Mutual of Omaha Insurance Company

Statutory Financial Statements as of and for the Years Ended December 31, 2017 and 2016, Supplemental Schedules as of and for the Year Ended December 31, 2017, and Independent Auditors' Reports

MUTUAL OF OMAHA INSURANCE COMPANY

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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-basis financial statements of Mutual of Omaha Insurance Company (the "Company"), which comprise the statutory-basis statements of admitted assets, liabilities, and surplus as of December 31, 2017 and 2016, and the related statutory-basis statements of operations, changes in surplus, and cash flows for the years then ended and the related notes to the statutory-basis financial statements.

Management's Responsibility for the Statutory-Basis Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory-basis 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 statutory-basis financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory-basis financial statements.

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by Mutual of Omaha Insurance Company using the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Nebraska Department of Insurance.

The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note 1 to the statutory-basis financial statements and accounting principles generally accepted in the United States of America; although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the statutory-basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mutual of Omaha Insurance Company as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the statutory-basis 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance as described in Note 1 to the statutory-basis financial statements.

Deloitte & Touche LLP

May 18, 2018

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$ 3,530,248,970	$ 3,324,881,563
Preferred stocks	42,404,532	42,489,075
Common stocks — unaffiliated	39,292,152	25,265,256
Common stocks — affiliated	2,524,412,457	2,279,370,889
Mortgage loans — net	252,337,441	218,036,496
Real estate occupied by the Company — net of accumulated depreciation of $43,532,387 and $41,435,212, respectively	34,312,830	34,304,640
Cash and cash equivalents	12,694,664	2,809,574
Short-term investments	185,900,000	198,500,000
Securities lending cash collateral	64,460,023	37,654,270
Other invested assets	230,665,022	219,423,537
Total cash and invested assets	6,916,728,091	6,382,735,300
INVESTMENT INCOME DUE AND ACCRUED	37,268,136	35,526,625
UNCOLLECTED PREMIUMS	154,595,917	143,487,854
RECEIVABLE FROM SUBSIDIARIES	138,193,143	149,966,673
FEDERAL INCOME TAXES RECOVERABLE	19,607,725	6,183,084
NET DEFERRED TAX ASSETS	87,259,891	139,947,707
REINSURANCE RECOVERABLE	5,025,928	5,059,544
OTHER ASSETS	465,754,162	416,024,401
TOTAL ADMITTED ASSETS	$ 7,824,432,993	$ 7,278,931,188
LIABILITIES AND SURPLUS		
LIABILITIES:		
Reserve for policies and contracts	$ 2,374,116,035	$ 2,123,480,197
Policy and contract claims	1,064,159,455	1,048,444,603
Premiums paid in advance	47,350,896	48,792,032
Interest maintenance reserve	8,956,280	6,350,087
Asset valuation reserve	179,437,566	137,850,517
Drafts outstanding	24,614,437	25,499,049
Amounts held as agent or trustee	79,320,812	76,838,546
General expenses and taxes due or accrued	163,708,886	149,029,786
Payable for securities lending	64,460,023	37,654,270
Liability for benefits for employees and agents	422,186,961	414,984,189
Borrowings	96,000,000	50,000,000
Other liabilities	110,480,873	111,723,366
Total liabilities	4,634,792,224	4,230,646,642
SURPLUS:		
Surplus notes	710,086,436	709,944,372
Unassigned surplus	2,479,554,333	2,338,340,174
Total surplus	3,189,640,769	3,048,284,546
TOTAL LIABILITIES AND SURPLUS	$ 7,824,432,993	$ 7,278,931,188

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
INCOME:		
Net health and accident premiums	$ 3,036,470,201	$ 2,726,457,917
Net investment income	167,592,433	266,294,008
Commissions and expense allowances on reinsurance ceded	30,106,480	39,943,328
Other income	59,834,776	44,758,186
Total income	3,294,003,890	3,077,453,439
BENEFITS AND EXPENSES:		
Policyholder benefits	2,378,067,252	2,083,394,161
Commissions	653,633,033	591,776,019
Operating expenses	293,515,308	271,330,115
Total benefits and expenses	3,325,215,593	2,946,500,295
NET GAIN (LOSS) FROM OPERATIONS BEFORE FEDERAL INCOME TAXES AND NET REALIZED CAPITAL GAINS (LOSSES)	(31,211,703)	130,953,144
FEDERAL INCOME TAXES (BENEFIT)	(26,265,333)	24,024,879
NET GAIN (LOSS) FROM OPERATIONS BEFORE NET REALIZED CAPITAL GAINS (LOSSES)	(4,946,370)	106,928,265
NET REALIZED CAPITAL LOSSES — Net of tax expense of ($294,000) and ($180,000) and transfers to the interest maintenance reserve of $3,107,152 and $739,803, respectively	(2,142,479)	(3,504,597)
NET INCOME (LOSS)	$ (7,088,849)	$ 103,423,668

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Surplus Notes	Unassigned Surplus	Total Surplus
BALANCE — December 31, 2015	$ 709,811,757	$ 2,152,958,575	$ 2,862,770,332
Net income	-	103,423,668	103,423,668
Change in:			
Net unrealized capital gains — net of tax expense of $1,035,017	-	22,472,285	22,472,285
Foreign exchange unrealized capital gains — net of tax benefit of ($1,014,763)	-	(1,884,561)	(1,884,561)
Net deferred income taxes	-	9,500,012	9,500,012
Nonadmitted assets	-	33,004,128	33,004,128
Asset valuation reserve	-	(30,194,702)	(30,194,702)
Surplus notes	132,615	-	132,615
Benefit plans amounts not yet recognized in net periodic benefit cost	-	53,474,745	53,474,745
Savings of consolidated tax filing	-	382,420	382,420
Unrealized loss — deferred gain on affiliate exchanges	-	804,830	804,830
Other misc gains and losses in surplus	-	11,174	11,174
Prior period adjustment — policy reserves	-	(5,612,400)	(5,612,400)
BALANCE — December 31, 2016	709,944,372	2,338,340,174	3,048,284,546
Net loss	-	(7,088,849)	(7,088,849)
Change in:			
Net unrealized capital gains — net of tax expense of $3,442,592	-	244,742,271	244,742,271
Foreign exchange unrealized capital gains — net of tax benefit of ($169,715)	-	(638,452)	(638,452)
Net deferred income taxes	-	(149,263,246)	(149,263,246)
Nonadmitted assets	-	99,715,211	99,715,211
Asset valuation reserve	-	(41,587,049)	(41,587,049)
Surplus notes	142,064	-	142,064
Benefit plans amounts not yet recognized in net periodic benefit cost	-	(1,452,121)	(1,452,121)
Detriment of consolidated tax filing	-	(539,910)	(539,910)
Unrealized loss — deferred gain on affiliate exchanges	-	(2,640,008)	(2,640,008)
Other misc gains and losses in surplus	-	(20,103)	(20,103)
Prior period adjustment — policy reserves	-	(13,585)	(13,585)
BALANCE — December 31, 2017	$ 710,086,436	$ 2,479,554,333	$ 3,189,640,769

See notes to statutory financial statements.

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FROM (USED FOR) OPERATIONS:		
Net health and accident premiums	$ 3,024,006,897	$ 2,701,704,842
Net investment income	164,006,331	165,761,285
Other income	91,340,220	84,703,071
Benefit and loss related payments	(2,112,764,085)	(1,848,576,869)
Commissions and operating expenses	(951,076,085)	(885,526,003)
Dividends paid to policyholders	(24,419)	(27,323)
Federal income taxes refunded	9,056,870	7,064,019
Net cash from operations	224,545,729	225,103,022
CASH FROM (USED FOR) INVESTMENTS:		
Proceeds from investments sold, matured or repaid:		
Bonds	258,659,732	318,859,488
Stocks	24,919,107	16,214,974
Mortgage loans	25,801,291	31,915,377
Real estate	416,440	368,228
Other invested assets	28,451,169	38,623,568
Miscellaneous proceeds	11,591	3,128,511
Cost of investments acquired:		
Bonds	(451,136,140)	(468,450,623)
Stocks	(47,245,711)	(25,595,089)
Mortgage loans	(60,171,140)	(36,429,370)
Real estate	(2,521,804)	(2,463,958)
Other invested assets	(37,513,636)	(36,451,701)
Miscellaneous applications	(420,557)	(5,578,238)
Net cash used for investments	(260,749,658)	(165,858,833)
CASH FROM (USED FOR) FINANCING AND MISCELLANEOUS SOURCES:		
Surplus notes	142,064	132,615
Borrowed funds	46,000,000	(155,000,000)
Other cash (applied) provided	(12,653,045)	69,922,048
Net cash from (used for) financing and miscellaneous sources	33,489,019	(84,945,337)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	(2,714,910)	(25,701,148)
CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
Beginning of year	201,309,574	227,010,722
End of year	$ 198,594,664	$ 201,309,574

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

STATUTORY STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
NON-CASH TRANSACTIONS:		
Dividend received as other invested assets	$ -	$ 96,893,320
Bonds conversions to stock	$ 1,236,074	$ -
Bond conversions	$ 29,161,933	$ 16,659,726
Schedule D bond transferred to other invested assets	$ -	$ 4,242,588
Stock conversions	$ 70,990,406	$ 335,058

See notes to statutory financial statements. (Concluded)

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 following are wholly owned subsidiaries of the Company as of December 31, 2017: United of Omaha Life Insurance Company ("United of Omaha"); The Omaha Indemnity Company ("Omaha Indemnity"); Mutual of Omaha Holdings, Inc.; Omaha Financial Holdings, Inc.; East Campus Realty, L.L.C. ("ECR"); Turner Park North, L.L.C.; Omaha Health Insurance Company and Mutual of Omaha Medicare Advantage Company ("Medicare Advantage Company").

The Company provides a wide array of financial products and services to a broad range of institutional and individual customers and is licensed in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. 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 ("NDOI"). 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 NDOI has the right to permit other specific practices that may deviate from NAIC SAP. The Company does not follow any practices that deviate from NAIC SAP.

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 bonds and whether the Company has elected the option to report bonds at fair value.

b. An other-than-temporary impairment ("OTTI") exists for NAIC SAP on a loan-backed or structured security if the fair value is less than the amortized cost basis and 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 recognized 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. An OTTI exists for GAAP if a security's fair value is less than the amortized cost and 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.

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 from 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 is reflected in either net investment income or as a realized capital gain or loss depending on the underlying investments.

e. Under NAIC SAP, derivative instruments that meet the criteria of an effective hedge are valued and reported in a manner that is consistent with the hedged asset or liability. The change in fair value of derivative instruments that do not meet the criteria of an effective hedge are recorded as an unrealized capital gain or loss in surplus. Under GAAP, all derivatives are reported on the balance sheet at fair value and the effective and ineffective portions of a single hedge are accounted for separately. Changes in fair value of derivatives, to the extent they are effective at offsetting hedged risk, are recorded through either income or equity, depending on the nature of the hedge. The ineffective portion of all changes in fair value is recorded in income.

f. Acquisition costs, such as commissions and other costs directly related to acquiring new business, are charged to operations as incurred, while under GAAP, to the extent associated with successful sales and recoverable from future policy revenues, are deferred and amortized to income as premiums are earned or in relation to estimated gross profits.

g. NAIC SAP requires an amount to be recorded for deferred taxes as a component of surplus; however, there are limitations as to the amount of deferred tax assets ("DTAs") that may be reported as admitted assets that are not applicable under GAAP. Federal income tax provision is required on a current basis for the statutory statements of operations, the same for GAAP.

h. NAIC SAP policy reserves for health insurance contracts are calculated using mortality, morbidity, interest, and voluntary lapse assumptions. 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 (loss) from operations. GAAP policy reserves are based on the Company's estimates of morbidity, mortality, interest, and withdrawals.

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

j. 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.

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

l. Comprehensive income and its components are not presented in the statutory financial statements.

m. Subsidiaries included as common stocks are 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 for NAIC SAP while under GAAP, they are reported as long-term debt.

o. For loss contingencies, when no amount within management's estimate of a 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, defined as arm's-length transactions that result in the transfer of the risks and the rewards of ownership, 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 statutory 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 statutory 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, impairments, 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 and recoverability of an asset relies on projections of future cash flows, 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 asset valuations are susceptible to the risk inherent in making such projections.

Due to the nature of health and accident contracts and the risks involved, health and accident active life reserves are estimates. These reserves are calculated using morbidity, mortality, and interest rate assumptions. Voluntary lapse assumptions are permitted in certain situations subject to limitations for certain products. Actual morbidity, mortality, interest rates, and voluntary lapse rates may differ from valuation assumptions.

Policy and contract claims are estimated based upon the industry and/or company 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.

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 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 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.

Common stocks of unaffiliated companies are stated at fair value and common stocks of affiliated insurance companies are carried at the underlying statutory equity value while affiliated non-insurance companies are carried on the GAAP equity value. 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 held for investment are carried at the aggregate unpaid principal balance adjusted for unamortized premium or discount (amortized cost), except impaired loans. Such loans are carried at the lower of the amortized cost, or the fair value of the loan determined by the present value of expected future cash flows discounted at the loan's effective interest rate, the loans observable market price, or the fair value of the collateral less cost to sell if collateral dependent. Interest income is accrued on the unpaid principal balance based on the loan's contractual interest rate. The Company records a reserve for losses on mortgage loans as part of the AVR.

The Company calculates specific reserves on loans identified individually as impaired. Loans evaluated individually are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect principal or interest amounts according to the contractual terms of the loan agreement. Interest income earned on impaired loans is accrued on the principal amount of the loan based on the loan's contractual interest rate until the loan is placed on non-accrual status.

Loans are reviewed on an individual basis to identify charge-offs. Charge-offs, net of recoveries, are deducted from the allowance. Mortgage loans are considered past due if the required principal and interest payments have not been received when contractually due. All mortgage loans are placed on non-accrual status when payments are determined to be uncollectible. Mortgage loans are returned to accrual status when all the principal and interest amounts contractually due have been brought current and future payments are reasonably assured.

A mortgage loan is considered a troubled debt restructuring ("TDR") if the borrower is experiencing financial difficulties and the Company has granted a concession it would not otherwise consider. A TDR typically involves a modification of terms such as a change of the interest rate below market rate, a forgiveness of principal or interest, an extended repayment period (maturity date) at a contractual interest rate lower than the current interest rate for new debt with similar risk, or capitalization and deferral of interest payments.

Real estate, excluding real estate held for sale, is valued at cost, less accumulated depreciation. Real estate held for the production of income is comprised of real estate owned by the Company that is primarily leased to non-affiliated third parties. 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 fair value less estimated costs to sell. Real estate held for sale consists of collateral received on foreclosed mortgage loans.

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 at the time of purchase are three months to one year and are stated at cost, which approximates fair value.

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, respectively, loaned 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. The securities loaned are on open terms and can be returned to the Company on the next business day requiring a return of the collateral. Collateral received is invested in cash equivalents and securities with a corresponding liability for funds held for securities on loan included in borrowings in the statutory financial statements. The Company cannot access the collateral unless the borrower fails to deliver the loaned securities. 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.

Other invested assets include the Company's investment in ECR, and investments in derivatives, low-income housing properties (carried at amortized cost), limited partnerships and receivables for securities. ECR is a limited liability company established for the operation of real estate in Omaha, Nebraska. Mutual of Omaha is the sole member. The investment in ECR is carried at the underlying GAAP equity. Changes are recorded in unrealized capital gains (losses) through surplus. Distributions of income from this investment are recorded in net investment income. As of December 31, 2017 and 2016, the Company's investment in ECR was $3,953,934 and $16,137,016, respectively.

As of December 31, 2017, derivatives included foreign currency swaps. When derivative financial instruments meet specific criteria, they may be designated as accounting hedges and accounted for on an amortized cost basis, in a manner consistent with the item hedged. Derivative financial instruments that are not designated as accounting hedges are accounted for on a fair value basis with changes recorded as a change in net unrealized capital gains (losses) within the statutory statements of changes in surplus. Interest on currency swaps is included in net investment income.

The Company designates certain of its foreign currency swaps as cash flow hedges when they are highly effective in offsetting the exposure of variations in cash flows for the hedged item. For currency swaps, the Company is exposed to credit-related losses in the amount of the net currency differential in the event of non-performance by the swap counterparty.

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 capital 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 securities ("MBS") and asset-backed securities ("ABS") is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended when securities are in default or when the receipt of interest payments is in doubt. Realized capital gains (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.

Intangible Assets — Intangible assets consist of certificates of authority intangibles purchased from a third party insurance entity. Intangible assets are amortized on a straight-line basis and are reviewed periodically for indicators of impairment of value. The Company recorded an intangible asset of $4,234,605 in 2016. The amortization expense recognized on the intangible asset in for the years ended

December 31, 2017 and 2016, respectively was $423,461 and 105,865, respectively. If facts and circumstances suggest possible impairment, the sum of the estimated undiscounted future cash flows expected to result from the use of the asset is compared to the current carrying value of the asset. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized for the excess of the carrying amount of assets over their fair value. There were no indicators of impairment of intangible assets as of December 31, 2017.

Company-Owned Life Insurance — Company-owned life insurance represents individual life insurance policies on the lives of certain officers and other key employees who have provided positive consent allowing the Company to be the beneficiary of such policies and is carried at cash surrender value derived from an underlying portfolio of investments. The cash surrender values of the policies included in other assets were $434,978,268 and $393,007,919 as of December 31, 2017 and 2016, respectively. The Company paid no premiums in 2017 and 2016. A gain of $41,970,349 and $23,464,335 in the surrender value of the policies was included in other income for the year ended December 31, 2017 and 2016, respectively.

Property — Property is carried at cost less accumulated depreciation and amortization and is 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 one to twenty 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 depreciated over one to seven years. There was $7,834,835 and $8,117,643 in fully depreciated write-offs of home office property no longer in use at December 31, 2017 and 2016, respectively. Depreciation and amortization expense was $2,683,964 and $2,700,931 for the years ended December 31, 2017 and 2016, respectively.

Electronic Data Processing ("EDP") Equipment and Software — EDP equipment and operating and non-operating 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 non-operating-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 five years.

Policy Reserves — Policy reserves include active life reserves and unearned premium reserves.

Active life reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future net premiums on policies in force. Such reserves are based on statutory mortality and interest assumptions. Morbidity assumptions are either industry experience or a blend of industry and company experience. Voluntary lapse assumptions, when applicable, are based on Company experience with statutory limitations. Such reserves are calculated on a net level premium method or on a one- or two-year preliminary term basis.

Unearned premium reserves include premiums that have been collected but have not been earned.

Claim Reserves — Claim reserves include the amounts estimated for claims that have been reported but not settled, estimates for claims incurred but not reported, and disabled life reserves. Such reserves are estimated based upon the Company's and affiliates' historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends, and risk management programs. Disabled life reserves are determined within statutory interest assumption limitations. Continuance assumptions are based on either industry experience or a blend of Company and industry experience that comply with statutory guidelines. Revisions of these estimates are reflected in operations in the year they are made.

The Company anticipates investment income as a factor in premium deficiency reserve calculations. As of December 31, 2017 and 2016, the Company had $17,054,636 and $17,325,292, 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. All amounts deemed uncollectible are written off through a charge to the statutory statements of operations when the uncollectibility 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, except for commissions and expense allowances on reinsurance ceded which are shown as income. Commission and expense allowances on reinsurance assumed are included in commissions expenses on the statutory statements of operations.

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.

Federal Income Taxes — The provision for income taxes includes amounts paid and accrued. The Company is subject to income tax in the U.S. and several state jurisdictions. Significant judgments and estimates are required in the determination of the Company's income tax expense, DTAs, and deferred tax liabilities ("DTLs").

Deferred taxes are recognized to the extent there are differences between the statutory and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in surplus in the period that includes the enactment date. Deferred taxes are also recognized for carryforward items including net operating loss, capital loss, and charitable contributions. 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 DTA. Taxable temporary differences include items that will generate tax expense when they reverse and are tax affected in determining the DTL.

In the determination of the amount of the DTA that can be recognized and admitted, the NAIC SAP 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 net admitted DTA shall not exceed the excess of the adjusted gross DTA over the gross DTL. The adjusted gross DTA shall be admitted based upon two components: an amount that is limited to the lesser of future deductible temporary differences and carryforward amounts that are expected to be realized within three years from the reporting date, or 15% of adjusted capital and surplus (defined as capital and surplus net of the admitted DTA, electronic data processing equipment and operating software) and the adjusted gross DTA in an amount equal to the DTL.

The Company records uncertain tax positions in accordance with NAIC SAP on the basis of a two-step process in which (1) it determines whether a tax loss contingency meets a more-likely-than-not threshold (a likelihood of more than 50%) on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes 100% of the tax loss contingency. The Company recognizes interest accrued related to uncertain tax positions and penalties as income tax expense. The liability for uncertain tax positions and the associated interest liability are included in current federal income tax payable on the statutory statements of admitted assets, liabilities, and surplus.

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, mortgage 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 (losses), net of tax, on sales of bonds and certain other investments that result from interest rate changes. These gains (losses) are then amortized into investment income over what would have been the remaining years to maturity of the underlying investments.

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.

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:

Morbidity/mortality risk is the risk that experience is unfavorable compared to company assumptions due to errors in setting assumption, catastrophic risk (e.g. pandemic), volatility, and changes in trend. The Company mitigates these risks through reinsurance programs, adherence to strict underwriting guidelines, monitoring underwriting exceptions, and a formal assumption review and approval process.

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 U.S., 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 policies regarding the financial stability and credit standing of its counterparties. The Company attempts to limit its credit risk by dealing with creditworthy 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.

Fair Value — Financial assets and liabilities have been categorized into a three-level fair value 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.

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 statutory statements of operations.

For loan-backed securities, OTTI is 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 in the statutory statements of operations.

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI is recognized when the present value of future cash flows 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 in the statutory statements of operations.

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 statutory statements 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 statutory financial statements or the limited partnership 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 statutory statements 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.

Subsequent Events — The Company has evaluated events subsequent to December 31, 2017, through May 18, 2018 the date these statutory financial statements were available to be issued.

Accounting Pronouncements — During 2016, the NAIC issued revisions to Statement of Statutory Accounting Principles ("SSAP") No. 51 *Life Contracts* and SSAP No. 54R *Individual and Group Accident and Health Contracts* that require life, annuity, and health policies issued on or after the implementation of principles-based reserving to use the *Valuation Manual*, which describes reserve valuation under principles-based reserving ("PBR"), following an entity's adoption of PBR. These changes were effective January 1, 2017, however reporting entities may delay implementation for up to three years. The Company intends to adopt PBR in 2020 and is evaluating the impact of this guidance on its statutory financial statements.

In March 2017, the NAIC issued revisions to SSAP No. 35R *Guaranty Fund and Other Assessments* to discount liabilities for guaranty funds and the related assets from insolvencies of entities that wrote long-term care contracts. See Note 13 for the impact on the statutory statements of admitted assets, liabilities, and surplus upon adoption of this guidance on January 1, 2017.

In February 2018, the NAIC issued guidance clarifying disclosures under SSAP No. 101 *Income Taxes* concerning changes in deferred tax items as of December 31, 2017 related to the Tax Cuts and Jobs Act of 2017 ("Act") by requiring a narrative disclosure of the change in deferred tax items caused by the tax rate change under the Act. See Note 6 for the required disclosures.

2. INVESTMENTS

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

2017	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government	$ 1,150,597	$ -	$ 7,718	$ 1,142,879
States, territories and possessions	2,403,350	389,816	11,955	2,781,211
Special revenue	31,215,840	708,804	-	31,924,644
Hybrids	23,872,273	1,570,384	40,424	25,402,233
Foreign corporate	532,136,319	30,038,755	1,742,659	560,432,415
U.S. and Canadian corporate	2,197,757,859	229,303,367	5,999,062	2,421,062,164
Commercial MBS	333,035,132	25,637,606	29,504	358,643,234
Residential MBS	237,893,470	17,646,565	594,006	254,946,029
Other ABS	170,784,130	7,720,438	934,004	177,570,564
Total bonds	3,530,248,970	313,015,735	9,359,332	3,833,905,373
Redeemable preferred stocks	20,826,058	1,043,621	7,189	21,862,490
Total	$ 3,551,075,028	$ 314,059,356	$ 9,366,521	$ 3,855,767,863

2016	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government	$ 946,202	$ -	$ 1,051	$ 945,151
States, territories and possessions	2,498,040	243,022	-	2,741,062
Special revenue	12,706,234	-	167,503	12,538,731
Hybrids	19,461,152	554,666	497,268	19,518,550
Foreign corporate	491,734,730	20,906,809	5,160,135	507,481,404
U.S. and Canadian corporate	2,027,265,918	142,988,672	35,632,186	2,134,622,404
Commercial MBS	358,748,392	26,189,023	536,949	384,400,466
Residential MBS	234,136,778	22,140,335	464,028	255,813,085
Other ABS	177,384,117	6,126,812	1,486,359	182,024,570
Total bonds	3,324,881,563	219,149,339	43,945,479	3,500,085,423
Redeemable preferred stocks	22,308,644	580,535	425,883	22,463,296
Total	$ 3,347,190,207	$ 219,729,874	$ 44,371,362	$ 3,522,548,719

Bonds with an NAIC designation of 6 of $263,408 and $21,073,914 as of December 31, 2017 and 2016, respectively, were carried at the lower of amortized cost or fair value.

The Company’s bond portfolio was primarily comprised of investment grade securities. Based upon designations by the NAIC, investment grade bonds comprised 96.6% and 96.8% of the Company’s total bond portfolio as of December 31, 2017 and 2016, respectively. A portion of the Commercial and Residential MBS portfolios is backed by collateral guaranteed or insured by an U.S. government agency. As of December 31, 2017 and 2016, 87.5% and 98.5%, respectively, of the Residential MBS portfolio was guaranteed by a government agency. As of December 31, 2017 and 2016, 75.5% and 75.6%, respectively, of the Commercial MBS portfolio was guaranteed by a government agency.

Information regarding the Company's investments in structured notes as of December 31, 2017, was as follows:

CUSIP	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security
38141GFA7	$ 5,012,500	$ 5,000,000	$ 5,005,634	No

Information regarding the Company's prepayment penalties and acceleration fees in structured notes as of December 31, 2017, was as follows:

	General Account	Separate Account
Number of CUSIPs	23	-
Aggregate amount of investment income	$ 1,408,056	$ -

The carrying value and estimated fair value of bonds and redeemable preferred stocks as of December 31, 2017, by contractual maturity, are shown below. Actual maturities may differ as a result of prepayments by the issuer. MBS and other ABS 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	$ 67,882,900	$ 68,986,792
Due after one year through five years	248,504,639	262,875,621
Due after five years through ten years	487,381,254	517,999,593
Due after ten years	2,005,593,503	2,214,746,030
	2,809,362,296	3,064,608,036
MBS and other ABS	741,712,732	791,159,827
Total	$ 3,551,075,028	$ 3,855,767,863

Aging of unrealized capital losses on the Company's investments in bonds and redeemable preferred stocks as of December 31, was as follows:

	Less Than One Year		One Year or More		Total	
2017	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses
U.S. government	$ 923,849	$ 6,678	$ 219,030	$ 1,040	$ 1,142,879	$ 7,718
States	350,203	11,955	-	-	350,203	11,955
Hybrids	3,371,202	40,424	-	-	3,371,202	40,424
Foreign corporate	49,225,452	487,943	24,980,801	1,254,716	74,206,253	1,742,659
U.S. and Canadian corporate	68,031,982	787,440	160,612,139	5,211,622	228,644,121	5,999,062
Commercial MBS	3,941,280	16,973	648,163	12,531	4,589,443	29,504
Residential MBS	47,915,068	206,279	20,263,365	387,727	68,178,433	594,006
Other ABS	19,500,331	127,355	9,006,396	806,649	28,506,727	934,004
Total bonds	193,259,367	1,685,047	215,729,894	7,674,285	408,989,261	9,359,332
Redeemable preferred stocks	1,444,807	7,189	-	-	1,444,807	7,189
Total	$ 194,704,174	$ 1,692,236	$ 215,729,894	$ 7,674,285	$ 410,434,068	$ 9,366,521

	Less Than One Year		One Year or More		Total	
2016	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses
U.S. government	$ 945,151	$ 1,051	$ -	$ -	$ 945,151	$ 1,051
Special revenue	12,538,731	167,503	-	-	12,538,731	167,503
Hybrids	3,932,810	274,127	3,159,828	223,141	7,092,638	497,268
Foreign corporate	127,254,094	3,006,052	12,319,670	2,154,083	139,573,764	5,160,135
U.S. and Canadian corporate	582,207,346	27,022,756	98,964,575	8,609,430	681,171,921	35,632,186
Commercial MBS	9,573,800	536,949	-	-	9,573,800	536,949
Residential MBS	33,919,555	319,340	12,978,230	144,688	46,897,785	464,028
Other ABS	52,002,758	1,189,812	12,253,377	296,547	64,256,135	1,486,359
Total bonds	822,374,245	32,517,590	139,675,680	11,427,889	962,049,925	43,945,479
Redeemable preferred stocks	9,154,431	425,883	-	-	9,154,431	425,883
Total	$ 831,528,676	$ 32,943,473	$ 139,675,680	$ 11,427,889	$ 971,204,356	$ 44,371,362

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. As of December 31, 2017, 49 securities were in an unrealized capital loss position one year or more with an average credit rating of A3 and were 90.9% investment grade. As of December 31, 2017, 56 securities were in an unrealized capital loss position less than one year with an average credit rating of A2 and 95.5% were investment grade.

Gross unrealized capital losses as of December 31, 2017 for MBS and other ABS, by vintage, were as follows:

		Non-Agency			
	Agency	2014 and Prior	2015	2017	Total
Commercial MBS	$ -	$ 29,504	$ -	$ -	$ 29,504
Residential MBS	10,409	291,112	265,510	26,975	594,006
Other ABS	934,004	-	-	-	934,004
Total	$ 944,413	$ 320,616	$ 265,510	$ 26,975	$ 1,557,514

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

	2017	2016
Proceeds from sales or disposals:		
Bonds	$ 87,730,478	$ 98,141,931
Stocks	$ 15,186,982	$ 13,132,673
Net realized capital gains (losses) on bonds and stocks:		
Bonds:		
Gross realized capital gains from sales or other disposals	$ 6,120,824	$ 1,705,895
Gross realized capital losses from sales or other disposals	(166,404)	(592,580)
OTTI losses	(3,562,466)	(1,614,844)
Net realized capital gains (losses)	$ 2,391,954	$ (501,529)
Stocks:		
Gross realized capital gains from sales or other disposals	$ 309,798	$ 1,702,926
Gross realized capital losses from sales or other disposals	(39,171)	(39,505)
Net realized capital gains	$ 270,627	$ 1,663,421

Bond income due and accrued of $664,014 and $1,347,862, related to bonds in default was excluded from investment income during the years ended December 31, 2017 and 2016, respectively.

Stocks — The Company held perpetual preferred stocks with carrying amounts of $21,578,475 and $20,180,431 and estimated fair value of $22,262,376 and $19,905,973 as of December 31, 2017 and 2016, respectively. Aging of unrealized capital losses on the Company's investments in perpetual preferred stocks as of December 31, was as follows:

	Less Than One Year		One Year or More		Total	
2017	**Estimated Fair Value**	**Gross Unrealized Capital Losses**	**Estimated Fair Value**	**Gross Unrealized Capital Losses**	**Estimated Fair Value**	**Gross Unrealized Capital Losses**
Perpetual preferred stocks	$ 5,068,207	$ 63,229	$ 244,618	$ 3,944	$ 5,312,825	$ 67,173
2016						
Perpetual preferred stocks	$ 11,438,539	$ 681,951	$ -	$ -	$ 11,438,539	$ 681,951

As of December 31, 2017, one security was in an unrealized capital loss position one year or more with a credit rating of Baa1 and was investment grade. As of December 31, 2017, seven securities were in an unrealized capital loss position less than one year with an average credit rating of Baa2 and 100% were investment grade.

Common Stocks — Unaffiliated — Included within common stocks — unaffiliated as of December 31, 2017 and 2016 is FHLB capital stocks of $6,919,600 and $585,772 respectively. As of December 31, 2017 and 2016, $500,000 and $463,169 respectively, were classified as required stocks. As of December 31, 2017 and 2016, the remaining $6,419,600 and $122,603 were classified as excess stocks, respectively.

Mortgage Loans — The Company invests in mortgage loans collateralized principally by commercial real estate throughout the U.S. The Company's investments in mortgage loans are held through a participation agreement with United of Omaha. All of the Company's mortgage loans are managed as two classes and portfolio segments: commercial and residential. During 2017, the minimum and maximum lending rates for mortgage loans were 3.63% and 4.63% respectively. 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, acquired during 2017 was 82%.

There were no realized capital losses for the years ended December 31, 2017 and 2016 related to impairments on mortgage loans.

Mortgage loan participations purchased from one loan originator comprise 30% and 45% of the portfolio as of December 31, 2017 and 2016, respectively. The properties collateralizing mortgage loans are geographically dispersed throughout the U.S., with the largest concentration in California of approximately 24% and 28% of the portfolio as of December 31, 2017 and 2016, respectively.

The Company participates or is a co-lender in mortgage loan agreements with other lenders for commercial mortgage loans. The amounts were $134,467,295 and $157,293,236 as of December 31, 2017 and 2016, respectively.

Credit Quality Indicators — For purposes of monitoring the credit quality and risk characteristics, the Company considers the current debt service coverage, loan to value ratios, leasing status, average rollover, loan performance, guarantees, and current rents in relation to current markets. The debt service coverage ratio compares a property's cash flow to amounts needed to service the principal and interest due under the loan. The credit quality indicators are updated annually or more frequently if conditions warrant based on the Company's credit monitoring process. The Company monitors the credit quality for the insurance segment's residential loans by reviewing payment activity monthly.

The Company's investment in commercial mortgage loans by credit quality profile, as of December 31, was as follows:

	Debt Service Coverage Ratios			
2017	**>1.20x**	**1.00x-1.20x**	**<1.00x**	**Total**
Loan-to-value ratios:				
Less than 65%	$ 205,613,489	$ 20,609,220	$ 9,535,524	$ 235,758,233
66% to 75%	6,225,198	4,648,533	-	10,873,731
Greater than 75%	-	-	-	-
Total	$ 211,838,687	$ 25,257,753	$ 9,535,524	$ 246,631,964

	Debt Service Coverage Ratios			
2016	**>1.20x**	**1.00x-1.20x**	**<1.00x**	**Total**
Loan-to-value ratios:				
Less than 65%	$ 162,432,429	$ 20,216,406	$ 12,099,061	$ 194,747,896
66% to 75%	17,832,469	-	-	17,832,469
Greater than 75%	-	-	-	-
Total	$ 180,264,898	$ 20,216,406	$ 12,099,061	$ 212,580,365

Non-Accrual and Past Due Loans — The Company had no loans in non-accrual status as of December 31, 2017 and 2016. All of the Company's loans were in current status as of December 31, 2017 and 2016. The recorded investment for loans where the interest rate was reduced was $6,834,225 and $5,307,652 as of December 31, 2017 and 2016, respectively. The number of loans impacted and the average interest rate reduction was 14 loans and 1.30%, respectively, for the year ended December 31, 2017. The number of loans impacted and the average interest rate reduction was 5 loans and 0.43%, respectively, for the year ended December 31, 2016.

Impaired Loans — The Company had no commercial or residential impaired loans as of December 31, 2017 or 2016 and no related allowance for credit losses.

The Company was not subject to a participant or co-lender agreement for which the Company is restricted from unilaterally foreclosing on the mortgage loan as of December 31, 2107 and 2016.

Restructured Loans — The Company had no TDRs as of December 31, 2017 and 2016.

Limited Partnerships — Net realized capital losses for the years ended December 31, 2017 and 2016 include losses of $1,403,915 and $4,601,568, respectively, resulting from other-than-temporary declines in fair value of limited partnerships due to market conditions.

Restricted Assets — Information related to the Company's investment in restricted assets as of December 31, was as follows:

			Percentage	
2017	**Gross Restricted Assets**	**Total Admitted Restricted Assets**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Collateral held under security lending agreements	$ 64,460,023	$ 64,460,023	0.80 %	0.82 %
FHLB capital stocks	6,919,600	6,919,600	0.09	0.09
On deposit with states	3,588,636	3,588,636	0.04	0.05
Pledged collateral to FHLB (including assets backing funding agreements)	170,278,563	170,278,563	2.10	2.18
Pledged as collateral not captured in other categories	5,610,000	5,610,000	0.07	0.07
Total	$ 250,856,822	$ 250,856,822	3.10 %	3.21 %

			Percentage	
2016	**Gross Restricted Assets**	**Total Admitted Restricted Assets**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Collateral held under security lending agreements	$ 37,654,270	$ 37,654,270	0.49 %	0.52 %
FHLB capital stocks	585,772	585,772	0.01	0.01
On deposit with states	3,380,904	3,380,904	0.04	0.05
Pledged collateral to FHLB (including assets backing funding agreements)	231,100,975	231,100,975	3.02	3.18
Total	$ 272,721,921	$ 272,721,921	3.56 %	3.76 %

Net Investment Income — The sources of net investment income for the years ended December 31, were as follows:

	2017	2016
Bonds	$ 175,313,000	$ 166,733,697
Preferred stocks	2,387,489	2,445,476
Common stocks — unaffiliated	732,374	1,133,133
Common stocks — affiliated	-	96,893,320
Mortgage loans	12,368,107	12,587,345
Real estate	10,827,997	11,352,133
Cash and cash equivalents and short-term investments	5,343,048	4,972,575
Other	15,279,442	26,045,112
Gross investment income	222,251,457	322,162,791
Amortization of IMR	500,959	286,460
Investment expenses	(55,159,983)	(56,155,243)
Net investment income	$ 167,592,433	$ 266,294,008

3. STRUCTURED SECURITIES

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

2017	Carrying Value	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Estimated Fair Value
MBS:				
Commercial	$ 333,035,132	$ 25,637,606	$ 29,504	$ 358,643,234
Residential	237,893,470	17,646,565	594,006	254,946,029
	570,928,602	43,284,171	623,510	613,589,263
Other ABS	170,784,130	7,720,438	934,004	177,570,564
Total	$ 741,712,732	$ 51,004,609	$ 1,557,514	$ 791,159,827

2016	Carrying Value	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Estimated Fair Value
MBS:				
Commercial	$ 358,748,392	$ 26,189,023	$ 536,949	$ 384,400,466
Residential	234,136,778	22,140,335	464,028	255,813,085
	592,885,170	48,329,358	1,000,977	640,213,551
Other ABS	177,384,117	6,126,812	1,486,359	182,024,570
Total	$ 770,269,287	$ 54,456,170	$ 2,487,336	$ 822,238,121

Aging of unrealized capital losses on the Company's structured securities as of December 31, was as follows:

2017	Less than One Year Estimated Fair Value	Less than One Year Gross Unrealized Capital Losses	One Year or More Estimated Fair Value	One Year or More Gross Unrealized Capital Losses	Total Estimated Fair Value	Total Gross Unrealized Capital Losses
MBS:						
Commercial	$ 3,941,280	$ 16,973	$ 648,163	$ 12,531	$ 4,589,443	$ 29,504
Residential	47,915,068	206,279	20,263,365	387,727	68,178,433	594,006
	51,856,348	223,252	20,911,528	400,258	72,767,876	623,510
Other ABS	19,500,331	127,355	9,006,396	806,649	28,506,727	934,004
Total	$ 71,356,679	$ 350,607	$ 29,917,924	$ 1,206,907	$ 101,274,603	$ 1,557,514

2016	Less than One Year Estimated Fair Value	Less than One Year Gross Unrealized Capital Losses	One Year or More Estimated Fair Value	One Year or More Gross Unrealized Capital Losses	Total Estimated Fair Value	Total Gross Unrealized Capital Losses
MBS:						
Commercial	$ 9,573,800	$ 536,949	$ -	$ -	$ 9,573,800	$ 536,949
Residential	33,919,555	319,340	12,978,230	144,688	46,897,785	464,028
	43,493,355	856,289	12,978,230	144,688	56,471,585	1,000,977
Other ABS	52,002,758	1,189,812	12,253,377	296,547	64,256,135	1,486,359
Total	$ 95,496,113	$ 2,046,101	$ 25,231,607	$ 441,235	$ 120,727,720	$ 2,487,336

OTTI is recognized based on the Company's intent to sell, inability to hold to maturity, and when the present value of future cash flows is expected to be less than the amortized cost of the security. There were no OTTI on loan-backed and structured securities related to the intent to sell or inability to hold to maturity during 2017 or 2016. All of the Company's OTTI on loan-backed and structured securities during 2017 and 2016 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 tables:

2017	Amortized Cost Basis Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost Basis After OTTI	Fair Value at Date of Impairment	Date of Financial Statement Where Reported
CUSIP:						
46625MDA4	$ 4,768,605	$ 3,875,173	$ 893,432	$ 3,875,173	$ 3,584,913	03/31/2017
61750WBB8	218,079	126,310	91,769	126,310	98,462	06/30/2017
46625MDA4	3,963,143	3,913,767	49,376	3,913,767	3,913,767	09/30/2017
61750WBB8	117,063	73,687	43,376	73,687	26,244	09/30/2017
61750WBB8	22,235	-	22,235	-	-	12/31/2017
Total	$ 9,089,125	$ 7,988,937	$1,100,188	$ 7,988,937	$ 7,623,386	

2016	Amortized Cost Basis Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost Basis After OTTI	Fair Value at Date of Impairment	Date of Financial Statement Where Reported
CUSIP:						
46625MDA4	$ 5,665,946	$ 4,811,371	$ 854,575	$ 4,811,371	$ 4,234,306	03/31/2016
92978MAK2	4,428,376	4,240,046	188,330	4,240,046	4,085,435	03/31/2016
46625MDA4	4,709,753	4,587,813	121,939	4,587,813	4,011,190	06/30/2016
Total	$14,804,075	$13,639,230	$1,164,844	$13,639,230	$12,330,931	

4. FAIR VALUE MEASUREMENTS

The categorization of fair value measurements determined on a recurring basis, by input level, as of December 31, was as follows:

2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
State and political subdivisions securities	$ -	$ 263,408	$ -	$ 263,408
Common stocks — unaffiliated	16,830,702	6,919,600	15,541,850	39,292,152
Securities lending cash collateral	64,460,023	-	-	64,460,023
Derivative cash collateral	5,610,000	-	-	5,610,000
Derivative assets	39,580	756,057	-	795,637
Total assets	$ 86,940,305	$ 7,939,065	$ 15,541,850	$ 110,421,220
Derivative liabilities	$ -	$ 7,415,855	$ -	$ 7,415,855
Total liabilities	$ -	$ 7,415,855	$ -	$ 7,415,855

2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
State and political subdivisions securities	$ -	$ 721,475	$ -	$ 721,475
US & Canadian corporate securities	-	-	10,000,000	10,000,000
Foreign corporate securities	-	-	1,050,000	1,050,000
Commercial MBS	-	4,242,088	-	4,242,088
Other ABS	-	-	4,730,690	4,730,690
Common stocks — unaffiliated	10,761,590	585,772	13,917,894	25,265,256
Securities lending cash collateral	37,654,270	-	-	37,654,270
Derivative cash collateral	2,010,000	-	-	2,010,000
Derivative assets	-	2,968,195	-	2,968,195
Total assets	$ 50,425,860	$ 8,517,530	$ 29,698,584	$ 88,641,974
Derivative liabilities	$ -	$ 1,080,191	$ -	$ 1,080,191
Total liabilities	$ -	$ 1,080,191	$ -	$ 1,080,191

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 years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2.

Transfers into and out of Level 3 — Assets and liabilities are transferred into or out of Level 3 when a significant input can no longer be corroborated or can be corroborated with market observable data. This occurs when market activity decreases or increases related to certain securities and transparency to the underlying inputs is no longer available or can be observed with current pricing. During the years ended December 31, 2017 and 2016 there were transfers into and no transfers out of Level 3.

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

Common Stocks — Unaffiliated — Valuation is based on unadjusted quoted prices in active markets that are accessible for identical assets.

Derivative Cash Collateral and Securities Lending Cash Collateral — Comprised of U.S. Direct Obligation/Full Faith and Credit Exempt money market instruments, commercial paper, cash, and all highly-liquid debt securities purchased with an original maturity of less than three months. These money market instruments are valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. If public quotations are not available for commercial paper or debt securities, because of the highly liquid nature of these assets, carrying amounts may be used to approximate fair values. The carrying amount of cash approximates fair value.

Derivative Assets — These balances are comprised entirely of warrants and were valued using recent trade activity.

Level 2 Measurements

State and Political Subdivisions Securities — These securities are principally valued using the market approach, which uses prices and other relevant information generated by market transactions for similar assets. The valuation of these securities is based primarily on quoted prices in active markets, or through the use of matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spread from the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

Commercial MBS — These securities are principally valued using the market approach. 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 Stocks — Unaffiliated — These securities are only redeemable at par, so the fair value is presumed to be par.

Derivative Assets and Liabilities — These derivatives consist of foreign currency swaps and are principally valued using an income approach. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves, currency spot rates and cross currency basis curves.

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 to develop the valuation estimates, causing these investments to be classified in Level 3.

U.S. and Canadian Corporate and Foreign Corporate Securities — These securities are principally valued using the market and income approaches. Valuations of these securities are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or cannot be derived principally from, or corroborated by, observable market data, including illiquidity premiums and spread adjustments to reflect industry trends or specific credit-related issues. Valuations may be based on independent non-binding broker quotations. 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 to develop the valuation estimates generally causing these investments to be classified in Level 3. Generally, below investment grade privately placed or distressed securities included in this level are valued using discounted cash flow methodologies which rely upon significant, unobservable inputs and inputs that cannot be derived principally from, or corroborated by, observable market data.

Other ABS — These securities are principally valued using the market approach. The valuation of these securities is based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, or are based on independent non-binding broker quotations.

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

		Gains (Losses)						
	Balance January 1, 2017	Included in Realized Capital Gains (Losses)	Included in Surplus	Purchases	Sales and Repayments	Net Transfers Into Level 3	Net Transfers Out of Level 3	Balance December 31, 2017
Common stocks — unaffiliated	$ 13,917,894	$ -	$ 1,181,910	$ 442,046	$ -	$ -	$ -	$ 15,541,850
US & Canadian corporate securities	10,000,000	-	-	-	(10,000,000)	-	-	-
Foreign corporate securities	1,050,000	-	-	-	(1,050,000)	-	-	-
Other ABS	4,730,690	-	14,580	-	(4,745,270)	-	-	-
	$ 29,698,584	$ -	$ 1,196,490	$ 442,046	$ (15,795,270)	$ -	$ -	$ 15,541,850

		Gains (Losses)						
	Balance January 1, 2016	Included in Realized Capital Gains (Losses)	Included in Surplus	Purchases	Sales and Repayments	Net Transfers Into Level 3	Net Transfers Out of Level 3	Balance December 31, 2016
Common stocks — unaffiliated	$ 13,247,405	$ -	$ 270,066	$ 471,131	$ (70,708)	$ -	$ -	$ 13,917,894
US & Canadian corporate securities	-	-	-	-	-	10,000,000	-	10,000,000
Foreign corporate securities	-	(450,000)	-	-	-	1,500,000	-	1,050,000
Other ABS	3,444,298	-	19,314	-	(3,178,336)	4,445,414	-	4,730,690
	$ 16,691,703	$ (450,000)	$ 289,380	$ 471,131	$ (3,249,044)	$ 15,945,414	$ -	$ 29,698,584

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

2017		Carrying Value		Estimated Fair Value		Level 1		Level 2		Level 3		Not Practicable (Carrying Value)
Financial assets:												
Bonds	$	3,530,248,970	$	3,833,905,373	$	-	$	3,592,791,617	$	241,113,756	$	-
Preferred stocks		42,404,532		44,124,866		-		44,124,866		-		-
Common stocks — unaffiliated		39,292,152		39,292,152		16,830,702		6,919,600		15,541,850		-
Mortgage loans		252,337,441		261,704,567		-		-		261,704,567		-
Other invested assets — Surplus Notes		4,154,211		4,518,106		-		4,518,106		-		-
Cash		12,694,664		12,694,664		12,694,664		-		-		-
Short-term investments		185,900,000		185,900,000		-		185,900,000		-		-
Securities lending cash collateral		64,460,023		64,460,023		64,460,023		-		-		-
Derivative assets		795,637		795,637		39,580		756,057		-		-
Financial liabilities:												
Borrowings		96,000,000		96,000,000		-		96,000,000		-		-
Payable for securities lending		64,460,023		64,460,023		64,460,023		-		-		-
Derivative cash collateral										-		-
Derivative liabilities		7,415,855		7,415,855		-		7,415,855		-		-

2016		Carrying Value		Estimated Fair Value		Level 1		Level 2		Level 3		Not Practicable (Carrying Value)
Financial assets:												
Bonds	$	3,324,881,563	$	3,500,085,423	$	-	$	3,236,577,401	$	263,508,022	$	-
Preferred stocks		42,489,075		42,369,269		-		42,369,269		-		-
Common stocks — unaffiliated		25,265,256		25,265,256		10,761,590		585,772		13,917,894		-
Mortgage loans		218,036,496		227,823,809		-		-		227,823,809		-
Other invested assets — Surplus Notes		4,208,119		4,174,858		-		4,174,858		-		-
Cash and cash equivalents		2,809,574		2,809,574		2,809,574		-		-		-
Short-term investments		198,500,000		198,500,000		-		198,500,000		-		-
Securities lending cash collateral		37,654,270		37,654,270		37,654,270		-		-		-
Derivative assets		2,968,195		2,968,195		-		2,968,195		-		-
Financial liabilities:												
Borrowings		50,000,000		50,000,000		-		50,000,000		-		-
Payable for securities lending		37,654,270		37,654,270		37,654,270		-		-		-
Derivative cash collateral		2,010,000		2,010,000		2,010,000		-		-		-
Derivative liabilities		1,080,191		1,080,191		-		1,080,191		-		-

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

The fair values of securities lending cash collateral, derivative financial instruments, common stock-unaffiliated, and payable for securities lending are estimated as discussed above.

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.

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.

Other Invested Assets — Surplus Notes — The fair values for other invested assets — surplus notes are based on quoted market prices.

Cash & Cash Equivalents— The carrying amount for this instrument approximates fair value.

Short-term Investments — The fair values for short-term investments, which consists of loans to affiliates with maturities of less than one year, approximates cost due to their short-term nature, but are limited to the value of any underlying collateral.

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

5. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the Company's derivative financial instruments as of December 31:

				Carrying Value		Estimated Fair Value	
2017	**Contracts**	**Notional Amount**	**Credit Exposure**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency swaps	N/A	$ 108,701,821	$ 1,774,617	$ 756,057	$ 7,415,855	$ 756,057	$ 7,415,855
Warrants	1,663	N/A	-	39,580	-	39,580	-
Total	1,663	$ 108,701,821	$ 1,774,617	$ 795,637	$ 7,415,855	$ 795,637	$ 7,415,855

				Carrying Value		Estimated Fair Value	
2016	**Contracts**	**Notional Amount**	**Credit Exposure**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign currency swaps	N/A	$ 68,576,890	$ 1,171,012	$ 2,968,195	$ 1,080,191	$ 2,968,195	$ 1,080,191

The following changes in value of derivatives for the years ended December 31, were reported in the statutory financial statements as follows:

2017	**Unrealized Capital Gains (Losses)**	**Net Investment Income**
Foreign currency swaps	$ (8,547,802)	$ 709,392

2016	**Unrealized Capital Gains (Losses)**	**Net Investment Income**
Foreign currency swaps	$ 1,009,821	$ 270,559

Certain of the Company's derivative instruments contain provisions requiring collateral against the fair value subject to minimum transfer amounts. The aggregate fair value of all the derivative instruments with collateral features was a liability of $6,659,798 and an asset of $1,888,004 as of December 31, 2017 and 2016, respectively. The Company pledged $5,610,000 of cash collateral as of December 31, 2017 and no cash collateral as of December 31, 2016. The Company was holding no cash collateral as of December 31, 2017 and $2,010,000 as of December 31, 2016.

6. INCOME TAXES

The Company is the parent corporation of an affiliated group of corporations that file a consolidated U.S. Corporate Income Tax Return. The Company's federal income tax return is consolidated with the following affiliates: Omaha Indemnity, Mutual of Omaha Holdings, Inc. and its subsidiaries, Omaha Financial Holdings, Inc. and its subsidiaries, United of Omaha and its subsidiaries, and Medicare Advantage Company.

Income taxes are allocated among its subsidiaries pursuant to a written agreement approved by the Board of Directors. Each subsidiary's provision for federal income taxes is based on separate return calculations. Omaha Reinsurance Company ("Omaha Re"), 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 consolidated net operating loss, capital loss, and charitable contributions, 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 from subsidiaries as of December 31, 2017 and 2016 were $13,569,032 and $6,065,388, respectively, and were included in federal income taxes recoverable.

The Company's DTL does not include a DTL for the unrealized capital gains (losses) for its investment in subsidiaries.

On December 22, 2017, the Act was signed into law. The Act included numerous changes, including a permanent reduction in the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the reduction in rates, the deferred tax was reduced, which resulted in a decrease of $155,277,183 to surplus for the year ended December 31, 2017. See the effective tax rate reconciliation table below for details of this adjustment.

There were no deposits admitted under Section 6603 of the Internal Revenue Code.

In the event of future tax losses, such losses cannot be carried back to prior years, but carry forward indefinitely where such carry forward is limited to a deduction equal to 80% of the taxable income in any one year.

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

	2017	**2016**
Current federal income tax expense (benefit)	$ (26,272,332)	$ 23,932,786
Current foreign income tax expense	6,999	92,093
Federal income tax expense (benefit)	(26,265,333)	24,024,879
Federal income tax expense on net realized capital losses	294,000	180,000
Total federal and foreign income tax expense (benefit)	(25,971,333)	24,204,879
Change in net deferred income taxes	149,263,246	(9,500,012)
Total federal income tax expense incurred	$ 123,291,913	$ 14,704,867

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

	2017	2016
Net gain (loss) from operations before federal income taxes and net realized capital losses	$ (31,211,703)	$ 130,953,144
Net realized capital gains (losses) before federal income taxes and transfers to IMR	1,258,673	(2,584,794)
Total pre-tax gain (loss)	(29,953,030)	128,368,350
Statutory tax rate	35 %	35 %
Expected federal income taxes (benefit) incurred	(10,483,561)	44,928,923
Prior year tax expense (benefit)	7,927,478	(341,527)
Change in nonadmitted assets	(46,584)	445,351
Amortization of IMR	(175,336)	(100,261)
Dividends from affiliates	-	(33,912,662)
Pension liability adjustment	(304,945)	18,716,163
Tax credits	(6,159,000)	(4,410,639)
Life insurance cash value	(14,689,622)	(9,351,417)
Loss from disregarded entities	(4,413,830)	(3,527,231)
Other	(3,639,870)	2,258,167
Federal income taxes (benefit) at effective rate before 2017 tax legislation	(31,985,270)	14,704,867
Impact of 2017 tax legislation	155,277,183	-
Total federal income tax expense incurred at effective tax rate after 2017 tax legislation	$ 123,291,913	$ 14,704,867

The statute of limitations has closed on all years through 2013. Therefore, the years after 2013 remain subject to audit by federal and state tax jurisdictions.

For the years ended December 31, 2017 and 2016, there was no income tax accrual for uncertain tax positions. As of December 31, 2017, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase within 12 months of the reporting date. As of December 31, 2017 and 2016, the Company had no statutory valuation allowance reducing its DTA.

The components of DTA and DTL as of December 31, were as follows:

	2017		
	Ordinary	Capital	Total
Gross DTA	$ 255,611,373	$ 11,641,829	$ 267,253,202
Nonadmitted DTA	(134,698,644)	(7,684,362)	(142,383,006)
Net admitted DTA	120,912,729	3,957,467	124,870,196
DTL	(34,782,941)	(2,827,364)	(37,610,305)
Net DTA	$ 86,129,788	$ 1,130,103	$ 87,259,891

	2016		
	Ordinary	Capital	Total
Gross DTA	$ 388,724,657	$ 17,196,327	$ 405,920,984
Nonadmitted DTA	(231,956,166)	(10,275,147)	(242,231,313)
Net admitted DTA	156,768,491	6,921,180	163,689,671
DTL	(20,118,359)	(3,623,605)	(23,741,964)
Net DTA	$ 136,650,132	$ 3,297,575	$ 139,947,707

The Company has admitted DTAs as of December 31, as follows:

	2017		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
Adjusted gross DTA expected to be realized (lesser of 1 or 2)	86,129,788	1,130,103	87,259,891
1. Adjusted gross DTA expected to be realized following the balance sheet date	86,129,788	1,130,103	87,259,891
2. Adjusted gross DTA allowed per limitation threshold	N/A	N/A	463,345,900
Adjusted gross DTA that can be offset by DTL	34,782,941	2,827,364	37,610,305
DTA admitted as the result of application of SSAP 101	$ 120,912,729	$ 3,957,467	$ 124,870,196

	2016		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 136,650,132	$ 3,297,575	$ 139,947,707
Adjusted gross DTA expected to be realized (lesser of 1 or 2)			
1. Adjusted gross DTA expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross DTA allowed per limitation threshold	N/A	N/A	434,193,280
Adjusted gross DTA that can be offset by DTL	20,118,359	3,623,605	23,741,964
DTA admitted as the result of application of SSAP 101	$ 156,768,491	$ 6,921,180	$ 163,689,671

The authorized control level risk-based capital ("RBC") ratio percentages used to determine recovery period and threshold limitation amounts were 894% and 908% as of December 31, 2017 and 2016, respectively. The amounts of adjusted capital and surplus used to determine recovery period and threshold limitations were $3,434,892,722 and $3,176,405,752 as of December 31, 2017 and 2016, respectively.

The Company has not utilized an income tax planning strategy for the realization of the DTA for 2017 or 2016.

The tax effects of temporary differences that give rise to significant portions of the DTA and DTL as of December 31, were as follows:

	2017	**2016**	**Change**
DTA:			
Ordinary:			
Policy reserves	$ 59,958,211	$ 65,368,771	$ (5,410,560)
Deferred acquisition costs	44,936,098	68,111,108	(23,175,010)
Expense accruals and other prepaid income	51,149,628	94,339,283	(43,189,655)
Pension liability	51,427,441	78,542,404	(27,114,963)
Nonadmitted assets	16,141,967	27,620,499	(11,478,532)
Bonds and other invested assets	20,591,797	38,686,802	(18,095,005)
Depreciation and amortization	5,178,977	8,471,837	(3,292,860)
Other	6,227,254	7,583,953	(1,356,699)
Subtotal	255,611,373	388,724,657	(133,113,284)
Nonadmitted DTA	(134,698,644)	(231,956,166)	97,257,522
Admitted ordinary DTA	120,912,729	156,768,491	(35,855,762)
Capital—investments	11,641,829	17,196,327	(5,554,498)
Subtotal	11,641,829	17,196,327	(5,554,498)
Nonadmitted	(7,684,362)	(10,275,147)	2,590,785
Admitted capital DTA	3,957,467	6,921,180	(2,963,713)
Admitted DTA	124,870,196	163,689,671	(38,819,475)
DTL:			
Ordinary:			
Unrealized gains	(1,318,004)	(2,645,010)	1,327,006
Other	(33,464,937)	(17,473,349)	(15,991,588)
Subtotal	(34,782,941)	(20,118,359)	(14,664,582)
Capital—investments	(2,827,364)	(3,623,605)	796,241
Subtotal	(2,827,364)	(3,623,605)	796,241
DTL	(37,610,305)	(23,741,964)	(13,868,341)
Net admitted DTA	$ 87,259,891	$ 139,947,707	$ (52,687,816)

The change in net deferred income taxes, exclusive of nonadmitted assets reported separately in surplus in the annual statement, during the years ended December 31, was comprised of the following:

	2017	2016	Change
DTA	$ 267,253,202	$ 405,920,984	$ (138,667,782)
DTL	(37,610,305)	(23,741,964)	(13,868,341)
Net DTA	$ 229,642,897	$ 382,179,020	(152,536,123)
Tax effect of unrealized gains			3,272,877
Change in net deferred income taxes			$ (149,263,246)

	2016	2015	Change
DTA	$ 405,920,984	$ 397,327,519	$ 8,593,465
DTL	(23,741,964)	(24,628,257)	886,293
Net DTA	$ 382,179,020	$ 372,699,262	9,479,758
Tax effect of unrealized gains			20,254
Change in net deferred income taxes			$ 9,500,012

The Company invests in low-income housing tax credit ("LIHTC") limited partnerships from which federal credits are scheduled to be received through 2030. The federal LIHTC programs provide tax credits over a ten-year period, after which the required holding period extends five years.

7. RELATED PARTY INFORMATION

The Company's investments in non-insurance Subsidiary, Controlled, or Affiliated entities' ("SCAs"), as of December 31, were as follows:

	2017		2016	
	Admitted	Nonadmitted	Admitted	Nonadmitted
Omaha Financial Holdings, Inc.	$ 825,272,254	$ -	$ 765,062,825	$ -
Mutual of Omaha Investor Services, Inc.	2,706,673	-	2,329,598	-

The Company has an investment in an insurance SCA, United of Omaha, for which the audited statutory surplus and income reflects a departure from NAIC SAP, for a prescribed practices from the NDOI. The prescribed practice requires an accounting practice for synthetic guaranteed interest contracts ("synthetic GIC") that differs from NAIC SAP in how certain reserves are determined. In 2017 and 2016, this practice decreased net income by $147,409 and $359,513 and decreased surplus $7,783,006 and $7,635,597, respectively. The Company's investment in United of Omaha was $1,605,717,331 and $1,429,512,571 at December 31, 2017 and 2016, respectively. The investment would have been $1,613,500,337 and $1,437,148,168 at December 31, 2017 and 2016, respectively, without the prescribed practices. The RBC of United of Omaha would not have triggered a regulatory event if the prescribed practice was not used.

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. United of Omaha's assets, liabilities and results of operations as of December 31, were as follows:

	2017	2016
Admitted assets	$ 22,803,249,276	$ 20,698,299,461
Liabilities	21,197,531,945	19,268,716,890
Net income	61,729,846	9,011,575

The table below reflects amounts (including nonadmitted amounts), related to unsecured revolving credit agreements with related parties as of December 31, 2017, which are included in short-term investments in the statutory statements of admitted assets, liabilities, and surplus. Interest income is included in net investment income in the statutory statements of operations. Interest only payments are required monthly.

Borrowing Company	Maximum Borrowing	Interest Rate	Amount Outstanding	Interest Income 2017	Interest Income 2016
Omaha Financial Holdings, Inc.	$200,000,000	3.00%	$ 51,400,000	$ 1,299,740	$ 1,644,750
East Campus Realty, L.L.C.	160,000,000	2.80%	125,900,000	3,591,350	3,319,955
Omaha Insurance Company	30,000,000	1.50%	8,400,000	63,765	7,134
Turner Park North L.L.C.	5,000,000	1.50%	200,000	767	-

The Company also has the following unsecured demand, revolving credit lending agreements available to related parties. There were no amounts outstanding under these agreements as of December 31, 2017 and 2016.

Borrowing Company	Maximum Borrowing
United of Omaha Life Insurance Company	$ 250,000,000
Companion Life Insurance Company	23,000,000
Omaha Reinsurance Company	30,000,000
United World Life Insurance Company	10,000,000
The Omaha Indemnity Company	3,000,000
Omaha Health Insurance Company	3,000,000

The Company has the following unsecured demand, revolving credit borrowing agreements available from related parties. The interest rate for borrowings under these agreements in 2017 was from 0.75% to 1.50% and 0.45% during 2016. The Company had $96,000,000 due to United of Omaha as of December 31, 2017.

Lending Company	Maximum Borrowing	2017 Interest Expense
United of Omaha Life Insurance Company	$ 250,000,000	$ 183,735
Omaha Insurance Company	30,000,000	6,510
Companion Life Insurance Company	23,000,000	115,235
United World Life Insurance Company	10,000,000	51,069
Property & Casualty Company of Omaha	7,000,000	3,447
Omaha Health Insurance Company	3,000,000	13,455

All of the above lending and borrowing agreements renew annually for a one year term.

The Company made the following cash capital contributions during the years ended December 31:

	2017	2016
The Omaha Indemnity Company	$ 8,250,000	$ -
Mutual of Omaha Medicare Advantage Company	5,000,000	-
Turner Park North, L.L.C.	-	2,200,000

During 2016, the Company received a dividend of $96,893,320 from United of Omaha in the form of transferred private equity investment.

The Company has reinsurance agreements with affiliate entities. The Company assumes certain individual health insurance from United of Omaha, Omaha Insurance Company, United World Life Insurance Company and Companion Life Insurance Company. See Note 9 for impacts on the statutory financial statements due to these agreements.

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. Certain amounts are paid or collected by the Company on behalf of its direct and indirect subsidiaries. Additionally, 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 are subject to allocation among the Company and such subsidiaries. Management believes the measures used to allocate expenses among companies provide a reasonable allocation that conforms to NAIC guidelines and are usually settled within 30 days. Amounts due to the Company for these services were included in receivable from subsidiaries and was $90,177,328 and $96,955,803 as of December 31, 2017 and 2016, respectively.

Additionally, the Company received the following fees under management agreements, service contracts and cost sharing agreements from its subsidiaries and affiliates. Mutual of Omaha Marketing Corporation was $1,524,076 and $1,495,723 for December 31, 2017 and 2016, respectively, which were included as a reduction of operating expenses.

8. BORROWINGS

The Company has a borrowing agreement with the FHLB under which the Company pledges bonds in return for extensions of credit. The Company and United of Omaha have jointly authorized a maximum extension of credit with the FHLB of $1,000,000,000. There were no advances against the credit agreement at December 31, 2017 and 2016. The maximum amount borrowed by the Company under this agreement was $193,700,000 during the year ended December 31, 2017.

The Company had securities loaned to third parties of $62,210,557 and $35,126,067 as of December 31, 2017 and 2016, respectively. The Company received cash collateral of $64,460,023 and $37,654,270 through these security lending agreements as of December 31, 2017 and 2016, respectively, and is reported as a payable for securities lending on the statutory statements of admitted assets, liabilities, and surplus. The securities loaned as of December 31, 2017 and 2016, 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 as of December 31, 2017, were as follows:

30 days or less	$ 21,423,376
31 to 60 days	14,338,469
61 to 90 days	11,251,739
91 to 120 days	5,452,012
121 to 180 days	7,632,817
181 to 365 days	4,361,610
Total collateral received	$ 64,460,023

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 $150,000,000 and are renewed annually. As of December 31, 2017 and 2016, the Company had no outstanding borrowings under these agreements.

The Company has agreements with third parties 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 $100,000,000. As of December 31, 2017 and 2016, there were no outstanding borrowings under these agreements.

9. 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 impact of reinsurance operations on the statutory financial statements for the years ended December 31, was as follows:

	2017	2016
Health and accident premiums:		
Assumed:		
Affiliates	$ 1,134,330,047	$ 980,264,046
Non-affiliates	572,700,050	518,295,591
	$ 1,707,030,097	$ 1,498,559,637
Ceded — non-affiliates	$ 97,817,705	$ 89,582,047
Health and accident benefits:		
Assumed:		
Affiliates	$ 816,511,473	$ 687,486,450
Non-affiliates	472,807,023	405,029,668
	$ 1,289,318,496	$ 1,092,516,118
Ceded — non-affiliates	$ 18,008,131	$ 16,650,426
Commissions:		
Assumed:		
Affiliates	$ 295,048,580	$ 261,185,774
Non-affiliates	153,770,328	143,472,920
	$ 448,818,908	$ 404,658,694
Commissions and expense allowances on reinsurance ceded:		
Non-affiliates	$ 30,106,480	$ 39,943,328
Health and accident policy reserves:		
Assumed:		
Affiliates	$ 353,100,081	$ 297,216,540
Non-affiliates	135,037,210	148,584,770
	$ 488,137,291	$ 445,801,310
Ceded — non-affiliates	$ 284,496,580	$ 234,302,995
Policy and contract claims:		
Assumed:		
Affiliates	$ 160,250,666	$ 137,575,349
Non-affiliates	109,088,888	95,256,441
	$ 269,339,554	$ 232,831,790
Ceded — non-affiliates	$ 11,188,097	$ 9,166,321

10. EMPLOYEE BENEFIT PLANS

The Company is both the sponsor and administrator of a non-contributory defined benefit plan ("Pension Plan") covering all U.S. employees meeting certain minimum requirements. Retirement benefits are based upon years of credited service and final average earnings history. Effective January 1, 2005, the Pension Plan was amended to freeze plan benefits for participants under 40 years of age. No benefits are available under the Pension Plan included in pension benefits below for employees hired on or after January 1, 2005. The Company also sponsors and administers a supplemental defined benefit plan covering certain current and former employees. The Company also provides certain postretirement medical and life insurance benefits (other benefits) to retired employees hired before January 1, 1995. Other benefits are based upon hire date, age, and years of service. The Company uses the accrual method of accounting for other benefits.

Projected Benefit Obligations and Plan Assets — The Company has no pension or other benefit plans in which projected benefit obligations are overfunded as of December 31, 2017 and 2016. The changes in the projected benefit obligation and plan assets for the Company's underfunded plans as of December 31, the measurement date, were as follows:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 1,198,131,597	$ 1,201,655,560	$ 66,715,459	$ 72,482,285
Service cost	7,312,662	9,463,679	110,378	118,154
Interest cost	53,289,812	54,597,266	2,592,569	3,028,902
Actuarial (gain) loss	67,496,504	(19,392,412)	(1,636,522)	(802,546)
Benefits paid	(52,308,003)	(48,192,496)	(6,136,746)	(8,111,336)
Benefit obligation at end of year	$ 1,273,922,572	$ 1,198,131,597	$ 61,645,138	$ 66,715,459
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 920,325,532	$ 901,130,256	$ 10,630,817	$ 13,495,077
Actual return on plan assets	102,899,706	66,432,452	(296,420)	135,702
Employer contribution	3,847,517	955,320	-	-
Benefits paid	(52,308,003)	(48,192,496)	(2,157,060)	(2,999,962)
Fair value of plan assets at end of year	$ 974,764,752	$ 920,325,532	$ 8,177,337	$ 10,630,817

The funded status and components of net periodic benefit costs for the years ended December 31, were as follows:

	Pension Benefits 2017	Pension Benefits 2016	Other Benefits 2017	Other Benefits 2016
Overfunded:				
Prepaid benefit costs	$ 36,876,503	$ 55,798,250	$ -	$ -
Total assets (nonadmitted)	$ 36,876,503	$ 55,798,250	$ -	$ -
Underfunded:				
Accrued benefit cost	$ 33,043,969	$ 33,577,281	$ 42,560,639	$ 43,666,281
Liability for pension benefits	266,113,851	244,228,784	10,907,162	12,418,361
Total liabilities recognized	$ 299,157,820	$ 277,806,065	$ 53,467,801	$ 56,084,642
Components of net periodic benefit cost				
Service cost	$ 7,312,662	$ 9,463,679	$ 110,378	$ 118,154
Interest cost	53,289,812	54,597,266	2,592,569	3,028,902
Expected return on plan assets	(62,696,987)	(63,398,982)	(425,233)	(539,803)
Amount of recognized gains and losses	24,330,465	31,233,105	-	417,500
Amount of prior service cost recognized	-	(1,265,970)	596,330	596,330
Total net periodic benefit cost	$ 22,235,952	$ 30,629,098	$ 2,874,044	$ 3,621,083

The amounts in unassigned funds (surplus) recognized as components of net periodic benefit costs for the years ended December 31, were as follows:

	Pension Benefits 2017	Pension Benefits 2016	Other Benefits 2017	Other Benefits 2016
Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost:				
Items not yet recognized in net periodic cost at the beginning of the year	$300,027,034	$352,420,051	$ 12,418,361	$ 13,500,089
Amortization of prior service credit (cost)	-	1,265,970	(596,330)	(596,330)
Net (gain) loss arising during the year	27,293,785	(22,425,882)	(914,869)	(67,898)
Amortization of actuarial loss	(24,330,465)	(31,233,105)	-	(417,500)
Items not yet recognized in net periodic cost at the end of the year	$302,990,354	$300,027,034	$ 10,907,162	$ 12,418,361

The amounts expected to be recognized in net periodic benefit costs during the next year and the amounts that have not yet been recognized in net periodic benefit costs as of December 31, were as follows:

	Pension Benefits		Other Benefits	
	2017	**2016**	**2017**	**2016**
Amounts in unassigned funds (surplus) expected to be recognized in net periodic benefit cost during the next year:				
Amortization of prior service (cost) credit	$ -	$ -	$ 596,330	$ 596,330
Amortization of actuarial loss	24,526,125	24,330,465	437,887	428,771
Amounts in unassigned funds (surplus) that have not yet been recognized in net periodic benefit cost:				
Net prior service cost (credit)	-	-	1,677,440	2,273,770
Net recognized losses	302,990,354	300,027,034	9,229,722	10,144,591

The following benefit payments are expected to be paid (in thousands) as of December 31:

	2018	**2019**	**2020**	**2021**	**2022**	**2023–2027**
Pension benefits	$ 60,773	$ 63,632	$ 66,523	$ 69,407	$ 71,929	$ 389,375
Other postretirement benefits	$ 6,671	$ 6,597	$ 6,483	$ 6,342	$ 6,156	$ 26,835

The Pension Plan assets as of December 31, included the following:

	2017	**2016**
United group annuity contract:		
General asset account	$ 428,742,633	$ 433,236,711
Separate account K	66,788,639	55,617,159
Separate account II	139,779,098	138,327,455
Equity securities — domestic	63,825,486	60,035,219
Equity securities — foreign	169,350,779	132,257,255
Limited partnerships	106,278,117	100,851,733
Total	$ 974,764,752	$ 920,325,532

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 and Separate Account II funds are recorded at the fair value of the defined benefit pension plan's proportionate share of the underlying net assets. The underlying net assets of the Separate Account K consist primarily of small cap common stocks traded on organized exchanges and over-the-counter markets. Separate account II is an index mutual fund based on the S&P 500 index.

Limited partnerships are valued at fair value based on the proportionate share of the partnership's capital balance. Equity securities — domestic and equity securities — foreign consist of mutual funds and collective investment trusts valued at fair value based on the proportionate share of the underlying net assets. The assets consist of securities traded on organized exchanges and over-the-counter markets indices.

The estimated fair values of the Separate Account K, Separate Account II, mutual funds, and limited partnerships as of December 31, were as follows:

2017	**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**
Pension:				
Separate account K equity securities	$ -	$ 66,788,639	$ -	$ 66,788,639
Separate account II equity securities	139,779,098	-	-	139,779,098
Equity securities — domestic	63,825,486	-	-	63,825,486
Equity securities — foreign	35,768,816	133,581,963	-	169,350,779
Limited partnerships	-	-	106,278,117	106,278,117
Total	$ 239,373,400	$ 200,370,602	$ 106,278,117	$ 546,022,119
2016				
Pension:				
Separate account K equity securities	$ -	$ 55,617,159	$ -	$ 55,617,159
Separate account II equity securities	138,327,455	-	-	138,327,455
Equity securities — domestic	60,035,219	-	-	60,035,219
Equity securities — foreign	26,518,232	105,739,023	-	132,257,255
Limited partnerships	-	-	100,851,733	100,851,733
Total	$ 224,880,906	$ 161,356,182	$ 100,851,733	$ 487,088,821

Changes in limited partnership assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, were as follows:

	2017	**2016**
Beginning balance	$ 100,851,733	$ 95,950,417
Return on assets still held	(3,669,752)	(5,112,411)
Purchases	9,096,136	10,013,727
Ending balance	$ 106,278,117	$ 100,851,733

The investment objective of the Pension Plan is to produce current income and long-term capital growth through a combination of equity and fixed income investments that, together with appropriate employer contributions, will be adequate to provide for the payment of the plan’s benefit obligations. The assets of the Pension 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 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 Pension 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 2018, the Company expects to contribute $60,000,000 to the Pension Plan under the plan's funding policy, subject to approval by the board of directors. Additional voluntary contributions may be made pursuant to the maximum funding limits under Employee Retirement Income Security Act of 1974, as amended. The Company expects to contribute $15,000,000 to the postretirement plan in 2018.

Actuarial Assumptions — Actuarial assumptions used to calculate the projected benefit obligation and net periodic pension cost for the plans as of and for the years ended December 31, are set forth in the following table:

	Pension Benefits		**Other Benefits**	
	2017	**2016**	**2017**	**2016**
Projected benefit obligation				
Discount rate	4.00 %	4.55 %	4.00 %	4.55 %
Rate of increase in compensation levels	3.40	3.40	N/A	N/A
Net periodic pension cost				
Discount rate	4.55 %	4.65 %	4.55 %	4.65 %
Rate of increase in compensation levels	3.40	3.40	N/A	N/A
Expected long-term rate of return on plan assets	7.00	7.25	4.00	4.00

Actuarial assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics and result in actuarial gains (losses) included in the projected benefit obligation. The actuarial loss in 2017 and gain in 2016 are primarily the result of the changes in the discount rate and application of the new projection scales in 2017 and 2016.

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation was 5.00% and 4.70% in 2017 and 2016, respectively, gradually declining to 4.00% in 2083, and remaining at that level thereafter. Increasing and decreasing, respectively, the assumed health care cost trend rate by one percentage point in each year would increase (decrease) the Company's accumulated postretirement benefit obligation as of December 31, 2017, by approximately $3,000,000 and the net periodic postretirement benefit costs for 2017 by approximately $100,000.

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 $5,208,168 and $3,330,335 in 2017 and 2016, respectively. The Company also provides deferred compensation benefits for certain key executive officers. As of December 31, 2017 and 2016, the liability for deferred compensation benefits included in liability for benefits for employees and agents in the statutory statements of admitted assets, liabilities, and surplus was $27,020,691 and $32,249,810, respectively.

11. SURPLUS

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

	2017	2016
Unrealized gains	$ 1,113,329,555	$ 872,931,016
Nonadmitted assets	(270,679,326)	(370,394,537)
AVR	(179,437,566)	(137,850,517)

The minimum statutory capital and surplus necessary to satisfy regulatory requirements was $768,231,268 as of December 31, 2017 (company action level RBC). Company action level RBC is the level at which a company is required to file a corrective action plan with its regulators. Company action level RBC is equal to 200% of the authorized control level RBC, which is the level at which regulatory action is taken.

12. SURPLUS NOTES

On July 17, 2014, the Company issued $300,000,000 in surplus notes due July 15, 2054, at par. Interest on the 2014 notes is fixed at 4.297% and payable semiannually until January 15, 2024, at which time interest resets quarterly to three month LIBOR plus 2.642%, payable quarterly. The 2014 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. The 2014 notes are callable under a make-whole provision calculated as the present value of the remaining principal and interest payments any time prior to July 15, 2024 or at any time on or after July 15, 2024 at par. 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. The notes are carried at amortized cost. 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.

Any payment of interest or repayment of principal on any outstanding surplus note 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. Interest of $41,495,015 paid in 2017 and 2016, is included in net investment income. 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.

13. COMMITMENTS AND CONTINGENCIES

The Company had unfunded investment commitments for bonds, mortgage lending, and limited partnerships of $145,044,992 and $128,396,217 as of December 31, 2017 and 2016, respectively. 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 $5,959,178 and $485,350 as of December 31, 2017 and 2016, respectively. The Company estimated premium tax credits that it will receive related to guaranty funds of $12,020,389 and $2,656,583 as of December 31, 2017 and 2016, respectively.

The Company recognized discounted and undiscounted amounts, based on 4.25%, relating to Penn Treaty Network America and its subsidiaries (together "Penn Treaty") during 2017. As of December 31, 2017, the discounted and undiscounted liabilities and receivables were $5,315,316 and $12,257,681, and $4,504,798 and $9,861,077, respectively. There are 51 jurisdictions for liabilities and premium tax credits by insolvency. Amounts used for the Penn Treaty accruals are the discounted amounts reported by the National Organization of Life and Health Insurance Guaranty Association.

The Company has adopted resolutions to deliver a written guarantee to various departments of insurance to maintain Omaha Insurance Company's capital and surplus at or above various statutory minimum levels or RBC, whichever is greater. Omaha Insurance Company is an indirect subsidiary of the Company.

The Company terminated its parental guarantee with Omaha Re effective October 1, 2017.

The Company entered into a Portfolio Maintenance Agreement with Omaha Re effective October 1, 2017. Under the Portfolio Matenance Agreement, to the extent there are any realized capital losses during any calendar quarter on any of the assets credited to certain funds withheld accounts established by United, the Company will contribute equity capital in the form of cash or assets to Omaha Re. There were not amounts due under this agreement as of December 31, 2017.

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 of those lawsuits will not have a material effect on the Company's financial position, results of operations, or cash flows.

14. LEASES

The Company and United of Omaha jointly enter into agreements for the rental of office space, equipment and computer software under non-cancelable operating leases. Future required minimum rental payments under leases as of December 31, 2017, were as follows:

2018	$ 9,609,141
2019	6,775,792
2020	5,024,765
2021	3,559,396
2022	2,147,580
Thereafter	10,321,193
Total	$ 37,437,867

The Company's rental expense for the years ended December 31, 2017 and 2016, was $6,882,617 and $6,168,119, respectively.

15. DIRECT PREMIUM WRITTEN

The Company's direct accident and health premium written by third-party administrators were $279,423,503 and $238,809,008 during the years ended December 31, 2017 and 2016, respectively.

16. 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:

	2017	2016
Balance at January 1	$ 1,095,548,761	$ 1,033,389,626
Reinsurance recoverable	47,104,158	45,088,681
Net balance at January 1	1,048,444,603	988,300,945
Incurred related to:		
Current year	2,165,032,145	1,899,496,702
Prior years	(38,012,180)	10,520,941
Total incurred	2,127,019,965	1,910,017,643
Paid related to:		
Current year	1,637,089,073	1,416,244,623
Prior years	474,216,040	433,629,362
Total paid	2,111,305,113	1,849,873,985
Net balance at December 31	1,064,159,455	1,048,444,603
Reinsurance recoverable	48,739,223	47,104,158
Balance at December 31	$ 1,112,898,678	$ 1,095,548,761

During 2017, incurred claims related to prior years were negative primarily due to favorable experience within certain health and accident coverages on a non-interest adjusted basis. In 2016, incurred claims related to prior years were positive primarily due to unfavorable runout within certain health and accident coverages on a non-interest adjusted basis. On an interest adjusted basis, prior years incurred claims were favorable for both years.

Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The liability is regularly reviewed and revised to reflect current conditions and claim trends and any resulting adjustments are reflected in operating results in the year they are made.

A roll forward of the liability for claim adjustment expenses included in general expenses, due or accrued, as of December 31, was as follows:

	2017	2016
Prior year accrual	$ 25,270,440	$ 23,443,733
Incurred claim adjustment expenses	22,534,439	29,012,920
Paid claim adjustment expenses	(25,131,973)	(27,186,213)
	$ 22,672,906	$ 25,270,440

17. ELECTRONIC DATA PROCESSING EQUIPMENT AND SOFTWARE

EDP equipment and operating and non-operating software included in other assets as of December 31, consisted of the following:

	2017	2016
EDP equipment	$ 71,963,690	$ 67,030,334
Operating system software	12,792,216	12,990,788
Non-operating system software	205,115,391	194,619,186
Accumulated depreciation	(234,698,586)	(220,224,744)
Nonadmitted assets	(41,764,496)	(40,700,588)
	$ 13,408,215	$ 13,714,976

Depreciation expense related to EDP equipment and operating and non-operating software totaled $21,827,639 and $22,532,830 for the years ended December 31, 2017 and 2016, respectively.

* * * * * *

SUPPLEMENTAL SCHEDULES

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our 2017 audit was conducted for the purpose of forming an opinion on the 2017 statutory-basis financial statements 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, 2017, are presented for purposes of additional analysis and are not a required part of the 2017 statutory-basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2017 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2017 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

May 18, 2018

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Investment income earned:	
U.S. government bonds	$ 18,694,870
Other bonds (unaffiliated)	156,551,283
Bonds of affiliates	66,847
Preferred stocks (unaffiliated)	2,387,489
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	732,374
Common stocks of affiliates	-
Mortgage loans	12,368,107
Real estate	10,827,997
Contract loans	-
Cash, cash equivalents and short-term investments	5,343,048
Other invested assets	14,337,956
Derivative instruments	709,392
Aggregate write-ins for investment income	232,094
Gross investment income	$ 222,251,457
Real estate owned — book value less encumbrances	$ 34,312,830
Mortgage loans — book value:	
Farm mortgages	$ -
Residential mortgages	5,705,478
Commercial mortgages	246,631,964
Total mortgage loans	$ 252,337,442
Mortgage loans by standing — book value:	
Good standing	$ 252,337,442
Good standing with restructured terms	$ -
Interest overdue more than three months — not in foreclosure	$ -
Foreclosure in process	$ -
Other long-term assets — statement value	$ 228,475,242
Collateral loans	$ -

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Bonds and stocks of subsidiaries and affiliates — book value:	
Bonds	$ 185,900,000
Preferred stocks	$ -
Common stocks	$ 2,524,412,457
Bonds by NAIC designation and maturity:	
Bonds by maturity — statement value:	
Due within one year or less	$ 370,130,919
Over 1 year and through 5 years	552,090,576
Over 5 years through 10 years	678,763,999
Over 10 years through 20 years	790,286,500
Over 20 years	1,324,876,976
Total by maturity	$ 3,716,148,970
Bonds by NAIC designation — statement value:	
NAIC 1	$ 2,039,165,729
NAIC 2	1,557,052,705
NAIC 3	111,812,528
NAIC 4	4,157,242
NAIC 5	3,697,359
NAIC 6	263,407
Total by NAIC designation	$ 3,716,148,970
Total bonds publicly traded	$ 2,000,519,260
Total bonds privately traded	$ 1,715,629,710
Preferred stocks — statement value	$ 42,404,532
Common stocks — market value	$ 2,563,704,609
Short-term investments — book value	$ 185,900,000
Options, caps and floors owned — statement value	$ (6,620,219)
Options, caps and floors written and in force — statement value	$ -
Collar, swap and forward agreements open — current value	$ -
Cash on deposit	$ 12,694,664

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

Group:	
Amount of income payable	$ -
Fully paid — account balance	$ -
Not fully paid — account balance	$ -
Accident and health insurance — premiums in force:	
Ordinary	$ 2,776,709,224
Group	$ 187,971,819
Credit	$ -
Deposit funds and dividend accumulations:	
Deposit funds — account balance	$ -
Dividend accumulations — account balance	$ -
Claim payments 2017 — group accident and health — year ended December 31, 2017:	
2017	$ 57,092,646
2016	$ 26,932,814
2015	$ 7,613,740
2014	$ 4,217,282
2013	$ 3,073,407
Prior	$ 17,450,409

(Continued)

MUTUAL OF OMAHA INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Claim payments 2017 — other accident and health — year ended December 31, 2017:	
2017	$ 1,579,996,427
2016	$ 324,227,850
2015	$ 28,924,489
2014	$ 18,118,036
2013	$ 12,097,800
Prior	$ 31,560,214
Other coverages that use developmental methods to calculate claim reserves:	
2017	$ -
2016	$ -
2015	$ -
2014	$ -
2013	$ -
Prior	$ -

(Concluded)

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	1,150,597	0.017	1,150,597	0	1,150,597	0.017
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies	0	0.000	0	0	0	0.000
1.22 Issued by U.S. government sponsored agencies	0	0.000	0	0	0	0.000
1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)	0	0.000	0	0	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	2,041,192	0.030	2,041,192	0	2,041,192	0.030
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	0	0.000	0	0	0	0.000
1.43 Revenue and assessment obligations	37,482,763	0.542	37,482,763	0	37,482,763	0.542
1.44 Industrial development and similar obligations	0	0.000	0	0	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	181,187,051	2.620	181,187,051	0	181,187,051	2.620
1.512 Issued or guaranteed by FNMA and FHLMC	7,814,443	0.113	7,814,443	0	7,814,443	0.113
1.513 All other	16,809,708	0.243	16,809,708	0	16,809,708	0.243
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	230,000,193	3.325	230,000,193	0	230,000,193	3.325
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	1,257,523	0.018	1,257,523	0	1,257,523	0.018
1.523 All other	66,249,710	0.958	66,249,710	0	66,249,710	0.958
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	2,244,442,593	32.449	2,244,442,593	0	2,244,442,593	32.449
2.2 Unaffiliated non-U.S. securities (including Canada)	741,813,198	10.725	741,813,198	0	741,813,198	10.725
2.3 Affiliated securities	0	0.000	0	0	0	0.000
3. Equity interests:						
3.1 Investments in mutual funds	15,793,130	0.228	15,793,130	0	15,793,130	0.228
3.2 Preferred stocks:						
3.21 Affiliated	0	0.000	0	0	0	0.000
3.22 Unaffiliated	42,404,532	0.613	42,404,532	0	42,404,532	0.613
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	0	0.000	0	0	0	0.000
3.32 Unaffiliated	1,037,571	0.015	1,037,571	0	1,037,571	0.015
3.4 Other equity securities:						
3.41 Affiliated	2,524,412,458	36.497	2,524,412,458	0	2,524,412,458	36.497
3.42 Unaffiliated	22,461,450	0.325	22,461,450	0	22,461,450	0.325
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	0	0.000	0	0	0	0.000
3.52 Unaffiliated	0	0.000	0	0	0	0.000
4. Mortgage loans:						
4.1 Construction and land development	0	0.000	0	0	0	0.000
4.2 Agricultural	0	0.000	0	0	0	0.000
4.3 Single family residential properties	5,705,478	0.082	5,705,478	0	5,705,478	0.082
4.4 Multifamily residential properties	0	0.000	0	0	0	0.000
4.5 Commercial loans	246,631,964	3.566	246,631,964	0	246,631,964	3.566
4.6 Mezzanine real estate loans	0	0.000	0	0	0	0.000
5. Real estate investments:						
5.1 Property occupied by company	34,312,830	0.496	34,312,830	0	34,312,830	0.496
5.2 Property held for production of income (including $ 0 of property acquired in satisfaction of debt)	0	0.000	0	0	0	0.000
5.3 Property held for sale (including $ 0 property acquired in satisfaction of debt)	0	0.000	0	0	0	0.000
6. Contract loans	0	0.000	0	0	0	0.000
7. Derivatives	795,637	0.012	795,637	0	795,637	0.012
8. Receivables for securities	1,394,143	0.020	1,394,143	0	1,394,143	0.020
9. Securities Lending (Line 10, Asset Page reinvested collateral)	64,460,023	0.932	64,460,023	XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	198,594,664	2.871	198,594,664	64,460,023	263,054,687	3.803
11. Other invested assets	228,475,240	3.303	228,475,240	0	228,475,240	3.303
12. Total invested assets	6,916,728,091	100.000	6,916,728,091	64,460,023	6,916,728,091	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2017
(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. $ 7,824,432,993

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	$ 1,605,717,331	20.5 %
2.02	OMAHA FINANCIAL HOLDINGS INC	Non-Insurance Affiliate Stock, Short Term Revolver	$ 876,672,254	11.2 %
2.03	EAST CAMPUS REALTY	Non-Insurance Affiliate Equity Partnership, Short Term Revolver	$ 129,853,934	1.7 %
2.04	MCCARTHY CAPITAL MTG INVESTORS	Equity Partnerships	$ 120,854,029	1.5 %
2.05	MUTUAL OF OMAHA HOLDINGS INC	Non-Insurance Affiliate Stock	$ 47,951,299	0.6 %
2.06	CSX CORP	Corporate Bonds	$ 28,209,264	0.4 %
2.07	BURLINGTON NORTHERN SANTA FE	Corporate Bonds	$ 25,868,772	0.3 %
2.08	UNION PACIFIC CORPORATION	Corporate Bonds	$ 24,856,300	0.3 %
2.09	CORNING INC	Corporate Bonds	$ 23,145,910	0.3 %
2.10	APPLE INC	Corporate Bonds	$ 22,618,300	0.3 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 2,039,165,729	26.1 %	3.07	P/RP-1	$ 13,342,558	0.2 %
3.02	NAIC-2	$ 1,557,052,705	19.9 %	3.08	P/RP-2	$ 29,061,974	0.4 %
3.03	NAIC-3	$ 111,812,528	1.4 %	3.09	P/RP-3	$ 0	0.0 %
3.04	NAIC-4	$ 4,157,242	0.1 %	3.10	P/RP-4	$ 0	0.0 %
3.05	NAIC-5	$ 3,697,359	0.0 %	3.11	P/RP-5	$ 0	0.0 %
3.06	NAIC-6	$ 263,408	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	$ 713,298,071	9.1 %
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 designation:

		1	2
5.01	Countries designated NAIC-1	$ 703,568,071	9.0 %
5.02	Countries designated NAIC-2	$ 4,000,000	0.1 %
5.03	Countries designated NAIC-3 or below	$ 5,730,000	0.1 %

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

		1	2
	Countries designated NAIC - 1:		
6.01	Country 1: United Kingdom	$ 206,482,174	2.6 %
6.02	Country 2: Australia	$ 135,369,845	1.7 %
	Countries designated NAIC - 2:		
6.03	Country 1: Spain	$ 4,000,000	0.1 %
6.04	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 3 or below:		
6.05	Country 1: Bahamas	$ 5,730,000	0.1 %
6.06	Country 2:	$ 0	0.0 %

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

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

		1	2
8.01	Countries designated NAIC-1	$ 0	0.0 %
8.02	Countries designated NAIC-2	$ 0	0.0 %
8.03	Countries designated NAIC-3 or below	$ 0	0.0 %

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

		1	2
	Countries designated NAIC - 1:		
9.01	Country 1:	$ 0	0.0 %
9.02	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 2:		
9.03	Country 1:	$ 0	0.0 %
9.04	Country 2:	$ 0	0.0 %
	Countries designated 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 Designation	3	4
10.01	BAE SYSTEMS HOLDINGS INC - United Kingdom	2	$ 15,856,964	0.2 %
10.02	COMPASS GROUP PLC - United Kingdom	1	$ 15,000,000	0.2 %
10.03	WOLSELEY CAPITAL INC - United Kingdom	2	$ 15,000,000	0.2 %
10.04	LYONDELLBASEL INDUSTRIES NV - Netherlands	2	$ 14,746,226	0.2 %
10.05	INVESCO FINANCE PLC - United Kingdom	1	$ 12,508,142	0.2 %
10.06	BASF SE - Germany	1	$ 12,204,216	0.2 %
10.07	INCHCAPE PLC - United Kingdom	2	$ 12,161,700	0.2 %
10.08	VTTI BV - Netherlands	2	$ 12,005,000	0.2 %
10.09	OLDENDORFF DRYBULK GMBH & CO - Germany	2	$ 12,000,000	0.2 %
10.10	STOCKLAND TRUST MANAGEMENT LTD - Australia	1	$ 11,000,000	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	$ 1,605,717,331	20.5 %
13.03	OMAHA FINANCIAL HOLDINGS INC - Non-Insurance Affiliate Stock	$ 825,272,254	10.5 %
13.04	MCCARTHY CAPITAL MTG INVESTORS - Equity Partnerships	$ 120,854,029	1.5 %
13.05	MUTUAL OF OMAHA HOLDINGS INC - Non-Insurance Affiliate Stock	$ 47,951,299	0.6 %
13.06	OMAHA INDEMNITY CO - Insurance Affiliate Stock	$ 21,206,385	0.3 %
13.07	OMAHA HEALTH INSURANCE CO - Insurance Affiliate Common Stock	$ 20,059,530	0.3 %
13.08	ING - Equity Partnerships	$ 15,541,850	0.2 %
13.09	BOSTON FINL INST TAX CR - Equity Partnerships	$ 10,754,110	0.1 %
13.10	RIDGEWOOD ENERGY - Equity Partnerships	$ 10,145,237	0.1 %
13.11	WNC INSTITUTIONAL TAX CR FUND - Equity Partnerships	$ 8,425,486	0.1 %

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	$ 248,828,548	3.2 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	MCCARTHY CAPITAL MTG INVESTORS - Equity Partnerships	$ 120,854,029	1.5 %
14.04	ING - Equity Partnerships	$ 15,541,850	0.2 %
14.05	RIDGEWOOD ENERGY - Equity Partnerships	$ 10,145,237	0.1 %

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 - SUNSET LAND COMPANY LLC	$ 9,259,210	0.1 %
16.03	Commercial - CLOVER COMMUNITIES WILLOUGHBY LLC	$ 8,750,000	0.1 %
16.04	Commercial - SHERWOOD CORPORATE CENTER LLC	$ 7,964,934	0.1 %
16.05	Commercial - ROCKSIDE SQUARE LLC	$ 7,879,222	0.1 %
16.06	Commercial - CHRISTIANA TOWN CENTER LLC	$ 7,737,377	0.1 %
16.07	Commercial - WRAF HOUSING, LLC	$ 7,680,420	0.1 %
16.08	Commercial - NIGHTS VISION 1776 LLC	$ 7,000,000	0.1 %
16.09	Commercial - FRIENDLY VILLAGE MOBILEHOME PARK LLC	$ 6,979,968	0.1 %
16.10	Commercial - LBC 1 LLC	$ 5,941,931	0.1 %
16.11	Commercial - 300 W ARTESIA LP	$ 5,842,738	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	$ 0	0.0 %
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%	$ 219,807	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.04	71 to 80%	$ 3,920,693	0.1 %	$ 0	0.0 %	$ 0	0.0 %
17.05	below 70%	$ 1,564,978	0.0 %	$ 246,631,964	3.2 %	$ 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 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$ 59,281,569	0.8 %	$ 51,440,873	$ 63,363,343	$ 84,999,463
20.02	Repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.03	Reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.04	Dollar repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.05	Dollar reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0

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

		Owned 1	Owned 2	Written 3	Written 4
21.01	Hedging	$ 0	0.0 %	$ 0	0.0 %
21.02	Income generation	$ 0	0.0 %	$ 0	0.0 %
21.03	Other	$ 39,579	0.0 %	$ 0	0.0 %

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

		At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01	Hedging	$ 1,774,617	0.0 %	$ 1,158,206	$ 1,280,879	$ 1,266,057
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 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01	Hedging	$ 0	0.0 %	$ 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