Mutual of Omaha Insurance Company

Statutory Financial Statements as of and for the Years Ended December 31, 2010 and 2009, Supplemental Schedules as of and for the Year Ended December 31, 2010, and Independent Auditors' Reports

MUTUAL OF OMAHA INSURANCE COMPANY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
STATUTORY FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009:	
Statements of Admitted Assets, Liabilities and Surplus	2
Statements of Operations	3
Statements of Changes in Surplus	4
Statements of Cash Flows	5
Notes to Statutory Financial Statements	6–47
SUPPLEMENTAL SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010:	48
Independent Auditors' Report on Additional Information	49
Supplemental Schedule of Selected Financial Data	50–54
Summary Investment Schedule	55
Supplemental Investment Risk Interrogatories	56–61

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mutual of Omaha Insurance Company
Omaha, Nebraska

We have audited the accompanying statutory statements of admitted assets, liabilities and surplus of Mutual of Omaha Insurance Company (the "Company") as of December 31, 2010 and 2009, and the related statutory statements of operations, changes in surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

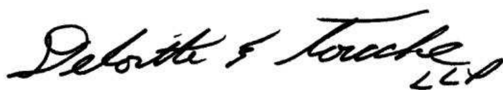
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the State of Nebraska Department of Insurance, and such practices differ from accounting principles generally accepted in the United States of America. The effects on such financial statements of the differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are described in Note 19.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Mutual of Omaha Insurance Company as of December 31, 2010 and 2009, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of Mutual of Omaha Insurance Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

As discussed in Note 1 to the financial statements, the Company adopted authoritative guidance related to the method of calculating admitted deferred tax assets and the method of recognizing other-than-temporary impairments for loan-backed and structured securities in 2009.



May 2, 2011

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$1,988,164,685	$1,981,442,295
Preferred stocks	26,155,492	25,067,050
Common stocks — unaffiliated	9,473,499	9,983,604
Common stocks — affiliated	1,811,795,732	1,813,495,836
Mortgage loans	232,709,171	232,244,070
Real estate properties occupied by the Company — net of accumulated depreciation of $30,339,742 in 2010 and $28,526,884 in 2009	38,179,123	39,680,788
Cash and cash equivalents	140,297,344	52,015,198
Short-term investments	284,700,000	6,682,594
Securities lending cash collateral	33,783,180	-
Other invested assets	235,732,357	206,488,369
Total cash and invested assets	4,800,990,583	4,367,099,804
INVESTMENT INCOME DUE AND ACCRUED	22,292,178	20,942,017
UNCOLLECTED PREMIUMS	28,446,693	22,378,683
RECEIVABLE FROM SUBSIDIARIES	39,399,841	39,023,901
FEDERAL INCOME TAXES RECOVERABLE	38,666,468	9,995,656
NET DEFERRED TAX ASSETS	111,789,106	115,142,959
OTHER ASSETS	198,318,863	136,870,605
TOTAL ADMITTED ASSETS	$5,239,903,732	$4,711,453,625
LIABILITIES AND SURPLUS		
LIABILITIES:		
Policy reserves:		
Policy and contract claims	$ 720,654,500	$ 698,159,875
Health and accident active life	1,256,253,384	1,190,107,387
Total policy reserves	1,976,907,884	1,888,267,262
Deposit-type contracts and reinsurance funds withheld	-	37,486
Premiums paid in advance	69,128,699	65,756,090
Interest maintenance reserve	2,562,235	2,076,501
Asset valuation reserve	27,146,142	12,014,762
Drafts outstanding	42,025,617	36,073,457
Amounts held as agent or trustee	69,206,188	66,938,063
General expenses and taxes due or accrued	111,256,021	106,690,970
Federal income taxes payable	30,259,195	33,725,919
Payable to subsidiaries	1,166,193	52,303
Payable for securities lending	33,783,180	-
Other liabilities	295,623,400	279,740,961
Total liabilities	2,659,064,754	2,491,373,774
SURPLUS:		
Surplus note	583,779,197	293,710,553
Special surplus	27,671,734	19,380,556
Unassigned surplus	1,969,388,047	1,906,988,742
Total surplus	2,580,838,978	2,220,079,851
TOTAL LIABILITIES AND SUPRLUS	$5,239,903,732	$4,711,453,625

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
INCOME:		
Net health and accident premiums	$1,752,455,228	$1,620,392,483
Net investment income	130,919,322	144,376,345
Other income	38,346,894	32,598,885
Total income	1,921,721,444	1,797,367,713
BENEFITS AND EXPENSES:		
Health and accident benefits	1,308,753,938	1,217,475,632
Commissions	245,226,754	210,588,716
Operating expenses	266,338,545	263,315,690
Total benefits and expenses	1,820,319,237	1,691,380,038
NET GAIN FROM OPERATIONS BEFORE FEDERAL INCOME TAXES AND NET REALIZED CAPITAL LOSSES	101,402,207	105,987,675
FEDERAL INCOME TAXES	16,982,970	23,770,405
NET GAIN FROM OPERATIONS BEFORE NET REALIZED CAPITAL LOSSES	84,419,237	82,217,270
NET REALIZED CAPITAL LOSSES — Net of tax benefits of $1,658,000 and $3,255,000 and transfers to the interest maintenance reserve of $(1,191,338) and $123,364, respectively	(25,195,065)	(74,882,844)
NET INCOME	$ 59,224,172	$ 7,334,426

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Surplus Note	Unassigned Surplus	Special Surplus	Total Surplus
BALANCE — December 31, 2008	$ 296,672,500	$ 1,801,905,081	$ -	$ 2,098,577,581
Net income	-	7,334,426	-	7,334,426
Change in:				
Net unrealized capital gains — net of tax expense of $4,977,126	-	63,290,483	-	63,290,483
Net deferred income taxes	-	11,894,059	-	11,894,059
Nonadmitted assets	-	(7,373,495)	-	(7,373,495)
Cumulative effect of the adoption of SSAP 10R	-	-	19,380,556	19,380,556
Asset valuation reserve	-	3,150,543	-	3,150,543
Surplus note	(2,961,947)	-	-	(2,961,947)
Cumulative effect of the adoption of SSAP 43R	-	2,115,766	-	2,115,766
Pension funding adjustment	-	9,133,497	-	9,133,497
Savings from consolidated tax filing	-	5,292,256	-	5,292,256
Other — net	-	10,246,126	-	10,246,126
BALANCE — December 31, 2009	293,710,553	1,906,988,742	19,380,556	2,220,079,851
Net income	-	59,224,172	-	59,224,172
Change in:				
Net unrealized capital gains — net of tax benefits of $9,615,866	-	(7,458,140)	-	(7,458,140)
Net deferred income taxes	-	258,473	-	258,473
Nonadmitted assets	-	(23,509,544)	-	(23,509,544)
Increase in admitted deferred tax asset	-	-	8,291,178	8,291,178
Asset valuation reserve	-	(15,131,380)	-	(15,131,380)
Surplus note	290,068,644	-	-	290,068,644
Pension funding adjustment	-	10,417,769	-	10,417,769
Savings from consolidated tax filing	-	35,381,009	-	35,381,009
Other — net	-	3,216,946	-	3,216,946
BALANCE — December 31, 2010	$ 583,779,197	$ 1,969,388,047	$ 27,671,734	$ 2,580,838,978

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net health and accident premiums	$ 1,749,729,953	$ 1,675,007,267
Net investment income	133,857,032	142,779,794
Other income	37,463,865	32,883,499
Health and accident benefits	(1,215,069,377)	(1,182,157,419)
Commissions and operating expenses	(518,970,928)	(498,511,470)
Dividends paid to policyholders	(41,965)	(39,157)
Federal income taxes paid	(12,081,497)	(276,198)
Net cash provided from operating activities	174,887,083	169,686,316
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Proceeds from investments sold, matured or repaid:		
Bonds	171,423,718	229,699,580
Stocks	4,639,413	57,899,634
Mortgage loans	5,826,237	4,240,376
Other invested assets	22,441,388	11,460,096
Net gain on cash, cash equivalents and short-term investments	1,311	2,025
Miscellaneous proceeds	82,351	-
Cost of investments acquired:		
Bonds	(176,489,234)	(184,920,017)
Stocks	(6,167,771)	(12,720,427)
Mortgage loans	(6,588,577)	(1,829,863)
Real estate	(820,419)	(410,077)
Other invested assets	(91,438,278)	(41,346,422)
Miscellaneous applications	-	(324,237)
Net cash (used for) from investing activities	(77,089,861)	61,750,668
CASH FLOWS FROM (USED FOR) FINANCING AND MISCELLANEOUS SOURCES:		
Surplus note	290,068,644	(2,961,947)
Borrowed funds paid	-	(136,200,001)
Net decrease in deposit-type contracts	-	(193,462)
Other cash applied	(21,566,314)	(57,079,028)
Net cash from (used for) financing and miscellaneous sources	268,502,330	(196,434,438)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	366,299,552	35,002,546
CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
Beginning of year	58,697,792	23,695,246
End of year	$ 424,997,344	$ 58,697,792
NONCASH TRANSACTIONS:		
Mortgage loans transferred to other invested assets	$ -	$ 1,517,828
Joint partnership equity distribution	$ 119,964	$ -
Bond conversion	$ 8,526,445	$ -
Stock conversion	$ 1,422,498	$ -

See notes to statutory financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — Mutual of Omaha Insurance Company (the "Company") is a mutual health and accident and life insurance company domiciled in the state of Nebraska. The Company owns 100% of the outstanding common stock of the following entities: United of Omaha Life Insurance Company ("United of Omaha"); The Omaha Indemnity Company; KFS Corporation; Continuum Worldwide Corporation; Mutual of Omaha Holdings, Inc; and Omaha Financial Holdings, Inc.; and 100% of East Campus Realty, L.L.C. ("ECR").

The Company provides a wide array of financial products and services to a broad range of institutional and individual customers and is licensed in all 50 states of the United States, its territories and the District of Columbia. Principal products and services provided include individual and group health insurance.

Basis of Presentation — The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the State of Nebraska Department of Insurance. The state of Nebraska has adopted the National Association of Insurance Commissioners' ("NAIC") statutory accounting principles ("NAIC SAP") as the basis of its statutory accounting practices. The Commissioner of the State of Nebraska Department of Insurance has the right to permit other specific practices that may deviate from NAIC SAP.

Subsequent events have been evaluated through May 2, 2011, the date these financial statements were issued.

The accompanying statutory financial statements vary in some respects from those that would be presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The most significant differences include:

a. Bonds are generally carried at amortized cost, while under GAAP they are carried at either amortized cost or fair value based upon their classification according to the Company's ability and intent to hold or trade the securities and whether the Company has elected the option to report bonds at fair value.

b. Beginning July 1, 2009, an other-than-temporary impairment ("OTTI") exists for NAIC SAP on a loan-backed or structured security if the Company has the intent to sell, does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis or the Company does not expect to recover the entire amortized cost basis. For all other securities on an NAIC SAP basis, an OTTI is taken if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition or since the last OTTI. Beginning April 1, 2009, an OTTI exists for GAAP if the Company has the intent to sell, it is more likely than not that the Company will be required to sell before the recovery of the amortized cost basis, or if the Company does not expect to recover the entire amortized cost of the security.

Prior to July 1, 2009, under NAIC SAP, an interest rate related impairment on a loan-backed or structured security was deemed other-than-temporary only when the Company had the positive intent to sell the security at the reporting date, before recovery of the cost of the investment. Prior to April 1, 2009, in determining whether an impairment was temporary, GAAP required an intent and ability to hold to recovery.

c. Investments in preferred stocks are generally carried at amortized cost, while under GAAP preferred stocks are carried at their estimated fair value.

d. Limited partnerships are carried at the underlying audited GAAP equity value with the change in valuation reflected in unassigned surplus on an NAIC SAP basis. Income distributions for the limited partnerships are reported as net investment income on an NAIC SAP basis. Under GAAP the change in valuation as well as the income distributions are reflected in either net investment income or as a realized gain or loss depending on the underlying investments.

e. Acquisition costs, such as commissions and other costs related to acquiring new business, are charged to operations as incurred, while under GAAP they are deferred and amortized to income as premiums are earned.

f. NAIC SAP requires an amount be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as admitted assets and a federal income tax provision is required on a current basis for the statutory statements of operations.

g. NAIC SAP policy reserves are based on morbidity, mortality and interest assumptions prescribed or permitted by state statutes and Company experience. Morbidity and lapse assumptions are Company estimates with statutory limitations. The effect on reserves, if any, due to a change in valuation basis is recorded directly to unassigned surplus rather than included in the determination of net gain from operations. GAAP policy reserves are based on the Company's estimates of morbidity, mortality, interest and withdrawals.

h. The asset valuation reserve ("AVR") and interest maintenance reserve ("IMR") are established only in the statutory financial statements.

i. Assets are reported under NAIC SAP at admitted asset value and nonadmitted assets are excluded through a charge to surplus, while under GAAP nonadmitted assets are reinstated to the balance sheet, net of any valuation allowance.

j. Reinsurance recoverables on unpaid losses are reported as a reduction of policy reserves, while under GAAP they are reported as an asset.

k. Comprehensive income and its components are not presented in the NAIC SAP basis financial statements.

l. The funded status of the defined benefit plans is measured at the reporting date and gains or losses and prior service costs are recognized in comprehensive income under GAAP. The funded status of the defined benefit plans is not measured or recognized under NAIC SAP.

m. Subsidiaries are included as common stock carried under the equity method, with the equity in the operating results of subsidiaries credited or charged directly to the Company's surplus for NAIC SAP. Dividends received from subsidiaries are recorded in net investment income. GAAP requires either consolidation or equity method reporting with operating results of subsidiaries reflected in the statements of operations.

n. Surplus notes are reported as surplus while under GAAP they are reported as long-term debt.

o. For loss contingencies, when no amount within management's estimate of the range is a better estimate than any other amount, the midpoint of the range is accrued. Under GAAP, the minimum amount in the range is accrued.

p. Gains on "economic transactions" with related parties are recognized and deferred in surplus under NAIC SAP rather than deferred until the assets are sold to third parties as required under GAAP.

Use of Estimates — The preparation of financial statements in accordance with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions include those used in determining investment valuation in the absence of quoted market values and impairments, aggregate reserves for policies and contracts, policy and contract claims and deferred taxes. Actual results could differ from those estimates.

The process of determining the fair value of investments and whether or not an investment is recoverable relies on projections of future cash flows, investment operating results and market conditions. Projections are inherently uncertain and, accordingly, actual future cash flows may differ materially from projected cash flows. As a result, the Company's investment valuations are susceptible to the risk inherent in making such projections.

Policy and contract claims are estimated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs. Revisions of these estimates are reflected in operations in the year they are made.

Due to the length of health and accident contracts and risks involved, the process of estimating health and accident active life reserves is inherently uncertain. Health and accident active life reserves are estimated using morbidity tables and prescribed mortality and interest-rate assumptions. Actual morbidity, mortality, and interest rates are likely to differ from expected rates.

Deferred taxes are recognized to the extent there are differences between the statutory and tax bases of assets and liabilities. Deferred taxes are also recognized for carryforward items including net operating loss carryovers, capital loss carryovers, charitable contribution carryovers and credits. NAIC SAP requires that temporary differences and carryforward items be identified and measured. Deductible temporary differences and carryforward amounts that generate tax benefits when they reverse or are utilized are tax affected in determining the deferred tax asset ("DTA"). Taxable temporary differences include items that will generate tax expense when they reverse and are tax affected in determining the deferred tax liability ("DTL").

In the determination of the amount of the DTA that can be recognized and admitted, the amount of the income tax benefit from current year losses and credits that can be carried back to prior years is first determined. NAIC SAP then requires that DTAs be limited to an amount that is expected to be realized in the future based on a qualitative analysis of the company's temporary differences, past financial history and future earnings projections. The amount of the admitted DTA is further limited to the amount of deductible temporary differences and carryforward amounts that are expected to be realized within three years from the reporting date. The admitted DTA is also offset by the amount of the DTL.

Investments — Investments are reported according to valuation procedures prescribed by the NAIC. Bonds are stated at amortized cost using the effective yield method; except for certain bonds with an NAIC designation of 6, which are stated at lower of amortized cost or fair value. The use of fair value may cause some of the loan-backed securities previously designated as NAIC 6 to be reassigned to a different designation.

Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective or prospective method based on anticipated prepayments from the date of purchase. Prepayment assumptions for loan-backed securities are based on information obtained from brokers or internal estimates based on original term sheets, offer memoranda, historical performance or other forecasts. Changes in estimated cash flows due to changes in estimated prepayments are accounted for using the prospective method for impaired securities and the retrospective method for all other securities.

Preferred stocks, redeemable and perpetual, are carried at amortized cost; except for preferred stocks that are NAIC rated 4 through 6, which are stated at lower of amortized cost or fair value.

With the exception of the Company's Federal Home Loan Bank of Topeka ("FHLB") common stocks, which are carried at cost, common stocks of unaffiliated companies are stated at NAIC market value and common stocks of affiliated companies (principally insurance companies) are carried on the statutory equity method. Changes in the carrying values are recorded as a change in net unrealized capital gains (losses), a component of surplus. Dividends are reported in net investment income.

Mortgage loans are carried at the unpaid principal balance. The Company records a reserve for losses on mortgage loans as part of the AVR.

Home office real estate is valued at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives, generally forty years, of the related assets. Real estate held for sale is valued at the lower of depreciated cost or estimated fair value, less estimated selling expenses.

Cash equivalents are highly liquid debt securities purchased with an original maturity of less than three months. Cash equivalents are carried at cost, which approximates fair value.

Short-term investments include related party notes and investments whose original maturities are three months to one year and are stated at cost, which approximates fair value.

Other invested assets include investments in ECR, investments in low-income housing properties (carried at amortized cost), securities lending cash collateral, limited partnerships and receivables for securities. The investment in ECR is carried at the underlying GAAP equity. Changes are recorded in unrealized capital gains through surplus. Distributions of income from this investment are recorded in net investment income. ECR is a limited liability company established for the development and operation of real estate in Omaha, Nebraska. Mutual of Omaha is the sole member. As a result of the current downturn in the real estate market, impairment testing was performed as of December 31, 2010 and 2009 with revised expected cash flows. As a result of impairment testing, an impairment loss of $18,700,000 was included in net realized capital losses in the statutory statements of operations for the year ended December 31, 2009, representing the difference between the carrying value and the estimated fair value. There were no impairments recorded for the year ended December 31, 2010. At December 31, 2010 and 2009, the Company's investment in ECR was $30,158,446 and $25,617,663, respectively.

Limited partnerships are carried at their underlying GAAP equity with a one quarter lag adjusted for all capital distributions, cash distributions, and impairment charges for the quarter with changes recorded in unrealized gains (losses) through surplus. The fair values of the limited liability partnerships are determined using the underlying audited GAAP financial statements. Distributions of income from these investments are recorded in net investment income.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended when mortgage-backed or asset-backed securities are in default or when the receipt of interest payments is in doubt. Realized gains and losses on the sale of investments are determined on the specific identification basis.

Investment income due or accrued for which it is probable the balance is uncollectible is written off and charged to investment income. Investment income due or accrued deemed collectible on mortgage loans in default that is more than 180 days past due is nonadmitted. All other investment income due or accrued deemed collectible that is more than 90 days past due is nonadmitted.

Company-Owned Life Insurance — Company-owned life insurance ("COLI") represents individual life insurance policies on the lives of certain key officers who have provided positive consent allowing the Company to be the beneficiary of such policies. The cash surrender values of the policies were $172,396,000 and $107,018,000 at December 31, 2010 and 2009, respectively, and were included in other assets. The gain in surrender value of $15,377,686 and $18,934,000 for the years ended December 31, 2010 and 2009, respectively, associated with the policies is included in other income.

Property — Property is carried at cost less accumulated depreciation or amortization and are included in other assets. The Company provides for depreciation of property using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are generally depreciated over two to fifteen years. Leasehold improvements are carried at cost less accumulated amortization. The Company provides for amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term, excluding options or renewal periods. Leasehold improvements are generally depreciated over three to twenty years. Depreciation and amortization expense was $3,435,411 and $3,662,958 for the years ended December 31, 2010 and 2009, respectively.

Electronic Data Processing ("EDP") Equipment and Software — EDP equipment and operating and nonoperating software are carried at cost less accumulated depreciation or amortization and are included in other assets. Depreciation expense is computed using the straight-line method over the lesser of the estimated useful life of the related asset or three years for EDP equipment and operating system software. Depreciation expense for nonoperating system software is computed using the straight-line method over the lesser of its estimated useful life or five years. Costs incurred for the development of internal use software are capitalized and amortized using the straight-line method over the lesser of the useful lives of the assets or three years.

Policy Reserves and Deposit-Type Contracts — Policy and contract claims represent the amounts estimated for claims that have been reported but not settled and estimates for claims incurred but not reported. Claim adjustment expenses are accrued and included in operating expenses.

Policy reserves include active life reserves, disabled life reserves, claim reserves and unearned premiums. Active life reserves for health contracts are based on statutory mortality and interest assumptions. Morbidity and lapse assumptions are Company estimates with statutory limitations. Such reserves are calculated on a net-level premium method or on a one or two-year preliminary term basis. Disabled life reserves are based on statutory interest assumptions. Termination assumptions are based on

Company experience governed by statutory guidelines. In 2010, the Company recorded an adjustment to increase unassigned surplus, included in other – net, and decrease policy reserves by $5,057,698 for the correction of an error in accounting for active life reserves.

The Company maintains deposit-type contracts related to health deposits. Reserves for deposit-type contracts are equal to deposits received and interest credited to the benefit of contract holders, less withdrawals that represent a return to the contract holder.

The Company anticipates investment income as a factor in premium deficiency calculations. As of December 31, 2010 and 2009, the Company had $20,035,000 and $20,124,410, respectively, of premium deficiency reserves related to its individual and discretionary group major medical lines of business. Liabilities for losses are based on projections of aggregated and policy level cash flows reflective of contractual limits of liability.

Reinsurance — In the normal course of business, the Company assumes and cedes insurance business from its affiliates and unrelated third parties in order to limit its maximum loss, provide greater diversification of risk, minimize exposures on larger risks and expand certain business lines. The ceding of insurance business does not discharge an insurer from its primary legal liability to a policyholder. The Company remains liable to the extent that a reinsurer is unable to meet its obligations. Amounts recoverable from reinsurers are reviewed for collectability on a quarterly basis. An allowance is established for all amounts deemed uncollectible and losses are charged against the allowance when the uncollectability of amounts recoverable from reinsurers is confirmed. Balances are included in the statutory statements of admitted assets, liabilities and surplus and the statutory statements of operations, net of reinsurance.

Amounts recoverable from reinsurers are based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the amounts recoverable are appropriately established.

Asset Valuation Reserve and Interest Maintenance Reserve — The Company establishes certain reserves as promulgated by the NAIC. The AVR is determined by formula and is based on the Company's investments in bonds, preferred stocks, common stocks, mortgages loans, real estate, short-term investments and other invested assets. This valuation reserve requires appropriation of surplus to provide for possible losses on these investments. Realized and unrealized capital gains (losses), other than those resulting from interest-rate changes are credited or charged to the AVR.

The IMR is used to defer realized capital gains and losses, net of tax, on sales of bonds and certain other investments that result from interest-rate changes. These gains and losses are then amortized into investment income over what would have been the remaining years to maturity of the underlying investments. Amortization included in net investment income was $705,603 and $1,681,856 for the years ended December 31, 2010 and 2009, respectively.

Premiums and Related Commissions — Health and accident premiums are recognized as income over the terms of the policies. Commissions and other expenses related to the acquisition of policies are charged to operations as incurred.

On January 1, 2009, the Company recorded an adjustment to increase unassigned surplus and decrease other liabilities by $9,825,979 for the correction of an error in accounting for advanced commissions. The Company is currently expensing advanced commissions when incurred in accordance with NAIC SAP.

Vulnerability Due to Certain Risks and Concentrations — The following is a description of the most significant risks facing life and health insurers and how the Company manages those risks:

Legal/regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional costs or expenses not anticipated by the insurer in pricing its products. The Company mitigates this risk by operating throughout the United States, thus reducing its exposure to any single jurisdiction, and by diversifying its products. The Company monitors economic and regulatory developments that have the potential to impact its business.

Interest-rate risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments or cause changes in policyholder behavior resulting in changes in asset or liability cash flows. The Company mitigates this risk through various asset liability management techniques, including duration matching and matching the maturity schedules of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company may have to sell assets prior to maturity and recognize a gain or loss.

Credit risk is the risk that issuers of securities owned by the Company will default, or that other parties, including reinsurers who owe the Company money, will not pay. The Company has strict policies regarding the financial stability and credit standing of its counterparties. The Company attempts to limit its credit risk by dealing with credit worthy counterparties and obtaining collateral where appropriate.

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss, generate cash to meet funding requirements or make a required profit. The Company has established an appropriate liquidity risk management framework to evaluate current and future funding and liquidity requirements. Future liquidity requirements are projected on a regular basis as part of the financial planning process.

Other-Than-Temporary Declines in Fair Value — The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer.

The Company recognizes OTTI of bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statement of operations.

For loan-backed securities, prior to July 1, 2009, OTTI were recognized when a revaluation based on new prepayment assumptions resulted in a reduction of yield. When an OTTI was recognized, the cost basis of the loan-backed security was written down to fair value and accounted for as a realized capital loss. Interest related declines in value were considered other-than-temporary only when the Company had the intent to sell the investment, at the reporting date, before recovery of the cost of the investment.

For loan-backed securities, beginning July 1, 2009, OTTI are recognized when the fair value is less than the amortized cost basis and the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery. When an OTTI is recognized because the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, the amortized cost basis of the loan-backed security is written down to the fair value and the amount of the write down is recorded as a realized capital loss.

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cashflows discounted at the security's effective interest rate is less than the amortized cost basis as of the balance sheet date. When an OTTI is recognized the loan-backed security is written down to the discounted estimated future cash flows and is recorded as a realized capital loss.

The Company recognizes OTTI of stocks for declines in value that are other-than-temporary and reports those adjustments as realized capital losses in the statement of operations.

The Company recognizes OTTI of limited partnerships generally when the underlying GAAP equity of the partnership is less than 80% of amortized cost and the limited partnership reports realized capital losses on their financial statements or shows other indicators of loss. When an OTTI is recognized, the limited partnership is written down to fair value and the amount of the impairment is recorded as a realized capital loss in the statement of operations.

The Company performs a monthly analysis of the prices received from third parties to assess if the prices represent a reasonable estimate of fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals.

Accounting Pronouncements — In November 2010, the NAIC issued SSAP No. 91 – Revised, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SSAP No. 91R"). SSAP No. 91R amends SSAP No. 91, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, by requiring the recognition of an asset and a liability for cash collateral received in a securities lending transaction. This guidance clarifies that collateralization, which provides protection from counterparty default risk, should be measured as the fair value of the collateral obtained. Effective December 31, 2010, SSAP No. 91R requires recognition of an asset and a liability for cash collateral received in the Company's securities lending transactions in the Statutory Statements of Admitted Assets, Liabilities and Surplus. See Note 7, Borrowings, for further disclosure of the Company's securities lending transactions.

In October 2010, the NAIC issued Ref: 2003-12, *Guarantees*, which amends SSAP No. 5R, *Liabilities, Contingencies, and Impairment of Assets*, and SSAP No. 25, *Accounting for and Disclosures about Transactions with Affiliates*. This guidance requires certain companies, at the inception of a guarantee, to recognize a liability for the obligation it has undertaken even if the likelihood of performance under the guarantee is remote. Certain guarantee contracts, including guarantees made to/or on the behalf of wholly-owned subsidiaries, are exempted from initial liability recognition but are still subject to disclosure requirements. This guidance also revises SSAP No. 25 to require additional disclosures on all guarantee contracts, including those exempted from initial liability recognition. The Company's guarantee contract is made on behalf of a wholly-owned subsidiary and is exempted from liability recognition. See Note 12, Commitments and Contingencies, for further disclosure of the Company's guarantee contract.

On January 1, 2010, the Company adopted SSAP No. 100, *Fair Value Measurements* ("SSAP No. 100"). SSAP No. 100 adopts with modifications the new GAAP fair value guidance that defines fair value and establishes a framework for measuring fair value. SSAP No. 100 does not require new fair value measurements. SSAP No. 100 clarifies a number of considerations with respect to fair value measurement objectives for financial reporting and expands disclosures about the use of fair value measurements, with particular emphasis on the inputs used to measure fair value. In August 2010, the NAIC issued Ref: 2010-05, Accounting Standards Update ("ASU") *2010-06, Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements* ("Ref: 2010-05"), which adopts the provisions of GAAP ASU 2010-06, *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements*. Ref: 2010-05 amends SSAP No. 100 to require additional

fair value disclosures including transfers between Levels 1 and 2 and transfers in and out of Level 3 in the hierarchy of fair value measurements, a more detailed reconciliation of Level 3 investments, and further disclosure of the inputs and valuation techniques used to measure fair value. The Level 3 reconciliation disclosure is effective for fiscal years beginning after December 15, 2010. See Note 4, Fair Value Measurements, for the required disclosures.

In December 2009, the NAIC issued SSAP No. 10 — Revised, *Income Taxes, Revised — A Temporary Replacement of SSAP No. 10* ("SSAP No. 10R"). SSAP No. 10R amends SSAP No. 10, *Income Taxes* ("SSAP No. 10"), by allowing for an option to increase the admitted deferred tax assets for companies with risk-based capital that exceeds 250%. The additional admitted deferred tax assets under SSAP No. 10R are limited to the lesser of the amount of deferred tax assets expected to be realized within 3 years or 15% of surplus. SSAP No. 10R also amends the disclosure requirements under SSAP No. 10 and includes additional disclosure requirements. SSAP No. 10R was effective on December 31, 2009 and is effective for the year ended December 31, 2010. In September 2010, the NAIC issued Ref: 2010-09, *DTA Admission – SSAP 10R Analysis*, which extends the provisions of SSAP 10R an additional year through December 31, 2011 and requires disclosure of the Company's tax planning strategies related to its deferred tax assets. The cumulative effect of adopting SSAP No. 10R as of December 31, 2009, was to increase special surplus by $19,380,556. See Note 5, Income Taxes, for the required disclosures.

In September 2009, the NAIC issued SSAP No. 43 — Revised, *Loan Backed and Structured Securities* ("SSAP No. 43R"). SSAP No. 43R supersedes SSAP No. 98, *Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments*, an Amendment of SSAP 43 — *Loan-backed and Structured Securities* ("SSAP No. 98"), which was issued in November 2008 and was originally effective on January 1, 2009. Due to the issuance of GAAP guidance on the recognition and presentation of OTTI in April 2009, the implementation of SSAP No. 98 was delayed by the NAIC and was ultimately superseded by SSAP No. 43R.

SSAP No. 43R is effective for existing and new investments held on or after September 30, 2009, and adopts, with modifications, GAAP guidance on the recognition and presentation of OTTI. This guidance amends previous guidance for determining whether impairments on loan-backed and structured securities are other-than-temporary and expands the disclosure requirements of OTTI on loan-backed and structured securities in the financial statements. This guidance changes how an entity recognizes an OTTI for loan-backed and structured securities by requiring that an OTTI be recognized in earnings when it is anticipated that the amortized cost will not be recovered. In such situations, the OTTI recognized in earnings is the entire difference between the security's amortized cost and its fair value only when either the Company has the intent to sell the security or the Company does not have the intent and ability to hold the security to recovery. If neither of these two conditions is present, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings.

SSAP No. 43R requires a cumulative effect adjustment to unassigned surplus in the period of adoption with a corresponding adjustment to the related loan-backed and structured securities for the difference between the fair value and the present value of projected future cash flows expected to be collected for loan-backed and structured securities held on July 1, 2009. The cumulative effect of adopting SSAP No. 43R was to increase unassigned surplus by $2,115,766. The required disclosures are included in Note 2, Investments, to the financial statements.

In December 2008, the NAIC issued illustrative examples of disclosures for several significant GAAP standards effective in 2008 that have not yet been addressed by the Statutory Accounting Principles Working Group to be included in the audited statutory financial statements. These GAAP standards include new guidance on income taxes. The new guidance on income taxes requires that the effects of a tax position be recognized only if it is "more-likely-than-not" to be sustained based solely on its

technical merits as of the reporting date. The effects of the tax position are measured as the amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The adoption of the new guidance on income taxes did not have a material impact on the Company's financial statements. The Company classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2010 and 2009, interest and penalties were not significant to the Company's financial statements.

In September 2008, the NAIC issued SSAP No. 99, *Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment* ("SSAP No. 99"). SSAP No. 99 adopts GAAP guidance in paragraph 16 of Financial Accounting Standards Board ("FASB") Staff Position No. FAS 115-1/124-1, *The Meaning of an Other-Than-Temporary Impairment and its Application to Certain Investments*. SSAP No. 99 was effective January 1, 2009. Under the provisions of SSAP No. 99, for bonds, an OTTI should be considered to have occurred if it is probable that all amounts due according to the contractual terms of the security will not be collected. An impairment loss is recognized as a realized capital loss equal to the difference between the carrying value and the fair value of the security at the reporting date. The new cost basis cannot be adjusted for subsequent recoveries in fair value. The adoption of SSAP No. 99 did not have a material impact on the Company's financial statements.

2. INVESTMENTS

The carrying value and estimated fair value of investments in bonds, including loan-backed securities, by type and redeemable preferred stocks at December 31, were as follows:

2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government	$ 5,105,121	$ 876,372	$ -	$ 5,981,493
States, territories and possessions	2,240,723	21,513	(26,230)	2,236,006
Special revenue	3,081,259	318,469	-	3,399,728
Political subdivisions	723,178	21,966	-	745,144
Hybrids	32,098,445	9,272,469	(1,684,810)	39,686,104
Foreign corporate	159,291,660	10,667,170	(941,630)	169,017,200
U.S. & Canadian corporate	879,437,497	77,160,943	(3,595,685)	953,002,755
Commercial mortgage-backed securities	499,339,864	26,071,930	(17,865,749)	507,546,045
Residential mortgage-backed securities	355,877,237	29,531,091	(2,308,540)	383,099,788
Other asset-backed securities	50,969,701	2,687,863	(759,548)	52,898,016
Total bonds	1,988,164,685	156,629,786	(27,182,192)	2,117,612,279
Redeemable preferred stocks	13,823,739	349,208	(645,335)	13,527,612
Total	$ 2,001,988,424	$ 156,978,994	$ (27,827,527)	$ 2,131,139,891

2009	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government	$ 5,126,059	$ 364,325	$ -	$ 5,490,384
States, territories and possessions	471,115	36,281	-	507,396
Special revenue	4,198,459	206,139	-	4,404,598
Hybrids	33,520,374	8,303,042	(3,431,616)	38,391,800
Foreign corporate	140,521,802	4,713,950	(2,059,030)	143,176,722
U.S. & Canadian corporate	852,923,208	46,528,766	(14,403,654)	885,048,320
Commercial mortgage-backed securities	465,406,959	11,376,691	(42,380,541)	434,403,109
Residential mortgage-backed securities	406,658,586	15,586,288	(12,412,527)	409,832,347
Other asset-backed securities	72,615,733	1,590,612	(5,358,009)	68,848,336
Total bonds	1,981,442,295	88,706,094	(80,045,377)	1,990,103,012
Redeemable preferred stocks	11,709,641	330,552	(126,974)	11,913,219
Total	$ 1,993,151,936	$ 89,036,646	$ (80,172,351)	$ 2,002,016,231

Bonds with an NAIC designation of 6 of $1,546,747 and $8,619 at December 31, 2010 and 2009, respectively, were carried at fair value, which was less than amortized cost.

The Company's bond portfolio is primarily comprised of investment grade securities. Based upon designations by the NAIC, investment grade bonds comprised 94.3% and 94.9% of the Company's total bond portfolio at December 31, 2010 and 2009, respectively.

The carrying value and estimated fair value of bonds and redeemable preferred stock at December 31, 2010, by contractual maturity, are shown below. Actual maturities may differ as a result of prepayments by the issuer. Mortgage-backed and other asset-backed securities provide for periodic payments throughout their lives so they are listed in a separate category.

	Carrying Value	Estimated Fair Value
Due in one year or less	$ 39,341,149	$ 39,880,054
Due after one year through five years	195,089,657	210,265,166
Due after five years through ten years	325,003,330	343,566,338
Due after ten years	536,367,486	593,884,484
Mortgage-backed and other asset-backed securities	906,186,802	943,543,849
Total	$2,001,988,424	$2,131,139,891

An aging of unrealized losses on the Company's investments in bonds and redeemable preferred stock at December 31, was as follows:

	2010					
	Less Than One Year		One Year or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
States, territories and possessions	$ 1,744,378	$ (26,230)	$ -	$ -	$ 1,744,378	$ (26,230)
Hybrids	4,406,944	(120,291)	10,757,952	(1,564,519)	15,164,896	(1,684,810)
Foreign corporate	12,262,970	(737,030)	5,795,400	(204,600)	18,058,370	(941,630)
U.S. & Canadian corporate	73,648,639	(2,075,239)	29,454,308	(1,520,446)	103,102,947	(3,595,685)
Commercial mortgage-backed securities	89,224,108	(3,364,888)	52,987,529	(14,500,861)	142,211,637	(17,865,749)
Residential mortgage-backed securities	14,134,584	(76,059)	21,496,684	(2,232,481)	35,631,268	(2,308,540)
Other asset-backed securities	45,768	(35)	9,000,261	(759,513)	9,046,029	(759,548)
Total bonds	195,467,391	(6,399,772)	129,492,134	(20,782,420)	324,959,525	(27,182,192)
Preferred stocks	3,377,130	(645,335)	-	-	3,377,130	(645,335)
Total	$ 198,844,521	$ (7,045,107)	$ 129,492,134	$ (20,782,420)	$ 328,336,655	$ (27,827,527)

	2009					
	Less Than One Year		One Year or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Hybrids	$ 18,119,951	$ (3,431,616)	$ -	$ -	$ 18,119,951	$ (3,431,616)
Foreign corporate	25,007,380	(992,620)	28,701,590	(1,066,410)	53,708,970	(2,059,030)
U.S. & Canadian corporate	78,410,916	(2,742,300)	175,309,194	(11,661,354)	253,720,110	(14,403,654)
Commercial mortgage-backed securities	153,214,986	(7,069,833)	106,944,590	(35,310,708)	260,159,576	(42,380,541)
Residential mortgage-backed securities	35,800,584	(4,080,004)	61,315,854	(8,332,523)	97,116,438	(12,412,527)
Other asset-backed securities	9,998,114	(1,986,997)	36,530,853	(3,371,012)	46,528,967	(5,358,009)
Total bonds	320,551,931	(20,303,370)	408,802,081	(59,742,007)	729,354,012	(80,045,377)
Preferred stocks	-	-	6,505,792	(126,974)	6,505,792	(126,974)
Total	$ 320,551,931	$ (20,303,370)	$ 415,307,873	$ (59,868,981)	$ 735,859,804	$ (80,172,351)

As described in Note 1, the Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Net realized capital losses for the years ended December 31, 2010 and 2009 include losses of $863,483 and $9,141,364, respectively, resulting from other-than-temporary declines in the fair value of bonds or change in expected cash flows, which are not included in the table above.

Information and concentrations related to bonds in an unrealized loss position are included below. The tables below include the number of securities in an unrealized loss position for greater than and less than twelve months, the average price, the average credit rating, and the percentage of these securities that were investment grade based on NAIC designations at December 31, 2010.

	Number of Securities					
Unrealized Losses > 12 months	**Total**	**Less Than 10% Amortized Cost**	**Greater Than 20% Amortized Cost**	**Average Price ($)**	**Average Credit Rating**	**Percent Investment Grade**
Hybrid	12	7	2	76	Baa2	71.9%
Foreign corporate	2	2	-	97	A3	100.0%
U.S. and Canadian corporate	9	7	-	96	A3	72.9%
Commercial mortgage-backed securities	11	5	5	76	A2	73.8%
Residential mortgage-backed securities	6	5	1	86	Aa2	100.0%
Other asset-backed securities	5	2	-	94	A3	80.0%
Total securities	45	28	8			

	Number of Securities					
Unrealized Losses < 12 months	**Total**	**Less Than 10% Amortized Cost**	**Greater Than 20% Amortized Cost**	**Average Price ($)**	**Average Credit Rating**	**Percent Investment Grade**
States, territories and possessions	1	1	-	96	A1	100.0%
Hybrid	7	7	-	48	Baa3	100.0%
Foreign corporate	4	3	-	94	Baa2	100.0%
U.S. and Canadian corporate	19	17	-	98	A3	93.1%
Commercial mortgage-backed securities	12	11	-	94	Aa2	87.3%
Residential mortgage backed securities	2	2	-	100	Aaa	100.0%
Other asset-backed securities	1	1	-	101	Aaa	100.0%
	46	42	-			
Preferred stock	2	1	-	84	A1	100.0%
Total securities	48	43	-			

Foreign corporate fixed maturities are supported by a portfolio containing 5 industries, of which 51.1% were food related, 19.4% were pipelines and terminals and 18.3% were healthcare. U.S. and Canadian corporate fixed maturities are supported by a portfolio containing 18 industries, of which 20.3% were retail and distributors, 13.2% were oil and gas and 12.6% were food related. The Company's mortgage-backed securities are supported by both residential and commercial mortgage loans. The unrealized losses relating to other asset-backed securities, principally supported by insurance wraps and collateralized bond obligations, are due to changes in credit spreads.

Gross unrealized losses for mortgage and other asset-backed securities at December 31, 2010, by vintage were as follows:

	Gross Unrealized Losses							
		Non Agency						
	Agency	2005 and Prior	2006	2007	2008	2009	2010	Total
Commercial mortgage-backed securities	$ 1,128,553	$ 8,555,285	$8,059,621	$ -	$ -	$ -	$ 122,290	$17,865,749
Residential mortgage-backed securities	-	163,022	1,047,063	1,098,455	-	-	-	2,308,540
Alt-A	-	185,178	-	-	-	-	-	185,178
Subprime	-	97,859	-	-	-	-	-	97,859
Other asset-backed securities	476,511	-	-	-	-	-	-	476,511
Total securities	$ 1,605,064	$ 9,001,344	$9,106,684	$ 1,098,455	$ -	$ -	$ 122,290	$20,933,837

Within its investments in asset-backed securities in the home equity sector, the Company has an exposure to subprime and Alt-A mortgage loans, which it manages in several ways. First, the Company monitors its exposure level to asset-backed securities against its annual investment authorization level approved by the board of directors. Restrictions include exposure at the aggregate level to asset-backed securities along with exposure to ratings classes, subsectors, issuers and specific assets. Also, the Company continually tracks securities backed by subprime mortgage loans for factors including credit performance, rating agency actions, prepayment trends and de-levering. Loans with trends that may indicate underperformance are monitored closely for any further deterioration that may result in action by the Company.

The Company’s subprime and Alt-A mortgage loan exposure as of December 31, 2010 and 2009, has a carrying value of $5,901,474 and $6,554,099 with a fair value of $5,618,437 and $5,824,694, respectively. The Company believes that the decline in value is temporary based on an evaluation of factors, including, but not limited to the Company’s intentions to sell or intent and ability to hold the investments to recovery and the estimated future cash flows indicating recovery of amortized cost of the investment in the above bonds.

Proceeds from sales or disposals of bonds and stocks and the components of bond and stock net realized capital gains (losses) for the years ended December 31, are as follows:

	2010	2009
Proceeds from sales or disposals:		
Bonds	$ 9,723,497	$ 41,732,011
Stocks	$ 5,800,493	$ 6,926,621
Net realized capital gains (losses):		
Bonds:		
Gross capital gains from sales or other disposals	$ 1,606,424	$ 1,362,851
Gross capital losses from sales or other disposals	(4,167)	(591,615)
Losses from writedowns	(863,483)	(9,141,364)
Net realized capital gains (losses)	$ 738,774	$ (8,370,128)
Stocks:		
Gross capital gains from sales or other disposals	$ 433,751	$ 597,221
Gross capital losses from sales or other disposals	(193,161)	(3,287,586)
Losses from writedowns	(13,506,502)	(9,548,165)
Net realized capital losses	$ (13,265,912)	$ (12,238,530)

Bond income due and accrued of $30,788 and $538,804 related to bonds in default was excluded from investment income during the years ended December 31, 2010 and 2009, respectively.

Mortgage Loans — The Company invests in mortgage loans collateralized principally by commercial real estate throughout the United States. The maximum and minimum lending rates for mortgage loans during 2010 were 6.80% and 5.38%, respectively. At December 31, 2010, the maximum percentage of any one loan to the value of the collateral security at the time of the loan, exclusive of insured, guaranteed or purchase money mortgages, was 65%.

Net realized capital losses for the year ended December 31, 2010 and 2009 include losses of $252,942 and $667,364, respectively, resulting from other-than-temporary declines in the fair value of mortgage loans. At December 31, 2010 and 2009, there were no mortgage loans with previously recorded other-than-temporary declines in fair value.

Mortgage loan participations purchased from one loan originator comprise 59% of the portfolio in 2010 and 61% in 2009. The properties collateralizing mortgage loans are geographically dispersed throughout the United States, with the largest concentration in California (approximately 23% at December 31, 2010 and 2009).

Limited Partnerships — Net realized capital losses for the years ended December 31, 2010 and 2009, include losses of $12,584,193 and $56,926,365, respectively, resulting from other-than-temporary declines in fair value of limited partnerships due to current market conditions.

3. STRUCTURED SECURITIES

The carrying value and estimated fair value of structured securities, by type, at December 31, were as follows:

2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities:				
Commercial	$ 499,339,864	$ 26,071,930	$ (17,865,749)	$ 507,546,045
Residential	355,877,237	29,531,091	(2,308,540)	383,099,788
	855,217,101	55,603,021	(20,174,289)	890,645,833
Other asset-backed securities	50,969,701	2,687,863	(759,548)	52,898,016
Total	$ 906,186,802	$ 58,290,884	$ (20,933,837)	$ 943,543,849

2009	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities:				
Commercial	$ 465,406,959	$ 11,376,691	$ (42,380,541)	$ 434,403,109
Residential	406,658,586	15,586,288	(12,412,527)	409,832,347
	872,065,545	26,962,979	(54,793,068)	844,235,456
Other asset-backed securities	72,615,733	1,590,612	(5,358,009)	68,848,336
Total	$ 944,681,278	$ 28,553,591	$ (60,151,077)	$ 913,083,792

An aging of unrealized losses on the Company's structured securities at December 31, was as follows:

	2010					
	Less Than One Year		One Year or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Mortgage-backed securities:						
Commercial	$ 89,224,108	$ (3,364,888)	$ 52,987,529	$ (14,500,861)	$ 142,211,637	$ (17,865,749)
Residential	14,134,584	(76,059)	21,496,684	(2,232,481)	35,631,268	(2,308,540)
	103,358,692	(3,440,947)	74,484,213	(16,733,342)	177,842,905	(20,174,289)
Other asset-backed securities	45,768	(35)	9,000,261	(759,513)	9,046,029	(759,548)
Total	$ 103,404,460	$ (3,440,982)	$ 83,484,474	$ (17,492,855)	$ 186,888,934	$ (20,933,837)

	2009					
	Less Than One Year		One Year or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Mortgage-backed securities:						
Commercial	$ 153,214,986	$ (7,069,833)	$ 106,944,590	$ (35,310,708)	$ 260,159,576	$ (42,380,541)
Residential	35,800,584	(4,080,004)	61,315,854	(8,332,523)	97,116,438	(12,412,527)
	189,015,570	(11,149,837)	168,260,444	(43,643,231)	357,276,014	(54,793,068)
Other asset-backed securities	9,998,114	(1,986,997)	36,530,853	(3,371,012)	46,528,967	(5,358,009)
Total	$ 199,013,684	$ (13,136,834)	$ 204,791,297	$ (47,014,243)	$ 403,804,981	$ (60,151,077)

Other-than-temporary impairments are recognized based on the Company's intent to sell, inability to hold to maturity and the when present value of future cash flows is expected to be less than the amortized cost of the security. There was no OTTI on loan-backed and structured securities related to the intent to sell or inability to hold to maturity. All of the Company's OTTI on loan-backed and structured securities since the adoption of SSAP No. 43R on July 1, 2009, were based on the present value of future cash flows expected to be less than the amortized cost of the security as shown in the following table:

CUSIP	Amortized Cost Basis Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value	Date of Financial Statement Where Reported
20162FAL2	$ 8,316,246	$ 8,153,413	$ 162,833	$ 8,153,413	$ 4,257,140	12/31/2010
61750WBB8	5,741,745	5,622,452	119,293	5,622,452	2,069,018	3/31/2010
22546BAK6	3,924,193	3,917,781	6,412	3,917,781	1,315,660	3/31/2010
92978MAK2	3,858,937	3,717,065	141,872	3,717,065	1,741,257	3/31/2010
140725AD4	2,309,311	1,876,238	433,073	1,876,238	868,500	3/31/2010
140725AD4	2,894,271	2,696,092	198,179	2,696,092	583,105	9/30/2009
140725AD4	2,685,363	2,320,961	364,402	2,320,961	648,607	12/31/2009
251547AN5	493,284	484,553	8,731	484,553	413,302	7/1/2009
393505JV5	2,583,279	2,474,017	109,262	2,474,017	2,391,473	7/1/2009
Total	$ 32,806,629	$ 31,262,572	$ 1,544,057	$ 31,262,572	$ 14,288,062	

4. FAIR VALUE MEASUREMENTS

In determining the fair value of financial instruments the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available. In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or liability using quoted prices in an active market for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate. The selection of the valuation method(s) considers the definition of an exit price and considers the nature of the asset or liability being valued. The degree of judgment utilized generally inversely correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions. During the year ended December 31, 2010, valuation techniques consistent with those used at December 31, 2009, have been applied to similar assets and liabilities.

Inputs refer broadly to the assumptions that market participants use in pricing assets or liabilities, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Observable inputs used to determine the fair values of investments and derivative financial instruments include prices obtained from external pricing services and vendors and indicative broker prices. Management reviews these prices to ensure they include references to a variety of observable inputs, to verify the validity of a security's price and determine if the prices represent a reasonable estimate of fair value. These inputs, along with knowledge of the financial conditions and industry in which the issuer operates, are considered in determining whether the quoted or indicated price, as well as the change in price, are valid. On selected securities where there is not an indicated price, some of these inputs may be used to determine a price using a pricing matrix, or a comparable security may be used. The parameters and inputs used to validate a price on a security may be adjusted for assumptions about risk and current market conditions, as certain features may be more significant drivers of valuation at the time of pricing. Changes to inputs in valuations are not changes to valuation methodologies; rather, the inputs are modified to reflect direct or indirect impacts on asset classes from changes in market conditions.

The valuation process may include adjustments to valuations obtained from pricing sources. These adjustments may be made when certain features of the financial instrument, such as its complexity or the market in which the financial instrument is traded, require that an adjustment be made to the value originally obtained from pricing sources. Additionally, an adjustment to the price derived from a model typically reflects judgment that other market participants would use for the same financial instrument.

Certain investments do not have readily determinable market prices and/or observable inputs. For these securities, internally prepared valuations combining matrix pricing with vendor purchased software programs are used, including valuations based on estimates of future profitability, to estimate the fair value. Additionally, the Company may obtain prices from independent third party brokers to aid in establishing valuations for certain of these securities. Key assumptions used to determine fair value for these securities include risk free interest rates, risk premiums and the performance of underlying collateral (if any).

Financial assets and liabilities have been categorized into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are as follows:

Level 1 — Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 — Fair value is based on significant inputs that are observable for the asset or liability, either directly or indirectly, through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities and other market observable inputs. Valuations are generally obtained from third party pricing services for identical or comparable assets or liabilities and validated or determined through use of valuation methodologies using observable market inputs.

Level 3 — Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect assumptions about what market participants would use in pricing the asset or liability. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques.

A description of the significant inputs and valuation techniques used to determine estimated fair value for assets and liabilities on a recurring basis is as follows:

Level 1 Measurements:

Cash Equivalents and Securities Lending Cash Collateral — Comprised of money market instruments, commercial paper and all highly-liquid debt securities purchased with an original maturity of less than three months. Money market instruments are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. When public quotations are not available, because of the highly liquid nature of these assets, carrying amounts may be used to approximate fair values, which are reflected in Level 1.

Company-Owned Life Insurance — Valuation is based on the cash surrender value of the policies, which is based on the daily quoted net asset values of the separate account. The separate account is invested in funds using actively traded and liquid investments.

Level 2 Measurements:

Commercial Mortgage-Backed Securities — These securities are principally valued using either the market approach, which uses prices and other relevant information generated by market transactions for similar assets, or the income approach, which uses valuation techniques to convert future estimated cash flows to a discounted present value amount. The valuation of these securities is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

Common Stock — These securities are principally valued using the market approach. The valuation of these securities is based principally on observable inputs including quoted prices in markets that are not considered active.

Level 3 Measurements:

In general, investments classified within Level 3 use many of the same valuation techniques and inputs as described above. However, if key inputs are unobservable, or if the investments are illiquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or the general lack of transparency in the process to develop the valuation estimates, causing these investments to be classified in Level 3.

Common Stock — These securities are principally valued using the net asset values provided by the asset managers.

Fair Value Measurements — The categorization of fair value measurements by input level, at December 31, were as follows:

2010	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commercial mortgage-backed securities	$ -	$ 1,206,849	$ -	$ 1,206,849
Common stock	-	9,147	7,467,671	7,476,818
Cash equivalents	128,262,963	-	-	128,262,963
Securities lending cash collateral	33,783,180	-	-	33,783,180
COLI	172,395,797	-	-	172,395,797
Total	$ 334,441,940	$ 1,215,996	$ 7,467,671	$ 343,125,607

2009	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stock	$ -	$ 8,471	$ 7,978,084	$ 7,986,555
Cash equivalents	19,798,444	-	-	19,798,444
Short-term investments	-	-	6,682,594	6,682,594
COLI	107,018,007	-	-	107,018,007
Total	$ 126,816,451	$ 8,471	$ 14,660,678	$ 141,485,600

Transfers between Levels 1 and 2 — Transfers in and/or out of any level are assumed to occur at the beginning of the period. During the year ended December 31, 2010, there were no transfers between Level 1 and Level 2.

Transfers out of Level 3 — Assets and liabilities are transferred out of Level 3 when a significant input can be corroborated with market observable data. This occurs when market activity increases significantly and transparency to the underlying inputs can be observed, current prices are available, and when there are not significant variances in quoted prices.

Changes in assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, were as follows:

	Balance January 1, 2010	Gains (Losses) Included in realized losses	Gains (Losses) Included in surplus	Net purchases, sales and repayments	Net transfers in (out) of Level 3	Balance December 31, 2010
Common stock	$ 7,978,084	$ -	$ (31,030)	$ (479,383)	$ -	$ 7,467,671
Short-term investments	6,682,594	-	-	(6,682,594)	-	-
Total	$14,660,678	$ -	$ (31,030)	$(7,161,977)	$ -	$ 7,467,671

	Balance January 1, 2009	Gains (Losses) Included in realized losses	Gains (Losses) Included in surplus	Net purchases, sales and repayments	Net transfers in (out) of Level 3	Balance December 31, 2009
Common stock	$17,297,706	$(8,415,624)	$(1,041,097)	$ 137,099	$ -	$ 7,978,084
Short-term investments	12,676,667	-	-	(5,994,073)	-	6,682,594
Total	$29,974,373	$(8,415,624)	$(1,041,097)	$(5,856,974)	$ -	$14,660,678

Fair Value of Financial Instruments — The carrying values and estimated fair values of the Company's financial instruments at December 31, were as follows:

	2010		2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Bonds	$ 1,988,164,685	$ 2,117,612,279	$ 1,981,442,295	$ 1,990,103,012
Preferred stocks	26,155,492	26,977,818	25,067,050	25,612,934
Common stocks — unaffiliated	9,473,499	9,473,499	9,983,604	9,983,604
Mortgage loans	232,709,171	237,391,842	232,244,070	227,706,254
Cash and cash equivalents	140,297,344	140,297,344	52,015,198	52,015,198
Short-term investments	284,700,000	284,700,000	6,682,594	6,682,594
Securities lending cash collateral	33,783,180	33,783,180	-	-
COLI	172,395,797	172,395,797	107,018,007	107,018,007
Financial liabilities:				
Deposit-type contracts and reinsurance funds withheld	-	-	37,486	37,486
Borrowings	5,298,904	5,298,904	841,160	841,160
Securities lending cash collateral	33,783,180	33,783,180	-	-

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

Bonds — The fair values for bonds, including loan-backed securities, are based on quoted market prices, where available. For bonds for which market values are not readily available, fair values were estimated by the Company using projected future cash flows, current market rates, credit quality and maturity date.

Preferred Stocks — The fair values for preferred stocks are based on market value, where available. For preferred stocks for which market values are not available, fair values were estimated by the Company using projected future cash flows, current market rates, credit quality and maturity date.

Common Stocks — Unaffiliated — The fair values for unaffiliated common stocks are based on market value or GAAP equity depending on the security type.

Mortgage Loans — The fair values for mortgage loans are estimated by discounting expected future cash flows using current interest rates for similar loans with similar credit risk. The fair values cannot exceed the economic value of the collateral. The economic value of the collateral is determined annually by using the property operating statements provided by the property managers and capitalization rates.

Cash and Cash Equivalents, Short-Term Investments and Securities Lending Cash Collateral — The carrying amounts for these instruments approximate their fair values.

Company-Owned Life Insurance — The carrying amount for COLI approximates fair value as it represents the cash value of the policies.

Deposit-Type Contracts and Reinsurance Funds Withheld— The carrying amounts for these contracts approximate their fair values.

Borrowings — The carrying amounts for borrowings approximate their fair value due to their short-term nature.

Considerable judgment is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts the Company could realize in a market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

5. INCOME TAXES

At December 31, 2010, the Company's federal income tax return was consolidated with the following affiliates: The Omaha Indemnity Company; Continuum Worldwide Corporation, KFS Corporation and its subsidiaries, Mutual of Omaha Holdings, Inc. and its subsidiaries, Omaha Financial Holdings, Inc. and its subsidiaries, and United of Omaha and its subsidiaries.

The Company is the parent corporation of an affiliated group of corporations that file a consolidated U.S. Corporate Income Tax Return. The Company allocates income taxes to its subsidiaries pursuant to a written agreement approved by the Board of Directors. Each subsidiary's provision for federal income tax expense is based on separate return calculations whereby the subsidiary has an enforceable right to recoup federal income taxes paid in prior years, if any, in the event of future losses. Omaha Financial Holdings, Inc. and Mutual of Omaha Bank are entitled to a refund of income tax for any losses, deductions or credits claimed in the consolidated U.S. return that result in a reduction in the consolidated tax liability. Omaha Reinsurance Company, a wholly owned subsidiary of United of Omaha, is entitled to a refund of income taxes for any losses, regardless of whether these losses result in a reduction in the consolidated tax liability. The Company also has an enforceable right to use the consolidated net

operating and capital loss carryover, if any, against future net income subject to federal income taxes. The annual cost or benefit of this tax sharing agreement between the Company and its subsidiaries is charged or credited to surplus. Amounts due to subsidiaries at December 31, 2010 and 2009, were $28,783,594 and $31,875,868, respectively, and were included in federal income taxes payable. The Company's deferred tax liability does not include a deferred tax liability for the investment in subsidiaries.

Consolidated federal income taxes incurred during the years ended December 31, which were available for recoupment in the event that the Company incurs future net losses, were as follows:

	Ordinary	**Capital**	**Total**
2010	$ 4,636,200	$ 209,200	$ 4,845,400
2009	127,944	31,640	159,584
2008	15,238,418	5,558,091	20,796,509
	$20,002,562	$ 5,798,931	$25,801,493

Federal income taxes incurred for the years ended December 31, consisted of the following major components:

	2010	**2009**
Current federal income taxes	$ 16,982,970	$ 23,770,405
Tax benefits on capital losses	(1,658,000)	(3,255,000)
	15,324,970	20,515,405
Change in net deferred income taxes	(258,473)	(11,894,059)
Total federal income taxes incurred	$ 15,066,497	$ 8,621,346

Reconciliations between income taxes based on the federal tax rate and the effective tax rate for the years ended December 31, were as follows:

	2010	2009
Net gain from operations before federal income taxes and net realized capital losses	$ 101,402,207	$ 105,987,675
Net realized capital losses before federal income taxes and transfers to IMR	(25,661,727)	(78,261,208)
Total pre-tax income	75,740,480	27,726,467
Statutory tax rate	35 %	35 %
	26,509,168	9,704,263
Prior year tax (benefits) expenses	(3,378,080)	2,891,074
Nonadmitted tax assets in surplus	(1,289,111)	4,024,385
Amortization of IMR	(246,961)	(588,650)
Dividends from affiliates	(1,050,000)	(3,300,542)
Minimum pension liability	3,646,219	3,196,724
Low-income housing tax credits	(2,411,000)	(3,172,000)
Life insurance cash value	(5,382,190)	(6,626,888)
Other	(1,331,548)	2,492,980
Total federal income taxes incurred	$ 15,066,497	$ 8,621,346

The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. For the major jurisdictions where it operates, the Company is generally no longer subject to income tax examinations by tax authorities for years ended prior to 2007. The statute of limitations for the 2007 tax year is scheduled to expire in 2011.

As of December 31, 2010, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date.

The components of deferred tax assets and deferred tax liabilities at December 31, were as follows:

	2010			2009		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 239,066,053	$ 26,970,152	$ 266,036,205	$ 222,870,799	$ 28,422,274	$ 251,293,073
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	239,066,053	26,970,152	266,036,205	222,870,799	28,422,274	251,293,073
Deferred tax liabilities	(23,322,742)	-	(23,322,742)	(18,453,949)	-	(18,453,949)
Net deferred tax asset/liability before admissibility test	$ 215,743,311	$ 26,970,152	$ 242,713,463	$ 204,416,850	$ 28,422,274	$ 232,839,124
Admitted pursuant to paragraph 10.a.	$ 15,056,650	$ 10,744,843	$ 25,801,493	$ 75,948,586	$ 11,539,725	$ 87,488,311
10.b.i.	58,315,879	-	58,315,879	8,274,092	-	8,274,092
10.b.ii.	N/A	N/A	212,937,759	N/A	N/A	198,302,213
Admitted pursuant to 10.b. (lesser of i. or ii.)	58,315,879	-	58,315,879	8,274,092	-	8,274,092
Admitted pursuant to 10.c.	23,322,742	-	23,322,742	18,453,949	-	18,453,949
Additional admitted pursuant to paragraph 10.e.i						
10.e.ii.a.	27,671,734	-	27,671,734	19,380,556	-	19,380,556
10.e.ii.b.	N/A	N/A	106,468,879	N/A	N/A	99,151,107
Additional admitted pursuant to 10.e.ii. (lesser of a. or b.)	27,671,734	-	27,671,734	19,380,556	-	19,380,556
Additional admitted pursuant to 10.e.iii.	-	-	-	-	-	-
Admitted deferred tax asset	124,367,005	10,744,843	135,111,848	122,057,183	11,539,725	133,596,908
Deferred tax liability	(23,322,742)	-	(23,322,742)	(18,453,949)	-	(18,453,949)
Net admitted DTA	$ 101,044,263	$ 10,744,843	$ 111,789,106	$ 103,603,234	$ 11,539,725	$ 115,142,959
Nonadmitted DTA	$ 114,699,048	$ 16,225,309	$ 130,924,357	$ 100,813,616	$ 16,882,549	$ 117,696,165
Total adjusted capital	N/A	N/A	$ 2,723,001,479	N/A	N/A	$ 2,322,684,370
Authorized control level	N/A	N/A	$ 280,072,865	N/A	N/A	$ 267,558,093

	2008		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 228,938,155	$ -	$ 228,938,155
Statutory valuation allowance	-	-	-
Adjusted gross deferred tax assets	228,938,155		228,938,155
Deferred tax liabilities	(12,970,216)	-	(12,970,216)
Net deferred tax asset/liability before admissibility test	$ 215,967,939	$ -	$ 215,967,939
Admitted pursuant to paragraph 10.a.	$ 91,208,472	$ -	$ 91,208,472
10.b.i.	-	-	-
10.b.ii.	N/A	N/A	208,829,110
Admitted pursuant to 10.b. (lesser of i. or ii.)	-	-	-
Admitted pursuant to 10.c.	12,970,216	-	12,970,216
Additional admitted pursuant to paragraph 10.e.i.	N/A	N/A	N/A
10.e.ii.b.	N/A	N/A	N/A
Additional admitted pursuant to 10.e.ii. (lesser of a. or b.)	N/A	N/A	N/A
Additional admitted pursuant to 10.e.iii.	N/A	N/A	N/A
Admitted deferred tax asset	104,178,688	-	104,178,688
Deferred tax liability	(12,970,216)	-	(12,970,216)
Net admitted DTA	$ 91,208,472	$ -	$ 91,208,472
Nonadmitted DTA	$ 124,759,467	$ -	$ 124,759,467

The Company has elected to admit DTAs pursuant to paragraph 10.e. for the years ended December 31, 2010 and 2009. Such election was not available in 2008. The Company recorded an increase in admitted DTAs as the result of its election to employ the provisions of paragraph 10.e. as follows:

	Change During 2010			Change During 2009		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 16,195,254	$ (1,452,122)	$ 14,743,132	$ (6,067,356)	$ 28,422,274	$ 22,354,918
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	16,195,254	(1,452,122)	14,743,132	(6,067,356)	28,422,274	22,354,918
Deferred tax liabilities	(4,868,793)	-	(4,868,793)	(5,483,733)	-	(5,483,733)
Net deferred tax asset/liability before admissibility test	$ 11,326,461	$ (1,452,122)	$ 9,874,339	(11,551,089)	$ 28,422,274	$ 16,871,185
Admitted pursuant to paragraph 10.a.	$ (60,891,936)	$ (794,882)	$ (61,686,818)	$ (15,259,886)	$ 11,539,725	$ (3,720,161)
10.b.i.	50,041,787	-	50,041,787	8,274,092	-	8,274,092
10.b.ii.	N/A	N/A	14,635,546	N/A	N/A	(10,526,897)
Admitted pursuant to 10.b. (lesser of i. or ii.)	50,041,787	-	50,041,787	8,274,092	-	8,274,092
Admitted pursuant to 10.c.	4,868,793	-	4,868,793	5,483,733	-	5,483,733
Additional admitted pursuant to paragraph 10.e.i						
10.e.ii.a.	8,291,178	-	8,291,178	19,380,556	-	19,380,556
10.e.ii.b.	N/A	N/A	7,317,772	N/A	N/A	99,151,107
Additional admitted pursuant to 10.e.ii. (lesser of a. or b.)	8,291,178	-	8,291,178	19,380,556		19,380,556
Additional admitted pursuant to 10.e.iii.	-	-	-	-	-	-
Admitted deferred tax asset	2,309,822	(794,882)	1,514,940	17,878,495	11,539,725	29,418,220
Deferred tax liability	(4,868,793)	-	(4,868,793)	(5,483,733)	-	(5,483,733)
Change in net admitted DTA	$ (2,558,971)	$ (794,882)	$ (3,353,853)	$ 12,394,762	$ 11,539,725	$ 23,934,487
Change in nonadmitted DTA	$ 13,885,432	$ (657,240)	$ 13,228,192	$ (23,945,851)	$ 16,882,549	$ (7,063,302)
Total adjusted capital	N/A	N/A	$ 400,317,109			
Authorized control level	N/A	N/A	$ 12,514,772			

At December 31, 2010, the risk-based capital level used in paragraph 10.d. was $280,072,865. The amount of each component in the risk-based capital calculation was as follows:

	Resulting From Paragraphs 10.a., 10.b., and 10.c.	Resulting From Paragraph 10.e.	Increase to Amount Resulting From Paragraph 10.e.
Admitted deferred tax assets	$ 107,440,114	$ 135,111,848	$ 27,671,734
Admitted assets	$ 5,212,231,998	$ 5,239,903,732	$ 27,671,734
Statutory surplus	$ 2,553,167,244	$ 2,580,838,978	$ 27,671,734
Total adjusted capital	$ 2,695,329,745	$ 2,723,001,479	$ 27,671,734

The Company has evaluated available tax planning strategies for the realization of deferred tax assets. The following table presents the impact of these available tax planning strategies on the adjusted gross deferred tax assets and net admitted deferred tax assets at December 31, 2010:

	Ordinary Percent	Capital Percent	Total Percent
Adjusted gross DTAs (% of total adjusted gross DTAs)	17.05%	4.05%	21.10%
Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	40.58%	9.63%	50.21%

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, were as follows:

	2010	2009	Change
Deferred tax assets:			
Policy reserves	$ 55,036,739	$ 49,500,020	$ 5,536,719
Deferred acquisition costs	35,239,854	32,428,446	2,811,408
Expense accruals and other prepaid income	108,124,700	107,962,885	161,815
Nonadmitted assets	19,233,184	17,662,468	1,570,716
Bonds and other invested assets	45,280,105	36,888,402	8,391,703
Real estate impairment	-	6,545,000	(6,545,000)
Other	3,121,623	305,852	2,815,771
Total deferred tax assets	266,036,205	251,293,073	14,743,132
Nonadmitted deferred tax assets	(130,924,357)	(117,696,165)	(13,228,192)
Admitted deferred tax assets	135,111,848	133,596,908	1,514,940
Deferred tax liabilities:			
Unrealized gains	(747,063)	(78,054)	(669,009)
Depreciation and amortization	(13,279,753)	(15,430,121)	2,150,368
Other	(9,295,926)	(2,945,774)	(6,350,152)
Deferred tax liabilities	(23,322,742)	(18,453,949)	(4,868,793)
Net deferred tax assets	$ 111,789,106	$ 115,142,959	$ (3,353,853)

The change in net deferred income taxes during the years ended December 31, is comprised of the following:

	2010	2009	Change
Deferred tax assets	$ 266,036,205	$ 251,293,073	$ 14,743,132
Deferred tax liabilities	(23,322,742)	(18,453,949)	(4,868,793)
Net deferred tax assets	$ 242,713,463	$ 232,839,124	9,874,339
Tax effect of unrealized losses			(9,615,866)
Change in net deferred income taxes			$ 258,473

	2009	2008	Change
Deferred tax assets	$ 251,293,073	$ 228,938,155	$ 22,354,918
Deferred tax liabilities	(18,453,949)	(12,970,216)	(5,483,733)
Net deferred tax assets	$ 232,839,124	$ 215,967,939	16,871,185
Tax effect of unrealized losses			(4,977,126)
Change in net deferred income taxes			$ 11,894,059

The Company had investments in eight low-income housing properties as of December 31, 2010, with a 15 year required holding period. The tax credits related to these properties expire at various dates through 2015.

6. RELATED PARTY TRANSACTIONS

The Company has the following unsecured demand, revolving credit lending agreements with related parties:

Borrowing Company	Maximum Borrowing December 31, 2010	Interest	Interest Rate at December 31, 2010	Maturity Date	Amount Outstanding at December 31, 2010
Continuum Worldwide Corporation	$ 12,000,000	LIBOR plus 1%	1.26%	15-Dec-11	$ 9,800,000
East Campus Realty, L.L.C.	5,000,000	LIBOR plus 1%	1.26%	28-Nov-11	1,500,000
East Campus Realty, L.L.C.	273,400,000	4.00%	4.00%	1-Dec-11	273,400,000
United World Life Insurance Company	10,000,000	LIBOR plus 1%	1.26%	29-Nov-11	-
Companion Life Insurance Company	25,000,000	LIBOR plus 1%	1.26%	28-Nov-11	-

The Company has the following unsecured demand, revolving credit borrowing agreements with related parties:

Lending Company	Maximum Borrowing December 31, 2010	Interest	Interest Rate at December 31, 2010	Maturity Date
Omaha Life Insurance Company	7,000,000	LIBOR plus 1%	1.26%	8-Apr-11
Omaha Insurance Company	7,000,000	LIBOR plus 1%	1.26%	8-Apr-11
KFS BD, Inc.	3,500,000	LIBOR plus 1%	1.26%	25-Mar-11
KFS Corporation	1,000,000	LIBOR plus 1%	1.26%	25-Mar-11

The outstanding amounts due to the Company in the above agreements are included in short-term investments. The borrowings on the above agreements are primarily used to facilitate the purchase of long-term investments in the statutory statements of admitted assets, liabilities and surplus. The Company had no outstanding borrowings under these agreements at December 31, 2010.

On December 1, 2010, the Company entered into a promissory note agreement with ECR for $273,400,000. In 2010, the Company included $961,575 of interest in net investment income in the statutory statements of operations. The note is secured by a deed of trust covering Midtown Crossing and an assignment of leases and rents at the development. On or before the maturity date, the Company and ECR expect to refinance this note with another promissory note maturing in 2012.

During 2010, the Company made cash capital contributions of $26,000,000 to ECR and $900,000 to Mutual of Omaha Holdings, Inc.

During 2010, the Company received a cash dividend of $3,000,000 from Omaha Indemnity Co.

During 2009, the Company made cash capital contributions of $1,500,000 to Mutual of Omaha Holdings, Inc. and $5,700,000 to Continuum Worldwide Corporation.

During 2009, the Company received a cash dividend of $9,430,120 from KFS Corporation.

The carrying value of United of Omaha exceeds 10% of the admitted assets of the Company. The Company carries the investment on the statutory surplus method. The carrying value of United of Omaha's assets and liabilities at December 31, 2010, were $15,119,798,408 and $13,909,619,189, respectively. The net loss of United of Omaha for the year ended December 31, 2010, was $110,516,411. The carrying value of United of Omaha's assets and liabilities at December 31, 2009, were $14,037,295,085 and $12,792,156,330, respectively. The net loss of United of Omaha for the year ended December 31, 2009, was $5,248,096.

The Company is a member of a controlled group of companies and as such its results may not be indicative of those if it were to be operated on a stand-alone basis. The Company and certain of its direct and indirect subsidiaries share certain resources such as personnel, operational and administrative services, facilities, information and communication services, employee benefits administration, investment management, advertising and general management services. Most of the expenses related to these resources were paid by the Company and subject to allocation among the Company and such subsidiaries. Management believes the measures used to allocate expenses among companies are within industry guidelines and practices. Additionally, certain amounts are paid or collected by the Company on behalf of its direct and indirect subsidiaries. Amounts payable to subsidiaries related to these services were $9,507,433 and $31,166,812 at December 31, 2010 and 2009, respectively. Amounts due to the Company for these services of $2,308,915 and $10,881,165 at December 31, 2010 and 2009, respectively, are netted by subsidiary with other intercompany transactions and included in receivable from or payable to subsidiaries based on the net balance with each entity.

Additionally, the Company received the following fees under management agreements, service contracts and cost sharing agreements from its subsidiaries and affiliates, which were included as a reduction of operating expenses for the years ended December 31:

	2010	2009
Mutual of Omaha Marketing Corporation	$ 1,188,980	$ 1,207,990
The Omaha Indemnity Company	34,346	31,487
	$ 1,223,326	$ 1,239,477

7. BORROWINGS

The Company and United of Omaha on a joint basis have entered into certain unsecured revolving line of credit agreements that allow for maximum borrowings of $300,000,000, of which $150,000,000 has no expiration date, and $150,000,000 is renewed annually. At December 31, 2010 and 2009, the Company had no outstanding borrowings under these agreements. During the year ended December 31, 2010, the Company incurred no interest expense. During the year ended December 31, 2009, the Company incurred interest expense on these lines of credit of $746.

At December 31, 2010 and 2009, the Company and United of Omaha have bilateral unsecured internal borrowing agreements for $250,000,000. At December 31, 2010 and 2009, the Company had no outstanding borrowings under these agreements.

The Company has agreements to sell and repurchase securities. Under these agreements, the Company obtains the use of funds for a period not to exceed 30 days. Maximum borrowings allowed under these agreements are $50,000,000. At December 31, 2010 and 2009, there were no outstanding borrowings under these agreements. There was no interest expense incurred on these agreements during the year ended December 31, 2010. During the year ended December 31, 2009 the Company incurred interest expense on these agreements of $5,347.

The Company has securities lending agreements whereby unrelated parties, primarily major brokerage firms, borrow securities from the Company. The Company requires a minimum of 102% and 105% of the fair value of the domestic and foreign securities loaned, respectively, at the outset of the contract as collateral. The Company continues to retain control over and receive interest on loaned securities, and accordingly, the loaned securities continue to be reported as bonds. At December 31, 2010, collateral received of $33,783,180 in cash is invested in short-term securities and is included in the statutory statements of admitted assets, liabilities and surplus. Prior to 2010, the amount of collateral received was not recorded in the statutory statements of admitted assets, liabilities and surplus. To further minimize the credit risks related to this securities lending program, the Company regularly monitors the financial condition of counterparties to these agreements and also receives an indemnification from the financial intermediary who structures the transactions. The Company had securities loaned to third parties of $29,676,593 and $14,376,756 as of December 31, 2010 and 2009, respectively. The securities loaned at December 31, 2010 and 2009 were on open terms whereby the related loaned security could be returned to the Company on the next business day requiring return of cash collateral. The Company cannot access the cash collateral unless the borrower fails to deliver the loaned securities.

The amortized cost and estimated fair values of the Company's collateral at December 31, 2010 were as follows:

2010	**Amortized Cost**	**Estimated Fair Value**
Open	$ -	$ -
30 Days or Less	30,649,412	30,649,412
31 to 60 Days	2,330,404	2,330,404
61 to 90 Days	-	-
91 to 120 Days	803,588	803,588
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Sub-Total	33,783,404	33,783,404
Securities Received	-	-
Total Collateral Received	$ 33,783,404	$ 33,783,404

8. REINSURANCE

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverables are appropriately established.

A summary of the transactions through reinsurance operations for the years ended December 31, is as follows:

	2010	2009
Premium considerations:		
Assumed:		
Affiliates	$573,268,002	$513,207,886
Non-affiliates	264,946,871	184,423,481
	$838,214,873	$697,631,367
Ceded to non-affiliates	$ 14,916,914	$ 15,501,978
Policyholder benefits:		
Assumed:		
Affiliates	$429,368,169	$395,802,320
Non-affiliates	216,168,060	157,621,207
	$645,536,229	$553,423,527
Ceded to non-affiliates	$ 20,361,618	$ 13,509,378
Aggregate reserve for policies and contracts:		
Assumed:		
Affiliates	$ 63,870,518	$ 46,239,729
Non-affiliates	146,919,078	144,044,545
	$210,789,596	$190,284,274
Ceded to non-affiliates	$105,058,117	$ 98,385,195
Policy and contract claims:		
Assumed:		
Affiliates	$ 37,280,133	$ 43,142,620
Non-affiliates	56,048,380	42,095,001
	$ 93,328,513	$ 85,237,621
Ceded to non-affiliates	$ 11,295,483	$ 9,871,679

9. EMPLOYEE BENEFIT PLANS

The Company is both the sponsor and administrator of a noncontributory defined benefit plan covering all United States employees meeting certain minimum requirements. Retirement benefits are based upon years of credited service and final average earnings history. Effective January 1, 2005, the defined benefit plan was amended to freeze plan benefits for participants 40 years and under. No benefits are available under the defined benefit plan for employees hired on or after January 1, 2005. During 2010 and 2009, the Company expensed $9,825,187 and $11,723,546, respectively, related to this plan.

The Company also provides certain postretirement medical and life insurance benefits to retired employees hired before January 1, 1995. The Company uses the accrual method of accounting for postretirement benefits. The Company expensed $2,374,648 and $2,442,448 during 2010 and 2009, respectively, related to these postretirement benefits.

Projected Benefit Obligations and Plan Assets — The changes in the projected benefit obligation and plan assets at December 31, the measurement date, and components of net periodic benefit costs for the years ended December 31, were as follows:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in projected benefit obligation:				
Projected benefit obligation — beginning of year	$ 911,027,531	$ 870,551,178	$ 99,726,650	$ 104,523,944
Service cost	11,594,018	11,544,819	954,641	650,001
Interest cost	53,947,312	52,790,213	5,404,209	5,517,558
Actuarial (gain) loss	34,685,776	12,193,635	77,999	(5,038,291)
Benefits paid	(36,950,076)	(36,052,314)	(5,942,999)	(5,926,562)
Projected benefit obligation — end of year	974,304,561	911,027,531	100,220,500	99,726,650
Change in plan assets:				
Fair value of plan assets — beginning of year	723,788,010	689,379,916	38,267,404	42,666,397
Actual return on plan assets	77,379,010	53,960,408	125,117	(1,980,111)
Employer contribution	54,000,000	16,500,000	-	-
Benefits paid	(36,950,076)	(36,052,314)	(5,265,267)	(2,418,882)
Fair value of plan assets — end of year	818,216,944	723,788,010	33,127,254	38,267,404
Underfunded	(156,087,617)	(187,239,521)	(67,093,245)	(61,459,246)
Unamortized prior service cost	(30,663,255)	(36,542,712)	(239,741)	(282,921)
Unrecognized net actuarial loss	306,140,590	318,510,267	17,896,310	13,718,978
Unrecognized net asset at transition	-	-	8,036,729	12,055,094
Prepaid (accrued) benefit costs	$ 119,389,718	$ 94,728,034	$ (41,399,947)	$ (35,968,095)
Accumulated benefit obligation — end of year	$ 936,373,248	$ 877,023,767	$ -	$ -
Service cost	$ 11,594,018	$ 11,544,819	$ 954,641	$ 650,001
Interest cost	53,947,312	52,790,213	5,404,209	5,517,558
Expected return on plan assets	(55,313,742)	(52,668,479)	(2,583,050)	(2,879,982)
Amortization of transition obligation	-	-	4,018,365	4,018,365
Amortization of loss	24,989,837	26,572,662	321,973	408,380
Amortization of prior service cost	(5,879,457)	(5,879,457)	(43,180)	(43,180)
Total net periodic cost	$ 29,337,968	$ 32,359,758	$ 8,072,958	$ 7,671,142

The following benefit payments are expected (in thousands):

	2011	2012	2013	2014	2015	2016–2020
Pension benefits	$40,354	$42,674	$44,789	$47,492	$ 49,802	$298,025
Other postretirement benefits	$ 8,649	$ 8,754	$ 8,834	$ 8,859	$ 8,818	$ 42,218

A minimum pension liability is required when the accumulated benefit obligation exceeds the fair value of plan assets. At December 31, 2010 and 2009, the Company included a minimum pension liability of $237,546,022 and $247,963,791 in other liabilities in the statutory statements of admitted assets, liabilities and surplus. At December 31, 2010 and 2009, surplus increased by $10,417,769 and $9,133,497, respectively, as a result of the change in the minimum pension liability.

At December 31, 2010 and 2009, the postretirement liability included in general expenses and taxes due or accrued in the statements of admitted assets, liabilities and surplus was $41,399,947 and $35,968,095, respectively.

The benefit obligation for non-vested employees, including both the pension and postretirement plans, was $8,937,594 and $8,373,278 as of December 31, 2010 and 2009, respectively.

The defined benefit pension plan assets at December 31, 2010 and 2009 included the following:

	2010	2009
United group annuity contract		
General asset account	$ 389,225,427	$ 405,311,916
Separate account K	163,312,976	118,776,784
Separate account II	66,293,163	48,405,789
Limited partnerships	87,397,963	77,202,972
Mutual funds concentrating in foreign equity securities	111,987,415	74,090,549
	$ 818,216,944	$ 723,788,010

Investments in the group annuity contract include the General Asset Account, which is valued at contract value, Separate Account K and Separate Account II. The Separate Account K funds include the Strategic Value Fund, Growth Fund, and Small Company Fund, while the Separate Account II funds include the Institutional Index Fund, all of which are recorded at the fair value of the defined benefit pension plan's proportionate share of the underlying net assets. The underlying net assets consist primarily of common stocks traded on organized exchanges and over-the-counter and, for the Institutional Index Fund, mutual funds invested with The Vanguard Group concentrated in publicly traded stocks.

Limited partnerships are valued using the equity method based on the proportionate share of the partnership's capital balance as recorded on a GAAP basis using a one-quarter lag adjusted for significant fourth quarter activity. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreement.

Mutual funds concentrating in foreign equity securities are valued at fair value based on the proportionate share of the underlying net assets which consist of funds traded on organized exchanges and over-the-counter. Mutual funds concentrating in equity securities of real estate companies are valued at fair value as determined by quoted market prices.

The estimated fair values of the Separate Account K, Separate Account II and mutual funds at December 31, 2010 and 2009 by asset category were as follows:

	2010			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Equity securities:				
Strategic Value Fund	$ -	$ 51,281,457	$ -	$ 51,281,457
Institutional Index Fund	66,293,163	-	-	66,293,163
Growth Fund	-	55,017,449	-	55,017,449
Small Company Fund	-	57,014,070	-	57,014,070
Mutual funds	-	111,987,415	-	111,987,415
Total	$ 66,293,163	$ 275,300,391	$ -	$ 341,593,554

	2009			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Equity securities:				
Strategic Value Fund	$ -	$ 35,987,705	$ -	$ 35,987,705
Institutional Index Fund	48,405,789	-	-	48,405,789
Growth Fund	-	40,407,412	-	40,407,412
Small Company Fund	-	42,381,667	-	42,381,667
Mutual funds	-	74,090,549	-	74,090,549
Total	$ 48,405,789	$ 192,867,333	$ -	$ 241,273,122

The investment objective of the defined benefit plan is to produce current income and long-term capital growth through a combination of equity and fixed income investments which, together with appropriate employer contributions, will be adequate to provide for the payment of the plan's benefit obligations. The assets of the defined benefit plan may be invested in both fixed income and equity investments. Fixed income investments may include group annuity contracts, cash and short-term instruments, corporate bonds, mortgages and other fixed income investments. Equity investments may include large cap, mid cap and small cap stocks, and venture capital.

The Company has various regulated investment advisors that monitor investments in the defined benefit pension plan to ensure they are in compliance with the Company's investment policy and guidelines. The use of derivative instruments as direct investments is prohibited. The Company's Retirement Plans Committee periodically reviews the performance of the defined benefit plan's investments and asset allocation. The current allocation strategy is 50% fixed income and 50% equities and other. The Company, subject to general guidelines set by the Retirement Plans Committee, makes all investment decisions.

The Company determines its expected long-term rate of return on assets based primarily on the Company's expectations of future returns for the defined benefit plan's investments, based on target allocations of the defined benefit plan's investments. Additionally, the Company considers historical returns on comparable fixed income investments and equity investments and adjusts its estimate as deemed appropriate.

In 2011, the Company does not expect to contribute additional amounts to the defined benefit plan under the plan's funding policy. Additional voluntary contributions may be made pursuant to the maximum funding limits under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. The Company does not expect to make contributions to the other postretirement plan in 2011.

The Company funded certain postretirement medical and life insurance benefits applicable to participants who retired prior to January 1, 1988. Plan assets for these benefit plans are invested in a United group annuity contract and are used solely to fund these benefits. The group annuity contract investment with United was valued at contract value as determined by United and was $33,127,254 and $38,267,404 at December 31, 2010 and 2009, respectively.

Actuarial Assumptions — Actuarial assumptions related to the plans at December 31, are set forth in the following table:

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Discount rate	5.69 %	5.90 %	5.90 %	5.90 %
Rate of increase in compensation levels	3.50%–5.00%	3.50%–5.00%	N/A	N/A
Expected long-term rate of return on plan assets	7.75 %	7.75 %	6.75 %	6.75 %

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation in 2010 vary from 7.00% gradually declining to 4.00% in 2101 and remaining at that level thereafter. The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation in 2009 varied depending on plan type from 7.30% or 6.80%, gradually declining to 4.50% for both plans in 2094 and remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the Company's postretirement benefit obligation as of December 31, 2010, by approximately $6,600,000 and the net periodic postretirement benefit costs for 2010 by approximately $500,000. Decreasing the assumed health care cost trend rate by one percentage point in each year would decrease the Company's postretirement benefit obligation as of December 31, 2010 by approximately $5,900,000 and the net periodic postretirement benefit costs for 2010 by approximately $400,000.

Savings and Investment Plans — The Company sponsors a savings and investment plan under which the Company matches a portion of employee contributions. The expense for this plan was $2,947,618 and $2,846,815 in 2010 and 2009, respectively. The Company also provides excess pension benefits and deferred compensation benefits for certain key executive officers. At December 31, 2010 and 2009, the liability for deferred compensation benefits included in other liabilities was $51,841,000 and $48,790,000, respectively.

10. SURPLUS

The portion of surplus represented by each item below as of December 31, was as follows:

	2010	2009
Unrealized gains	$ 643,897,867	$ 651,356,011
Nonadmitted assets	(244,781,652)	(221,272,108)
Asset valuation reserve	(27,146,142)	(12,014,762)
Net deferred tax assets	226,011,090	232,839,124
Surplus note	583,779,197	293,710,553
Minimum pension liability	(237,546,022)	(247,963,791)

11. SURPLUS NOTE

On October 12, 2010, the Company issued a 6.95%, $300,000,000 surplus note due October 15, 2040 at a discount of $10,095,000 with interest due semiannually. The notes were underwritten by Goldman, Sachs & Co. and J.P. Morgan Securities LLC and are administered by US Bank, NA as registrar and paying agent. On June 15, 2006, the Company issued a 6.80%, $300,000,000 surplus note due June 15, 2036, at a discount of $3,630,000 with interest due semiannually. On April 7, 2009, the Company purchased $3,120,000 of the surplus note principal at a cost of $2,137,200 plus accrued interest of $69,541 and reduced surplus accordingly. The notes were underwritten by Goldman, Sachs & Co. and Merrill Lynch & Co., and are administered by U. S. Bank, NA as registrar and paying agent. Interest of $20,187,840 was paid in 2010 and 2009 as approved by the Nebraska Department of Insurance. Payment of interest or repayment of principal may be made, either in full or in part, from available surplus funds of the Company only with the prior approval of the Nebraska Department of Insurance. The notes are unsecured obligations of the Company and are expressly subordinated in right of payment to all present and future claims and senior indebtedness of the Company.

12. COMMITMENTS AND CONTINGENCIES

On April 23, 2010, the Company and Omaha Reinsurance Company ("Omaha Re"), a wholly-owned subsidiary of United of Omaha, entered into a letter of credit agreement with a third party under which the Company agreed to guarantee any amounts drawn on the letter of credit by Omaha Re over the term of the agreement, which expires March 31, 2017 but may be renewed annually by the third party thereafter unless it is terminated by the Company or Omaha Re. The letter of credit agreement relates to a reinsurance contract between United of Omaha and Omaha Re. The Company's exposure is equal to the maximum facility amount of $150,000,000 as defined in the letter of credit agreement. The letter of credit is drawn upon only after claims exceed a predetermined amount and other identified assets are exhausted. At December 31, 2010, there were no amounts drawn on the letter of credit.

The Company had unfunded investment commitments for bonds, mortgage lending, and limited partnerships of $174,075,184 and $219,587,741 at December 31, 2010 and 2009, respectively.

Securities with an amortized cost of $3,315,188 and $3,311,101 at December 31, 2010 and 2009, respectively, were on deposit with government agencies as required by the laws in various jurisdictions in which the Company conducts business.

As a condition of doing business, all states and jurisdictions have adopted laws requiring membership in life and health insurance guaranty funds. Member companies are subject to assessments each year based on life, health or annuity premiums collected in the state. The Company estimated its costs related to

past insolvencies and had a liability for guaranty fund assessments of $1,065,118 and $405,417 as of December 31, 2010 and 2009, respectively. The Company estimated premium tax credits that it will receive related to amounts paid to guaranty funds of $963,982 and $377,188 as of December 31, 2010 and 2009, respectively.

Various lawsuits have arisen in the ordinary course of the Company's business. The Company believes that its defenses in these various lawsuits are meritorious and that the eventual outcome will not have a material effect on the Company's financial position, results of operations or cash flows.

13. LEASES

The Company and United of Omaha jointly enter into agreements for the rental of office space, equipment and computer software under noncancellable operating leases. Future required minimum rental payments under leases as of December 31, 2010, were:

2011	$ 9,034,024
2012	6,723,277
2013	4,972,432
2014	3,522,391
2015	1,905,621
Thereafter	905,494
Total	$27,063,239

The Company's rental expense for the years ended December 31, 2010 and 2009, was approximately $8,697,887 and $9,000,000, respectively.

14. GAIN OR LOSS FROM UNINSURED ACCIDENT AND HEALTH PLANS AND UNINSURED PORTION OF PARTIALLY INSURED PLANS

Administrative Services Only ("ASO") Plans — The gain (loss) from operations from ASO uninsured plans were $46,000 and ($42,000) for the years ended December 31, 2010 and 2009, respectively. The total claim payment volume was $15,000 and $6,000 for the years ended December 31, 2010 and 2009, respectively.

15. DIRECT PREMIUMS WRITTEN

The Company's direct accident and health premiums written by third-party administrators were $36,935,444 and $22,196,572 during the years ended December 31, 2010 and 2009, respectively.

16. RETROSPECTIVELY RATED CONTRACTS

The Company estimates accrued retrospective premium adjustments for its group health business based upon premium, claims and expense experience for each retrospectively rated policy. This method may result in the calculation of an asset or liability for certain retrospectively rated policies.

The amount of net premiums earned by the Company that were subject to retrospective rating features were approximately $387,639 and ($1,200,000) during the years ended December 31, 2010 and 2009, respectively. These net premiums represented 0.3% and (1.4%) of the total net premium for group business during the years ended December 31, 2010 and 2009, respectively.

17. LIABILITY FOR POLICY AND CONTRACT CLAIMS

A reconciliation of the liability for policy and contract claims, which includes unpaid claims and the present value of amounts not yet due on claims that existed as of December 31, was as follows:

	2010	2009
Health balance at January 1	$ 742,198,601	$ 796,052,192
Reinsurance recoverable	44,038,726	44,101,512
Net balance at January 1	698,159,875	751,950,680
Incurred related to:		
Current year	1,259,207,028	1,205,029,683
Prior years	(21,661,040)	(76,951,984)
Total incurred	1,237,545,988	1,128,077,699
Paid related to:		
Current year	978,801,465	932,764,684
Prior years	236,249,898	249,103,820
Total paid	1,215,051,363	1,181,868,504
Net balance at December 31	720,654,500	698,159,875
Reinsurance recoverable	47,538,761	44,038,726
Balance at December 31	$ 768,193,261	$ 742,198,601

As a result of changes in estimates of insured events in prior years, the provision for claims reserves decreased by $21,661,040 in 2010. Typically, increases or decreases of this nature occur as the result of claim settlements during the year and additional information received regarding individual claims causes changes from the original estimates of the cost of these claims. The portion of the above policy and contract claims related to claim reserves at December 31, 2010 and 2009, was $440,519,846 and $421,956,936, respectively.

At December 31, 2010 and 2009, accrued claim adjustment expenses of $18,040,777 and $17,899,033, respectively, were included in operating expenses. In 2010, the claim adjustment expenses incurred and paid by the Company were $41,213,545 and $41,355,290, respectively. In 2009, the claim adjustment expenses incurred and paid by the Company were $49,504,450 and $48,964,367, respectively.

18. EDP EQUIPMENT AND SOFTWARE

EDP equipment and operating and nonoperating software included in other assets at December 31, consisted of the following:

	2010	2009
Electronic data processing equipment	$ 62,684,873	$ 65,325,850
Operating system software	18,962,504	16,887,120
Nonoperating system software	161,527,657	149,674,654
Accumulated depreciation	(196,496,796)	(184,782,946)
Assets nonadmitted	(37,636,248)	(35,746,434)
	$ 9,041,990	$ 11,358,244

Depreciation expense related to EDP equipment and operating and nonoperating software totaled $20,002,640 and $19,640,892 for the years ended December 31, 2010 and 2009, respectively.

19. RECONCILIATION OF STATUTORY NET INCOME AND SURPLUS TO GAAP NET INCOME AND EQUITY

As described in Note 1, the Company has prepared these financial statements in conformity with statutory accounting practices prescribed or permitted by the State of Nebraska Department of Insurance. These practices differ from GAAP. The following tables reconcile statutory net income to GAAP net income and statutory surplus to GAAP equity.

Year Ended December 31,	2010	2009
Statutory net income	$ 59,224,172	$ 7,334,426
Earnings of subsidiaries	72,165,043	40,438,109
Valuation of investments	9,390,544	31,416,814
Deferred policy acquisition costs	63,650,342	44,150,833
Deferred income taxes	(30,958,231)	(7,858,766)
Surplus note	3,438,551	(110,830)
Savings from consolidated tax filings	35,381,009	5,292,256
Policy reserves	26,509,911	13,017,657
Other	8,862,286	10,112,319
GAAP net income	$ 247,663,627	$ 143,792,818

At December 31,	2010	2009
Statutory surplus	$2,580,838,978	$2,219,233,591
Subsidiary equity	1,432,306,021	1,097,838,923
Valuation of investments	184,128,812	84,254,370
Deferred policy acquisition costs	657,955,617	594,305,275
Deferred income taxes	(463,212,928)	(380,064,249)
Statutory asset valuation reserve	27,146,142	12,861,022
Statutory interest maintenance reserve	2,562,235	2,076,500
Nonadmitted assets	236,490,474	221,272,108
Surplus note	(577,403,657)	(290,773,564)
Pension and postretirement plans	24,056,289	32,358,442
Policy reserves	154,823,675	133,459,801
Other	13,592,895	5,801,273
GAAP equity	$4,273,284,553	$3,732,623,492

20. RECONCILIATION TO ANNUAL STATEMENT

The Company is required to file an Annual Statement with the State of Nebraska Department of Insurance.

Subsequent to the filing of the 2009 Annual Statement, the Company completed an impairment evaluation of ECR's real estate assets that resulted in an $18,700,000 impairment in the investment. The following table provides reconciliation between the amounts reflected in the audited statutory financial statements and amounts reflected in the Annual Statements at and for the years ended December 31, 2010 and 2009.

2010	Annual Statement	Difference	Audited Financial Statements
Statutory statements of operations			
Net realized capital losses	$ (43,895,065)	$ 18,700,000	$ (25,195,065)
Statutory statements of changes in surplus			
Net income	$ 40,524,172	$ 18,700,000	$ 59,224,172
Change in net deferred income taxes	$ 6,803,473	$ (6,545,000)	$ 258,473
Change in nonadmitted assets	$ (30,054,544)	$ 6,545,000	$ (23,509,544)
Change in asset valuation reserve	$ (14,285,120)	$ (846,260)	$ (15,131,380)

2009	Annual Statement	Difference	Audited Financial Statements
Statutory statements of admitted assets, liabilities and surplus			
Other invested assets	$ 223,182,133		
Receivables for securities	2,006,236		
	$ 225,188,369	$ (18,700,000)	$ 206,488,369
Asset valuation reserve	$ 12,861,022	$ (846,260)	$ 12,014,762
Surplus	$ 2,237,933,591	$ (17,853,740)	$ 2,220,079,851
Statutory statements of operations			
Net realized capital losses	$ (56,182,844)	$ (18,700,000)	$ (74,882,844)
Statutory statements of changes in surplus			
Net income	$ 26,034,426	$ (18,700,000)	$ 7,334,426
Change in net deferred income taxes	$ 5,349,059	$ 6,545,000	$ 11,894,059
Change in nonadmitted assets	$ (828,495)	$ (6,545,000)	$ (7,373,495)
Change in asset valuation reserve	$ 2,304,283	$ 846,260	$ 3,150,543

21. DISPOSITION

On July 1, 2010, the Company and United of Omaha jointly signed a coinsurance reinsurance agreement and a purchase agreement with HM Life Insurance Company ("HM"), a subsidiary of HM Insurance Group, related to its exit from the Group TPA stop loss insurance business. Under the terms of the coinsurance reinsurance agreement, all policies identified in the agreement are reinsured to HM until the policies are non-renewed at the next anniversary date. Under the terms of the purchase agreement, each of the policies covered by the agreement were not renewed by the Company upon expiration; rather, new policies and renewals were issued under HM beginning in October 2010. Under the terms of an

administrative services and a transition services agreement, the Company and United of Omaha administered the policies through December 31, 2010 and will continue to provide services related to this business that will aid in the transition for both parties. As a result, the Company and United of Omaha will have continuing involvement in the Group TPA stop loss business through the end of 2011.

The Company and United of Omaha received $30,000,000 in proceeds on the date of the transaction (principally for renewal rights) and the Company and United of Omaha realized a combined net gain of $28,777,740 for the year ended December 31, 2010 of which $240,739 was included in other income in the Company's statements of operations. Under the purchase agreement, the Company and United of Omaha could receive up to an additional $6,000,000 in contingent consideration in future years if certain criteria are met. The Company has not recognized the contingent consideration in its financial statements.

* * * * * *

SUPPLEMENTAL SCHEDULES

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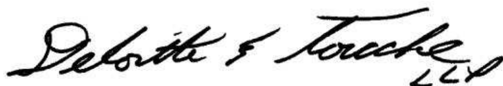
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Mutual of Omaha Insurance Company
Omaha, Nebraska

Our 2010 audit was conducted for the purpose of forming an opinion on the basic 2010 statutory financial statements taken as a whole. The supplemental schedule of selected financial data, the supplemental summary investment schedule and the supplemental schedule of investment risks interrogatories as of and for the year ended December 31, 2010, are presented for purposes of additional analysis and are not a required part of the basic 2010 statutory financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2010 statutory financial statements. The effects on these schedules of the differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. Accordingly, in our opinion, such schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the information shown therein. However, in our opinion, such schedules are fairly stated in all material respects when considered in relation to the basic 2010 statutory financial statements taken as a whole.



May 2, 2011

Member of
Deloitte Touche Tohmatsu Limited

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Investment income earned:	
U.S. government bonds	$ 270,824
Other bonds (unaffiliated)	125,464,516
Bonds of affiliates	-
Preferred stocks (unaffiliated)	1,727,678
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	27,119
Common stocks of affiliates	3,000,000
Mortgage loans	14,665,536
Real estate	8,988,306
Contract loans	-
Cash on hand and on deposit	214,887
Short-term investments	1,069,048
Other invested assets	12,577,403
Derivative instruments	-
Aggregate write-ins for investment income	136,260
Gross investment income	$ 168,141,577
Real estate owned — book value less encumbrances	$ 38,179,123
Mortgage loans — book value:	
Farm mortgages	-
Residential mortgages	-
Commercial mortgages	232,709,171
Total mortgage loans	$ 232,709,171
Mortgage loans by standing — book value:	
Good standing	$ 232,709,171
Good standing with restructured terms	$ -
Interest overdue more than three months — not in foreclosure	$ -
Foreclosure in process	$ -
Other long-term assets — statement value	$ 233,818,822
Collateral loans	$ -

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Bonds and stocks of subsidiaries and affiliates — book value:	
Bonds	$ -
Preferred stocks	$ -
Common stocks	$1,811,795,732
Bonds, cash equivalent bonds and short-term investments by class and maturity:	
Bonds by maturity — statement value:	
Due within one year or less	$ 208,766,680
Over 1 year and through 5 years	366,428,783
Over 5 years through 10 years	539,004,878
Over 10 years through 20 years	657,433,526
Over 20 years	354,032,633
Total by maturity	$2,125,666,500
Bonds, cash equivalent bonds and short-term investments by class — statement value:	
Class 1	$1,440,131,314
Class 2	562,994,302
Class 3	103,575,676
Class 4	9,961,108
Class 5	7,457,353
Class 6	1,546,747
Total by class	$2,125,666,500
Total bonds, cash equivalent bonds and short-term investments publicly traded	$1,279,222,975
Total bonds, cash equivalent bonds and short-term investments privately placed	$ 846,443,525
Preferred stocks — statement value	$ 26,155,492
Common stocks — market value	$1,821,269,231
Short-term investments — book value	$ 284,700,000
Options, caps, and floors owned — statement value	$ -
Options, caps, and floors written and in force — statement value	$ -
Collar, swap and forward agreements open — current value	$ -
Cash on deposit	$ 12,034,381

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Life insurance in force (in thousands):	
Industrial	$ -
Ordinary	$ -
Credit life	$ -
Group life	$ -
Amount of accidental death insurance in force under ordinary policies (in thousands)	$ -
Life insurance with disability provisions in force (in thousands):	
Industrial	$ -
Ordinary	$ -
Credit life	$ -
Group life	$ -
Supplementary contracts in force:	
Ordinary — not involving life contingencies:	
Amount on deposit	$ -
Income payable	$ -
Ordinary — involving life contingencies — income payable	$ -
Group — not involving life contingencies:	
Amount on deposit	$ -
Income payable	$ -
Group — involving life contingencies — income payable	$ -
Annuities — ordinary:	
Immediate — amount of income payable	$ -
Deferred — fully paid — account balance	$ -
Deferred — not fully paid — account balance	$ -

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Group:	
Amount of income payable	$ -
Fully paid — account balance	$ -
Not fully paid — account balance	$ -
Accident and health insurance — premiums in force:	
Ordinary	$1,324,969,923
Group	$ 243,451,751
Credit	$ -
Deposit funds and dividend accumulations:	
Deposit funds — account balance	$ -
Dividend accumulations — account balance	$ -
Claim payments 2010 — group accident and health — year ended December 31, 2010:	
2010	$ 78,552,698
2009	$ 26,508,676
2008	$ 6,050,973
2007	$ 2,632,467
2006 and prior	$ 16,808,368

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

Claim payments 2010 (continued):	
Other accident and health — year ended December 31, 2010:	
2010	$ 900,248,768
2009	$ 120,554,473
2008	$ 20,690,007
2007	$ 11,119,671
2006 and prior	$ 31,885,263
Other coverages that use developmental methods to calculate claim reserves:	
2010	$ -
2009	$ -
2008	$ -
2007	$ -
2006	$ -

(Concluded)

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	715,260	0.015	715,260	0.015
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	4,389,861	0.091	4,389,861	0.091
1.22 Issued by U.S. government sponsored agencies	0	0.000	0	0.000
1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)	0	0.000	0	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations	2,963,901	0.062	2,963,901	0.062
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	0	0.000	0	0.000
1.43 Revenue and assessment obligations	7,000,000	0.146	7,000,000	0.146
1.44 Industrial development and similar obligations	0	0.000	0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	155,474,370	3.238	155,474,370	3.238
1.512 Issued or guaranteed by FNMA and FHLMC	6,530,611	0.136	6,530,611	0.136
1.513 All other	23,578,581	0.491	23,578,581	0.491
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	464,596,303	9.677	464,596,303	9.677
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	37,489,626	0.781	37,489,626	0.781
1.523 All other	68,030,442	1.417	68,030,442	1.417
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	977,983,817	20.370	977,983,817	20.370
2.2 Unaffiliated non-U.S. securities (including Canada)	239,411,915	4.987	239,411,915	4.987
2.3 Affiliated securities	0	0.000	0	0.000
3. Equity interests:				
3.1 Investments in mutual funds	0	0.000	0	0.000
3.2 Preferred stocks:				
3.21 Affiliated	0	0.000	0	0.000
3.22 Unaffiliated	26,155,492	0.545	26,155,492	0.545
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.000	0	0.000
3.32 Unaffiliated	9,147	0.000	9,147	0.000
3.4 Other equity securities:				
3.41 Affiliated	1,811,795,732	37.738	1,811,795,732	37.738
3.42 Unaffiliated	9,464,352	0.197	9,464,352	0.197
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.000	0	0.000
3.52 Unaffiliated	0	0.000	0	0.000
4. Mortgage loans:				
4.1 Construction and land development	0	0.000	0	0.000
4.2 Agricultural	0	0.000	0	0.000
4.3 Single family residential properties	0	0.000	0	0.000
4.4 Multifamily residential properties	0	0.000	0	0.000
4.5 Commercial loans	232,709,170	4.847	232,709,170	4.847
4.6 Mezzanine real estate loans	0	0.000	0	0.000
5. Real estate investments:				
5.1 Property occupied by company	38,179,123	0.795	38,179,123	0.795
5.2 Property held for production of income (including $ 0 of property acquired in satisfaction of debt)	0	0.000	0	0.000
5.3 Property held for sale (including $ 0 property acquired in satisfaction of debt)	0	0.000	0	0.000
6. Contract loans	0	0.000	0	0.000
7. Receivables for securities	1,913,535	0.040	1,913,535	0.040
8. Cash, cash equivalents and short-term investments	424,997,344	8.852	424,997,344	8.852
9. Other invested assets	267,602,002	5.574	267,602,002	5.574
10. Total invested assets	4,800,990,584	100.000	4,800,990,584	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2010
(To Be Filed by April 1)

Of The Mutual of Omaha Insurance Company

ADDRESS (City, State and Zip Code) Omaha , NE 68175

NAIC Group Code 0261 NAIC Company Code 71412 Federal Employer's Identification Number (FEIN) 47-0246511

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. $ 5,239,903,732

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	UNITED OF OMAHA LIFE INSURANCE	Insurance Affiliate Stock	$ 1,210,179,219	23.1 %
2.02	OMAHA FINANCIAL HOLDINGS INC	Non-Insurance Affiliate Stock	$ 569,101,975	10.9 %
2.03	EAST CAMPUS REALTY	Non-Insurance Affiliate LLC, Short Term Revolver, Short Term Mortgage Loan	$ 305,058,446	5.8 %
2.04	US BANK	Money Market Account	$ 50,016,944	1.0 %
2.05	BANK OF AMERICA CORPORATION	Money Market Account	$ 49,040,954	0.9 %
2.06	CHASE MTG FIN CORP CHASE 03-S14	Residential Mortgage-backed Securities	$ 33,836,427	0.6 %
2.07	Prologis-Macquarie Fund	Mortgage Loans	$ 33,000,000	0.6 %
2.08	MUTUAL OF OMAHA BANK	Non-Insurance Affiliate Money Market Account	$ 27,143,917	0.5 %
2.09	Prologis Na2 Fund	Mortgage Loans	$ 20,000,000	0.4 %
2.10	MUTUAL OF OMAHA HOLDINGS INC	Non-Insurance Affiliate Stock	$ 19,040,465	0.4 %

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	$ 1,440,131,314	27.5 %	3.07	P/RP-1	$ 9,809,852	0.2 %
3.02	NAIC-2	$ 562,994,302	10.7 %	3.08	P/RP-2	$ 14,855,663	0.3 %
3.03	NAIC-3	$ 103,575,676	2.0 %	3.09	P/RP-3	$ 1,489,977	0.0 %
3.04	NAIC-4	$ 9,961,108	0.2 %	3.10	P/RP-4	$ 0	0.0 %
3.05	NAIC-5	$ 7,457,353	0.1 %	3.11	P/RP-5	$ 0	0.0 %
3.06	NAIC-6	$ 1,546,747	0.0 %	3.12	P/RP-6	$ 0	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	$ 212,713,378	4.1 %
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	$	197,493,515	3.8 %
5.02	Countries rated NAIC-2	$	15,219,863	0.3 %
5.03	Countries rated NAIC-3 or below	$	0	0.0 %

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: United Kingdom	$	57,656,003	1.1 %
6.02	Country 2: Australia	$	37,268,470	0.7 %
	Countries rated NAIC - 2:			
6.03	Country 1: Ireland	$	15,219,863	0.3 %
6.04	Country 2:	$	0	0.0 %
	Countries rated 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 rating:

			1	2
8.01	Countries rated NAIC-1	$	0	0.0 %
8.02	Countries rated NAIC-2	$	0	0.0 %
8.03	Countries rated NAIC-3 or below	$	0	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	0.0 %
9.02	Country 2:	$	0	0.0 %
	Countries rated NAIC - 2:			
9.03	Country 1:	$	0	0.0 %
9.04	Country 2:	$	0	0.0 %
	Countries rated NAIC - 3 or below:			
9.05	Country 1:	$	0	0.0 %
9.06	Country 2:	$	0	0.0 %

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

	1 Issuer	2 NAIC Rating		3	4
10.01	WOLSELEY CAPITAL INC (United Kingdom)	2	$	9,000,000	0.2 %
10.02	SANDVIK TREASURY AB (Sweden)	2	$	8,767,847	0.2 %
10.03	NORTHGATE PLC (United Kingdom)	3	$	7,775,241	0.1 %
10.04	VITOL FINANCE LTD (Netherlands)	2	$	7,500,000	0.1 %
10.05	FRITZ DRAXLMAIER GMBH & CO KG (Germany)	2	$	7,000,000	0.1 %
10.06	AEGIS GROUP PLC (United Kingdom)	2	$	7,000,000	0.1 %
10.07	VOPAK NV (Netherlands)	2	$	6,500,000	0.1 %
10.08	DCC TREASURY 2010 LIMITED (Ireland)	2	$	6,000,000	0.1 %
10.09	ASSA ABLOY FINANCIAL SVCS AB (Sweden)	1	$	6,000,000	0.1 %
10.10	SAB MILLER PLC (United Kingdom)	2	$	5,043,584	0.1 %

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	0.0 %
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	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$ 0	0.0 %
12.04		$ 0	0.0 %
12.05		$ 0	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	UNITED OF OMAHA LIFE INSURANCE (Insurance Affiliate Stock)	$ 1,210,179,219	23.1 %
13.03	OMAHA FINANCIAL HOLDINGS INC (Non-Insurance Affiliate Stock)	$ 569,101,975	10.9 %
13.04	EAST CAMPUS REALTY (Non-Insurance Affiliate LLC)	$ 30,158,446	0.6 %
13.05	MUTUAL OF OMAHA HOLDINGS INC (Non-Insurance Affiliate Stock)	$ 19,040,465	0.4 %
13.06	OMAHA INDEMNITY CO (Insurance Affiliate Stock)	$ 13,474,073	0.3 %
13.07	NYLIM MEZZ PARTNERS II LP (Equity Partnerships)	$ 12,532,593	0.2 %
13.08	U S INDUSTRIAL REIT III (Equity Partnerships)	$ 11,870,084	0.2 %
13.09	NEWSTONE CAPITAL PARTNERS LP (Equity Partnerships)	$ 10,881,116	0.2 %
13.10	TCW/CRESCENT MEZZ PARTNERS IV LP (Equity Partnerships)	$ 10,177,731	0.2 %
13.11	LASALLE INCOME & GROWTH FUND V (Equity Partnerships)	$ 9,898,844	0.2 %

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 [ ] No [X]

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	$ 217,039,638	4.1 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	NYLIM MEZZ PARTNERS II LP (Equity Partnerships)	$ 12,532,593	0.2 %
14.04	U S INDUSTRIAL REIT III (Equity Partnerships)	$ 11,870,084	0.2 %
14.05	NEWSTONE CAPITAL PARTNERS LP (Equity Partnerships)	$ 10,881,116	0.2 %

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	0.0 %
	Largest three investments in general partnership interests:		
15.03		$ 0	0.0 %
15.04		$ 0	0.0 %
15.05		$ 0	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 [ ] No [X]

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	(Commercial) Prologis-Macquarie Fund	$ 33,000,000	0.6 %
16.03	(Commercial) Prologis Na2 Fund	$ 20,000,000	0.4 %
16.04	(Commercial) Wraf Housing, LLC	$ 9,101,264	0.2 %
16.05	(Commercial) Christiana Town Center LLC	$ 8,886,963	0.2 %
16.06	(Commercial) Lund 159 Dodge LLC	$ 5,148,804	0.1 %
16.07	(Commercial) Us Premier Office Equities LP	$ 5,000,000	0.1 %
16.08	(Commercial) ECHO Settler's Ridge Associates LP	$ 4,929,983	0.1 %
16.09	(Commercial) Berkshire Mall LLC	$ 4,320,537	0.1 %
16.10	(Commercial) Gjgg Holdings LLC	$ 3,529,705	0.1 %
16.11	(Commercial) Mcfarland Realty Trust	$ 3,345,058	0.1 %

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

		Loans		
16.12	Construction loans	$ 6,386,161	0.1	%
16.13	Mortgage loans over 90 days past due	$ 0	0.0	%
16.14	Mortgage loans in the process of foreclosure	$ 0	0.0	%
16.15	Mortgage loans foreclosed	$ 0	0.0	%
16.16	Restructured mortgage loans	$ 0	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 %	$ 0	0.0 %
17.02	91 to 95%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.03	81 to 90%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.04	71 to 80%	$ 0	0.0 %	$ 11,099,624	0.2 %	$ 0	0.0 %
17.05	below 70%	$ 0	0.0 %	$ 221,609,547	4.2 %	$ 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	0.0	%
18.03		$ 0	0.0	%
18.04		$ 0	0.0	%
18.05		$ 0	0.0	%
18.06		$ 0	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	0.0	%
	Largest three investments held in mezzanine real estate loans:			
19.03		$ 0	0.0	%
19.04		$ 0	0.0	%
19.05		$ 0	0.0	%

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

	At Year End		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 29,676,593	0.6 %	$ 16,443,809	$ 19,947,404	$ 22,973,718
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		Written	
	1	2	3	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		At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	1	2	3	4	5
22.01 Hedging	$ 0	0.0 %	$ 0	$ 0	$ 0
22.02 Income generation	$ 0	0.0 %	$ 0	$ 0	$ 0
22.03 Replications	$ 0	0.0 %	$ 0	$ 0	$ 0
22.04 Other	$ 0	0.0 %	$ 0	$ 0	$ 0

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

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