and $3,756 at December 31, 2013 and 2012, respectively, have been deducted from the related policy liabilities. Reinsurance recoveries received were $2,069 and $2,619 in 2013 and 2012, respectively.

Amounts recoverable from reinsurers of $57 and $8 were reported as a component of other admitted assets at December 31, 2013 and 2012, respectively. In management's opinion, all amounts are collectable with regard to reinsurance recoverables.

Note 6. Capital and Surplus

Under the applicable laws and regulations of the state of Iowa, we are required to maintain minimum capital stock, paid-in capital and unassigned surplus of the greater of $5,000 or the required amount of risk-based capital (RBC) as defined by the NAIC for life insurance companies. The NAIC RBC formula establishes capital requirements based on an individual company's insurance risk, business risk, asset credit risk, and interest rate risk. The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2013 and 2012, we had adjusted capital in excess of the required capital levels.

We are required to obtain approval from the Iowa Insurance Commissioner in order to pay our only stockholder (United Fire) a dividend if the total to be paid plus any dividends paid within the preceding twelve months exceeds the greater of 10% of surplus decreased by paid-in and contributed surplus at the beginning of the year or the net gain from operations of the previous year. In the absence of unassigned surplus, no dividends may be paid. Based on these restrictions, no dividend may be paid until December 17, 2014 without approval at which point $9,419 may be paid without approval. A dividend of $10,000 was paid on December 17, 2013. In 2012, a dividend of $10,000 was paid on December 31 and a dividend of $6,000 was paid on February 18.

Note 7. Federal Income Taxes

We file a consolidated federal income tax return with our Parent and other affiliated companies. The method of allocation between the companies is subject to a written agreement, which has been approved by the Board of Directors. The amount to be allocated is based on separate return calculations with current credit provided for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2009. The Internal Revenue Service is conducting a routine examination of our income tax return for the 2011 tax year.

(In thousands, except policy counts)

We have not recognized a liability for unrecognized tax benefits at December 31, 2013 or 2012 or at any time during 2013 or 2012. In addition, no interest and penalties related to unrecognized tax benefits have been accrued at December 31, 2013 or 2012. However, if interest and penalties would need to be accrued, such amounts would be recognized as a component of federal income tax expense.

The components of the net deferred tax asset recognized in the accompanying statements of admitted assets, liabilities and capital and surplus are as follows:

	December 31, 2013			December 31, 2012		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Total of all deferred tax assets	$ 11,990	$ 1,701	$ 13,691	$ 11,979	$ 2,264	$ 14,243
Total of all deferred tax liabilities	3,598	5,365	8,963	4,847	3,778	8,625
Net deferred tax asset			4,728			5,618
Total nonadmitted deferred tax asset			-			-
Total admitted deferred tax asset			$ 4,728			$ 5,618
Decrease in nonadmitted deferred tax asset			$ -			$ (2,126)

The components of the admitted deferred tax assets are as follows:

	December 31, 2013			December 31, 2012			Total
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 5,934	$ 12	$ 5,946	$ 6,073	$ 33	$ 6,106	$ (160)
Adjusted gross deferred tax assets expected to be realized after threshold limitation	897	-	897	585	-	585	312
Adjusted gross deferred tax assets allowed per limitation threshold			22,987			23,099	(112)
Adjusted gross deferred tax assets offset by deferred tax liabilities	5,159	1,689	6,848	5,321	2,231	7,552	(704)
Deferred tax assets admitted	$ 11,990	$ 1,701	$ 13,691	$ 11,979	$ 2,264	$ 14,243	$ (552)
Ratio percentage used to determine recovery and threshold limitation amount			1043%			1036%	7%
Amount of adjusted capital and surplus to determine recovery period and threshold limitation			$ 171,181			$ 170,242	$ 939

The major components of federal income taxes incurred for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012	Change
Federal income tax on operations	$ 3,381	$ (1,192)	$ 4,573
Tax expense on net realized capital gains	1,060	945	115
Change in provision	(292)	(90)	(202)
Federal income taxes incurred	$ 4,149	$ (337)	$ 4,486

(In thousands, except policy counts)

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31 2013	December 31 2012	Change
Deferred tax assets			
Ordinary			
Loss reserves	$ 6,562	$ 6,393	$ 169
Nonadmitted investments	-	289	(289)
Deferred acquisition costs	4,635	4,680	(45)
Compensation and benefits	783	617	166
Other	10	-	10
Total ordinary deferred tax assets	11,990	11,979	11
Nonadmitted	-	-	-
Admitted ordinary deferred tax assets	11,990	11,979	11
Capital			
Investments	1,661	2,154	(493)
Unrealized capital losses	40	110	(70)
Total capital deferred tax assets	1,701	2,264	(563)
Nonadmitted	-	-	-
Admitted capital deferred tax assets	1,701	2,264	(563)
Total admitted deferred tax assets	13,691	14,243	(552)
Deferred tax liabilities			
Ordinary			
Market bond discount	1,674	3,084	(1,410)
Deferred and uncollected	1,801	1,719	82
Pension	123	44	79
Total ordinary deferred tax liabilities	3,598	4,847	(1,249)
Capital			
Investments	436	362	74
Unrealized capital gains	4,929	3,416	1,513
Total capital deferred tax liabilities	5,365	3,778	1,587
Total deferred tax liabilities	8,963	8,625	338
Net admitted deferred tax asset	$ 4,728	$ 5,618	$ (890)

The change in net deferred income taxes is comprised of the following:

	December 31 2012	December 31 2012	Change
Total deferred tax assets	$ 13,691	$ 14,243	$ (552)
Total deferred tax liabilities	8,963	8,625	338
Net deferred tax asset	$ 4,728	$ 5,618	(890)
Tax effect of change in unrealized capital gains			1,583
Change in net deferred income taxes			$ 693

(In thousands, except policy counts)

None of the adjusted gross or net admitted deferred tax assets were admitted using a tax planning strategy. There was no valuation allowance recorded for deferred tax assets at December 31, 2013 or 2012.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income from operations before federal income tax expense and net realized capital losses. The significant items contributing to this difference are as follows:

	Effective Tax Rate Percentage	
	2013	2012
Provision computed at statutory rate	**35.0 %**	35.0 %
IMR amortization	**(5.2)**	(6.3)
Other	**0.2**	(2.4)
Total	**30.0 %**	26.3 %
Federal income taxes incurred	**26.8 %**	(13.9) %
Realized capital gains tax	**9.2**	10.3
Change in net deferred income taxes	**(6.0)**	29.9
Total statutory income taxes incurred	**30.0 %**	26.3 %

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is as follows:

Current year	$ 4,441
First preceding year	565
Second preceding year	1,610

Note 8. Related Party Transactions

Various expenses, including rent, telephone, computer operations, printing, supplies and other expenses incurred by the Parent for the mutual benefit of the group, are apportioned between its member companies using allocation methods, which are designed to provide a reasonable representation of the value of the benefits received by the respective companies.

We reported amounts due to the Parent of $296 and $170 at December 31, 2013 and 2012, respectively. The balance payable relates to amounts incurred under intercompany service and expense allocation agreements. These agreements require that intercompany balances be settled within 30 days.

We provide group life insurance coverage for employees of the United Fire Group. The total premium received for these coverages was $491 and $448 in 2013 and 2012, respectively.

Credit Facilities

In the fourth quarter of 2011, United Fire & Casualty Company (our parent) entered into a credit agreement with a syndicate of financial institutions as lenders party thereto, KeyBank National Association as administrative agent, lead arranger, sole book runner, swingline lender, and letter of credit issuer. The four-year credit agreement provides for a $100,000 unsecured revolving credit facility that includes a $20,000 letter of credit subfacility and a swing line subfacility in the amount of up to $5,000.

On June 4, 2013, United Fire & Casualty, United Fire Group, Inc. and the syndicated lenders entered into an Assignment, Joinder, Assumption, and Release Agreement (the "Joinder Agreement") transferring the obligations under the credit agreement from United Fire & Casualty Company to United Fire Group, Inc. Effective with the execution of the Joinder Agreement, United Fire & Casualty Company was released from any further obligations under the credit agreement.

During the term of this credit facility, United Fire Group, Inc. has the right to increase the total facility from $100,000 up to $125,000, provided that no event of default has occurred or is continuing and certain other conditions are satisfied. The credit facility is available for general corporate purposes, including working capital, acquisitions and liquidity purposes. Any principal outstanding under the credit facility is due in full at maturity, on December 22, 2015. The interest rate is based on our monthly choice of either the London Interbank Offered Rate ("LIBOR") or a base rate plus, in each case, a calculated margin amount. A commitment fee on each lender's unused commitment under the credit facility is also payable quarterly.

The credit agreement contains customary representations, covenants and events of default, including certain covenants that limit or restrict our ability to engage in certain activities. Subject to certain exceptions, these activities include restricting our ability to sell or transfer assets or enter into a merger or consolidate with another company, grant certain types of security interest, incur certain types of liens, impose restrictions on subsidiary dividends, enter into leaseback transactions, or incur certain indebtedness. The credit agreement contains certain financial covenants including covenants that require the group to maintain a minimum consolidated net worth, a debt to capitalization ratio and minimum stockholders' equity. There was no outstanding balance on the credit facility at December 31, 2013 or 2012. United Fire Group was in compliance with all covenants of the credit agreements at December 31, 2013.

United Life Insurance Company did not make use of this borrowing capacity during 2013 or 2012.

(In thousands, except policy counts)

Federal Home Loan Bank (FHLB) Agreements

The Company is a member of the FHLB of Des Moines, IA. The Company issued debt to the FHLB in exchange for a cash advance which was invested in the Parent as part of their acquisition of the Mercer Insurance Group, Inc. in 2011. The debt was paid in full in March of 2012. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged and assets and liabilities related to the agreement with FHLB of Des Moines:

	Current Year	Prior Year
FHLB stock purchased/owned as part of the agreement	$ 2,012	$ 1,985
Collateral pledged to the FHLB	-	-
Borrowing capacity currently available	498,340	501,185
Agreement assets and liabilities	-	-

Note 9. Employee Benefit Obligations

The Parent sponsors a defined benefit pension plan covering substantially all employees of the United Fire Group, Inc. Under this plan, retirement benefits are primarily a function of the number of years of service and the level of compensation. The Parent charges each affiliate for its allocable share of contributions based on a percentage of payroll. Pension costs allocated to the Company were $511 and $509 for 2013 and 2012, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a postretirement healthcare benefit plan covering substantially all benefit-eligible employees of the United Fire Group, Inc. The plan pays stated percentages of most necessary medical and dental expenses incurred by retirees, after subtracting payments by Medicare or other providers and after the stated deductible has been met. Participants become eligible for the benefits if they retire from the group after reaching age 55 with 10 or more years of participation in the plan and 10 or more years of employment with the group. The plan is contributory, with retiree contributions generally adjusted annually. Postretirement benefit costs allocated to us were $491 and $323 for 2013 and 2012, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a profit-sharing plan in which employees of the United Fire Group, Inc. who meet service requirements are eligible to participate. The amount of contributions to this plan is discretionary and is determined annually, but cannot exceed the amount deductible for federal income tax purposes. Our allocated cost for this plan in 2013 and 2012 was $74 and $245, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors an employee stock ownership plan for the benefit of eligible employees of the United Fire Group, Inc. and their beneficiaries. All employees are eligible to participate in the plan upon completion of specific requirements. Contributions to this plan are at the discretion of the Parent. We did not receive an allocation for this plan in 2013. Our allocated cost for this plan in 2012 was $10. We have no legal obligation for benefits under this plan.

(In thousands, except policy counts)

Note 10. Concentrations of Risk

Annuity considerations represented 65.6% or $109,738 and 53.9% or $92,947, of direct premiums collected in 2013 and 2012, respectively, of which $47,015 and $39,785 were collected in Iowa during 2013 and 2012, respectively. Annuity reserves represented 71% and 74% of our total aggregate reserves for life policies and annuity contracts at December 31, 2013 and 2012, respectively. In both 2013 and 2012, one large marketing agency produced a substantial portion, approximately, 26% of all premiums collected in 2013 compared to approximately 24% in 2012.

We believe that the risk of substantial unexpected withdrawals of these annuity funds is unlikely based on the surrender penalties inherent in these contracts. All but $4,232 and $3,856 of annuity considerations received in 2013 and 2012, respectively, were from the sale of primarily two single premium products. These products have a guaranteed minimum interest rate based on current market conditions with an annual review that allows this rate to increase if market conditions warrant. One has a surrender charge period of six years beginning at 6% in the first year and decreasing 1% in each of the next five years, while the other has a surrender charge period of four years with 4% in years one and two, 3% in year three and 2% in year four.

We have in place a renewal program that offers the policyowner the opportunity to purchase a new contract with a minimum interest rate based on the market conditions at that time. This program has been in place since the mid 1990's. However, due to current market conditions that have existed over the last few years, at December 31, 2013 and 2012 there was $276,460, or 29.9%, and $236,613, or 24.1%, respectively, of the annuity account value that was outside the surrender charge period and was earning the minimum interest rate stated in the contract. At December 31, 2013, $102,050, or 57.6%, of these funds were earning between 3.0% and 4.0% compared to $112,432, or 47.5%, at December 31, 2012. The funds are earning a higher rate of interest than is currently available in the market place, therefore, they are less likely to be surrendered for their cash value in the near future. However, these funds may be paid out at any time due to deaths.

At December 31, 2013, the withdrawal characteristics of our annuity reserves and other deposit-type liabilities are as follows (the Company has only general account funds):

	Amount	Percent of Total
Subject to discretionary withdrawal		
At book value less surrender charge of 5% or more	$ 144,925	13.4%
At book value without adjustment (minimal or no surrender charge or adjustment)	801,481	74.1%
Not subject to discretionary withdrawal	135,574	12.5%
	$ 1,081,980	100.0%

Reinsurance is not applicable to the above amounts.

Note 11. Contingencies

From time to time, we are a defendant in various legal actions arising from normal business activities. We believe, after consultation with legal counsel, that the ultimate liabilities, if any, resulting from any legal actions will not materially affect our financial position or results of operations.

Note 12. Reconciliation

Following is a reconciliation of fair value for preferred stocks and short-term investments which were understated in Note 20A of the Notes to the Financial Statements in the annual statement filed March 1, 2014 to Note 4 of this report:

	As Filed	Corrected	Difference
		(In Thousands)	
Preferred stocks - fair value	$ 3,699	$ 3,766	$ 67
Short-term investments - fair value	5,595	6,984	1,389

There was no change in the admitted value as reported on the asset page of the annual statement.

Note 13. Subsequent Events

We have evaluated all events occurring after December 31, 2013, through May 23, 2014, the date the financial statements were available to be issued, to determine if any events required either recognition or disclosure in the financial statements. No material subsequent events were noted.

Supplementary Information

Statutory-Basis

Building a better
working world

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Report of Independent Auditors on Supplementary Information

Board of Directors and Stockholder
United Life Insurance Company

We have audited the statutory-basis financial statements of United Life Insurance Company (the Company) as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated May 23, 2014 which contained an unmodified opinion on those financial statements with regard to their conformity with the accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of selected statutory-basis financial data and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the statutory-basis financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 23, 2014

United Life Insurance Company

Schedule of Selected Financial Data

Year Ended December 31, 2013
(In Thousands)

Investment income earned:		
U.S. government bonds	$	1,225
Other bonds (unaffiliated)		62,619
Preferred stocks (unaffiliated)		147
Common stocks (unaffiliated)		459
Mortgage loans		266
Contract loans		486
Cash and short-term investments		65
Other invested assets		504
Aggregate write-ins for investment income		1,083
Gross investment income		66,854
Less investment expenses and taxes, licenses, and fees		1,113
Net investment income	$	65,741
Mortgage loans – book value:		
Commercial mortgages - good standing	$	4,423
Other long-term assets	$	12,653
Due within one year or less	$	309,119
Over 1 year through 5 years		522,594
Over 5 years through 10 years		561,156
Over 10 years through 20 years		152,120
Over 20 years		16,961
Total by maturity	$	1,561,950
By NAIC designation – statement value (prior to non-admitted items):		
NAIC 1	$	807,284
NAIC 2		713,774
NAIC 3		19,166
NAIC 4		15,880
NAIC 5		4,862
NAIC 6		984
Total by NAIC desgination	$	1,561,950
Bonds and short-term investments publicly traded	$	1,381,226
Bonds and short-term investments privately placed	$	180,724
Preferred stock - book/adjusted carrying value	$	3,766
Common stock - fair value	$	23,042
Short-term investments - book/adjusted carrying value	$	6,984
Cash on deposit	$	9,962
Life insurance in force:		
Ordinary	$	5,043,264
Credit life	$	87
Group life	$	256,858

United Life Insurance Company

Schedule of Selected Financial Data (continued)

Amount of accidental death insurance in force under ordinary policies	$	42,038
Life insurance policies with disability provisions in force:		
Ordinary	$	3,227
Supplementary contracts in force:		
Ordinary – not involving life contingencies:		
On deposit	$	55,398
Income payable	$	5,082
Ordinary – involving life contingencies:		
Income payable	$	2,022
Annuities:		
Ordinary:		
Immediate – amount of income payable	$	4,466
Deferred – fully paid – account balance	$	883,431
Deferred – not fully paid – account balance	$	42,401
Accident and health insurance – premiums in force:		
Other	$	1,311
Deposit funds and dividend accumulations:		
Deposit funds – account balance	$	58,108
Claim payments – year ended December 31, 2013:		
Group accident and health:		
2013	$	–
2012	$	2
2011	$	–
2010	$	10
2009	$	17
Prior	$	78
Other accident and health:		
2013	$	110
2012	$	231
2011	$	375
2010	$	255
2009	$	563
Prior	$	3,071

United Life Insurance Company

Summary Investment Schedule

December 31, 2013

(In Thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement		
	Amount	Percentage	Amount	Securities Lending	Percentage
Bonds:					
U.S. Treasury securities	$ 1,295	0.1%	$ 1,295	$ -	0.1%
U.S. government agency:					
Issued by U.S. government agencies	–	0.0%	–	–	0.0%
Issued by U.S. government sponsored agencies	151,126	9.3%	151,126	–	9.3%
Foreign government	–	0.0%	–	–	0.0%
Securities issued by states, territories, and possessions:					
States territories and possessions general obligations	–	0.0%	–	–	0.0%
Political subdivisions of states, territories, and possessions general obligations	–	0.0%	–	–	0.0%
Revenue and assessment obligations	365	0.0%	365	–	0.0%
Industrial development and similar obligations	10,665	0.6%	10,665	–	0.6%
Mortgage-backed securities (includes residential and commercial MBS):					
Pass-through securities:					
Guaranteed by GNMA	124	0.0%	124	–	0.0%
Issued by FNMA and FHLMC	2,974	0.2%	2,974	–	0.2%
All other	–	0.0%	–	–	0.0%
CMOs and Remics:					
Issued by FNMA and FHLMC	205,695	12.7%	205,695	–	12.7%
Privately issued and collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	–	0.0%	–	–	0.0%
All other privately issued	–	0.0%	–	–	–
Other debt and other fixed income securities (excluding short-term):					
Unaffiliated domestic (including credit tenant loans and hybrid secruritties)	1,050,501	64.8%	1,050,501	–	64.8%
Unaffiliated non-U.S. securities (including Canada)	132,221	8.2%	132,221	–	8.2%
Affiliated securities	–	0.0%	–	–	–
Equity interests:					
Investments in mutual funds	196	0.0%	196	–	–
Preferred stocks:					
Affiliated	–	0.0%	–	–	–
Unaffiliated	3,766	0.2%	3,766	–	0.2%
Publicly traded (excluding preferred stocks):					
Affiliated	–	0.0%	–	–	0.0%
Unaffiliated	20,834	1.3%	20,834	–	1.3%
Other equity securities:					
Affiliated	–	–	–	–	–
Unaffiliated	2,012	0.1%	2,012	–	0.1%
Mortgage loans:					
Commercial loans	4,423	0.3%	4,423	–	0.3%
Contract loans	6,261	0.4%	6,261	–	0.4%
Receivable for securities	–	0.0%	–	–	0.0%
Cash and short-term investments	16,946	1.0%	16,946	–	1.0%
Other invested assets	12,653	0.8%	12,653	–	0.8%
Total invested assets	$ 1,622,057	100.0%	$ 1,622,057	$ -	100.0%

Supplementary Information – Statutory-Basis

December 31, 2013

Note – Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2013, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2013 Statutory Annual Statement as filed with the Insurance Division, Department of Commerce, of the State of Iowa.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2013
(To Be Filed by April 1)

Of The United Life Insurance Company

ADDRESS (City, State and Zip Code) Cedar Rapids , IA 52401-1212

NAIC Group Code 0248 NAIC Company Code 63873 Federal Employer's Identification Number (FEIN) 42-6061188

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,648,018,882

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Fannie Mae	Bonds	$ 51,211,619	3.1 %
2.02	Federal Home Loan Banks	Bonds	$ 34,997,074	2.1 %
2.03	Federal Farm Credit Banks	Bonds	$ 34,727,442	2.1 %
2.04	Freddie Mac	Bonds	$ 27,450,000	1.7 %
2.05	Principal Enhanced Property Fund	Partnership	$ 10,112,937	0.6 %
2.06	Hershey Company	Bonds	$ 9,520,925	0.6 %
2.07	FMC Corporation	Bonds	$ 9,294,700	0.6 %
2.08	Northern Trust Company	MMKT/Bonds	$ 9,117,251	0.6 %
2.09	CVS Caremark Corporation	Bonds	$ 8,477,757	0.5 %
2.10	BB&T Corporation	Bonds	$ 8,321,829	0.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 807,253,207	49.0 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 713,774,079	43.3 %	3.08	P/RP-2	$ 3,097,500	0.2 %
3.03	NAIC-3	$ 19,168,135	1.2 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 15,680,232	1.0 %	3.10	P/RP-4	$ 668,566	0.0 %
3.05	NAIC-5	$ 4,861,523	0.3 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 984,000	0.1 %	3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$ 99,137,799	6.0 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

			1	2
5.01	Countries designated NAIC-1	$	94,457,973	5.7 %
5.02	Countries designated NAIC-2	$	3,679,826	0.2 %
5.03	Countries designated NAIC-3 or below	$	0	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

			1	2
	Countries designated NAIC - 1:			
6.01	Country 1: Great Britain	$	32,456,586	2.0 %
6.02	Country 2: Netherlands	$	15,044,644	0.9 %
	Countries designated NAIC - 2:			
6.03	Country 1: Spain	$	2,365,943	0.1 %
6.04	Country 2: Ireland	$	1,013,884	0.1 %
	Countries designated NAIC - 3 or below:			
6.05	Country 1:	$	0	0.0 %
6.06	Country 2:	$	0	0.0 %

			1	2
7.	Aggregate unhedged foreign currency exposure	$	0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

			1	2
8.01	Countries designated NAIC-1	$		0.0 %
8.02	Countries designated NAIC-2	$		0.0 %
8.03	Countries designated NAIC-3 or below	$		0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

			1	2
	Countries designated NAIC - 1:			
9.01	Country 1:	$		0.0 %
9.02	Country 2:	$		0.0 %
	Countries designated NAIC - 2:			
9.03	Country 1:	$		0.0 %
9.04	Country 2:	$		0.0 %
	Countries designated NAIC - 3 or below:			
9.05	Country 1:	$		0.0 %
9.06	Country 2:	$		0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation		3	4
10.01	United Utilities PLC	2FE	$	5,387,246	0.3 %
10.02	BG Energy Capital PLC	1FE	$	5,186,180	0.3 %
10.03	Shell International Finance BV	1FE	$	5,007,217	0.3 %
10.04	BHP Billiton Finance	1FE	$	5,002,465	0.3 %
10.05	International Nederland Bank NY	2FE	$	4,962,314	0.3 %
10.06	Weatherford Bermuda	2FE	$	4,802,840	0.3 %
10.07	Yara International ASA	2FE	$	3,440,438	0.2 %
10.08	National Grid PLC	2FE	$	3,242,155	0.2 %
10.09	Holcim US Finance Sarl & Cie SCS	2FE	$	3,217,536	0.2 %
10.10	SPI Electricity & Gas AU Holdings	1FE	$	3,183,904	0.2 %

11\. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$	0.0 %
11.03	Canadian-currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

12\. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

13\. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02		$	0.0 %
13.03		$	0.0 %
13.04		$	0.0 %
13.05		$	0.0 %
13.06		$	0.0 %
13.07		$	0.0 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1		2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$		0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:			
14.03		$		0.0 %
14.04		$		0.0 %
14.05		$		0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1		2	3
15.02	Aggregate statement value of investments held in general partnership interests	$		0.0 %
	Largest three investments in general partnership interests:			
15.03		$		0.0 %
15.04		$		0.0 %
15.05		$		0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)		2	3
16.02		$		0.0 %
16.03		$		0.0 %
16.04		$		0.0 %
16.05		$		0.0 %
16.06		$		0.0 %
16.07		$		0.0 %
16.08		$		0.0 %
16.09		$		0.0 %
16.10		$		0.0 %
16.11		$		0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Residential		Commercial		Agricultural	
Loan to Value	1	2	3	4	5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91 to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81 to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71 to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 0	0.0 %	$ 0	$ 0	$ 0
20.02 Repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.03 Reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.04 Dollar repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.05 Dollar reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedging	$ 0	0.0 %	$ 0	0.0 %
21.02 Income generation	$ 0	0.0 %	$ 0	0.0 %
21.03 Other	$ 0	0.0 %	$ 0	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01 Hedging	$ 0	0.0 %	$	$	$
22.02 Income generation	$ 0	0.0 %	$	$	$
22.03 Replications	$ 0	0.0 %	$	$	$
22.04 Other	$ 0	0.0 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01 Hedging	$ 0	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - STATUTORY - BASIS

United Life Insurance Company
Years Ended December 31, 2012 and 2011
With Reports of Independent Auditors

United Life Insurance Company

Financial Statements and Supplementary Information
Statutory-Basis

Years Ended December 31, 2012 and 2011

Contents

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Chicago, Illinois
60606

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Report of Independent Auditors

Board of Directors and Stockholder
United Life Insurance Company

We have audited the accompanying statutory-basis financial statements of United Life Insurance Company (the Company), which comprise the statements of admitted assets, liabilities, and capital and surplus as of December 31, 2012 and 2011, and the related statutory-basis statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of United Life Insurance Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa.

Basis of Accounting

As described in Note 2 to the financial statements, to meet the requirements of Iowa, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction of Use

Our auditors' report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 24, 2013

Ernst & Young LLP
155 North Wacker Drive
Chicago, Illinois
60606

Tel: (312) 879–2000
www.ey.com

Board of Directors
United Life Insurance Company

In planning and performing our audit of the statutory-basis financial statements of United Life Insurance Company (the "Company") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Directors, management of United Life Insurance Company, others within the organization and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 24, 2013

Ernst & Young LLP
155 North Wacker Drive
Chicago, Illinois
60606

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Board of Directors
United Life Insurance Company

We have audited, in accordance with auditing standards generally accepted in the United States, the statutory-basis financial statements of United Life Insurance Company (the "Company") as of December 31, 2012, and 2011, and for the years then ended, and have issued our report thereon dated May 24, 2013. In connection with that report, we advise you as follows:

We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Iowa Board of Public Accountancy.

The engagement partner and engagement manager, who are certified public accountants, have 20 years and 7 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 85% of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

We understand that the Company intends to file its audited statutory-basis financial statements and our report thereon with the Insurance Division, Department of Commerce, of the State of Iowa ("Iowa Insurance Division") and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory-basis financial condition of the Company.

While we understand that an objective of issuing a report on the statutory-basis financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance department personnel should understand that the objectives of an audit of statutory-basis financial statements in accordance with auditing standards generally accepted in the United States is to form an opinion and issue a report on whether the statutory-basis financial statements present fairly in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division. Consequently, under auditing standards generally accepted in the United States, we have the responsibility, within the inherent limitations of the audit process, to plan and perform our audit to obtain reasonable assurance about whether the statutory-basis financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division.

The Iowa Insurance Division personnel and other state insurance commissioners should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory-basis financial position of insurers and should not rely solely upon our report.

We will retain the workpapers prepared in the conduct of our audit until the Iowa Insurance Division has filed a Report of Examination covering 2012, but no longer than seven years. After notification to the Company, we will make the workpapers available for review by the Iowa Insurance Division at the offices of the insurer, at our offices, at the Iowa Insurance Division, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Iowa Insurance Division, photocopies (or printouts of electronic files) of pertinent audit workpapers may be made (under our control) and such copies may be retained by the Iowa Insurance Division.

The engagement partner has served in that capacity with respect to the Company since 2009, is licensed by the Illinois Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

To the best of our knowledge and belief, we are in compliance with the requirements of the rules and regulations of the Iowa Insurance Division regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Iowa Insurance Division and other state insurance departments and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 24, 2013

United Life Insurance Company

Statements of Admitted Assets, Liabilities and
Capital and Surplus – Statutory-Basis

	December 31	
	2012	2011
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Bonds	**$ 1,587,820**	$ 1,553,921
Preferred stocks	**688**	502
Common stocks	**18,164**	17,257
Mortgage loans	**4,633**	4,829
Contract loans	**6,671**	7,209
Short-term investments	**19,559**	15,361
Cash	**2,189**	18,031
Other invested assets	**5,324**	2,500
Total cash and invested assets	**1,645,048**	1,619,610
Life insurance premiums due and uncollected and agents' balances	**4,911**	4,393
Investment income due and accrued	**18,253**	20,182
Federal income tax recoverable	**1,794**	120
Deferred federal income tax	**5,618**	6,607
Other admitted assets	**87**	205
Total admitted assets	**$ 1,675,711**	$ 1,651,117
Liabilities and capital and surplus		
Liabilities:		
Aggregate reserves:		
Life policies and annuity contracts	**$ 1,361,381**	$ 1,332,818
Accident and health policies	**6,572**	6,785
Liability for deposit-type contracts	**115,038**	116,192
Policy and contract claims	**2,583**	3,441
Other policy and contract liabilities	**2,094**	1,615
Accrued expenses and other liabilities	**12,183**	5,932
Asset valuation reserve	**17,140**	17,160
Total liabilities	**1,516,991**	1,483,943
Capital and surplus:		
Common stock (par value $15,000; 500 shares authorized; 351 shares issued and outstanding)	**5,265**	5,265
Gross paid in and contributed surplus	**63,783**	63,783
Special surplus funds	**–**	3,889
Unassigned surplus	**89,672**	94,237
Total capital and surplus	**158,720**	167,174
Total liabilities and capital and surplus	**$ 1,675,711**	$ 1,651,117

United Life Insurance Company

Statements of Operations – Statutory-Basis

	Years Ended December 31	
	2012	2011
	(In Thousands)	
Premiums and annuity considerations	**$ 154,160**	$ 170,026
Considerations from supplementary contracts with life contingencies	**4,595**	3,335
Net investment income	**71,169**	72,921
Other income	**2,527**	2,878
Total income	**232,451**	249,160
Death benefits and matured endowments	**17,879**	18,825
Annuity benefits	**39,207**	36,968
Disability and accident and health benefits	**1,523**	2,634
Surrender benefits and other fund withdrawals	**109,696**	74,160
Interest and adjustments on policy or deposit-type contract funds	**3,987**	4,013
Payments on supplementary contracts with life contingencies	**1,790**	1,820
Change in aggregate reserves	**28,350**	80,707
Total policy benefits	**202,432**	219,127
Commission expense	**13,103**	11,611
General insurance expenses	**9,372**	8,728
Insurance taxes, licenses, and fees	**1,378**	1,078
Total policy benefits and expenses	**226,285**	240,544
Income from operations before federal income tax (benefit) expense and net realized capital (losses) gains	**6,166**	8,616
Federal income tax (benefit) expense	**(1,282)**	2,261
Income before net realized capital (losses) gains	**7,448**	6,355
Net realized capital (losses) gains	**(28)**	(175)
Net income	**$ 7,420**	$ 6,180

See accompanying notes.

United Life Insurance Company

Statements of Changes in Capital and Surplus − Statutory-Basis

	Years Ended December 31	
	2012	2011
	(In Thousands)	
Capital and surplus, beginning of year	**$ 167,174**	$ 158,379
Net income	**7,420**	6,180
Change in net unrealized (losses) gains	**683**	(1,357)
Change in net deferred income tax	**(2,746)**	(4,279)
Increase in admitted net deferred income tax assets pursuant to SSAP No. 10(R)	**–**	3,889
Change in non-admitted assets	**2,169**	4,682
Change in asset valuation reserve	**20**	(320)
Dividends paid to stockholder	**(16,000)**	–
Net change in capital and surplus for the year	**(8,454)**	8,795
Total capital and surplus, end of year	**$ 158,720**	$ 167,174

See accompanying notes.

United Life Insurance Company

Statements of Cash Flow – Statutory-Basis

	Years Ended December 31	
	2012	2011
	(In Thousands)	
Operating activities		
Premiums collected, net of reinsurance paid	**$ 158,189**	$ 173,064
Net investment income received	**82,690**	80,024
Other income received	**917**	1,046
Benefits and losses paid, net of reinsurance recoveries	**(174,798)**	(136,460)
Commissions and other expenses paid	**(22,764)**	(21,293)
Federal income taxes paid	**(1,338)**	(3,459)
Net cash provided by operating activities	**42,896**	92,922
Investing activities		
Proceeds from investments sold, matured, or repaid	**407,167**	372,507
Cost of investments acquired	**(450,288)**	(493,894)
Net decrease in contract loans	**573**	631
Net cash used in investing activities	**(42,548)**	(120,756)
Financing and other activities		
Net deposits on deposit-type contracts and other insurance liabilities	**(1,154)**	5,449
Dividends paid to stockholder	**(16,000)**	–
Other cash provided	**5,162**	231
Net cash (used in) provided by financing and other activities	**(11,992)**	5,680
Net decrease in cash and short-term investments	**(11,644)**	(22,154)
Cash and short-term investments, beginning of year	**33,392**	55,546
Cash and short-term investments, end of year	**$ 21,748**	$ 33,392

See accompanying notes.

Note 1. Organization

United Life Insurance Company (the Company) is an Iowa domiciled legal reserve stock life insurance company and is licensed in 36 states, primarily in the Midwest and Western United States. The Company underwrites and markets ordinary life insurance (primarily universal life, single premium whole life and term life) and annuities (primarily single premium) to individuals and groups through independent agencies. Approximately 75.2% of direct premiums in 2012 were written in five states: Iowa, Illinois, Minnesota, Nebraska and Wisconsin.

On February 1, 2012, a reorganization of our Parent (United Fire & Casualty Company) and all the subsidiary/affiliated companies was completed. Upon completion of this reorganization, United Fire Group, Inc., an Iowa corporation, replaced United Fire & Casualty Company, an Iowa corporation, as the publicly held corporation, and the holders of United Fire & Casualty Company Common Stock now hold the same number of shares and same ownership percentage of United Fire Group, Inc. as they held of United Fire & Casualty Company immediately prior to the reorganization. On February 2, 2012, shares of United Fire Group, Inc. Common Stock commenced trading on the NASDAQ Global Select Market under the symbol "UFCS." The directors and executive officers of United Fire Group, Inc. immediately following the reorganization are the same individuals who were directors and executive officers, respectively, of United Fire & Casualty Company immediately prior to the reorganization. This reorganization had no direct impact on United Life Insurance Company.

Immediately following the Reorganization, United Fire Group, Inc. owns 100 percent of one subsidiary, United Fire & Casualty Company. United Fire & Casualty Company owns 100 percent of six subsidiaries: United Life Insurance Company, Addison Insurance Company, Mercer Insurance Group, Inc., Lafayette Insurance Company, United Fire & Indemnity Company and American Indemnity Financial Corporation.

In addition, Mercer Insurance Group, Inc. owns 100 percent of two subsidiaries: Mercer Insurance Company and Financial Pacific Insurance Group, Inc. Mercer Insurance Company owns 100 percent of three subsidiaries: Mercer Insurance Company of New Jersey, Inc., Franklin Insurance Company and BICUS Services Corporation. Financial Pacific Insurance Group, Inc. owns 100 percent of two subsidiaries: Financial Pacific Insurance Company and Financial Pacific Insurance Agency. United Fire & Indemnity Company has one affiliate: United Fire Lloyds. American Indemnity Financial Corporation owns 100 percent of one subsidiary: Texas General Indemnity Company.

Note 2. Accounting Policies

Basis of Reporting

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa, which differ from U.S. generally accepted accounting principles (GAAP). The Company does not use any permitted accounting practices.

Certain reclassifications have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or stockholder's equity of the prior period.

The more significant variances from GAAP are as follows:

Investments: Investments in bonds are generally reported at cost or amortized cost, while GAAP requires that such securities be classified as held-to-maturity, available-for-sale, or trading. Under GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with unrealized gains and losses reported as a component of current operations or as a component of accumulated other comprehensive income, respectively.

Fair values of certain investments in bonds and stocks are based on values specified by the National Association of Insurance Commissioners (NAIC) rather than on actual or estimated fair values.

Other-than-temporary impairment (OTTI) charges are reported in operations. Under GAAP, realized losses from OTTI charges on bonds attributable to a deterioration in credit are reported in operations while OTTI charges related to other factors are reported in accumulated other comprehensive income.

The Asset Valuation Reserve (AVR) and Interest Maintenance Reserve (IMR) are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of capital and surplus.

i) The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus.

ii) The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into operations on a straight-line basis over the remaining period to maturity based on groupings of individual securities sold in five-year bands.

Realized capital gains and losses are reported in operations, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis. Under GAAP, realized capital gains and losses are reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

Deferred Income Taxes: Deferred tax assets and liabilities are recognized and deferred tax assets are admitted based on prescribed limitations. Changes in deferred tax assets and liabilities are charged or credited directly to surplus. Deferred taxes do not include amounts for state taxes. Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and the change in net deferred taxes is included in earnings.

In 2012, deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, provided certain risk-based capital thresholds are met, and (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted.

In 2011, deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, and (2) the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 10% of capital and surplus, or if an election is made, the lesser of the amount of adjusted gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus, excluding any net deferred tax assets, electronic data processing equipment, and operating software and any net positive goodwill, and (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities after considering the character (i.e., ordinary versus capital) of the deferred tax assets and liabilities. The remaining deferred tax assets are non-admitted. Also if certain risk-based capital thresholds were met, an election could be made to admit additional adjusted gross deferred tax assets. In 2011, this election allowed an additional $3,889,000 of deferred tax assets to be admitted. As the result of changes in SSAP 101, effective January 1, 2012, this election is no longer applicable.

Policy Acquisition Costs: Commissions and other costs of acquiring new business are charged to operations as incurred rather than being deferred and amortized to expense in proportion to the expected premium revenue or gross profits. The effect of the nondeferral of these acquisition costs is partially offset by the use of modified reserve valuation methods.

Non-admitted Assets: Certain assets designated as “non-admitted assets” (principally certain receivables and non-operating system software, and other assets not specifically identified as an admitted asset within the NAIC’s *Accounting Practices and Procedures Manual*) are charged directly to unassigned surplus.

Benefit Reserves: Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioner’s Annuity Reserve Valuation Method.

Reinsurance: The reserves for certain policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserve amounts rather than as assets as would be required under GAAP.

Pension and Other Postretirement Benefits: For purposes of calculating pension and postretirement benefit obligations, only vested participants and current retirees are included in the valuation. Under GAAP, active participants not currently vested would also be included in the valuation.

Revenues: Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

Statements of Cash Flow: Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash and investments with initial maturities of three months or less.

If the accompanying financial statements had been prepared in conformity with GAAP, reported capital and surplus and net income would have been $244,917,000 and $6,635,000, respectively, for 2012 and $246,168,000 and $7,791,000, respectively, for 2011.

Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

Investments

Investments are stated at values prescribed or permitted by the NAIC:

Bonds not backed by other loans are stated at amortized cost, except for NAIC class 6 bonds, which are stated at the lower of cost or fair value.

Preferred stocks are stated at the lower of cost or fair value.

Common stocks are stated at fair value with the related unrealized capital gains and losses reported in unassigned surplus along with any adjustment for federal income taxes.

Mortgage loans are stated at amortized cost.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at amortized cost, which approximates fair value.

Other invested assets are comprised of minor ownership interests in limited liability companies and are stated at values that are based on the Company's interest in the underlying audited GAAP equity of the investee.

Amortization of bond premiums and accretion of bond discount are recognized on an effective yield method. Realized gains or losses on investments sold are determined on a specific identification basis.

All single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations, are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective adjustment method. If we determine that a decline in fair value for these types of securities is other-than-temporary, an OTTI charge will be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and fair value of the security if we intend to sell the security or have assessed that we do not have the intent and ability to retain our investment in the security for a period of time sufficient to allow for the recovery of its amortized cost basis. However, an OTTI charge will also be recorded as a component of net realized capital losses based on the difference between the amortized cost basis and the present value of future cash flows for the security even if we do not intend to sell the security and there is an intent and ability to hold the security if we determine that we will not recover its amortized cost basis.

Our accounting policy for investment impairment recognition requires OTTI charges to be recorded when it is determined that it is probable that we will be unable to collect all amounts due according to the contractual terms of the fixed maturity security (i.e., bonds) not backed by other loans or that the anticipated recovery in fair value of the equity security (i.e., common stock) will not occur in a reasonable amount of time. OTTI charges are recorded based on the fair value of the impaired investment at the measurement date and are recognized as a component of net realized capital losses. Factors considered in evaluating whether a decline in value is other-than-temporary for these types of securities include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; the receipt of principal and interest when due; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery. OTTI charges totaled $4,000 and $395,000 in 2012 and 2011, respectively.

A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. If the impairment is deemed temporary, the mortgage loan is carried at the lower of amortized cost or fair value of the collateral (net of estimated costs to obtain and sell) with any resulting unrealized loss reported in unassigned surplus. If the impairment is deemed other-than temporary, the mortgage loan is written down to realizable value, and a realized loss is recognized in the statutory-basis statements of operations. There were no OTTI charges for mortgage loans in 2012 and 2011.

Aggregate Reserves

In accordance with the insurance laws under which we operate, we have actuarially computed reserves to meet our obligations on various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company’s policy obligations as they are expected to occur. While we believe the liabilities for aggregate reserves are adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

We waive deduction of deferred fractional premiums upon the death of the insured and return any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Substandard reserves are determined using the present value of future benefits. Policies issued for substandard lives are charged an extra premium in addition to the regular gross premiums for the rated age.

The Tabular Interest, Tabular Less Actual Reserve Released, and the Tabular Cost, which are components of the aggregate reserving calculation, have been determined by formula as described in the NAIC *Annual Statement Instructions*. The Tabular Interest on funds not involving life contingencies has been determined by formula as described in those instructions, which is then validated by an independent calculation using appropriate valuation rates and mean liabilities.

Anticipated investment income was not utilized in the calculation of any premium deficiency reserve. Premium deficiency reserves were evaluated at December 31, 2012 and 2011. This reserve totaled $3,294,000 and $3,684,000 at December 31, 2012 and 2011, respectively.

The following table summarizes the primary valuation methods followed, the mortality tables used, and the interest rates assumed in computing the liabilities for aggregate life policy reserves:

Valuation Method	**Mortality Table**	**Interest Rate**
Commissioners reserve valuation method	1958 CSO	3 – 4 ½%
Commissioners reserve valuation method	1980 CSO	4 – 5%
Commissioners reserve valuation method	2001 CSO	4 – 4 ½%
Net level premium	1958 CSO	3 – 4 ½%
Net level premium	1980 CSO	4 – 6%
Net level premium	2001 CSO	4 – 4 ½%
Immediate annuity	1983 IAM	5 ¼ – 10%
Immediate annuity	a-2000	2.65 – 7%

Policy and Contract Claims

The liability for policy and contract claims is based on estimates of the costs of individual cases for losses and claims reported prior to year-end and unpaid, and also includes an estimate for losses incurred but not yet reported. These estimates are based on historical experience, along with certain assumptions about future events. Changes in assumptions for such things as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. While management believes the liability for policy and contract claims is adequate, these estimates are continually reviewed and revised, as necessary, through current operations in future periods as further information becomes available.

Recognition of Premium Revenue and Related Expenses

Premiums are recognized on the anniversary date of the policy for traditional life business (i.e., term and whole life) and as received for nontraditional life business (i.e., universal life) and annuities. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

Allocation of Expenses

General insurance expenses, taxes, licenses and fees, and investment expenses are allocated on a direct basis whenever possible. When not possible to allocate on a direct basis, one of the following methods is used as appropriate to the individual expense being allocated: premium collected, in-force amount, policy count or reserve amount. Inter-company agreements exist where United Fire & Casualty Company, incurs expenses for the benefit of the group. The following agreements exists: investment expenses agreement, federal income tax agreement and investment expense allocation. These agreements require that inter-company balances be settled within 30-days.

New Accounting Pronouncements

In 2012, the Company adopted the revisions to SSAP No. 101, *Income Taxes*, which supersedes the guidance in SSAP No. 10 and SSAP No. 10(R). The adopted guidance adds conservatism in the accounting for tax contingencies by applying a modified SSAP No. 5(R) approach and includes revisions to the admissibility calculation for deferred tax assets. SSAP No. 101 and the related changes to SSAP No. 5(R) are effective for periods beginning January 1, 2012. The adoption of SSAP No. 101 in 2012 did not have a material effect on our financial statements and is a change in presentation only.

In 2012, the NAIC adopted SSAP No. 92, *Accounting for Postretirement Benefits Other Than Pensions* and SSAP No. 102, *Accounting for Pensions*, which supersedes SSAP No. 14, *Postretirement Benefits Other Than Pensions* and SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*. These standards further define the measurement and recognition of costs, assets and liabilities, and the related disclosure requirements associated with defined benefit other than postretirement employee benefit and pension plans. The Company will adopt the new guidance effective January 1, 2013. Management has determined that the new guidance will not be material to the financial statements.

In 2012, the NAIC adopted SSAP No. 104, *Share-Based Payments* which adopts, with modifications, FAS 123(R), *Share-Based Payment* and supersedes SSAP No. 13, *Stock Options and Stock Purchase Plans.* It also incorporates the guidance reflected in EITG 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust* as well as accounting and disclosure requirements for holding company/consolidated plans. The new guidance includes replacing the intrinsic value measurement model currently in statutory accounting with the grant date fair value measurement model required by U.S. GAAP. The Company will prospectively adopt the new guidance effective January 1, 2013. Management is currently evaluating the impact the new guidance will have on the financial statements.

Note 3. Investments

The adjusted book value and fair value of our investments in bonds, preferred stocks and common stocks held by us at December 31, 2012 and 2011 are as follows:

	Adjusted Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
At December 31, 2012				
Bonds:				
U.S. government	**$ 1,314**	**$ 24**	**$ -**	**$ 1,338**
Special revenue	**15,220**	**52**	**44**	**15,228**
Industrial and miscellaneous	**1,345,227**	**71,702**	**1,243**	**1,415,686**
Loan backed	**226,059**	**8,173**	**1,705**	**232,527**
Total bonds	**1,587,820**	**79,951**	**2,992**	**1,664,779**
Common stocks:				
Industrial and miscellaneous	**8,108**	**9,906**	**74**	**17,940**
Mutual funds	**277**	**-**	**53**	**224**
Total common stocks	**8,385**	**9,906**	**127**	**18,164**
Preferred stocks	**688**	**-**	**-**	**688**
Total	**$ 1,596,893**	**$ 89,857**	**$ 3,119**	**$ 1,683,631**
At December 31, 2011				
Bonds:				
U.S. government	$ 78,229	$ 248	$ -	$ 78,477
Special revenue	2,526	48	1	2,573
Industrial and miscellaneous	1,384,189	61,936	4,222	1,441,903
Loan backed	88,977	3,577	459	92,095
Total bonds	1,553,921	65,809	4,682	1,615,048
Common stocks:				
Industrial and miscellaneous	8,075	9,068	91	17,052
Mutual funds	277	-	72	205
Total common stocks	8,352	9,068	163	17,257
Preferred stocks	502	-	-	502
Total	$ 1,562,775	$ 74,877	$ 4,845	$ 1,632,807

The adjusted book value and fair value of bonds by contractual maturity at December 31, 2012 are shown below. Expected maturities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Adjusted Book Value	Fair Value
	(In Thousands)	
Due in one year or less	$ 224,747	$ 229,865
Due after one year through five years	634,272	670,575
Due after five years through ten years	499,377	526,772
Due after ten years	45,851	48,387
Mortgage-backed securities	4,068	4,070
Collateralized mortgage obligations	179,505	185,110
	$ 1,587,820	$ 1,664,779

The following table summarizes information concerning the disposal of bonds and stocks:

	Years Ended December 31	
	2012	2011
	(In Thousands)	
Proceeds from sales and repayments - bonds	**$ 403,781**	$ 367,038
Proceeds from sales - stocks	**685**	2,887
	$ 404,466	$ 369,925
Gross realized gains from sales - bonds	**$ 484**	$ 4,400
Gross realized gains from repayments - bonds	**3,917**	-
Gross realized gains - stocks	**-**	609
Gross realized gains from repayments - stocks	**336**	-
Gross realized losses from sale - bonds	**(13)**	-
Gross realized losses from repayments - bonds	**(1,684)**	(516)
Gross realized losses from other-than-temporary impairments - bonds	**-**	(395)
Gross realized losses from other-than-temporary impairments - stocks	**(4)**	-
Gross realized losses from sales - other assets	**-**	(423)
	3,036	3,675
Amount transferred to the IMR	**3,260**	4,128
Federal income tax benefit	**(196)**	(278)
Net realized capital losses	**$ (28)**	$ (175)

A summary of our investments in bonds and common stocks that were in an unrealized loss position at December 31, 2012 and 2011 is provided below. We believe the unrealized depreciation in value of these investments is primarily attributable to market price interest rates and not the credit quality of the issuer of the respective securities. We have no intent to sell and it is more likely than not that we will not be required to sell the securities until such time that the fair value recovers or the securities mature.

	Less than 12 months			Greater than 12 months			Total	
	Number of Issues	Gross Unrealized Losses	Fair Value	Number of Issues	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
					(In Thousands)			
At December 31, 2012								
Bonds:								
U.S. Government	**-**	**$ -**	**$ -**	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Special revenue	**2**	**44**	**7,956**	**-**	**-**	**-**	**44**	**7,956**
Industrial and miscellaneous	**8**	**360**	**25,408**	**12**	**883**	**26,807**	**1,243**	**52,215**
Loan backed	**21**	**1,308**	**77,270**	**6**	**397**	**12,278**	**1,705**	**89,548**
Total bonds	**31**	**1,712**	**110,634**	**18**	**1,280**	**39,085**	**2,992**	**149,719**
Common stocks:								
Industrial and miscellaneous	**2**	**74**	**201**	**-**	**-**	**-**	**74**	**201**
Mutual funds	**-**	**-**	**-**	**1**	**53**	**224**	**53**	**224**
Total common stocks	**2**	**74**	**201**	**1**	**53**	**224**	**127**	**425**
Total	**33**	**1,786**	**110,835**	**19**	**1,333**	**39,309**	**3,119**	**150,144**
At December 31, 2011								
Bonds:								
U.S. Government	-	$ -	$ -	-	$ -	$ -	-	$ -
Special revenue	-	-	-	1	1	619	1	619
Industrial and miscellaneous	46	2,719	122,417	21	1,503	16,538	4,222	138,955
Loan backed	2	63	8,341	5	396	11,526	459	19,867
Total bonds	48	2,782	130,758	27	1,900	28,683	4,682	159,441
Common stocks:								
Industrial and miscellaneous	2	91	187	-	-	-	91	187
Mutual funds	3	72	205	-	-	-	72	205
Total common stocks	5	163	392	-	-	-	163	392
Total	53	$ 2,945	$ 131,150	27	$ 1,900	$ 28,683	$ 4,845	$ 159,833

We have evaluated the unrealized losses reported for all of our securities at December 31, 2012, and have concluded that the duration and severity of these losses do not warrant the recognition of an OTTI charge at December 31, 2012. Our largest unrealized loss greater than 12 months on an individual security at December 31, 2012, was $263,000. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

At December 31, 2012 and 2011, various invested assets (primarily bonds) with a par value of $1,635,119,000 and $1,597,941,000, respectively, were on deposit with or available to insurance departments of various states to meet statutory requirements.

There were no interest rate reductions on mortgage loans during 2012 or 2011.

We do not engage in off-balance sheet, derivative or hedging activities, and there are no significant industry, credit risk, or other concentrations.

Note 4. Fair Value of Financial Instruments

The carrying value and estimated fair value of our financial instruments reported at December 31, 2012 and 2011 are as follows:

	December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Assets				
Bonds	**$ 1,587,820**	**$ 1,664,779**	$ 1,553,921	$ 1,615,048
Preferred stocks	**688**	**688**	502	502
Common stocks	**18,164**	**18,164**	17,257	17,257
Mortgage loans	**4,633**	**5,037**	4,829	5,219
Contract loans	**6,671**	**6,671**	7,209	7,209
Short-term investments	**19,559**	**19,559**	15,361	15,361
Cash	**2,189**	**2,189**	18,031	18,031
Other invested assets	**5,324**	**5,324**	2,500	2,500
Liabilities				
Annuity (accumulations)	**969,109**	**1,043,866**	985,137	1,074,661
Supplemental contracts (other than asset retention)	**43,993**	**43,928**	43,983	62,293
Structured settlements	**931**	**931**	1,000	1,416
Guaranteed investment contracts	**48,842**	**48,842**	49,574	70,211

The following methods and assumptions were used by us in estimating the fair value of our financial instruments:

Assets

In most cases, quoted market prices are used to determine the fair value of bonds, preferred stocks and common stocks as prescribed by the NAIC Securities Valuation Office (SVO). These market prices were obtained from an alternative third-party service (Interactive data Corp, Northern Trust, or KeyBanc Capital Markets, Inc.). When quoted market prices do not exist, we base fair values on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the investment. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing that investment. Pre-payment assumptions for residential and commercial mortgage-backed as well as other loan backed and structured securities are derived from broker-dealer information found on Bloomberg.

The estimated fair value of mortgage loans is based upon discounted cash flows, utilizing the market rate of interest for similar loans in effect at the valuation date.

The estimated fair value of contract loans is equivalent to their carrying value. No contract loans are made for amounts in excess of the cash surrender value of the related policy. In all instances, the contract loans are fully collateralized by the related liability for future policy benefits for traditional life policies and by the policyholders' account balance for nontraditional life policies.

The estimated fair value of investments in limited liability companies that are reported as other invested assets is determined by the managers of these investments.

The fair value of short-term investments, cash, and investment income due and accrued approximate their carrying values due to the short-term nature of these financial instruments.

Liabilities

The fair value of the liabilities for all annuity products is based upon the estimated value of the business, using current market rates and forecast assumptions and risk-adjusted discount rates, when relevant observable market data does not exist.

The fair value of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, such that our exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under the related insurance contracts. The primary purpose for matching invested assets with contract and policy liabilities is liquidity. With appropriate matching, investments will mature when cash is needed, thereby preventing the need to liquidate other assets prematurely. Mismatches in the duration of our assets and liabilities can cause significant fluctuations in our results of operations. The average duration of our bond portfolio was 4.0 and 3.4 years at December 31, 2012 and 2011, respectively.

SSAP No. 100, *Fair Value Measurements*, establishes a fair value hierarchy in which to categorize financial instruments that are measured at fair value on a recurring and nonrecurring basis. The following financial instruments are carried at fair value in the accompanying statements of admitted assets, liabilities and capital and surplus as of December 31, 2012: common stocks, preferred stocks, and certain bonds that have been classified with an NAIC rating of 6.

The level at which financial instruments are categorized within the fair value hierarchy is based on the inputs to the valuation technique. Level 1 valuations are based on unadjusted quoted prices in active markets for identical financial instruments that we have the ability to access. Level 2 valuations are based on quoted prices for similar financial instruments, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument. Level 3 valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument. We review our fair value hierarchy categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed.

The following is a summary of the categorization of our financial instruments measured at fair value on a recurring basis at December 31, 2012 and 2011:

	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
At December 31, 2012				
Bonds:				
Industrial and miscellaneous	**$ 1,701**	**$ -**	**$ 1,701**	**$ -**
Common stocks:				
Industrial and miscellaneous	**17,940**	**15,929**	**26**	**1,985**
Mututal funds	**224**	**224**	**-**	**-**
Preferred stocks	**688**	**688**	**-**	**-**
Short-term investments:				
Money markets	**19,559**	**19,559**	**-**	**-**
Total	**$ 40,112**	**$ 36,400**	**$ 1,727**	**$ 1,985**
At December 31, 2011				
Bonds:				
Industrial and miscellaneous	$ 1,532	$ -	$ 1,532	$ -
Common stocks:				
Industrial and miscellaneous	17,052	15,128	-	1,924
Mutual funds	205	205	-	-
Preferred stocks	502	502	-	-
Short-term investments:				
Money markets	12,846	12,846	-	-
Total	$ 32,137	$ 28,681	$ 1,532	$ 1,924

The carrying value, fair value, and categorization of the Company's financial instruments in accordance with SSAP No. 100 are as follows:

	Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3
			(In Thousands)		
At December 31, 2012					
Assets					
Bonds	**$ 1,664,779**	**$ 1,587,820**	**$ -**	**$ 1,645,761**	**$ 19,018**
Preferred stocks	**688**	**688**	**688**	**-**	**-**
Common stocks	**18,164**	**18,164**	**16,153**	**26**	**1,985**
Mortgage loans	**5,037**	**4,633**	**-**	**-**	**5,037**
Short-term					
Money markets	**19,559**	**19,559**	**19,559**	**-**	**-**
Cash	**2,189**	**2,189**	**2,189**	**-**	**-**
Contract loans	**6,671**	**6,671**	**-**	**-**	**6,671**
Total Assets	**$ 1,717,087**	**$ 1,639,724**	**$ 38,589**	**$ 1,645,787**	**$ 32,711**
Liabilities					
Annuity (accumulations)	**$ 1,043,866**	**$ 969,109**	**$ -**	**$ -**	**$ 1,043,866**
Supplemental contracts (other than asset retention)	**43,928**	**43,993**	**-**	**-**	**43,928**
Structured settlements	**931**	**931**	**-**	**-**	**931**
Guaranteed interest contracts	**48,842**	**48,842**	**-**	**-**	**48,842**
Total Liabilities	**$ 1,137,567**	**$ 1,062,875**	**$ -**	**$ -**	**$ 1,137,567**
At December 31, 2011					
Assets					
Bonds	$ 1,615,048	$ 1,553,921	$ -	$ 1,593,146	$ 21,902
Preferred stocks	502	502	502	-	-
Common stocks	17,257	17,257	15,333	-	1,924
Mortgage loans	5,219	4,829	-	-	5,219
Short-term					
Bonds	2,513	2,515	-	2,513	-
Money markets	12,846	12,846	12,846	-	-
Cash	18,031	18,031	18,031	-	-
Contract loans	7,244	7,209	-	-	7,244
Total Assets	$ 1,678,660	$ 1,617,110	$ 46,712	$ 1,595,659	$ 36,289
Liabilities					
Annuity (accumulations)	$ 1,074,661	$ 985,137	$ -	$ -	$ 1,074,661
Supplemental contracts (other than asset retention)	62,293	43,983	-	-	62,293
Structured settlements	1,416	1,000	-	-	1,416
Guaranteed interest contracts	70,211	49,574	-	-	70,211
Total Liabilities	$ 1,208,581	$ 1,079,694	$ -	$ -	$ 1,208,581

The fair value of the majority of our investments in common stocks and preferred stocks has been determined using unadjusted quoted prices for identical financial instruments in active markets at the measurement date. Accordingly, these investments would be considered to be Level 1 securities in the fair value hierarchy.

The fair value of our investments in bonds that have been classified with an NAIC rating of 6 has been determined by management in reliance on market values obtained from independent pricing services and brokers. Such estimated fair values do not necessarily represent the values for which these securities could have been sold at the reporting date. Our independent pricing services and brokers obtain prices from reputable pricing vendors in the marketplace and continually monitor and review the external pricing sources, while actively participating to resolve any pricing issues that may arise. Accordingly, these investments would be considered to be Level 2 securities in the fair value hierarchy.

The following is a summary of the activity for Level 3 assets measured at fair value during 2012 and 2011:

	Beginning Balance	Transfers into Level 3	Realized Gain/ Loss	Unrealized Gain/ Loss	Purchases	Sales	Ending Balance
				(In Thousands)			
December 31, 2012							
Common stocks							
Insustrial and miscellaneous	**$ 1,924**	**$ -**	**$ -**	**$ -**	**$ 111**	**$ 50**	**$ 1,985**
Total	**$ 1,924**	**$ -**	**$ -**	**$ -**	**$ 111**	**$ 50**	**$ 1,985**
December 31, 2011							
Common stocks							
Insustrial and miscellaneous	$ -	$ -	$ -	$ -	$ 3,205	$ 1,281	$ 1,924
Total	$ -	$ -	$ -	$ -	$ 3,205	$ 1,281	$ 1,924

We purchased these Level 3 securities in the Federal Home Loan Bank of Des Moines, as a requirement to obtain membership and secure a loan used to assist our Parent as part of the acquisition financing of the Mercer Insurance Group in 2011. These securities were classified as Level 3 because there was no observable market price at December 31, 2012 or 2011.

Transfers, if any, are recorded as of the beginning of the reporting period. There were no transfers in or out of levels 1 and 2 during either 2012 or 2011.

Note 5. Reinsurance

We reinsure a portion of our insurance business with other insurance companies on both a pro rata and excess of loss basis. The ceding of reinsurance does not legally discharge us from primary liability under our policies, and we must pay the loss if the reinsurer fails to meet its obligation. We are contingently liable for ceded insurance in force of $1,083,410,000 at December 31, 2012, of which approximately 99% has been ceded to five reinsurers.

Premiums ceded in 2012 and 2011 were $2,964,000 and $2,666,000, respectively. Ceded reserves and unpaid claims recoverable of $3,756,000 and $3,819,000 at December 31, 2012 and 2011, respectively, have been deducted from the related policy liabilities. Reinsurance recoveries received were $2,619,000 and $4,060,000 in 2012 and 2011, respectively.

Amounts recoverable from reinsurers of $8,000 and $150,000 were reported as a component of other admitted assets at December 31, 2012 and 2011, respectively. In management's opinion, all amounts are collectable with regard to reinsurance recoverables.

Note 6. Capital and Surplus

Under the applicable laws and regulations of the state of Iowa, we are required to maintain minimum capital stock, paid-in capital and unassigned surplus of the greater of $5,000,000 or the required amount of risk-based capital (RBC) as defined by the NAIC for life insurance companies. The NAIC RBC formula establishes capital requirements based on an individual company's insurance risk, business risk, asset credit risk, and interest rate risk. The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2012 and 2011, we had adjusted capital in excess of the required capital levels.

We are required to obtain approval from the Iowa Insurance Commissioner in order to pay our only stockholder (United Fire) a dividend if the total to be paid is greater than 10% of unassigned surplus at the beginning of the year or the net income of the previous year. In the absence of unassigned surplus, no dividends may be paid. Based on these restrictions, the maximum dividend payment that may be made without approval in 2013 is $8,967,000. A dividend of $10,000,000 was paid on December 31, 2012 and $6,000,000 was paid on February 18, 2012. No dividends were paid during 2011.

Note 7. Federal Income Taxes

We file a consolidated federal income tax return with our Parent and other affiliated companies. The method of allocation between the companies is subject to a written agreement, which has been approved by the Board of Directors. The amount to be allocated is based on separate return calculations with current credit provided for any net operating losses or other items utilized in the consolidated tax return. Intercompany balances are settled within 30 days after the filing of a return, an amendment, or receipt of a refund.

We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2009.

We have not recognized a liability for unrecognized tax benefits at December 31, 2012 or 2011 or at any time during 2012 or 2011. In addition, no interest and penalties related to unrecognized tax benefits have been accrued at December 31, 2012 or 2011. However, if interest and penalties would need to be accrued, such amounts would be recognized as a component of federal income tax expense.

The components of the net deferred tax asset recognized in the accompanying statements of admitted assets, liabilities and capital and surplus are as follows:

	December 31, 2012			December 31, 2011		
	Ordinary	Capital	Total	Ordinary	Capital	Total
			(In Thousands)			
Total of all deferred tax assets	**$ 11,979**	**$ 2,264**	**$ 14,243**	$ 11,884	$ 4,669	$ 16,553
Total of all deferred tax liabilities	**4,847**	**3,778**	**8,625**	4,442	3,378	7,820
Net deferred tax asset			**5,618**			8,733
Total nonadmitted deferred tax asset			**-**			2,126
Total admitted deferred tax asset			**$ 5,618**			$ 6,607
Decrease in nonadmitted deferred tax asset			**$ (2,126)**			$ (3,449)

Admitted gross deferred tax assets at December 31, 2011 were calculated in accordance with SSAP No. 10R, Income Taxes, but have been presented under the provisions of SSAP No. 101 for 2012. The admitted adjusted gross deferred tax assets under each component of SSAP No. 101 are:

	December 31, 2012			December 31, 2011			Total
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
				(In Thousands)			
Federal income taxex paid in prior years recoverable through loss carrybacks	**$ 6,073**	**$ 33**	**$ 6,106**	$ 6,575	$ 32	$ 6,607	$ (501)
Adjusted gross deferred tax assets expected to be realized after threshold limitation	**585**	**-**	**585**	-	-	-	585
Adjusted gross deferred tax assets offset by deferred tax liabilities	**5,321**	**2,231**	**7,552**	4,442	3,378	7,820	(268)
Deferred tax assets admitted	**11,979**	**2,264**	**14,243**	11,017	3,410	14,427	(184)
Ratio percentage used to determine recovery and threshold limitation amount			**1036%**			1016%	20%
Amount of adjusted capital and surplus to determine recovery period and threshold limitation			**170,242**			177,727	(7,485)

The major components of federal income taxes incurred for the years ended December 31, 2012 and 2012 are as follows:

	2012	2011	Change
		(In Thousands)	
Federal income tax on operations	**$ (1,192)**	$ 2,368	**$ (3,560)**
Tax expense on net realized capital gains	**945**	1,286	**(341)**
Prior year over accrual	**(90)**	(107)	**17**
Federal income taxes incurred	**$ (337)**	$ 3,547	**$ (3,884)**

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31 2012	2011	Change
		(In Thousands)	
Deferred tax assets			
Ordinary			
Loss reserves	**$ 6,393**	$ 6,565	**$ (172)**
Nonadmitted investments	**289**	289	**-**
Deferred acquisition costs	**4,680**	4,445	**235**
Postretirement benefits	**485**	388	**97**
Vacation benefits	**87**	99	**(12)**
Other	**45**	98	**(53)**
Total ordinary deferred tax assets	**11,979**	11,884	**95**
Nonadmitted	**-**	867	**(867)**
Admitted ordinary deferred tax assets	**11,979**	11,017	**962**
Capital			
Investments	**2,154**	4,562	**(2,408)**
Unrealized capital losses	**110**	107	**3**
Capital loss carryforward	**-**	-	**-**
Total capital deferred tax assets	**2,264**	4,669	**(2,405)**
Nonadmitted	**-**	1,259	**(1,259)**
Admitted capital deferred tax assets	**2,264**	3,410	**(1,146)**
Total admitted deferred tax assets	**14,243**	14,427	**(184)**
Deferred tax liabilities			
Ordinary			
Market bond discount	**3,084**	2,860	**224**
Deferred and uncollected	**1,719**	1,538	**181**
Pension	**44**	44	**-**
Other	**-**	-	**-**
Total ordinary deferred tax liabilities	**4,847**	4,442	**405**
Capital			
Unrealized capital gains	**3,416**	3,045	**371**
Other	**362**	333	**29**
Total capital deferred tax liabilities	**3,778**	3,378	**400**
Total deferred tax liabilities	**8,625**	7,820	**805**
Net admitted deferred tax asset	**$ 5,618**	$ 6,607	**$ (989)**

The change in net deferred income taxes is comprised of the following:

	December 31		
	2012	**2011**	**Change**
		(In Thousands)	
Total deferred tax assets	**$ 14,243**	$ 16,553	**$ (2,310)**
Total deferred tax liabilities	**8,625**	7,820	**805**
Net deferred tax asset	**$ 5,618**	$ 8,733	**(3,115)**
Tax effect of change in unrealized capital gains			**369**
Change in net deferred income taxes			**$ (2,746)**

None of the adjusted gross or net admitted deferred tax assets were admitted using a tax planning strategy. There was no valuation allowance recorded for deferred tax assets at December 31, 2012 or 2011.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income from operations before federal income tax expense and net realized capital losses. The significant items contributing to this difference are as follows:

	Effective Tax Rate Percentage	
	2012	2011
Provision computed at statutory rate	**35.0 %**	35.0 %
IMR amortization	**(6.3)**	(4.2)
Investment adjustments	**-**	3.6
Other	**(2.4)**	(2.3)
Total	**26.3 %**	32.1 %
Federal income taxes incurred	**(13.9) %**	17.4 %
Realized capital gains tax	**10.3**	11.5
Change in net deferred income taxes	**29.9**	3.2
Total statutory income taxes incurred	**26.3 %**	32.1 %

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses is as follows (in thousands):

Current year	$ 1,217
First preceding year	945
Second preceding year	5,597

Note 8. Related Party Transactions

Various expenses, including rent, telephone, computer operations, printing, supplies and other expenses incurred by the Parent for the mutual benefit of the group, are apportioned between its member companies using allocation methods, which are designed to provide a reasonable representation of the value of the benefits received by the respective companies.

We reported amounts due to the Parent of $170,000 and $380,000 at December 31, 2012 and 2011, respectively. The balance payable relates to amounts incurred under intercompany service and expense allocation agreements. These agreements require that intercompany balances be settled within 30 days.

We provide group life insurance coverage, and through December 31, 2011, we provided long-term disability insurance coverage for employees of the United Fire Group. The total premium received for these coverages was $448,000 and $367,000 in 2012 and 2011, respectively.

In March 2011, through our membership in the Federal Home Loan Bank (FHLB), we obtained a cash advance of $29,900,000. This amount was invested in our Parent as a portion of their short-term debt arrangements in the acquisition of the Mercer Insurance Group. This was repaid by our Parent on November 30, 2011, while the cash advance from the FHLB was repaid by us on September 26, 2011.

Credit Facilities

In the fourth quarter of 2011, United Fire & Casualty Company (our parent) entered into a credit agreement with a syndicate of financial institutions as lenders party thereto, KeyBank National Association as administrative agent, lead arranger, sole book runner, swingline lender, and letter of credit issuer. The four-year credit agreement provides for a $100,000,000 unsecured revolving credit facility that includes a $20,000,000 letter of credit subfacility and a swing line subfacility in the amount of up to $5,000,000.

During the term of this credit facility, United Fire & Casualty Company has the right to increase the total facility from $100,000,000 up to $125,000,000, provided that no event of default has occurred or is continuing and certain other conditions are satisfied. The credit facility is available for general corporate purposes, including working capital, acquisitions and liquidity purposes. Principal of the credit facility is due in full at maturity, on December 22, 2015. The interest rate is based on our monthly choice of either the London Interbank Offered Rate ("LIBOR") or a base rate plus, in each case, a calculated margin amount. A commitment fee on each lender's unused commitment under the credit facility is also payable quarterly. The credit facility replaced a $50,000,000 revolving credit facility with Bankers Trust Company, which was repaid and terminated in connection with entering into the new credit agreement.

The credit agreement contains customary representations, covenants and events of default, including certain covenants that limit or restrict our ability to engage in certain activities. Subject to certain exceptions, these activities include restricting our ability to sell or transfer assets or enter into a merger or consolidate with another company, grant certain types of security interest, incur certain types of liens, impose restrictions on subsidiary dividends, enter into leaseback transactions, or incur certain indebtedness. The credit agreement contains certain financial covenants including covenants that require the group to maintain a minimum consolidated net worth, a debt to capitalization ratio and minimum stockholders' equity. The credit agreement contains terms that allow the agreement to continue after the formation of the holding company, United Fire Group, Inc., which occurred on February 1, 2012.

If our operating and investing cash flows had not been sufficient to support our operations, affiliates of United Fire Group, Inc. can individually borrow up to $5,000,000 each on a bank line of credit. Under the terms of our credit agreement, interest on outstanding notes is payable at the lender's prevailing Prime Rate, minus 1.0%. United Life Insurance Company did not make use of this borrowing capacity during 2012 or 2011.

Note 9. Employee Benefit Obligations

The Parent sponsors a defined benefit pension plan covering substantially all employees of the United Fire Group, Inc. Under this plan, retirement benefits are primarily a function of the number of years of service and the level of compensation. The Parent charges each affiliate for its allocable share of contributions based on a percentage of payroll. Pension costs allocated to the Company were $509,000 and $451,000 for 2012 and 2011, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a postretirement healthcare benefit plan covering substantially all benefit-eligible employees of the United Fire Group, Inc.. The plan pays stated percentages of most necessary medical and dental expenses incurred by retirees, after subtracting payments by Medicare or other providers and after the stated deductible has been met. Participants become eligible for the benefits if they retire from the group after reaching age 55 with 10 or more years of participation in the plan and 10 or more years of employment with the group. The plan is contributory, with retiree contributions generally adjusted annually. Postretirement benefit costs allocated to us were $323,000 and $240,000 for 2012 and 2011, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors a profit-sharing plan in which employees of the United Fire Group, Inc. who meet service requirements are eligible to participate. The amount of contributions to this plan is discretionary and is determined annually, but cannot exceed the amount deductible for federal income tax purposes. Our allocated cost for this plan in 2012 and 2011 was $245,000 and $252,000, respectively. We have no legal obligation for benefits under this plan.

The Parent sponsors an employee stock ownership plan for the benefit of eligible employees of the United Fire Group, Inc. and their beneficiaries. All employees are eligible to participate in the plan upon completion of specific requirements. Contributions to this plan are at the discretion of the Parent. Our allocated cost for this plan in 2012 and 2011 was $10,000 and $15,000, respectively. We have no legal obligation for benefits under this plan.

Note 10. Concentrations of Risk

Annuity considerations represented 53.9% or $92,947,000 and 71.7% or $123,550,000, of direct premiums collected in 2012 and 2011, respectively, of which $39,785,000 and $36,865,000 were collected in Iowa during 2012 and 2011, respectively. Annuity reserves represented 74% and 76% of our total aggregate reserves for life policies and annuity contracts at December 31, 2012 and 2011, respectively. In both 2012 and 2011, one large marketing agency produced a substantial portion, approximately 24%, of all premiums collected in 2012 compared to approximately 34% in 2011.

We believe that the risk of substantial unexpected withdrawals of these annuity funds is unlikely based on the surrender penalties inherent in these contracts. All but $3,856,000 and $3,972,000 of annuity considerations received in 2012 and 2011, respectively, were from the sale of primarily two single premium products. These products have a guaranteed minimum interest rate based on current market conditions with an annual review that allows this rate to increase if market conditions warrant. One has a surrender charge period of six years beginning at 6% in the first year and decreasing 1% in each of the next five years, while the other has a surrender charge period of four years with 4% in years one and two, 3% in year three and 2% in year four.

We have in place a renewal program that offers the policyowner the opportunity to purchase a new contract with a minimum interest rate based on the market conditions at that time. This program has been in place since the mid 1990’s. However, due to current market conditions that have existed over the last three years, at December 31, 2012 and 2011 there was $236,613,000, or 24.1%, and $172,211,000, or 17%, respectively, of the annuity account value that was outside the surrender charge period and was earning the minimum interest rate stated in the contract. At December 31, 2012, $112,432,000, or 47.5%, of these funds were earning between 3.0% and 4.0% compared to $105,564,000, or 61.3%, at December 31, 2011. The funds are earning a higher rate of interest than is currently available in the market place, therefore, they are less likely to be surrendered for their cash value in the near future. However, these funds may be paid out at any time due to deaths.

At December 31, 2012, the withdrawal characteristics of our annuity reserves and other deposit-type liabilities are as follows:

	Amount	Percent of Total
	(In Thousands)	
Subject to discretionary withdrawal		
At book value less surrender charge of 5% or more	$ **126,674**	11.2%
At book value without adjustment (minimal or no surrender charge or adjustment)	**879,006**	77.6%
Not subject to discretionary withdrawal	**127,471**	11.2%
	$ 1,133,151	100.0%

Reinsurance is not applicable to the above amounts.

Note 11. Contingencies

From time to time, we are a defendant in various legal actions arising from normal business activities. We believe, after consultation with legal counsel, that the ultimate liabilities, if any, resulting from any legal actions will not materially affect our financial position or results of operations.

Note 12. Retained Assets

All death benefits payable of $10,000 or more are paid through our asset retention program (*United Life Benefit Plus Account)*, unless the beneficiary elects to have a check for the lump sum benefit issued to them. This program is administered by The Northern Trust Company ("Northern Trust"). The day a death claim fitting the above mentioned criteria is approved for payment, Northern Trust is notified of the name and address of the beneficiary along with the amount available to that individual. Within 24 hours, twenty-five personalized checks and a certificate reflecting the balance available to them is sent out. Any check written must be for a minimum amount of $250 and the maximum is the full balance of the account. Additional checks will be provided if requested. These accounts are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal or state agency.

The Company accounts for the establishment of each benefit plus account as benefits paid with a corresponding increase to the liability for supplemental contracts without life contingencies. Northern Trust reports activity daily with the appropriate accounting entries being reflected in our accounting records the following day. There are no charges of any type to the beneficiaries/owners of these accounts. The interest rate paid beneficiaries during 2012 was 0.50% from January to July and 0.25% from August to December. The interest rate paid in 2011 was 0.5%. The interest rate is updated monthly and compounded daily.

The following table reflects the aging of retained asset accounts in force at December 31, 2012 and 2011:

	December 31					
	2012			2011		
	Number	Balance (In Thousands)		Number	Balance (In Thousands)	
12 months or less	**175**	**$**	**4,115**	224	$	4,848
13 to 24 months	**103**		**2,408**	136		2,770
25 to 36 months	**99**		**1,880**	112		1,615
37 to 48 months	**85**		**1,283**	85		1,065
49 tp 60 months	**56**		**830**	50		763
Over 60 months	**162**		**2,839**	160		2,780
Total	**680**	**$**	**13,355**	767	$	13,841

The following table reflects the in force information at December 31, 2012 for individual accounts:

	Number	Balance/ Amount (In Thousands)	
Balance at the beginning of the year	767	$	13,841
Issued during the year	288		10,880
Interest credited during the year	-		54
Closed/withdrawn during the year	375		11,420
Balance at the end of the year	680	$	13,355

Note 13. Subsequent Events

We have evaluated all events occurring after December 31, 2012, through May 24, 2013, the date the financial statements were available to be issued, to determine if any events required either recognition or disclosure in the financial statements. No material subsequent events were noted.

Supplementary Information

Statutory-Basis

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Report of Independent Auditors on Supplementary Information

Board of Directors and Stockholder
United Life Insurance Company

We have audited the statutory-basis financial statements of United Life Insurance Company (the Company) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated May 24, 2013 which contained an unmodified opinion on those financial statements with regard to their conformity with the accounting practices prescribed or permitted by the Insurance Division, Department of Commerce, of the State of Iowa. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of selected statutory-basis financial data and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the statutory-basis financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 24, 2013

United Life Insurance Company

Schedule of Selected Financial Data

Year Ended December 31, 2012

(In Thousands)

Investment income earned:		
U.S. government bonds	$	(166)
Other bonds (unaffiliated)		70,662
Preferred stocks (unaffiliated)		49
Common stocks (unaffiliated)		413
Mortgage loans		279
Contract loans		538
Cash and short-term investments		78
Other invested assets		232
Aggregate write-ins for investment income		160
Gross investment income		72,245
Less investment expenses and taxes, licenses, and fees		1,076
Net investment income	$	71,169
Mortgage loans – book value:		
Commercial mortgages - good standing	$	4,633
Bonds and short-term investments by class and maturity:		
By maturity – statement value (prior to non-admitted items):		
Due within one year or less	$	286,012
Over 1 year through 5 years		693,343
Over 5 years through 10 years		570,084
Over 10 years through 20 years		56,250
Over 20 years		1,690
Total by maturity	$	1,607,379
By class – statement value (prior to non-admitted items):		
Class 1	$	691,614
Class 2		885,052
Class 3		13,249
Class 4		5,589
Class 5		9,873
Class 6		2,002
Total by class	$	1,607,379
Bonds and short-term investments publicly traded	$	1,399,834
Bonds and short-term investments privately placed	$	207,545
Preferred stock - book/adjusted carrying value	$	688
Common stock - fair value	$	18,164
Short-term investments - book/adjusted carrying value	$	19,559
Cash on deposit	$	2,189
Life insurance in force:		
Ordinary	$	4,958,085
Credit life	$	1,099
Group life	$	246,088

United Life Insurance Company

Schedule of Selected Financial Data (continued)

Amount of accidental death insurance in force under ordinary policies	$	44,482
Life insurance policies with disability provisions in force:		
Ordinary	$	3,227
Credit life	$	2
Supplementary contracts in force:		
Ordinary – not involving life contingencies:		
On deposit	$	57,347
Income payable	$	5,164
Ordinary – involving life contingencies:		
Income payable	$	1,753
Annuities:		
Ordinary:		
Immediate – amount of income payable	$	3,776
Deferred – fully paid – account balance	$	944,329
Deferred – not fully paid – account balance	$	39,250
Accident and health insurance – premiums in force:		
Other	$	1,371
Credit	$	2
Deposit funds and dividend accumulations:		
Deposit funds – account balance	$	57,691
Claim payments – year ended December 31, 2011:		
Group accident and health:		
2012	$	1
2011	$	–
2010	$	33
2009	$	14
2008	$	–
Prior	$	135
Other accident and health:		
2012	$	157
2011	$	311
2010	$	402
2009	$	488
2008	$	477
Prior	$	2,943

United Life Insurance Company

Summary Investment Schedule

December 31, 2012

(In Thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement		
	Amount	Percentage	Amount	Securities Lending	Percenta
Bonds:					
U.S. Treasury securities	$ 1,314	0.1%	$ 1,314	$ -	0.1%
U.S. government agency:					
Issued by U.S. government agencies	–	–	–	–	–
Issued by U.S. government sponsored agencies	13,000	0.8%	13,000	–	0.8%
Foreign government	–	–	–	–	–
Securities issued by states, territories, and possessions:					
States territories and possessions general obligations	–	–	–	–	–
Political subdivisions of states, territories, and possessions general obligations	–	–	–	–	–
Revenue and assessment obligations	695	0.0%	695	–	0.0%
Industrial development and similar obligations	11,380	0.7%	11,380	–	0.7%
Mortgage-backed securities (includes residential and commercial MBS):					
Pass-through securities:					
Guaranteed by GNMA	147	–	147	–	–
Issued by FNMA and FHLMC	3,921	0.2%	3,921	–	0.2%
All other	–	–	–	–	–
CMOs and Remics:					
Issued by FNMA and FHLMC	179,505	10.9%	179,505	–	10.9%
Privately issued and collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	–	–	–	–	–
All other privately issued	–	–	–	–	–
Other debt and other fixed income securities (excluding short-term):					
Unaffiliated domestic (including credit tenant loans and hybrid secrurities)	1,204,849	73.3%	1,204,849	–	73.3%
Unaffiliated non-U.S. securities (including Canada)	173,009	10.6%	173,009	–	10.6%
Affiliated securities	–	–	–	–	–
Equity interests:					
Investments in mutual funds	224	–	224	–	–
Preferred stocks:					
Affiliated	–	–	–	–	–
Unaffiliated	688	–	688	–	–
Publicly traded (excluding preferred stocks):					
Affiliated	–	–	–	–	–
Unaffiliated	15,955	1.0%	15,955	–	1.0%
Other equity securities:					
Affiliated	–	–	–	–	–
Unaffiliated	1,985	0.1%	1,985	–	0.1%
Mortgage loans:					
Commercial loans	4,633	0.3%	4,633	–	0.3%
Contract loans	6,671	0.4%	6,671	–	0.4%
Receivable for securities	–	–	–	–	–
Cash and short-term investments	21,748	1.3%	21,748	–	1.3%
Other invested assets	6,149	0.3%	5,324	–	0.3%
Total invested assets	$ 1,645,873	100.0%	$ 1,645,048	$ -	100.0%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2012
(To Be Filed by April 1)

Of The United Life Insurance Company

ADDRESS (City, State and Zip Code) Cedar Rapids , IA 52401-1212

NAIC Group Code 0248 NAIC Company Code 69973 Federal Employer's Identification Number (FEIN) 42-6061188

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,675,711,474

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Northern Trust Company	MMKT/Bonds	$ 23,817,665	1.4 %
2.02	Cargill Inc	Bonds	$ 10,034,141	0.6 %
2.03	Home Depot Inc	Bonds	$ 9,948,083	0.6 %
2.04	Hershey Company	Bonds	$ 9,578,431	0.6 %
2.05	FMC Corporation	Bonds	$ 9,349,087	0.6 %
2.06	BB&T Corporation	Bonds	$ 8,364,260	0.5 %
2.07	Mosaic Company	Bonds	$ 8,138,709	0.5 %
2.08	Wellpoint Inc	Bonds	$ 8,022,551	0.5 %
2.09	Federal Home Loan Bank	Bonds	$ 8,000,000	0.5 %
2.10	Detroit Edison Company	Bonds	$ 7,896,707	0.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 691,614,427	41.3 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 885,052,066	52.8 %	3.08	P/RP-2	$	0.0 %
3.03	NAIC-3	$ 13,248,642	0.8 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 5,589,146	0.3 %	3.10	P/RP-4	$	0.0 %
3.05	NAIC-5	$ 9,872,860	0.6 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 2,001,885	0.1 %	3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$ 111,791,961	6.7 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$ 106,069,853	6.3 %
5.02	Countries rated NAIC-2	$ 3,699,514	0.2 %
5.03	Countries rated NAIC-3 or below	$ 2,022,594	0.1 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
6.01	Country 1: Great Britain	$ 35,847,751	2.1 %
6.02	Country 2: Australia	$ 16,044,374	1.0 %
	Countries rated NAIC - 2:		
6.03	Country 1: Spain	$ 2,375,951	0.1 %
6.04	Country 2: Ireland	$ 1,023,564	0.1 %
	Countries rated NAIC - 3 or below:		
6.05	Country 1: Curacao	$ 2,022,594	0.1 %
6.06	Country 2:	$	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$ 0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$	0.0 %
8.02	Countries rated NAIC-2	$	0.0 %
8.03	Countries rated NAIC-3 or below	$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries rated NAIC - 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries rated NAIC - 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Rating	3	4
10.01	United Utilities PLC	2FE	$ 5,455,932	0.3 %
10.02	BG Energy Capital PLC	1FE	$ 5,206,683	0.3 %
10.03	BHP Billiton Finance	1FE	$ 5,011,947	0.3 %
10.04	Shell International Finandce BV	1FE	$ 5,011,879	0.3 %
10.05	Noble Corporation	2FE	$ 5,007,106	0.3 %
10.06	International Nederland Bank NV	2FE	$ 4,935,885	0.3 %
10.07	Weatherford Burmuda	2FE	$ 4,827,606	0.3 %
10.08	Yara International ASA	2FE	$ 3,446,479	0.2 %
10.09	National Grid PLC	2FE	$ 3,330,941	0.2 %
10.10	Holcim US Finance Sarl & Cie SCS	2FE	$ 3,248,377	0.2 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$ 61,217,534	3.7 %
11.03	Canadian-currency-denominated investments	$ 0	0.0 %
11.04	Canadian-denominated insurance liabilities	$ 0	0.0 %
11.05	Unhedged Canadian currency exposure	$ 0	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02		$	0.0 %
13.03		$	0.0 %
13.04		$	0.0 %
13.05		$	0.0 %
13.06		$	0.0 %
13.07		$	0.0 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

		Residential		Commercial		Agricultural	
	Loan to Value	1	2	3	4	5	6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91 to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81 to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71 to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
22.01 Hedging	$ 0	0.0 %	$	$	$
22.02 Income generation	$ 0	0.0 %	$	$	$
22.03 Replications	$ 0	0.0 %	$	$	$
22.04 Other	$ 0	0.0 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	At End of Each Quarter 2nd Quarter 4	At End of Each Quarter 3rd Quarter 5
23.01 Hedging	$ 0	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

United Life Insurance Company

Note to Supplementary Information – Statutory-Basis

December 31, 2012

Note – Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2012, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2012 Statutory Annual Statement as filed with the Insurance Division, Department of Commerce, of the State of Iowa.