



# United of Omaha Life Insurance Company

(A Wholly Owned Subsidiary of  
Mutual of Omaha Insurance Company)

Statutory Financial Statements as of December 31,  
2020 and 2019, and for the Years Ended  
December 31, 2020, 2019, and 2018,  
Supplemental Schedules as of  
and for the Year Ended December 31, 2020, and  
Independent Auditors' Report

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
United of Omaha Life Insurance Company  
Omaha, Nebraska

We have audited the accompanying statutory-basis financial statements of United of Omaha Life Insurance Company (the "Company") (a wholly owned subsidiary of Mutual of Omaha Insurance Company), which comprise the statutory-basis statements of admitted assets, liabilities, and surplus as of December 31, 2020 and 2019, and the related statutory-basis statements of operations, changes in surplus, and cash flows for each of the three years in the period ended December 31, 2020, 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 from 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 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 United of Omaha Life 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 United of Omaha Life Insurance Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2020.

**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 United of Omaha Life Insurance Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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*

April 23, 2021

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS**  
**AS OF DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ADMITTED ASSETS</b>		
CASH AND INVESTED ASSETS:		
Bonds	\$18,255,660,612	\$16,568,679,880
Preferred stocks	118,496,050	131,800,000
Common stocks—unaffiliated	76,877,721	65,662,482
Common stocks—affiliated	114,219,727	109,819,530
Mortgage loans—net	3,009,702,869	2,760,661,698
Real estate occupied by the Company—net of accumulated depreciation of \$100,765,043 and \$99,105,837, respectively	43,333,930	45,973,508
Contract loans	197,990,533	199,228,072
Cash and cash equivalents	(31,965,487)	(41,220,204)
Short-term investments	313,574,991	339,783,663
Securities lending and repurchase agreement cash collateral	806,171,440	781,284,350
Other invested assets	<u>443,175,581</u>	<u>324,365,321</u>
Total cash and invested assets	23,347,237,967	21,286,038,300
INVESTMENT INCOME DUE AND ACCRUED	161,169,244	154,966,990
PREMIUMS DEFERRED AND UNCOLLECTED	242,462,882	253,472,031
REINSURANCE RECOVERABLE	260,610,885	250,886,408
NET DEFERRED TAX ASSETS	98,287,313	91,991,525
OTHER ASSETS	22,140,944	39,910,188
SEPARATE ACCOUNT ASSETS	<u>4,517,956,756</u>	<u>4,169,091,617</u>
TOTAL ADMITTED ASSETS	<u>\$28,649,865,991</u>	<u>\$26,246,357,059</u>
<b>LIABILITIES AND SURPLUS</b>		
LIABILITIES:		
Policy reserves:		
Reserves for life policies and contracts	\$12,613,978,430	\$11,594,704,344
Deposit-type contracts	4,071,281,930	3,497,181,918
Health and accident active life	<u>100,879,755</u>	<u>102,651,668</u>
Total policy reserves	16,786,140,115	15,194,537,930
Claim reserves:		
Policy and contract claims—life	167,823,864	115,781,450
Policy and contract claims—health	<u>953,930,456</u>	<u>874,499,736</u>
Total claim reserves	1,121,754,320	990,281,186
Premiums paid in advance	31,542,625	31,620,360
Interest maintenance reserve	17,629,029	-
Asset valuation reserve	192,642,161	170,816,392
General expenses and taxes due or accrued	81,171,704	67,745,806
Payable to parent, subsidiaries, and affiliates—net	199,630,661	117,032,872
Borrowings and securities lending	1,157,201,615	1,187,723,414
Funds held under coinsurance	1,509,603,815	1,351,996,792
Funds held under reinsurance treaties with unauthorized and certified reinsurers	833,304,196	898,155,475
Other liabilities	330,494,278	305,417,243
Separate account liabilities	<u>4,517,956,756</u>	<u>4,169,091,617</u>
Total liabilities	26,779,071,275	24,484,419,087
SURPLUS:		
Capital stock, \$10 par value, 900,000 shares authorized, issued, and outstanding	9,000,000	9,000,000
Gross paid-in and contributed surplus	582,625,018	582,625,018
Special surplus	-	1,046,671
Unassigned surplus	<u>1,279,169,698</u>	<u>1,169,266,283</u>
Total surplus	1,870,794,716	1,761,937,972
TOTAL LIABILITIES AND SURPLUS	<u>\$28,649,865,991</u>	<u>\$26,246,357,059</u>

See notes to statutory financial statements.

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**STATUTORY STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**

	2020	2019	2018
INCOME:			
Net premiums and annuity considerations	\$ 4,575,770,360	\$ 3,717,455,174	\$ 3,263,751,072
Net investment income and amortization of IMR	929,209,569	853,336,253	803,583,289
Commissions and expense allowances on reinsurance ceded	191,062,054	154,017,169	130,918,551
Other income	<u>34,735,621</u>	<u>34,406,164</u>	<u>39,313,928</u>
Total income	<u>5,730,777,604</u>	<u>4,759,214,760</u>	<u>4,237,566,840</u>
BENEFITS AND EXPENSES:			
Policyholder benefits	2,829,977,644	2,657,143,018	2,712,103,424
Increase (decrease) in reserves	1,113,770,806	341,297,421	(5,195,463)
Commissions	587,261,663	552,876,660	504,023,802
Operating expenses	<u>1,044,865,516</u>	<u>979,666,014</u>	<u>944,545,667</u>
Total benefits and expenses	<u>5,575,875,629</u>	<u>4,530,983,113</u>	<u>4,155,477,430</u>
NET INCOME FROM OPERATIONS BEFORE FEDERAL INCOME TAX AND NET REALIZED CAPITAL GAIN (LOSS)			
	154,901,975	228,231,647	82,089,410
FEDERAL INCOME TAX	<u>71,338,494</u>	<u>98,006,868</u>	<u>10,696,830</u>
NET INCOME FROM OPERATIONS BEFORE NET REALIZED CAPITAL GAIN (LOSS)			
	83,563,481	130,224,779	71,392,580
NET REALIZED CAPITAL GAIN (LOSS)—Net of federal income tax (benefit) of \$15,768,882, \$3,225,985, and \$(15,765,832), and transfers to (from) the interest maintenance reserve of \$42,920,788, \$32,476,264, and \$(73,647,129), respectively			
	<u>(5,568,725)</u>	<u>5,984,753</u>	<u>(16,018,741)</u>
NET INCOME	<u>\$ 77,994,756</u>	<u>\$ 136,209,532</u>	<u>\$ 55,373,839</u>

See notes to statutory financial statements.

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**STATUTORY STATEMENTS OF CHANGES IN SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**

	2020	2019	2018
CAPITAL STOCK	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000
GROSS PAID-IN AND CONTRIBUTED SURPLUS	582,625,018	582,625,018	582,558,051
SPECIAL SURPLUS:			
Balance—beginning of year	1,046,671	-	314,716
Affordable Care Act assessment	(1,046,671)	1,046,671	(314,716)
Balance—end of year	-	1,046,671	-
UNASSIGNED SURPLUS:			
Balance—beginning of year	1,169,266,283	1,047,811,742	1,013,844,564
Net income	77,994,756	136,209,532	55,373,839
Change in:			
Net unrealized capital gain (loss)—net of income tax (benefit) of \$(4,291,327), \$2,103,452, and \$(3,915,589), respectively	(21,743,366)	(30,175,636)	(43,068,027)
Foreign exchange unrealized capital gain (loss)—net of income tax (benefit) of \$(134,820), \$(154,908), and \$5,203,032, respectively	(507,180)	(582,749)	19,573,310
Net deferred income tax (benefit)	33,572,888	45,468,745	11,923,916
Nonadmitted assets	(34,590,586)	(21,023,789)	(49,069,005)
Reserve on account of change in valuation basis	25,137,515	(33,613,143)	14,941,344
Asset valuation reserve	(21,825,769)	(12,905,159)	(12,140,395)
Deferred gains on reinsurance	64,948,738	39,791,845	36,441,130
Change in loading on deferred premium asset	(14,130,252)	(668,434)	(323,650)
Affordable Care Act assessment	1,046,671	(1,046,671)	314,716
Balance—end of year	1,279,169,698	1,169,266,283	1,047,811,742
TOTAL SURPLUS	<u>\$ 1,870,794,716</u>	<u>\$ 1,761,937,972</u>	<u>\$ 1,639,369,793</u>

See notes to statutory financial statements.

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**STATUTORY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**

	2020	2019	2018
<b>CASH FROM (USED FOR) OPERATIONS:</b>			
Net premiums and annuity considerations	\$ 4,897,206,877	\$ 4,844,089,462	\$ 4,282,292,919
Net investment income	922,537,298	842,311,440	807,987,632
Other income	169,280,089	91,639,002	122,056,560
Policyholder benefits	(2,987,381,239)	(2,815,656,312)	(2,800,367,252)
Net transfers from (to) separate accounts	(86,868)	(440,679)	108,562
Commissions and operating expenses	(1,493,168,452)	(1,415,433,122)	(1,333,376,724)
Federal income taxes paid to parent	<u>(75,628,768)</u>	<u>(100,878,509)</u>	<u>(4,996,144)</u>
Net cash from operations	<u>1,432,758,937</u>	<u>1,445,631,282</u>	<u>1,073,705,553</u>
<b>CASH FROM (USED FOR) INVESTMENTS:</b>			
Proceeds from investments sold, matured, or repaid:			
Bonds	2,358,264,987	3,153,457,286	2,529,842,025
Stocks	164,037,193	59,923,471	28,086,363
Mortgage loans	296,077,999	195,013,770	361,598,800
Other invested assets	48,474,205	5,488,820	14,357,589
Miscellaneous proceeds	13,928,885	32,302,494	10,811,957
Cost of investments acquired:			
Bonds	(3,935,724,160)	(4,741,509,608)	(3,581,231,248)
Stocks	(162,846,843)	(110,464,339)	(49,626,033)
Mortgage loans	(545,078,080)	(628,178,294)	(579,208,080)
Real estate	(1,235,639)	(1,383,224)	(3,105,474)
Other invested assets	(210,874,442)	(116,467,568)	(31,112,425)
Miscellaneous applications	(18,568,154)	(7,295,657)	(13,507,335)
Net decrease (increase) in contract loans	<u>1,509,463</u>	<u>(10,938,343)</u>	<u>(5,407,940)</u>
Net cash used for investments	<u>(1,992,034,586)</u>	<u>(2,170,051,192)</u>	<u>(1,318,501,801)</u>
<b>CASH FROM (USED FOR) FINANCING AND MISCELLANEOUS SOURCES:</b>			
Borrowed funds received (paid)	(54,857,492)	357,579,208	(10,909,092)
Net increase in deposit-type contracts	571,106,387	345,290,203	360,383,185
Net increase (decrease) in payable to parent	82,597,789	18,502,875	(33,787,918)
Other cash provided (applied)	<u>(56,524,990)</u>	<u>26,875,625</u>	<u>103,467,534</u>
Net cash from financing and miscellaneous sources	<u>542,321,694</u>	<u>748,247,911</u>	<u>419,153,709</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS	(16,953,955)	23,828,001	174,357,461
<b>CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS:</b>			
Beginning of year	<u>298,563,459</u>	<u>274,735,458</u>	<u>100,377,997</u>
End of year	<u>\$ 281,609,504</u>	<u>\$ 298,563,459</u>	<u>\$ 274,735,458</u>

(Continued)



**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**STATUTORY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**

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	2020	2019	2018
NON-CASH TRANSACTIONS:			
Stock and bond conversions	\$ 374,957,222	\$ 72,148,820	\$ 81,973,392
Ceded premium settled through funds withheld	369,922,223	1,185,968,785	237,516,657
Ceded benefits settled through funds withheld	231,681,512	223,690,873	112,846,665
Ceded commissions settled through funds withheld	137,367,528	52,637,302	43,678,127
Ceded interest settled through funds withheld	98,213,417	87,981,253	49,973,771
Third-party surplus relief amortization	36,563,342	16,400,000	-
Assumed premium settled through funds withheld	36,090,020	33,760,882	32,943,199
Assumed benefits settled through funds withheld	32,034,219	23,887,018	25,224,878
Change in securities lending	24,887,090	-	-
Funds withheld listed as current amounts payable	17,810,355	-	-
Capital contribution through payable to subsidiary	10,000,000	-	-
Ceded policy loans settled through funds withheld	5,669,412	5,937,525	5,131,107
Assumed commissions settled through funds withheld	5,091,130	4,373,791	4,677,831
Ceded deposit-type contracts settled through funds withheld	2,993,625	23,597,931	-
Assumed interest settled through funds withheld	2,153,373	1,996,039	1,866,445
Funds withheld listed as current amounts receivable	-	12,105,897	-
Schedule B mortgage disposed to Schedule B mortgage acquired	-	11,511,193	-
Bonds transferred for reinsurance transaction	-	-	873,121,169
See notes to statutory financial statements.			(Concluded)

# UNITED OF OMAHA LIFE INSURANCE COMPANY

(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

## NOTES TO STATUTORY FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 AND 2019 AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations**—United of Omaha Life Insurance Company (the “Company”), is a life, accident and health insurance company, domiciled in the State of Nebraska and is a wholly owned subsidiary of Mutual of Omaha Insurance Company (“Mutual of Omaha”), a mutual life, accident and health insurance company, domiciled in the State of Nebraska. The following are wholly owned subsidiaries of the Company as of December 31, 2020: Companion Life Insurance Company (“Companion”); United World Life Insurance Company (“United World”); Medicare Advantage Insurance Company of Omaha (“Medicare Advantage”); UM Holdings, LLC; Omaha Reinsurance Company (“Omaha Re”); and Mutual of Omaha Structured Settlement Company (“Mutual Structured Settlement”).

The Company provides a wide array of financial products and services to a broad range of institutional and individual customers and is licensed in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Principal products and services provided include individual and group health insurance, individual and group life insurance, annuities, and retirement plans. The Company holds separate accounts assets which represent funds held for the benefit of contract holders under specific life and annuity contracts. The separate accounts funds are legally insulated from the general account.

**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 Director of the Nebraska Department of Insurance has the right to permit other specific practices that may deviate from NAIC SAP. The Company does not utilize any permitted practices however, there is an impact on its results of operations and surplus from the prescribed practices followed by its subsidiaries Companion and Omaha Re as discussed in Note 7.

The NDOI previously prescribed an accounting practice for synthetic guaranteed interest contracts (“Synthetic GICs”), that differed from NAIC SAP in how reserves were determined. The regulation, Nebraska Regulations Title 210, Chapter 80, was amended and is now consistent with NAIC SAP. The following is a reconciliation of the Company’s net income and statutory surplus between the prescribed accounting practices and NAIC SAP as of and for the previous years ended December 31:

	2020	2019	2018
Net income, Nebraska basis	\$ 77,994,756	\$ 136,209,532	\$ 55,373,839
Nebraska prescribed practice: Synthetic GICs	<u>-</u>	<u>(6,930,318)</u>	<u>(513,285)</u>
Net income, NAIC SAP	<u>\$ 77,994,756</u>	<u>\$ 129,279,214</u>	<u>\$ 54,860,554</u>
Statutory surplus, Nebraska basis	\$ 1,870,794,716	\$ 1,761,937,972	\$ 1,639,369,793
Nebraska prescribed practice: Synthetic GICs	<u>-</u>	<u>339,404</u>	<u>7,269,722</u>
Statutory surplus, NAIC SAP	<u>\$ 1,870,794,716</u>	<u>\$ 1,762,277,376</u>	<u>\$ 1,646,639,515</u>

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 stated at amortized cost, while under GAAP, they may be stated at amortized cost or fair value. Exchange Traded Funds, eligible for bond reporting by the NAIC Securities Valuation Office (“SVO Identified Funds-ETFs”), are stated at fair value and classified as bonds, while under GAAP, they are stated at fair value and classified as equity.
- b. An other-than-temporary impairment (“OTTI”) exists for NAIC SAP on a loan-backed or structured security if 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 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 stated at amortized cost, while under GAAP, preferred stocks are stated at their estimated fair value. Under GAAP, certain investments in preferred stocks and other equity investments without readily determinable fair values for which the Company has elected a measurement alternative are stated at cost adjusted for price changes in observable transactions in the same or similar instruments of the same issuer and for impairments.
- d. Limited partnerships are stated 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 are 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 a change in net unrealized capital gains (losses), a component of unassigned 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 (“DTA”) 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 as for GAAP.
- h. NAIC SAP policy reserves for life insurance contracts that are subject to Principle Based Reserves (“PBR”) and are based on mortality, lapse, and interest assumptions that are prescribed or are prudent estimates based upon the industry and/or company experience as prescribed by Valuation Manual-20: *Requirements for Principle-Based Reserves for Life Products* (“VM-20”). Annuities are based on mortality, lapse, and interest assumptions prescribed or permitted by state statutes. For health insurance contracts, mortality and interest are prescribed, and morbidity and lapse assumptions are Company estimates within statutory limitations. The effect on reserves, if any, due to a change in valuation basis, is recorded directly to unassigned surplus rather than included in the determination of net gain (loss) from operations. GAAP policy reserves are based on the Company’s estimates of morbidity, mortality, lapse, and interest assumptions.
- i. The asset valuation reserve (“AVR”) and interest maintenance reserve (“IMR”) are established only on 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. Premium receipts and benefits on universal life-type contracts and deferred annuities are recorded as income and expense under NAIC SAP. Under GAAP, revenues on universal life-type contracts and deferred annuities are comprised of contract charges and fees that are recognized when assessed against the policyholder account balance. In addition, certain of the revenue as defined under deposit accounting is deferred and amortized to income over the expected life of the contract using the product’s estimated gross profits, similar to acquisition costs. Premium receipts and benefits paid are considered deposits and withdrawals, respectively, and are recorded as or against interest-bearing liabilities.
- l. Reinsurance recoverables on unpaid losses are reported as a reduction of policy reserves, while under GAAP, they are reported as an asset.

- m. Comprehensive income and its components are not presented on the statutory financial statements.
- n. Subsidiaries included as common stocks are stated 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 on the statutory statements of operations.
- o. For loss contingencies, when no amount within management's estimate of the range is a better estimate than any other amount, the midpoint of the range is accrued. Under GAAP, the minimum amount in the range is accrued.
- p. Gains on economic transactions, defined as arm's-length transactions that result in the transfer of the risks and 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.

**Reclassifications**—Certain amounts in the prior period statutory financial statements have been reclassified to conform to the presentation of the current period statutory financial statements. These reclassifications had no effect on the previously reported financial results.

**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 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 length and complexity of annuity and life insurance contracts and the risks involved, policy reserves calculated using regulatory prescribed or permitted methods and assumptions can be not closely related to the economic liability for the benefits and options promised to policyholders. Reserves are determined using prescribed mortality tables and interest rate assumptions. Prescribed lapse assumptions are permitted on certain universal life-type contracts. Certain guarantees embedded in the contracts are defined formulaically. Reserves for life insurance contracts that are subject to PBR are calculated using prescribed or prudent estimates as prescribed by VM-20. Actual mortality, lapse, interest rates, and the nature of the guarantees will differ from prescribed assumptions and definitions.

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.

Claim reserves 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.

The World Health Organization declared the spread of the COVID-19 virus as a pandemic on March 11, 2020. The pandemic and actions taken against it globally in response have disrupted business activities throughout the world through 2020 and will continue into 2021. As events and responses continue to rapidly evolve, it is not possible to reliably estimate the severity of these events on the Company's future statutory financial statements. The Company believes it has the ability to sustain its operations, maintain adequate liquidity and capital levels, and meet all obligations of policyholders as of the date of these statutory financial statements.

**Investments**—Investments are reported according to valuation procedures prescribed by the NAIC. Bonds are stated at amortized cost using the effective yield method, except for certain bonds with an NAIC designation of 6, which are stated at the 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. SVO Identified Funds-ETFs, captured within the scope of Statement of Statutory Accounting Principles (“SSAP”) 26R *Bonds*, are eligible for bond reporting. The Company has elected to value SVO Identified Funds-ETFs at fair value.

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

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

Common stocks of unaffiliated companies are generally stated at fair value, common stocks of affiliated insurance companies are stated at their audited statutory equity value, and common stocks of affiliated non-insurance companies are stated at their GAAP equity value. The Federal Home Loan Bank (“FHLB”) capital stocks are stated at cost. Changes in the carrying values are recorded as a change in net unrealized capital gains (losses), a component of unassigned surplus. Dividends are reported in net investment income.

Mortgage loans held for investment are stated at the aggregate unpaid principal balance adjusted for unamortized premium or discount, except impaired loans. Impaired loans are stated at the lower of amortized cost or fair value of the loan determined by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or 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 in non-accrual status. Cash payments on loans where accrual of interest has ceased are applied directly to the unpaid principal balance until such time as management determines that it is probable all principal amounts will be recovered.

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 in 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 to a 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 stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives, generally forty years, of the related assets. Real estate held for sale is stated at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell. Real estate held for sale consists of collateral received on foreclosed mortgage loans.

Contract loans are stated at unpaid principal balance plus any accrued interest which is 90 days or more past due.

Cash equivalents are highly-liquid debt securities whose remaining maturities at the time of acquisition is three months or less. Cash equivalents, including money market mutual funds, are stated at cost, which approximates fair value.

Short-term investments include related party notes and investments whose remaining maturities at the time of acquisition 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% of the fair value of the domestic securities 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, and the Company records a corresponding liability for the collateral which is included in borrowings and securities lending on 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.

The Company has repurchase agreements whereby unrelated parties, primarily major brokerage firms, borrow securities from the Company. The Company requires a minimum of 95% of fair value of the securities 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 repurchase agreement securities continue to be reported as bonds. Collateral received is invested in cash equivalents and securities, and the Company records a corresponding liability for the collateral which is included in borrowings and securities lending on the statutory statements of admitted assets, liabilities, and surplus.

Other invested assets include investments in derivatives, low-income housing tax credits (“LIHTC”), receivables for securities, and limited partnerships, which include ownerships of Fulcrum Growth Partners, L.L.C. and Fulcrum Growth Partners III L.L.C. (collectively “Fulcrum”), and Mutual of Omaha Opportunities Fund, LP (“MOOF”). During 2018, Fulcrum Growth Partners, L.L.C. was dissolved. As of December 31, 2020, the Company continues to own approximately 80% of Fulcrum Growth Partners III, L.L.C. The Company recognizes 80% of the contributions and distributions of Fulcrum, and 72% of net income (losses) in its investment in Fulcrum based on the partnership agreement provisions. Fulcrum was established for the purpose of investing in non-traditional assets, including private equities, public equities, special situation real estate equities, and mezzanine debt. Fulcrum is capitalized through the contributions of the Company and one other owner that has significant participation in Fulcrum’s operations. Contributions are no longer accepted by Fulcrum. Limited partnerships and the investment in Fulcrum are stated at their underlying GAAP equity, which approximates fair value, with a one-quarter lag adjusted for all capital distributions, cash distributions, and impairment charges for the quarter with changes recorded in net unrealized capital gains (losses), a component of unassigned surplus. Fair values of the limited liability partnerships are determined using the underlying audited GAAP financial statements. As of December 31, 2020 and 2019, the Company owned 99% of MOOF. The Company recognizes 99% of the contributions and distributions of MOOF and approximately 88% of net income (losses) in its investment in MOOF based on the partnership agreement provisions. MOOF was established for the purpose of investing in private equity funds and direct co-investments. MOOF is capitalized through the contributions of the Company and one other owner that has significant participation in MOOF’s operations. Distributions of income from these investments are recorded in net investment income. Investments in LIHTCs are stated at amortized cost. As of December 31, 2020 and 2019, the Company’s investment in LIHTCs was \$67,957,648 and \$40,693,275, respectively.

Other invested assets consist of a tax credit stated at amortized cost with the utilization period determined by the applicable state statute. The carrying value and unused amounts of the transferable and non-transferable state tax credits, gross of any related tax liabilities, by state, as of December 31, are described in the table below. One hundred percent of other invested assets are admitted as of December 31, 2020 and 2019.

Description	State	Utilization Period	2020		2019	
			Carrying Amount	Unused Amount	Carrying Amount	Unused Amount
Affordable Housing	Georgia	4 Years	\$ 5,006,759	\$ 5,031,692	\$ 6,393,454	\$ 6,531,692
Affordable Housing	Hawaii	8 Years	1,268,202	1,625,673	1,448,396	1,856,905
Affordable Housing	Missouri	10 Years	2,605,936	3,850,907	1,540,633	2,798,278
Affordable Housing	Nebraska	7 Years	1,379,511	4,704,492	-	-
Renewable Energy	North Carolina	In 2020	-	-	802,465	825,943
Affordable Housing	Oklahoma	10 Years	<u>3,056,516</u>	<u>4,516,749</u>	<u>1,540,633</u>	<u>3,011,184</u>
Total			<u>\$13,316,924</u>	<u>\$19,729,513</u>	<u>\$11,725,581</u>	<u>\$15,024,002</u>



The Company uses derivative financial instruments to reduce exposure to market volatility associated with assets held or liabilities incurred and to change the characteristics of the Company's asset/liability mix, consistent with the Company's risk management activities.

Derivatives generally include foreign currency swaps, swaptions, interest rate swaps, warrants, and call spread options. 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), a component of unassigned surplus. Net settlement amounts on interest rate swaps are recorded as adjustments to net investment income on an accrual basis over the life of the swap. 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. The Company designates certain of its interest rate swaps as fair value hedges when they are highly effective in offsetting the risk of changes in fair value of the hedged item. For interest rate swaps, the Company is exposed to credit-related losses in the amount of the net interest differential in the event of non-performance by the swap counterparty. For currency swaps and forwards, 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.

The Company uses swaptions to mitigate interest rate risk. Under a swaption, the Company pays a one-time premium to the counterparty while the counterparty agrees to deliver at expiration the value of the underlying swap if that value is positive. The Company's swaptions are not highly correlated or effective so they do not qualify for hedge accounting. Changes in fair value of the swaptions are included in net unrealized capital gains (losses), a component of unassigned surplus.

The Company uses call spread options to hedge the crediting rates under equity indexed universal life products to mitigate the equity risk in the contracts. The Company received warrants in the course of bond restructuring that once exercised can be converted to common stocks. The Company does not consider either derivative type as hedges, so changes in fair value of the options are included in net unrealized capital gains (losses), a component of unassigned surplus.

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. The Company accrues interest income on an impaired security to the extent it is deemed collectible and the security continues to perform under its restricted contractual terms. Interest income on a non-performing security is generally recognized on a cash basis.

**Property**—Property is stated 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 four to twenty years.

**Separate Accounts**—The assets of the separate accounts on the statutory statements of admitted assets, liabilities, and surplus are stated at fair value and consist primarily of common stocks and mutual funds held by the Company for the benefit of contract holders under specific individual annuity and life insurance contracts and group annuity contracts. Separate account assets are segregated and are not subject to claims that arise out of any other business of the Company. Deposits and premiums received from and benefits paid to separate account contract holders are reflected on the statutory statements of operations, net of reinsurance, but are offset by transfers to and from the separate account. Mortality, policy administration, and surrender charges from all separate accounts are included in other income.

**Policy Reserves**—Policy reserves include life insurance and annuity reserves, active life and unearned premium reserves for health contracts, and reserves for deposit-type contracts.

Life insurance reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future net premiums on policies in force. Reserves for individual life insurance that are not subject to PBR are valued using the Commissioners' Reserve Valuation Method, a net level premium method, or other modified reserve methods. Interest rates range from 3.00% to 6.00% for the years ended December 31, 2020 and 2019. Reserves for life insurance that are subject to PBR are computed using the Net Premium Reserve Method and the Deterministic/Stochastic Reserve Method prescribed by VM-20. Interest rates range from 3.50% to 4.50% for the year December 31, 2020. Mortality assumptions used for the Net Premium Reserve Method are based on the 2017 CSO mortality tables. The assumptions used for Deterministic/Stochastic Reserve Method are the prudent estimate assumptions developed internally, as required by VM-20. Reserves for individual fixed annuities and life contingent supplementary contracts are calculated using the Commissioners' Annuity Reserve Valuation Method, a net level premium method, with appropriate statutory interest and mortality assumptions. Interest rates range from 3.50% to 9.25% for the years ended December 31, 2020 and 2019. Group annuity reserves are valued using a net single premium method with appropriate statutory interest and mortality assumptions. Interest rates range from 1.00% to 11.25% and 2.25% to 11.25% for the years ended December 31, 2020 and 2019, respectively.

Active life reserves for accident and health contracts provide amounts estimated to adequately 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 reflect premiums paid or due to the Company prior to the statutory financial statement date, for the contract period subsequent to the statutory financial statement date.

Reserves for deposit-type contracts are equal to deposits received and interest credited to the benefit of contract holders, less withdrawals that represent a return to the contract holder. Reserves for annuities certain and non-life contingent supplementary contracts in payout status without life contingencies are calculated using a net level premium method. Tabular interest, tabular less actual reserve released, and tabular cost have been determined by formula as described in the NAIC

instructions or from the basic data for such items. Tabular Interest on funds not involving life contingencies is equal to the end of year reserve balance, less beginning of year reserve balance, less deposits received during the year, less other net change in reserves, plus fees and other charges assessed, plus surrender charges, plus net surrender and withdrawal payments, plus other net transfers to or from separate accounts.

**Claim Reserves**—Disabled life reserves reflect amounts that are either not yet due or yet to arise on claims incurred with a continuing loss. Such reserves are based on the statutory interest and claim termination rates based on either industry or a blend of the Company and industry experience in compliance with statutory requirements. Revisions of these estimates are reflected in operations in the year they are made.

Incurred but not paid claim liabilities include the amounts estimated for claims that have been reported but not settled and estimates for claims incurred but not reported. Such reserves are estimated based upon the Company's and affiliates' historical experience and other actuarial assumptions that consider the effects of current developments, payment patterns, membership patterns, anticipated trends, claim utilization, product changes, risk management programs, and other factors. The liabilities are continually reviewed and adjustments and changes are reflected in the year they are made. Claim adjustment expenses are accrued and included in general expenses and taxes due or accrued.

**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, expand certain business lines, and manage capital. 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 collectibility and length of time overdue on a quarterly basis. 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 on 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.

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.

Premiums due under reinsurance agreements are reported as negative uncollected premiums on the statutory statements of admitted assets, liabilities, and surplus. Experience refunds due under reinsurance agreements are reported as reinsurance recoverables on the statutory statements of admitted assets, liabilities and surplus.

**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 ("DTL").

Deferred taxes are recognized to the extent there are differences between the statutory and tax basis 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 an 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 three separately determined components: i) an amount of taxes paid in prior years which may be recovered through loss carrybacks of existing temporary differences that are expected to reverse within three years from the reporting date; ii) 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; and iii) an amount where the adjusted gross DTA equals DTL.

The Company records uncertain tax positions in accordance with NAIC SAP for those instances where it determines that a tax loss contingency meets a more-likely-than-not threshold based on the technical merits. If the estimated loss contingency is greater than 50% of the tax benefit originally recognized, the entire benefit originally recognized is reported as the tax loss contingency. The Company recognizes interest accrued related to uncertain tax positions and penalties as federal income tax expense. The liability for uncertain tax positions and the associated interest liability, if any, are included in general expenses and taxes due or accrued on the statutory statements of admitted assets, liabilities, and surplus.

**Asset Valuation Reserve and Interest Maintenance Reserve**—The Company establishes certain reserves under NAIC guidelines. 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. Losses in excess of gains are recorded as an asset and nonadmitted.

**Premiums and Annuity Considerations and Related Commissions**—Life premiums are recognized as income over the premium-paying period of the policies. Health and accident premiums are recognized as income over the terms of the policies. Annuity considerations are recognized as income when received. Considerations received on deposit-type funds, which do not contain any life contingencies, are recorded directly to the related liability. Commissions and other expenses related to the acquisition of policies are charged to operations as incurred.

**Nonadmitted Assets**—Certain assets designated as nonadmitted assets, principally net deferred tax assets and suspense items, are excluded from the statutory statements of admitted assets, liabilities, and surplus. The net change in such assets is charged or credited directly to unassigned surplus.

**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 misestimation 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 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 on the statutory statements of operations.

For loan-backed securities, OTTI is recognized when 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 fair value and the amount of the write-down is recorded as a realized capital loss on 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 statutory statements of admitted assets, liabilities, and surplus 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 on 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 on 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 or the limited partnership reports realized capital losses on the 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 on 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.

**Accounting Pronouncements**—During 2016, the NAIC issued revisions to SSAP 51R *Life Contracts* and SSAP 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 PBR, following an entity's adoption of PBR. These

changes were effective January 1, 2017, however reporting entities were permitted to delay implementation for up to three years. The Company adopted PBR as of January 1, 2020. See Note 16 for the associated disclosures.

During 2019, the NAIC issued revisions to SSAP 61R *Life, Deposit-Type and Accident and Health Reinsurance* effective in 2020 that require additional disclosures about the transfer of risk within reinsurance agreements. See Supplemental Reinsurance Schedule for the required disclosures.

During 2020, the NAIC issued revisions to SSAP 2R *Rolling Short-term Investments* effective in 2020 to incorporate additional concepts that prevent entities from classifying related-party or affiliated investments that are expected to be renewed (rolled) continuously for subsequent years that do not meet certain qualifications as a cash equivalent or a short-term investment. The Company's affiliated lending agreements meet the qualifications to continue to classify them as short-term investments. See Note 7 for the associated disclosures.

During 2020, the NAIC issued an interpretation that adopts, with modification to reject concepts that are not consistent with statutory accounting principles, Accounting Standards Update 2020-04 *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* issued by the Financial Accounting Standards Board. The guidance provides optional expedients and exceptions for applying statutory accounting principles to contracts, hedging relationships and other transactions that reference a rate expected to be discontinued due to reference rate reform. Additionally, the guidance reduces the operational and financial impacts of contract modifications that replace a reference rate, such as London Interbank Offered Rate (LIBOR), affected by reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, with certain exceptions. The Company has investment securities and funding agreements that reference LIBOR. The implementation of this guidance did not impact any of these instruments. The Company does not hold any derivatives accounted for as hedges that reference LIBOR or another rate expected to be discontinued due to reference rate reform. There was no impact on the statutory financial statements as a result of the adoption of this guidance.

During 2020, the NAIC issued revisions to SSAP 32R *Preferred Stock* that revises the definitions, measurements, and impairment guidance for preferred stocks and are effective for the Company in 2021. Beginning in 2021, perpetual preferred stocks will be stated at fair value. The Company is currently evaluating the impact of this guidance on the statutory financial statements.

## 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:

	Carrying Value	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Estimated Fair Value
<b>2020</b>				
Industrial and miscellaneous Special revenue/assessment obligations	\$16,487,116,554	\$2,187,621,584	\$40,735,716	\$18,634,002,422
U.S. government	1,139,369,445	106,645,754	2,070,626	1,243,944,573
All other governments	435,758,040	45,987,182	76,592	481,668,630
Hybrid securities	27,772,312	3,720,948	-	31,493,260
Political subdivision	80,408,486	8,220,179	38,784	88,589,881
States, territories, and possessions	51,126,191	1,628,423	308,627	52,445,987
Parent, subsidiary, and affiliate	22,208,317	256,420	-	22,464,737
Bank loans—unaffiliated	11,849,455	1,933,396	77,313	13,705,538
	<u>51,812</u>	<u>-</u>	<u>-</u>	<u>51,812</u>
Total bonds	18,255,660,612	2,356,013,886	43,307,658	20,568,366,840
Redeemable preferred stocks	<u>10,496,050</u>	<u>834,383</u>	<u>-</u>	<u>11,330,433</u>
Total	<u>\$18,266,156,662</u>	<u>\$2,356,848,269</u>	<u>\$43,307,658</u>	<u>\$20,579,697,273</u>
<b>2019</b>				
Industrial and miscellaneous Special revenue/assessment obligations	\$15,013,570,063	\$1,142,409,482	\$19,306,038	\$16,136,673,507
U.S. government	951,945,404	60,896,358	1,963,101	1,010,878,661
All other governments	507,116,900	35,870,523	152,149	542,835,274
Hybrid securities	29,837,477	2,141,397	55,821	31,923,053
Political subdivision	34,589,653	2,127,075	-	36,716,728
States, territories, and possessions	21,164,230	2,378,090	-	23,542,320
Parent, subsidiary, and affiliate	10,246,781	-	171,900	10,074,881
	<u>209,372</u>	<u>-</u>	<u>2,106</u>	<u>207,266</u>
Total bonds	16,568,679,880	1,245,822,925	21,651,115	17,792,851,690
Redeemable preferred stocks	<u>31,800,000</u>	<u>1,972,699</u>	<u>-</u>	<u>33,772,699</u>
Total	<u>\$16,600,479,880</u>	<u>\$1,247,795,624</u>	<u>\$21,651,115</u>	<u>\$17,826,624,389</u>

Bonds with an NAIC designation of 6 with carrying amounts of \$2,017,407 and \$246,781 as of December 31, 2020 and 2019, respectively, were stated 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% and 97% of the carrying value of the Company's total bond portfolio as of December 31, 2020 and 2019, respectively.



The carrying value and estimated fair value of bonds and redeemable preferred stocks as of December 31, 2020, by contractual maturity, are shown below. Actual maturities may differ as a result of prepayments by the issuer. MBS and other ABS, which provide for periodic payments throughout their lives, are listed separately.

	<b>Carrying Value</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$ 509,026,179	\$ 516,557,252
Due after one year through five years	2,417,565,798	2,589,354,687
Due after five years through ten years	3,499,419,715	3,952,201,186
Due after ten years	<u>7,465,286,934</u>	<u>8,938,193,081</u>
	13,891,298,626	15,996,306,206
MBS and other ABS	<u>4,374,858,036</u>	<u>4,583,391,067</u>
Total	<u>\$18,266,156,662</u>	<u>\$20,579,697,273</u>

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

	<u>Less than One Year</u>		<u>One Year or More</u>		<u>Total</u>	
	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses
<b>2020</b>						
Industries and miscellaneous	\$1,230,807,781	\$34,438,287	\$384,190,445	\$6,297,429	\$1,614,998,226	\$40,735,716
Special revenue	92,257,039	2,070,626	-	-	92,257,039	2,070,626
Political subdivision	7,284,550	308,627	-	-	7,284,550	308,627
Parent, subsidiary, and affiliate	7,432,307	77,313	-	-	7,432,307	77,313
U.S. government	5,268,705	76,592	-	-	5,268,705	76,592
Hybrid securities	<u>10,175,000</u>	<u>38,784</u>	<u>-</u>	<u>-</u>	<u>10,175,000</u>	<u>38,784</u>
Total	<u>\$1,353,225,382</u>	<u>\$37,010,229</u>	<u>\$384,190,445</u>	<u>\$6,297,429</u>	<u>\$1,737,415,827</u>	<u>\$43,307,658</u>
<b>2019</b>						
Industries and miscellaneous	\$1,388,723,269	\$14,230,322	\$362,806,075	\$5,075,717	\$1,751,529,344	\$19,306,039
Special revenue	101,776,198	1,391,480	25,047,772	571,620	126,823,970	1,963,100
Political subdivision	9,828,100	171,900	-	-	9,828,100	171,900
U.S. government	26,042,501	150,541	707,205	1,608	26,749,706	152,149
All other governments	5,711,244	55,821	-	-	5,711,244	55,821
States, territories, and possessions	<u>207,267</u>	<u>2,106</u>	<u>-</u>	<u>-</u>	<u>207,267</u>	<u>2,106</u>
Total	<u>\$1,532,288,579</u>	<u>\$16,002,170</u>	<u>\$388,561,052</u>	<u>\$5,648,945</u>	<u>\$1,920,849,631</u>	<u>\$21,651,115</u>

There were no unrealized capital losses on redeemable preferred stocks as of December 31, 2020 and 2019.

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, 2020, 48 securities were in an unrealized capital loss position one year or more with an average credit rating

of Aa3 and were 99% investment grade. As of December 31, 2020, 272 securities were in an unrealized capital loss position less than one year with an average credit rating of Baa1 and were 89% investment grade.

Net realized capital losses for the years ended December 31, 2020 and 2019, include losses of \$7,447,076 and \$3,035,223, respectively, resulting from other-than-temporary declines in fair value of bonds or changes in expected cash flows, and are not included in the table above.

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

	2020	2019	2018
Proceeds from sales or disposals:			
Bonds	<u>\$1,609,460,305</u>	<u>\$2,395,682,814</u>	<u>\$2,619,745,812</u>
Stocks	<u>\$ 30,514,600</u>	<u>\$ 19,695,300</u>	<u>\$ 19,143,330</u>
Net realized capital gains (losses) on bonds and stocks:			
Bonds:			
Gross realized capital gains from sales or other disposals	\$ 62,592,643	\$ 58,901,081	\$ 13,105,999
Gross realized capital losses from sales or other disposals	(9,698,518)	(17,872,614)	(97,943,103)
OTTI losses	<u>(7,447,076)</u>	<u>(3,035,223)</u>	<u>(15,423,583)</u>
Net realized capital gains (losses)	<u>\$ 45,447,049</u>	<u>\$ 37,993,244</u>	<u>\$ (100,260,687)</u>
Stocks:			
Gross realized capital gains from sales or other disposals	\$ 4,162,166	\$ 6,082,104	\$ 2,076,264
Gross realized capital losses from sales or other disposals	<u>-</u>	<u>-</u>	<u>(212,936)</u>
Net realized capital gains	<u>\$ 4,162,166</u>	<u>\$ 6,082,104</u>	<u>\$ 1,863,328</u>

The net realized capital gains shown above resulted in no IMR liability to be recognized as of December 31, 2020 and 2019. Amounts shown above for 2018 contain securities transferred upon closing of the deferred annuity reinsurance agreement with a third-party reinsurer discussed in Note 9.

Bond income due and accrued of \$4,289,752 and \$3,551,485 related to bonds in default was excluded from investment income during the years ended December 31, 2020 and 2019, respectively.

**Preferred Stocks**—As of December 31, 2020, the Company held perpetual preferred stocks of three separate issuers with a total carrying amount of \$108,000,000 and a total estimated fair value of \$140,993,227. As of December 2019, the Company held perpetual preferred stocks invested in a single issuer with carrying amount of \$100,000,000 and estimated fair value of \$132,254,227.

**Common Stocks Unaffiliated**—Included within common stocks unaffiliated as of December 31, 2020 and 2019 is FHLB capital stocks of \$63,927,200 and \$57,522,200, respectively. As of December 31, 2020 and 2019, \$63,927,200 and \$54,259,300, respectively, were classified as required stocks. As of December 31, 2019, the remaining \$3,262,900 were classified as excess stocks.

**Mortgage Loans**—The Company invests in mortgage loans collateralized principally by commercial real estate throughout the U.S. All of the Company’s mortgage loans are managed as one class and portfolio segment: commercial loans. During 2020, the minimum and maximum lending rates for commercial mortgage loans were 1.55% and 6.38%, respectively. During 2019, the minimum and maximum lending rates for commercial mortgage loans were 3.15% and 5.14%, respectively. During 2020 and 2019, the maximum percentage of any one commercial loan to the value of the collateral security at the time of the loan, exclusive of insured guaranteed or purchase money mortgages was 83% and 84%, respectively. Mutual of Omaha and Companion participate in certain of the Company’s mortgage loans.

There were no realized capital losses related to mortgage loans for the year ended December 31, 2020. Net realized capital losses for the years ended December 31, 2019, and 2018, include losses of \$3,895,595, and \$7,482,134, respectively, resulting from impairments of mortgage loans.

The Company’s mortgage loan portfolio includes 50 and 46 loan originators as of December 31, 2020 and 2019, respectively. Mortgage loan participations purchased from one loan originator comprise of approximately 9% and 13% of the portfolio book value as of December 31, 2020 and 2019, respectively. The properties collateralizing mortgage loans are geographically dispersed throughout the U.S., with the largest concentration in California of approximately 21% and 20% of the portfolio book value as of December 31, 2020 and 2019, 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 participates or is a co-lender in mortgage loan agreements with other lenders for commercial mortgage loans. These amounts were \$695,837,078 and \$835,673,376 as of December 31, 2020 and 2019, respectively. The Company was not subject to a participant or co-lender mortgage loan agreement for which the Company is restricted from unilaterally foreclosing on the mortgage loan as of December 31, 2020 and 2019.

The recorded investment (defined as the aggregate unpaid principal balance adjusted for unamortized premium or discount) in commercial mortgage loans, by credit quality profile, as of December 31, was as follows:

2020	Debt Service Coverage Ratios			Total
	>1.20x	1.00x-1.20x	<1.00x	
Loan-to-value ratios:				
Less than 65%	\$ 2,644,273,754	\$ 111,669,013	\$ 34,701,246	\$ 2,790,644,013
65% to 75%	215,902,106	1,666,367	466,382	218,034,855
76% to 80%	-	-	-	-
Greater than 80%	<u>1,024,001</u>	<u>-</u>	<u>-</u>	<u>1,024,001</u>
Total	<u>\$ 2,861,199,861</u>	<u>\$ 113,335,380</u>	<u>\$ 35,167,628</u>	<u>\$ 3,009,702,869</u>
2019	Debt Service Coverage Ratios			Total
	>1.20x	1.00x-1.20x	<1.00x	
Loan-to-value ratios:				
Less than 65%	\$ 2,421,572,315	\$ 120,712,309	\$ 30,307,671	\$ 2,572,592,295
65% to 75%	177,976,956	6,859,218	477,674	185,313,848
76% to 80%	1,710,525	-	-	1,710,525
Greater than 80%	<u>1,045,030</u>	<u>-</u>	<u>-</u>	<u>1,045,030</u>
Total	<u>\$ 2,602,304,826</u>	<u>\$ 127,571,527</u>	<u>\$ 30,785,345</u>	<u>\$ 2,760,661,698</u>

**Non-Accrual and Past Due Loans**—All of the Company's loans were in current status as of December 31, 2020. As of December 31, 2019, the Company had \$2,760,486,563 of loans in current status and \$175,135 in loans that were 60-90 days past due.

The recorded investment for loans where the interest rate was reduced was \$146,556,732 and \$133,502,397 as of December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the number of loans impacted and the average interest rate reduction was 29 loans and 1.36%, respectively. For the year ended December 31, 2019, the number of loans impacted and the average interest rate reduction was 25 loans and 0.64%, respectively.

The Company had no loans in non-accrual status as of December 31, 2020 and 2019.

**Impaired Loans**—Information related to impaired loans for the Company during 2020 and 2019, was as follows:

As of December 31,	2020	2019
Impaired loans	\$ 3,973,410	\$ 4,830,398
For the Years Ended December 31,	2020	2019
Average recorded investment	\$ 4,663,577	\$ 15,559,487
Interest income recognized	243,117	1,153,619
Interest received	246,409	1,268,939

The Company had no allowance for credit losses as of December 31, 2020 and 2019.

**Restructured Loans and Securities**—The recorded investment in loans, bonds, and common stocks modified in a TDR were \$10,558,657 and \$1,160,973 during the years ended December 31, 2020 and 2019, respectively. There was \$4,500,000 of realized capital losses in a TDR for the year ended December 31, 2020. There was no realized capital losses in a TDR for the year ended December 31, 2019.

The Company had one TDR as of December 31, 2020 and 2019. The Company did not have any mortgage loans that were restructured within the previous twelve months and subsequently defaulted on their restructured terms during the period. No additional funds were committed to debtors whose terms have been modified in the years ended December 31, 2020 and 2019.

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

	Gross Restricted Assets	Total Admitted Restricted Assets	Percentage	
			Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
<b>2020</b>				
Collateral held under security lending agreements	\$ 806,171,440	\$ 806,171,440	2.79 %	2.82 %
Letter stocks or securities restricted as to sale-excluding FHLB capital stocks	100,000,000	100,000,000	0.35	0.35
FHLB capital stocks	63,927,200	63,927,200	0.22	0.22
On deposit with states	3,474,261	3,474,261	0.01	0.01
Pledged collateral to FHLB (including assets backing funding agreements)	2,606,836,486	2,606,836,486	9.03	9.10
Derivative cash collateral	20,865,161	20,865,161	0.07	0.07
Total	<u>\$3,601,274,548</u>	<u>\$3,601,274,548</u>	<u>12.47 %</u>	<u>12.57 %</u>
			Percentage	
	Gross Restricted Assets	Total Admitted Restricted Assets	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
<b>2019</b>				
Collateral held under security lending agreements	\$ 781,284,350	\$ 781,284,350	2.96 %	2.98 %
Letter stocks or securities restricted as to sale-excluding FHLB capital stocks	100,000,000	100,000,000	0.38	0.38
FHLB capital stocks	57,522,200	57,522,200	0.22	0.22
On deposit with states	3,412,018	3,412,018	0.01	0.01
Pledged collateral to FHLB (including assets backing funding agreements)	2,188,413,868	2,188,413,868	8.28	8.34
Derivative cash collateral	750,000	750,000	-	-
Total	<u>\$3,131,382,436</u>	<u>\$3,131,382,436</u>	<u>11.85 %</u>	<u>11.93 %</u>

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Bonds	\$ 739,260,371	\$ 696,650,291	\$ 665,125,392
Preferred stocks	1,339,670	1,625,095	1,089,251
Mortgage loans	128,678,092	112,280,641	101,626,624
Real estate	18,334,191	17,873,544	14,280,408
Contract loans	12,476,324	12,432,023	12,075,968
Cash and cash equivalents	1,309,019	5,881,948	2,053,668
Short-term investments	7,050,658	3,528,100	1,980,086
Other invested assets	39,930,907	27,324,195	29,799,584
Derivative instruments	15,084,297	14,080,187	10,468,974
Other	<u>5,207,327</u>	<u>2,017,064</u>	<u>1,961,974</u>
Gross investment income	968,670,856	893,693,088	840,461,929
Amortization of IMR	4,806,029	4,248,625	2,403,210
Investment expenses	<u>(44,267,316)</u>	<u>(44,605,460)</u>	<u>(39,281,850)</u>
Net investment income and amortization of IMR	<u>\$ 929,209,569</u>	<u>\$ 853,336,253</u>	<u>\$ 803,583,289</u>

### 3. STRUCTURED SECURITIES

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

	<b>Carrying Value</b>	<b>Gross Unrealized Capital Gains</b>	<b>Gross Unrealized Capital Losses</b>	<b>Estimated Fair Value</b>
<b>2020</b>				
MBS:				
Commercial	\$ 781,514,139	\$ 83,474,524	\$ 2,990,318	\$ 861,998,345
Residential	<u>998,912,580</u>	<u>90,018,243</u>	<u>2,567,604</u>	<u>1,086,363,219</u>
	1,780,426,719	173,492,767	5,557,922	1,948,361,564
Other ABS	<u>2,594,431,317</u>	<u>57,145,906</u>	<u>16,547,720</u>	<u>2,635,029,503</u>
Total	<u>\$ 4,374,858,036</u>	<u>\$ 230,638,673</u>	<u>\$ 22,105,642</u>	<u>\$ 4,583,391,067</u>

	Carrying Value	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Estimated Fair Value
<b>2019</b>				
MBS:				
Commercial	\$ 838,482,031	\$ 57,102,726	\$ 2,988,659	\$ 892,596,098
Residential	<u>1,131,040,252</u>	<u>60,890,773</u>	<u>2,464,264</u>	<u>1,189,466,761</u>
	1,969,522,283	117,993,499	5,452,923	2,082,062,859
Other ABS	<u>2,196,117,620</u>	<u>40,339,961</u>	<u>3,988,533</u>	<u>2,232,469,048</u>
Total	<u>\$ 4,165,639,903</u>	<u>\$ 158,333,460</u>	<u>\$ 9,441,456</u>	<u>\$ 4,314,531,907</u>

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

	Less than One Year		One Year or More		Total	
	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses	Estimated Fair Value	Gross Unrealized Capital Losses
<b>2020</b>						
MBS:						
Commercial	\$ 97,805,630	\$ 2,785,124	\$ 4,772,023	\$ 205,194	\$ 102,577,653	\$ 2,990,318
Residential	<u>82,478,879</u>	<u>2,400,433</u>	<u>5,952,603</u>	<u>167,171</u>	<u>88,431,482</u>	<u>2,567,604</u>
	180,284,509	5,185,557	10,724,626	372,365	191,009,135	5,557,922
Other ABS	<u>552,758,614</u>	<u>11,142,056</u>	<u>363,074,116</u>	<u>5,405,664</u>	<u>915,832,730</u>	<u>16,547,720</u>
Total	<u>\$733,043,123</u>	<u>\$16,327,613</u>	<u>\$373,798,742</u>	<u>\$5,778,029</u>	<u>\$1,106,841,865</u>	<u>\$22,105,642</u>
<b>2019</b>						
MBS:						
Commercial	\$162,854,434	\$ 2,987,160	\$ 152,205	\$ 1,499	\$ 163,006,639	\$ 2,988,659
Residential	<u>183,424,921</u>	<u>1,876,031</u>	<u>21,388,657</u>	<u>588,233</u>	<u>204,813,578</u>	<u>2,464,264</u>
	346,279,355	4,863,191	21,540,862	589,732	367,820,217	5,452,923
Other ABS	<u>492,020,364</u>	<u>1,815,541</u>	<u>285,446,286</u>	<u>2,172,992</u>	<u>777,466,650</u>	<u>3,988,533</u>
Total	<u>\$838,299,719</u>	<u>\$ 6,678,732</u>	<u>\$306,987,148</u>	<u>\$2,762,724</u>	<u>\$1,145,286,867</u>	<u>\$ 9,441,456</u>

A portion of the Commercial and Residential MBS portfolios is backed by collateral guaranteed or insured by a government agency. As of December 31, 2020 and 2019, 68% of the carrying value of Residential MBS portfolio was guaranteed by a government agency. As of December 31, 2020 and 2019, 57% and 56%, respectively, of the carrying value of Commercial MBS portfolio was guaranteed by a government agency.

The aggregate amount of prepayment penalties and acceleration fees in bonds including loan-backed and structured securities recognized in investment income as of December 31, 2020 and 2019 was \$31,725,226 and \$19,300,290, from 48 and 42 CUSIPs, respectively.

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 amortized cost of the security. There was no OTTI on loan-backed and structured securities related to the intent to sell or inability to hold to maturity during 2020 or 2019. All of the Company's OTTI on loan-backed and structured securities during 2020 and 2019 were based on the present value of future cash flows expected to be less than amortized cost of the security as shown in the following table:

<b>2020</b>	<b>Amortized Cost Basis Before Current Period OTTI</b>	<b>Present Value of Projected Cash Flows</b>	<b>Recognized OTTI</b>	<b>Amortized Cost Basis After OTTI</b>	<b>Fair Value at the Date of Impairment</b>	<b>Date of Financial Statement Where Reported</b>
CUSIP:						
26827EAA3	\$ 2,011,640	\$ 1,978,470	\$ 33,171	\$ 1,978,470	\$ 1,820,517	6/30/2020
15132EJD1	2,613,027	2,596,070	16,957	2,596,070	2,539,142	6/30/2020
98944PAB3	9,777,792	9,686,768	91,024	9,686,768	8,334,923	6/30/2020
03235TAA5	2,659,084	1,548,324	1,110,760	1,548,324	1,548,324	9/30/2020
94354KAA8	2,839,050	2,832,578	6,472	2,832,578	2,633,524	9/30/2020
826525AD9	<u>4,069,060</u>	<u>3,887,859</u>	<u>181,200</u>	<u>3,887,859</u>	<u>4,008,827</u>	12/31/2020
Total	<u>\$23,969,653</u>	<u>\$22,530,069</u>	<u>\$1,439,584</u>	<u>\$22,530,069</u>	<u>\$20,885,257</u>	
<b>2019</b>						
CUSIP:						
03235TAA5	<u>\$ 5,724,223</u>	<u>\$ 2,689,000</u>	<u>\$3,035,223</u>	<u>\$ 2,689,000</u>	<u>\$ 2,688,971</u>	12/31/2019



#### 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:

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>2020</b>				
State and political subdivisions securities	\$ -	\$ 262,107	\$ -	\$ 262,107
Common stocks—unaffiliated	8,689,421	63,927,200	-	72,616,621
Securities lending and repurchase agreement cash collateral	806,171,440	-	-	806,171,440
Derivative assets	-	12,819,361	-	12,819,361
Derivative cash collateral held	20,865,161	-	-	20,865,161
Securities lending and repurchase agreement cash collateral liability	(806,171,440)	-	-	(806,171,440)
Derivative cash collateral held liability	<u>(7,040,000)</u>	<u>-</u>	<u>-</u>	<u>(7,040,000)</u>
Total without separate accounts	22,514,582	77,008,668	-	99,523,250
Separate accounts	<u>2,440,871,517</u>	<u>2,077,085,239</u>	<u>-</u>	<u>4,517,956,756</u>
Total	<u>\$2,463,386,099</u>	<u>\$2,154,093,907</u>	<u>\$ -</u>	<u>\$4,617,480,006</u>
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>2019</b>				
State and political subdivisions securities	\$ -	\$ 246,781	\$ -	\$ 246,781
Common stocks—unaffiliated	7,340,282	57,522,200	800,000	65,662,482
Securities lending and repurchase agreement cash collateral	781,284,350	-	-	781,284,350
Derivative assets	-	8,621,078	-	8,621,078
Derivative cash collateral held	750,000	-	-	750,000
Securities lending and repurchase agreement cash collateral liability	(781,284,350)	-	-	(781,284,350)
Derivative cash collateral held liability	<u>(51,275,000)</u>	<u>-</u>	<u>-</u>	<u>(51,275,000)</u>
Total without separate accounts	(43,184,718)	66,390,059	800,000	24,005,341
Separate accounts	<u>2,429,462,724</u>	<u>1,739,628,893</u>	<u>-</u>	<u>4,169,091,617</u>
Total	<u>\$2,386,278,006</u>	<u>\$1,806,018,952</u>	<u>\$800,000</u>	<u>\$4,193,096,958</u>

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**—These securities are principally valued using the market approach. The valuation of these securities is based principally on observable inputs including quoted prices in active markets.

***Derivative Cash Collateral Held/Securities Lending and Repurchase Agreement Cash Collateral and Derivative Cash Collateral Held Liability/Securities Lending Cash Collateral Liability***—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. The 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, the carrying amount may be used to approximate fair value.

***Separate Accounts***—Separate accounts are comprised primarily of money market instruments, mutual funds, collective investment trusts, exchange trades funds, and common stocks. Valuation is based on actively traded money market instruments, mutual funds, collective investment trusts, exchange trades funds, and common stocks that have daily quoted net asset values for identical assets that the Company can access.

### **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.

***Common Stocks-Unaffiliated***—These FHLB capital stocks are only redeemable at par, so fair value is presumed to be par.

***Derivative Assets and Liabilities***—These derivatives include swaptions, foreign currency swaps, and call spread options, and are principally valued using an income approach. The valuation of these securities is based on present value techniques and option pricing models, which utilize significant inputs that may include implied volatility, the swap yield curve, LIBOR basis curves, repurchase rates, currency spot rates, and cross currency basis curves.

***Separate Account***—Separate accounts are comprised primarily of common collective trusts which are valued based on independent pricing services and non-binding broker quotations. The pricing services, in general, employ a market approach to valuing portfolio investments using market prices from exchanges or matrix pricing when quoted prices are not available and other relevant data inputs as necessary. When current market prices or pricing service quotations are not available, the trustees use contractual cash flows and other inputs to value the funds.

### **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.

***Common Stocks-Unaffiliated***—These securities are only redeemable at par, so the fair value is presumed to be par, no current observable market data available.

**Net Transfers into and out of Level 3**—During the year ended December 31, 2020, there was one transfer out of Level 3 and one transfer in/out of Level 3, respectively. During the year ended 2019, there was one security transfer out of Level 3 and one security that was both transferred in and out (due to being sold) of Level 3.

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, 2020 and 2019, were as follows:

	Balance January 1, 2020	Capital Gains (Losses) Included in			Sales and Repayments	Net Transfers Into Level 3	Net Transfers Out of Level 3	Balance December 31, 2020
		Realized Capital Gains (Losses)	Included in Surplus	Purchases				
U.S. corporate securities Common stocks—unaffiliated	\$ - <u>800,000</u>	\$(4,500,000) <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$(10,500,000) <u>-</u>	\$15,000,000 <u>-</u>	\$ - <u>(800,000)</u>	\$ - <u>-</u>
Total	<u>\$800,000</u>	<u>\$(4,500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(10,500,000)</u>	<u>\$15,000,000</u>	<u>\$(800,000)</u>	<u>\$ -</u>

  

	Balance January 1, 2019	Capital Gains (Losses) Included in			Sales and Repayments	Net Transfers Into Level 3	Net Transfers Out of Level 3	Balance December 31, 2019
		Realized Capital Gains (Losses)	Included in Surplus	Purchases				
Common stocks—unaffiliated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$800,000</u>

**Fair Value of Financial Instruments**—The carrying value, estimated fair value, and fair value hierarchy level of the Company’s financial instruments as of December 31, were as follows:

2020	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
<b>Financial assets:</b>						
Bonds	\$18,255,660,612	\$20,568,366,840	\$ -	\$17,942,843,880	\$2,625,522,960	\$ -
Preferred stocks	118,496,050	120,069,233	-	20,069,233	-	100,000,000
Common stocks—unaffiliated	76,877,721	76,877,721	8,689,421	63,927,200	-	4,261,100
Mortgage loans	3,009,702,869	3,218,217,198	-	-	3,218,217,198	-
Other invested assets—surplus notes	53,653,036	57,132,763	-	57,132,763	-	-
Contract loans	197,990,533	197,990,533	-	-	-	197,990,533
Cash and cash equivalents	(31,965,487)	(31,966,137)	(31,966,137)	-	-	-
Short-term investments	313,574,991	313,634,082	-	313,634,082	-	-
Securities lending and repurchase agreement cash collateral	806,171,440	806,171,440	806,171,440	-	-	-
Derivative assets	28,750,959	35,664,991	-	35,664,991	-	-
<b>Financial liabilities:</b>						
Deposit-type contracts	4,071,281,930	3,986,961,904	-	-	3,986,961,904	-
Securities lending and repurchase agreement cash collateral liability	806,171,440	806,171,440	806,171,440	-	-	-
Derivative cash collateral	7,040,000	7,040,000	7,040,000	-	-	-
Derivative liabilities	62,704,314	51,101,913	-	51,101,913	-	-
Borrowings	351,030,175	352,536,561	262,252,595	90,283,966	-	-

2019	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
<b>Financial assets:</b>						
Bonds	\$ 16,568,679,880	\$ 17,792,851,690	\$ -	\$ 16,223,778,973	\$ 1,569,072,717	\$ -
Preferred stocks	131,800,000	133,772,699	-	33,772,699	-	100,000,000
Common stocks—unaffiliated	65,662,482	65,662,482	7,340,282	57,522,200	800,000	-
Mortgage loans	2,760,661,698	2,878,001,778	-	-	2,878,001,778	-
Other invested assets—surplus notes	9,938,667	10,731,265	-	10,731,265	-	-
Contract loans	199,228,072	199,228,072	-	-	-	199,228,072
Cash and cash equivalents	(41,220,204)	(41,220,204)	(41,220,204)	-	-	-
Short-term investments	339,783,663	339,783,370	-	339,783,370	-	-
Securities lending and repurchase agreement cash collateral	781,284,350	781,284,350	781,284,350	-	-	-
Derivative assets	45,844,398	49,491,154	-	49,491,154	-	-
Derivative cash collateral	750,000	750,000	750,000	-	-	-
<b>Financial liabilities:</b>						
Deposit-type contracts	3,497,181,918	3,471,921,509	-	-	3,471,921,509	-
Securities lending and repurchase agreement cash collateral liability	781,284,350	781,284,350	781,284,350	-	-	-
Derivative cash collateral	51,275,000	51,275,000	51,275,000	-	-	-
Derivative liabilities	15,922,684	14,210,906	-	14,210,906	-	-
Borrowings	406,439,064	408,416,514	369,006,893	39,409,621	-	-

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

Fair values of securities lending cash collateral, common stocks-unaffiliated, and derivative financial instruments are estimated as discussed above. For 2020, it is not practicable to measure fair value in certain common stocks—unaffiliated.

**Bonds**—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**—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. It is not practicable to measure the value in certain private preferred stocks and the carrying value approximates fair value.

**Mortgage Loans**—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**—Fair values for other invested assets-surplus notes are based on quoted market prices for similar assets.

**Contract Loans**—Contract loans are stated at the aggregate unpaid balance plus any accrued interest which is 90 days or more past due. It is not practicable to determine fair value as contract loans are often repaid by reducing the policy benefits and have variable maturity dates. As of December 31, 2020 and 2019, the effective interest rate was 6.37% and 6.48%, respectively.

**Cash and Cash Equivalents**—The carrying amount for cash and other cash equivalents approximates fair value.

**Short-term Investments**—Fair values for short-term investments includes public bonds and short-term revolvers. The public bonds are valued using a discounted cash flow methodology using standard market observable inputs, and inputs derived from, or corroborated by, market observable data, including the market yield curve, duration, call provisions, observable prices, and spreads for similar publicly traded issues that incorporate the credit quality and industry sector of the issuer. The carrying amount of short-term revolvers approximates fair value.

**Deposit-type Contracts**—Fair values of Guaranteed Interest Contracts, annuities, and supplementary contracts without life contingencies in payout status are estimated by calculating an average present value of expected cash flows over a broad range of interest rate scenarios using the current market risk-free interest rates adjusted for spreads required for publicly traded bonds issued by comparably rated insurers. The carrying amount for all other deposit-type contracts approximates fair value.

**Borrowings**—Fair values of long-term FHLB borrowings are estimated by discounting expected future cash flows using current interest rates for debt with comparable terms. Fair values of other borrowings are deemed to be the same as the carrying values.

## 5. DERIVATIVE FINANCIAL INSTRUMENTS

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

2020	Notional Amount	Credit Exposure	Carrying Value		Estimated Fair Value	
			Assets	Liabilities	Assets	Liabilities
Foreign currency swaps	\$1,153,894,412	\$18,279,889	\$15,931,598	\$62,704,314	\$22,845,630	\$51,101,913
Call spread options	<u>166,416,212</u>	<u>-</u>	<u>12,819,361</u>	<u>-</u>	<u>12,819,361</u>	<u>-</u>
Total	<u>\$1,320,310,624</u>	<u>\$18,279,889</u>	<u>\$28,750,959</u>	<u>\$62,704,314</u>	<u>\$35,664,991</u>	<u>\$51,101,913</u>
2019	Notional Amount	Credit Exposure	Carrying Value		Estimated Fair Value	
			Assets	Liabilities	Assets	Liabilities
Foreign currency swaps	\$1,003,689,708	\$16,264,249	\$37,223,320	\$15,922,684	\$40,870,076	\$14,210,906
Call spread options	<u>99,790,810</u>	<u>-</u>	<u>8,621,078</u>	<u>-</u>	<u>8,621,078</u>	<u>-</u>
Total	<u>\$1,103,480,518</u>	<u>\$16,264,249</u>	<u>\$45,844,398</u>	<u>\$15,922,684</u>	<u>\$49,491,154</u>	<u>\$14,210,906</u>

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

<b>2020</b>	<b>Unassigned Surplus</b>	<b>Net Realized Capital Gains</b>	<b>Net Investment Income</b>
Foreign currency swaps	\$(68,073,353)	\$ 1,477,620	\$ 15,206,402
Call spread options	<u>1,626,010</u>	<u>3,327,727</u>	<u>-</u>
Total	<u>\$(66,447,343)</u>	<u>\$ 4,805,347</u>	<u>\$ 15,206,402</u>
<b>2019</b>	<b>Unassigned Surplus</b>	<b>Net Realized Capital Gains</b>	<b>Net Investment Income</b>
Foreign currency swaps	\$(18,521,552)	\$ 1,924,824	\$ 14,083,188
Call spread options	<u>5,763,061</u>	<u>56,449</u>	<u>-</u>
Total	<u>\$(12,758,491)</u>	<u>\$ 1,981,273</u>	<u>\$ 14,083,188</u>
<b>2018</b>	<b>Unassigned Surplus</b>	<b>Net Realized Capital Gains</b>	<b>Net Investment Income</b>
Foreign currency swaps	\$ 66,600,871	\$ 3,249,290	\$ 10,468,974
Call spread options	<u>(3,477,216)</u>	<u>1,641,810</u>	<u>-</u>
Total	<u>\$ 63,123,655</u>	<u>\$ 4,891,100</u>	<u>\$ 10,468,974</u>

Certain of the Company's derivative instruments contain provisions requiring collateral against fair value subject to minimum transfer amounts. The aggregate fair value of all the derivative instruments with collateral features resulted in a net liability of \$15,436,922 as of December 31, 2020 and a net asset of \$35,280,249 as of December 31, 2019. The Company pledged \$20,865,000 and \$750,000 of cash collateral as of December 31, 2020 and 2019, respectively. The Company was holding \$7,040,000 and \$51,275,000 of cash collateral as of December 31, 2020 and 2019, respectively.

## 6. INCOME TAXES

The Company is part of an affiliated group of corporations that files a consolidated U.S. Corporate Income Tax Return. As of December 31, 2020, the Company's federal income tax return was consolidated with the following affiliates: Mutual of Omaha; Mutual of Omaha Holdings, Inc. and its subsidiaries; Mutual of Omaha Medicare Advantage Company; Omaha Financial Holdings, Inc. and certain of its subsidiaries including Mutual Community Development Company, OMAFIN, Inc., and Mutual of Omaha Mortgage, Inc. (formerly Synergy One Lending, Inc.); Omaha Health Insurance Company; Omaha Supplemental Insurance Company; Companion, Medicare Advantage; Mutual Structured Settlement; Omaha Re; United World; and Mutual of Omaha Bank. On January 1, 2020, Omaha Financial Holdings, Inc. sold Mutual of Omaha Bank to a third party. The Company also files state income tax returns in certain jurisdictions.

Federal income tax is allocated between the members of the consolidated return pursuant to a written agreement approved by the Board of Directors. The Company's provision for federal income tax incurred is based on a separate return calculation wherein the current tax benefit for net operating losses, capital losses, charitable contributions, and credits are not included until such would have been recognized on a separate return basis.

On December 22, 2017, the Tax Cuts and Jobs Act (“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%.

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

Federal and foreign income tax (benefit) incurred for the years ended December 31, consisted of the following major components:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current federal income tax	\$ 70,484,494	\$ 97,586,868	\$ 10,606,830
Current foreign income tax	<u>854,000</u>	<u>420,000</u>	<u>90,000</u>
Federal and foreign income tax	71,338,494	98,006,868	10,696,830
Federal income tax (benefit) on net realized capital loss	<u>15,768,882</u>	<u>3,225,985</u>	<u>(15,765,832)</u>
Total federal and foreign income tax (benefit)	87,107,376	101,232,853	(5,069,002)
Change in net deferred income tax benefit	<u>(33,572,888)</u>	<u>(45,468,745)</u>	<u>(11,923,916)</u>
Total federal and foreign income tax (benefit) incurred	<u>\$ 53,534,488</u>	<u>\$ 55,764,108</u>	<u>\$ (16,992,918)</u>

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

	2020	2019	2018
Net income from operations before federal income tax and net realized capital gain (loss)	\$ 154,901,975	\$ 228,231,647	\$ 82,089,410
Net realized capital gain (loss) before federal income tax (benefit) and transfers to (from) IMR	<u>53,120,945</u>	<u>41,687,002</u>	<u>(105,431,703)</u>
Total pre-tax income (loss)	208,022,920	269,918,649	(23,342,293)
Statutory tax rate	<u>21 %</u>	<u>21 %</u>	<u>21 %</u>
Expected federal income tax (benefit) incurred	43,684,813	56,682,916	(4,901,882)
Prior year tax expenses (benefits)	1,166,077	1,391,673	(900,113)
Dividends received deductions	(1,462,867)	(1,473,445)	(1,419,300)
Amortization of IMR	(1,800,615)	(3,537,164)	3,400,320
Change in nonadmitted assets	(4,116,996)	(62,497)	(22,649)
Reserve changes in surplus	2,311,525	(7,199,131)	3,069,716
Adjustments to ceding commission	13,639,235	8,356,287	7,652,637
LHFC investments net of amortization	(519,624)	3,186,447	(281,853)
Other	<u>632,940</u>	<u>1,024,380</u>	<u>995,986</u>
Federal income tax at effective tax rate before 2017 tax legislation	53,534,488	58,369,466	7,592,862
Impact of 2017 tax legislation	<u>-</u>	<u>(2,605,358)</u>	<u>(24,585,780)</u>
Total federal income tax (benefit) at effective tax rate after 2017 tax legislation	<u>\$ 53,534,488</u>	<u>\$ 55,764,108</u>	<u>\$ (16,992,918)</u>

The Company files income tax returns in the U.S. federal jurisdiction and certain state jurisdictions. Generally, the current and three preceding calendar years remain subject to examination. The Internal Revenue Service has initiated audits of Mutual of Omaha and its subsidiaries' federal income tax returns for calendar years 2014 through 2018 related to losses incurred and carried back to earlier tax years. At this time, no material adjustments are expected as a result of this examination.

Net operating losses incurred after December 31, 2017 cannot be carried back to prior years but carry forward indefinitely where such carryforward is limited to a deduction equal to 80% of the taxable income in any one year. An exception to the carryback limitation was enacted during 2020 as part of the CARES Act ("Coronavirus Aid, Relief, and Economic Security Act") allowing losses incurred in calendar years 2018 through 2020 to be carried back five years. There were no net operating loss carryforwards as of December 31, 2020.

For the years ended December 31, 2020 and 2019, there was no income tax accrual for uncertain tax positions. As of December 31, 2020, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase within twelve months of the reporting date.



As of December 31, 2020 and 2019, based on the weight of available positive and negative evidence and the expectation that more likely than not the DTAs will be realized, no valuation allowance was recorded.

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

	<b>2020</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Gross DTA	\$ 375,472,324	\$ 11,629,258	\$ 387,101,582
Nonadmitted DTA	<u>(146,600,394)</u>	<u>-</u>	<u>(146,600,394)</u>
Net admitted DTA	228,871,930	11,629,258	240,501,188
DTL	<u>(104,276,889)</u>	<u>(37,936,986)</u>	<u>(142,213,875)</u>
Net DTA (DTL)	<u>\$ 124,595,041</u>	<u>\$(26,307,728)</u>	<u>\$ 98,287,313</u>
	<b>2019</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Gross DTA	\$ 347,425,342	\$ 10,037,974	\$ 357,463,316
Nonadmitted DTA	<u>(114,897,147)</u>	<u>-</u>	<u>(114,897,147)</u>
Net admitted DTA	232,528,195	10,037,974	242,566,169
DTL	<u>(111,841,447)</u>	<u>(38,733,197)</u>	<u>(150,574,644)</u>
Net DTA (DTL)	<u>\$ 120,686,748</u>	<u>\$(28,695,223)</u>	<u>\$ 91,991,525</u>

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

	<b>2020</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Federal income tax paid in prior years recoverable through loss carrybacks	\$ -	\$ 1,974,303	\$ 1,974,303
Adjusted gross DTA expected to be realized (lesser of 1 or 2)	<u>96,313,010</u>	<u>-</u>	<u>96,313,010</u>
1. Adjusted gross DTA expected to be realized following the balance sheet date	96,313,010	-	96,313,010
2. Adjusted gross DTA allowed per limitation threshold	N/A	N/A	269,383,678
Adjusted gross DTA that can be offset against DTL	<u>132,558,920</u>	<u>9,654,955</u>	<u>142,213,875</u>
DTA admitted as the result of application of SSAP 101	<u>\$228,871,930</u>	<u>\$11,629,258</u>	<u>\$240,501,188</u>
	<b>2019</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Federal income tax paid in prior years recoverable through loss carrybacks	\$ -	\$ 1,675,313	\$ 1,675,313
Adjusted gross DTA expected to be realized (lesser of 1 or 2)	<u>90,316,212</u>	<u>-</u>	<u>90,316,212</u>
1. Adjusted gross DTA expected to be realized following the balance sheet date	90,316,212	-	90,316,212
2. Adjusted gross DTA allowed per limitation threshold	N/A	N/A	249,633,542
Adjusted gross DTA that can be offset against DTL	<u>142,211,983</u>	<u>8,362,661</u>	<u>150,574,644</u>
DTA admitted as the result of application of SSAP 101	<u>\$232,528,195</u>	<u>\$10,037,974</u>	<u>\$242,566,169</u>

The authorized control level risk-based capital (“RBC”) ratio percentages used to determine recovery period and threshold limitation amounts were 809% and 845% as of December 31, 2020 and 2019, respectively. The amounts of adjusted capital and surplus used to determine recovery period and threshold limitations were \$1,972,445,917 and \$1,847,545,661 as of December 31, 2020 and 2019, respectively.

The Company has not utilized an income tax planning strategy for the realization of the DTA for 2020 or 2019.

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

	2020	2019	Change
DTA:			
Ordinary:			
Policy reserves	\$ 177,495,406	\$ 172,185,325	\$ 5,310,081
Investments	13,634	4,979	8,655
Deferred acquisition costs	172,958,725	155,098,032	17,860,693
Compensation and benefit accruals	5,297,614	5,235,966	61,648
Other expense accruals	714,050	858,478	(144,428)
Receivables—nonadmitted	1,468,366	1,588,011	(119,645)
Other nonadmitted assets	16,311,723	12,075,083	4,236,640
Other	<u>1,212,806</u>	<u>379,468</u>	<u>833,338</u>
Subtotal	375,472,324	347,425,342	28,046,982
Nonadmitted DTA	<u>(146,600,394)</u>	<u>(114,897,147)</u>	<u>(31,703,247)</u>
Admitted ordinary DTA	<u>228,871,930</u>	<u>232,528,195</u>	<u>(3,656,265)</u>
Capital:			
Investments	<u>11,629,258</u>	<u>10,037,974</u>	<u>1,591,284</u>
Admitted capital DTA	<u>11,629,258</u>	<u>10,037,974</u>	<u>1,591,284</u>
Admitted DTA	<u>240,501,188</u>	<u>242,566,169</u>	<u>(2,064,981)</u>
DTL:			
Ordinary:			
Investments	(16,821,740)	(15,307,626)	(1,514,114)
Fixed assets	(5,777,245)	(6,426,769)	649,524
Reserve basis adjustments	(66,358,575)	(79,248,162)	12,889,587
Advanced commissions	(15,228,965)	(10,593,500)	(4,635,465)
Other	<u>(90,364)</u>	<u>(265,390)</u>	<u>175,026</u>
Subtotal	<u>(104,276,889)</u>	<u>(111,841,447)</u>	<u>7,564,558</u>
Capital:			
Investments	(37,483,761)	(37,776,387)	292,626
Real estate	<u>(453,225)</u>	<u>(956,810)</u>	<u>503,585</u>
Subtotal	<u>(37,936,986)</u>	<u>(38,733,197)</u>	<u>796,211</u>
DTL	<u>(142,213,875)</u>	<u>(150,574,644)</u>	<u>8,360,769</u>
Net admitted DTA	<u>\$ 98,287,313</u>	<u>\$ 91,991,525</u>	<u>\$ 6,295,788</u>

The Company does not recognize a temporary difference related to the unrealized capital gains (losses) for its investment in subsidiaries.

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

	<b>2020</b>	<b>2019</b>	<b>Change</b>
DTA	\$ 387,101,582	\$ 357,463,316	\$ 29,638,266
DTL	<u>(142,213,875)</u>	<u>(150,574,644)</u>	<u>8,360,769</u>
Net DTA	<u>\$ 244,887,707</u>	<u>\$ 206,888,672</u>	37,999,035
Tax effect of unrealized capital gains (losses)			<u>(4,426,147)</u>
Change in net deferred income tax			<u>\$ 33,572,888</u>
	<b>2019</b>	<b>2018</b>	<b>Change</b>
DTA	\$ 357,463,316	\$ 322,945,351	\$ 34,517,965
DTL	<u>(150,574,644)</u>	<u>(159,576,880)</u>	<u>9,002,236</u>
Net DTA	<u>\$ 206,888,672</u>	<u>\$ 163,368,471</u>	43,520,201
Tax effect of unrealized capital gains (losses)			<u>1,948,544</u>
Change in net deferred income tax			<u>\$ 45,468,745</u>

## 7. RELATED PARTY INFORMATION

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

	<b>2020</b>		<b>2019</b>	
	<b>Admitted</b>	<b>Nonadmitted</b>	<b>Admitted</b>	<b>Nonadmitted</b>
Fulcrum Growth Partners III, L.L.C.	\$ 49,455,416	\$ -	\$ 51,473,742	\$ -
Mutual of Omaha Opportunities Fund, L.P.	70,352,316	-	13,746,178	-
Earnest SLR Trust	7,509,621	-	14,939,163	174,073
Legacy Benefits Ins Settlement	4,339,834	-	6,225,067	-
MHEG OZ Fund I, L.P.	15,021,782	-	15,785,212	-
Boston Financial Opp Zone Fund I	35,840,081	-	10,777,629	-
Mutual of Omaha Mortgage, Inc.	306,950,000	-	221,050,000	-

The audited statutory surplus of the Company's wholly owned insurance SCA, Omaha Re, reflects a departure from NAIC SAP for a prescribed practice from the NDOI, which requires an excess of loss asset be recorded as an admitted asset. The Company, however, has adjusted the investment in Omaha Re to be consistent with NAIC SAP, which does not allow the excess of loss asset to be an admitted asset.

The Company has an investment in an insurance SCA, Companion, for which the audited statutory surplus and income reflects a departure from NAIC SAP. Companion is domiciled in the State of New York and is required to record assets and liabilities under state law, if different from NAIC SAP. In 2020, this decreased net income by \$4,464,657 and decreased surplus \$35,098,616. In 2019, this decreased net income by \$1,349,114 and decreased surplus \$26,193,459. The differences primarily relate to reserve valuations under New York Circular Letter 11 and NAIC Actuarial Guideline 38 and VM-30/ New York Regulation 147 and 126-NY DFS Special Considerations. The Company's investment in Companion was \$50,237,980 and \$52,581,602 at December 31, 2020 and 2019, respectively. The investment would have been \$85,336,596 and \$78,774,872 at December 2020 and 2019, respectively, without the prescribed practices. The RBC of Companion would not have triggered a regulatory event if the prescribed practice was or was not used.

The Company has reinsurance agreements with affiliate entities. The Company assumes certain group and individual life insurance from Companion. The Company cedes certain individual life insurance to Omaha Re and cedes certain individual health insurance to Mutual of Omaha. See Note 9 for impacts on the statutory financial statements due to these agreements.

Effective March 27, 2020, the Company entered into a \$250,000,000 bilateral unsecured revolving credit agreement from Mutual of Omaha which is substantially similar to the agreement held in the prior year. The amount outstanding from Mutual of Omaha was \$57,300,000 as of December 31, 2020 and there was no amount outstanding as of December 31, 2019.

The Company has the following borrowing agreements available to related parties as of December 31. All of the amounts outstanding are included in short-term investments on the statutory statements of admitted assets, liabilities, and surplus.

Borrowing Company	Date Issued	2020				Amount Outstanding	2019 Amount Outstanding
		Type of Borrowing	Interest Rates	Maximum Borrowing			
Mutual of Omaha	3/27/2020	* Bilateral unsecured revolving line of credit	0.15%-1.65%	\$500,000,000	\$ -	\$115,500,000	
Medicare Advantage Insurance Company of Omaha	8/25/2020	* Unsecured demand revolving line of credit	0.15%-1.65%	30,000,000	-	-	
Mutual of Omaha Mortgage, Inc.	10/23/2020	Unsecured demand revolving line of credit	0.15%-1.65%	50,000,000	25,000,000	-	
Mutual of Omaha Mortgage, Inc.	10/30/2020	Secured warehouse line of credit	1.90%-3.28%	300,000,000	281,950,000	221,050,000	

\* Agreement is substantially similar to the agreement held in the prior year.

Effective February 3, 2021, the Company increased the limit on the secured warehouse line of credit agreement available to Mutual of Omaha Mortgage, Inc. from \$300,000,000 to \$400,000,000.

The Company had the following cash capital contributions with its insurance affiliates during the years ended December 31:

<b>2020</b>		
* December 31	\$ 10,000,000	Companion
<b>2019</b>		
January 28	\$ 5,000,000	Medicare Advantage Insurance Company of Omaha
October 30	15,000,000	Medicare Advantage Insurance Company of Omaha
December 26	<u>15,000,000</u>	Medicare Advantage Insurance Company of Omaha
Total	<u>\$ 35,000,000</u>	
<b>2018</b>		
February 16	\$ 5,300,000	Omaha Re
May 29	10,700,000	Omaha Re
December 07	<u>8,000,000</u>	Medicare Advantage Insurance Company of Omaha
Total	<u>\$ 24,000,000</u>	

- \* The Company recorded a capital contribution as a payable to Companion as of December 31, 2020 which was subsequently settled in cash February 1, 2021.

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. Any amounts due to or from each affiliated company are presented on a net basis on the statutory financial statements.

Mutual of Omaha and certain of its direct and indirect subsidiaries, including the Company, 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 Mutual of Omaha and are subject to allocation among Mutual of Omaha and its subsidiaries. Management believes the measures used to allocate expenses among companies provide a reasonable allocation that conforms to NAIC guidelines. Additionally, certain amounts are paid or collected by Mutual of Omaha on behalf of the Company and are generally settled within 30 days. Amounts due to the parent from the Company for these services were included in payable to parent, subsidiaries, and affiliates and were \$121,255,740 and \$66,017,177 as of December 31, 2020 and 2019, respectively. Amounts due to the parent related to intercompany reinsurance were included in payable to parent and affiliates and were \$56,048,791 and \$44,288,629 as of December 31, 2020 and 2019, respectively.

## 8. BORROWINGS AND SECURITIES LENDING

A summary of the Company's borrowings outstanding as of December 31, was as follows:

	Interest Rates	2020	2019
Federal Home Loan Bank line of credit	0.35 %	\$ 78,546,300	\$ 368,488,300
Federal Home Loan Bank advances due in 2021	0.29	183,693,600	-
Federal Home Loan Bank advances due in 2022	0.37	5,000,000	-
Federal Home Loan Bank advances due in 2023	5.03	26,363,627	37,432,171
Federal Home Loan Bank line of credit—accrued interest due in 2021 and 2020, respectively	variable	126,648	518,593
Bilateral unsecured revolving line of credit with parent	0.18	57,300,000	-
Securities lending	N/A	<u>806,171,440</u>	<u>781,284,350</u>
		<u>\$ 1,157,201,615</u>	<u>\$ 1,187,723,414</u>

**FHLB**—The Company is a member of the FHLB of Topeka. The Company has an agreement with the FHLB under which the Company pledges FHLB approved collateral in return for extensions of credit. It is part of the Company's strategy to utilize these funds for operations or other long-term projects. The Company and Mutual of Omaha have each entered into borrowing agreements with the FHLB. Through its membership, the Company has also entered into funding agreement contracts with the FHLB that are used as part of the Company's interest spread strategy. The Company applies SSAP 52 *Deposit-Type Contracts*, accounting treatment to these funds, consistent with other deposit-type contracts. On March 6, 2020, the Board of Directors of the Company rescinded the limit on the funding agreement and approved an enterprise-wide aggregate operating leverage limit ("Enterprise-Wide Limit") on debt, including funding agreements. The Company and Mutual of Omaha have been authorized by their Boards of Directors to obtain extensions of credit under their agreements with the FHLB on a combined basis in an amount not to exceed \$2,500,000,000. Of that amount, up to \$300,000,000 may be provided to its mortgage origination affiliate.

As of December 31, 2020, the funding agreement contracts mature as follows:

2021	\$ 778,000,000
2022	82,000,000
2023	170,000,000
2024	35,000,000
2026	55,000,000
2027	<u>7,000,000</u>
	<u>\$1,127,000,000</u>

The collateral pledged to FHLB as of December 31, was as follows:

	2020	2019
Estimated fair value	2,840,986,470	2,316,254,156
Carrying value	2,606,836,486	2,188,413,868
Aggregate total borrowing	1,372,157,227	1,205,761,019

The maximum collateral pledged during the years ended December 31, was as follows:

	<b>2020</b>	<b>2019</b>
Estimated fair value	\$2,852,590,968	\$2,316,254,156
Carrying value	2,618,411,747	2,188,413,868
Amount borrowed at time of maximum collateral	1,420,147,809	1,205,761,019

The amount borrowed from FHLB as of December 31, was as follows:

	<b>2020</b>	<b>2019</b>
Debt	\$ 293,603,527	\$ 405,761,019
Funding agreements	<u>1,127,000,000</u>	<u>800,000,000</u>
Aggregate total	<u>\$1,420,603,527</u>	<u>\$1,205,761,019</u>

The maximum amount of aggregate borrowings from FHLB during the years ended December 31, was as follows:

	<b>2020</b>	<b>2019</b>
Debt	\$ 800,802,846	\$ 410,970,110
Funding agreements	<u>807,000,000</u>	<u>800,000,000</u>
Aggregate total	<u>\$1,607,802,846</u>	<u>\$1,210,970,110</u>

As of December 31, 2020 and 2019, the debt and funding agreements were subject to prepayment penalties.

**Securities Lending**—The Company has an agreement to sell and repurchase securities. On March 6, 2020, the Board of Directors of the Company rescinded the maximum borrowing limit of \$500,000,000 for repurchase transactions and approved the Enterprise-Wide Limit.

The Company had securities loaned to third parties of \$796,654,452 and \$780,782,535 as of December 31, 2020 and 2019, respectively. The securities loaned as of December 31, 2020 and 2019 were under bilateral repurchase agreements 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 transfers of financial assets accounted for as secured borrowings as of December 31, were as follows:

	<b>2020</b>	<b>2019</b>
Assets:		
Cash	\$ 48,005,649	\$ 116,999,124
Cash equivalents	325,035,100	266,373,445
Short-term investments	184,568,885	155,976,413
Bonds	<u>248,561,806</u>	<u>241,935,368</u>
 Total securities lending cash collateral	 <u>\$ 806,171,440</u>	 <u>\$ 781,284,350</u>
Liabilities:		
Securities lending cash collateral	<u>\$ 806,171,440</u>	<u>\$ 781,284,350</u>

The estimated fair values of the Company's contractually obligated collateral received as of December 31, were as follows:

	<b>2020</b>	<b>2019</b>
30 days or less	\$ 325,351,158	\$ 329,017,412
31 to 60 days	59,975,725	26,992,754
61 to 90 days	54,043,731	119,338,381
Greater than 90 days	<u>365,739,336</u>	<u>306,014,763</u>
 Total collateral received	 <u>\$ 805,109,950</u>	 <u>\$ 781,363,310</u>

The amortized cost and estimated fair value of the aggregate amount of the Company's collateral reinvested as of December 31, were as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
<b>2020</b>		
Less than 30 days	\$ 325,350,827	\$ 325,351,158
31 to 60 days	59,974,917	59,975,725
61 to 90 days	54,043,731	54,043,731
91 to 120 days	13,153,971	13,157,955
121 to 180 days	25,114,000	25,129,133
181 to 365 days	160,127,772	160,168,671
1 to 2 years	86,364,837	86,364,508
2 to 3 years	30,903,806	30,913,484
Greater than 3 years	<u>51,137,579</u>	<u>50,005,585</u>
Total collateral reinvested	<u>\$ 806,171,440</u>	<u>\$ 805,109,950</u>
<b>2019</b>		
Less than 30 days	\$ 329,025,346	\$ 329,017,412
31 to 60 days	26,987,715	26,992,754
61 to 90 days	119,412,475	119,338,381
91 to 120 days	28,015,769	28,046,218
121 to 180 days	26,194,021	26,175,422
181 to 365 days	148,345,693	148,429,720
1 to 2 years	<u>103,303,331</u>	<u>103,363,403</u>
Total collateral reinvested	<u>\$ 781,284,350</u>	<u>\$ 781,363,310</u>

The Company holds securities with a fair value of \$805,109,950 and \$781,363,310 in response to collateral of \$778,771,983 and \$730,571,285 that could be called within one day's notice as of December 31, 2020 and 2019, respectively. Excess liquidity at the Enterprise-Wide Limit would be used to fulfill any remaining obligation due to our lending counterparties.

Of the collateral received, \$155,651,509 was for transactions that extended beyond one year from December 31, 2020.

The maximum amount and ending balance for repurchase agreements accounted for as secured borrowings during the years ended December 31, were as follows:

	<b>2020</b>	<b>2019</b>
Maximum amount:		
Overnight	\$ 38,539,500	\$ 86,945,000
1 week to 1 month	53,693,950	158,516,875
Ending balance:		
Overnight	\$ 33,801,500	\$ 37,195,000
1 week to 1 month	27,244,387	50,211,250

Securities sold under repurchase agreements accounted for as secured borrowings during the years ended December 31, were as follows:

	<b>2020</b>	<b>2019</b>
Maximum amount:		
Carrying value	\$ 56,758,916	\$ 208,947,779
Estimated fair value	92,847,834	245,051,985
Ending balance:		
Carrying value	\$ 55,746,347	\$ 83,707,587
Estimated fair value	61,639,840	87,966,457

Securities sold under repurchase agreements accounted for as secured borrowings by NAIC designation in aggregate as of December 31, were as follows:

	<b>2020</b>	<b>2019</b>
Ending balance:		
NAIC 1—Bonds—carrying value	\$ 55,746,347	\$ 83,707,587
NAIC 1—Bonds—estimated fair value	61,639,840	87,966,457

The maximum amount and ending balance of cash collateral received and liability to return collateral under secured borrowings was \$92,133,950 and \$61,045,887 as of December 31, 2020, respectively. The maximum amount and ending balance of cash collateral received and liability to return collateral under secured borrowings was \$245,019,875 and \$87,406,250 as of December 31, 2019, respectively. There was no non-cash collateral received under such transactions as of December 31, 2020 and 2019.

Cash collateral received under secured borrowings by NAIC designation in aggregate was \$61,045,887 and \$87,406,250 as of December 31, 2020 and 2019, respectively.

Estimated fair value of the Company's allocation of aggregate collateral, by remaining contractual maturity, as of December 31, was as follows:

	<b>2020</b>	<b>2019</b>
Overnight and continuous	\$ 34,471,529	\$ 37,917,827
30 days or less	27,176,772	50,030,303

The Company's amortized cost and estimated fair value of the allocation of aggregate collateral reinvested under repurchase agreements, by remaining contractual maturity, as of December 31, was as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
<b>2020</b>		
30 days or less	\$ 24,641,348	\$ 24,641,373
31 to 60 days	4,542,367	4,542,428
61 to 90 days	4,093,152	4,093,152
91 to 120 days	996,253	996,554
121 to 180 days	1,902,079	1,903,225
181 to 365 days	12,127,721	12,130,819
1 to 2 years	6,541,081	6,541,056
2 to 3 years	2,340,585	2,341,319
Greater than 3 years	<u>3,873,046</u>	<u>3,787,311</u>
Total collateral reinvested	<u>\$ 61,057,632</u>	<u>\$ 60,977,237</u>
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
<b>2019</b>		
30 days or less	\$ 36,832,528	\$ 36,832,507
31 to 60 days	3,021,193	3,021,757
61 to 90 days	13,367,866	13,359,572
91 to 120 days	3,136,281	3,139,690
121 to 180 days	2,932,342	2,930,260
181 to 365 days	16,606,853	16,616,260
1 to 2 years	<u>11,564,496</u>	<u>11,571,221</u>
Total collateral reinvested	<u>\$ 87,461,559</u>	<u>\$ 87,471,267</u>

## 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.

During 2020, the Company entered into a reinsurance agreement with a third-party reinsurer to reinsure certain universal life contracts with secondary guarantees. The reinsurance was on a 35% quota share coinsurance and 65% yearly renewable term ("YRT") basis. The coinsurance cession is secured by 10% funds withheld supported by the Company's general account assets. During the first fifteen years of the agreement, amounts paid quarterly are subject to an experience refund provision under which the excess premiums paid over claim losses incurred are refunded to the Company. Any losses paid that exceeded premiums during a quarter are recoverable by the reinsurer from future experience refunds.

The Company's significant financial impacts of the reinsurance arrangement upon execution were as follows:

Statutory statements of operations:

Decrease in net premiums and annuity considerations	\$ 131,833,000
Decrease in reserves	131,833,000
Increase in commissions and expense allowances on reinsurance ceded	24,916,000

Statutory statements of admitted assets, liabilities, and surplus:

Decrease in reserves for life policies and contracts	\$ 131,833,000
Increase in funds held under reinsurance treaties with unauthorized and certified reinsurers	13,183,000

During 2019, the Company entered into a 100% coinsurance agreement with a third-party reinsurer which reinsured certain in force deferred annuities on a funds withheld basis. The Company continues to own the securities and cash in the custodial account, which is subject to an investment management agreement under which the reinsurer has discretionary investment authority. The reinsurer is responsible for maintaining the balance in the funds withheld account in an amount equal to the reinsured reserves and is permitted to withdraw assets from the funds withheld account that exceed the reinsured reserves. To further secure its obligations under the arrangement, the reinsurer has placed certain assets with the value equal to 5% of the reinsured statutory reserves into a trust, with the Company as the sole beneficiary.

The Company's significant financial impacts of the reinsurance arrangement upon execution were as follows:

Statutory statements of operations:

Decrease in net premiums and annuity considerations	\$ 939,301,000
Decrease in reserves	939,301,000

Statutory statements of admitted assets, liabilities, and surplus:

Decrease in reserves for life policies and contracts	\$ 939,301,000
Increase in cash and cash equivalents	79,344,000
Decrease in deposit-type contracts	26,740,000
Increase in unassigned surplus	79,344,000
Increase in funds held under reinsurance treaties with unauthorized and certified reinsurers	966,041,000

During 2018, the Company entered into a 100% coinsurance agreement with a third-party reinsurer which reinsured certain in force deferred annuities. Assets backing the ceded reserves were placed into a trust with the Company as the beneficiary.

The Company's significant financial impacts of the reinsurance arrangement for the year ended December 31, 2018, were as follows:

Statutory statements of operations:	
Decrease in net premiums and annuity considerations	\$1,111,410,000
Decrease in reserves	1,130,005,000
Statutory statements of admitted assets, liabilities, and surplus:	
Decrease in reserves for life policies and contracts	\$1,130,005,000
Decrease in bonds	927,316,000
Decrease in cash and cash equivalents	208,094,000
Decrease in deposit-type contracts	16,374,000
Increase in unassigned surplus	46,569,000

Assets were transferred to the reinsurer as part of the reinsurance agreement, requiring the sale of certain securities which resulted in realized capital losses of \$54,195,000 prior to any transfers to the IMR.

During 2010, the Company entered into a reinsurance agreement with Omaha Re to cede certain term and universal life policies issued by the Company. The agreement covers policies issued from January 1, 2003 through September 30, 2013. A second reinsurance agreement with Omaha Re was executed in 2016 and amended in 2017, ceding certain term life insurance policies issued from October 1, 2013 through December 31, 2017. The 2017 amendment allows for policies issued through December 31, 2019 to be ceded subject to certain limits. Both agreements provide coinsurance to the Company on an indemnity basis for all liabilities arising from the life insurance policies covered under each agreement and are accounted for on a funds withheld basis. There were no amendments to the agreement with Omaha Re during 2020 and 2019.

The current agreement complies with NAIC Actuarial Guideline XLVIII ("AG48"). This agreement cedes policies that meet the definition of Covered Policies as that term is defined in Section 4 of AG48. Funds consisting of Primary Security, in an amount at least equal to the Required Level of Primary Security, are held by the Company on a funds withheld basis. Funds consisting of Other Security, in an amount equal to the portion of the statutory reserves as to which Primary Security is not held, are held on behalf of the Company as security as part of the reinsurance arrangement.

Deferred gains are amortized into operations as earnings emerge from the business reinsured. During 2020, 2019, and 2018, the Company amortized \$28,784,204, \$39,551,984, and \$10,127,989, respectively.

## 10. EMPLOYEE BENEFIT PLANS

The Company is allocated expenses from a qualified non-contributory defined-benefit pension plan, a 401(k) defined-contribution plan, and a postretirement benefit plan that provides certain health care and life insurance benefits to retired employees, all sponsored by its ultimate parent, Mutual of Omaha, based upon various cost allocation methods. The Company has no legal obligation for benefits under these plans. Effective January 1, 2005, the defined-benefit pension plan was amended to freeze plan benefits for participants under forty years of age. No benefits are available under the defined-benefit pension plan for employees hired on or after January 1, 2005. Substantially all employees are eligible for the 401(k) defined-contribution plan while only employees hired before 1995 were eligible for the postretirement benefit plan. Mutual of Omaha ceased allocating expenses for the postretirement benefit plan in 2019.

The Company's share of net expense for these plans for the years ended December 31, was as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Defined-benefit pension plan	\$ (1,603,114)	\$ 242,907	\$ 11,868,838
401(k) defined-contribution plan	23,699,380	18,858,498	16,880,150
Postretirement benefit plan	-	-	794,725

There are certain plan assets where Mutual of Omaha's retirement liabilities are invested in assets of the Company. Plan assets for the defined-benefit pension plan included a group annuity contract issued by the Company with a balance of \$908,643,222 and \$812,081,295 as of December 31, 2020 and 2019, respectively. Plan assets for the postretirement benefit plan were invested in a group annuity contract issued by the Company with a balance of \$7,633,722 and \$8,794,800 as of December 31, 2020 and 2019, respectively. Plan assets for the 401(k) defined-contribution plan included a group annuity contract issued by the Company with a balance of \$176,978,656 and \$158,018,627 as of December 31, 2020 and 2019, respectively.

#### **11. SURPLUS AND DIVIDEND RESTRICTIONS**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Unrealized capital loss	\$(211,767,723)	\$(189,517,177)	\$(158,758,792)
Nonadmitted assets	(231,267,487)	(196,676,901)	(175,653,112)
AVR	(192,642,161)	(170,816,392)	(157,911,233)

Regulatory restrictions limit the amount of dividends available for distribution without prior approval of the Director of the Nebraska Department of Insurance. As of December 31, 2020, the maximum dividend allowed was \$186,179,472.

#### **12. COMMITMENTS AND CONTINGENCIES**

The Company had unfunded investment commitments for limited partnership investments, bonds, private preferred stocks, and mortgage lending of \$840,033,461 and \$654,607,680 as of December 31, 2020 and 2019, 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 \$7,160,505 and \$7,300,548 as of December 31, 2020 and 2019, respectively. The Company estimated its premium tax credits that it will receive related to guaranty funds of \$15,217,492 and \$16,338,980 as of December 31, 2020 and 2019, respectively.

The Company recognizes discounted and undiscounted amounts relating to Penn Treaty Network America and its subsidiaries (together "Penn Treaty") insolvency. As of December 31, 2020, the discounted and undiscounted liabilities and receivables were \$6,156,854 and \$16,508,536, and \$5,441,717 and \$14,006,553, respectively. As of December 31, 2019, the discounted and undiscounted liabilities and receivables were \$6,340,902 and \$16,915,607, and \$5,511,663 and \$14,158,896, respectively. There are 50 jurisdictions for liabilities and 39 jurisdictions for premium tax credits by insolvency as of December 31, 2020. Amounts used for the Penn Treaty accruals are the discounted amounts, using a 4.25% discount rate, reported by the National Organization of Life and Health Insurance Guaranty Association.

The Company has adopted resolutions to guarantee timely payment of certain liabilities incurred by Mutual Structured Settlement. The liabilities subject to this guarantee as of December 31, 2020, are \$1,301,509,560.

Various lawsuits have arisen in the ordinary course of the Company's business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the Company's statutory statements of admitted assets, liabilities, and surplus, the statutory statements of operations, or statutory statements of cash flows.

### 13. LEASES

The Company and Mutual 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, 2020, were as follows:

2021	\$ 11,883,784
2022	9,548,004
2023	7,893,346
2024	5,579,025
2025	2,812,533
Thereafter	<u>6,605,598</u>
 Total	 <u>\$ 44,322,290</u>

The Company's allocated rental expense for the years ended December 31, 2020, 2019, and 2018, was \$35,917,664, \$30,538,444, and \$24,982,375, respectively.

### 14. THIRD-PARTY ADMINISTRATORS

The Company's direct premium written by third-party administrators during the years ended December 31, was as follows:

LTCG								
11000 Prairie Lakes Dr. Suite 600 Eden Prairie, MN 55344	95-4604537	No	Long-term care	(a)	\$ 71,203,870	\$ 72,378,797	\$ 73,566,134	
Kelly and Associates Insurance								
301 International Cir Hunt Valley, MD 21030	52-1066374	No	Group health Group life	(b)	22,358,359	23,699,677	23,450,353	
Se2 Inc								
One Security Benefit Place Topeka, KS 66636	20-2640636	Yes	Variable life Variable annuity	(a)	4,394,472	3,962,628	4,171,102	
All companies under \$1 million		No	Individual life	(a)	<u>12,628</u>	<u>13,046</u>	<u>13,604</u>	
				Total	<u>\$97,969,329</u>	<u>\$100,054,148</u>	<u>\$101,201,193</u>	

#### Type of Authority Granted (Description) Reference

\* Premium collection and administration; claims payment and administration; policyholder service

(a)

\* Premium collection

(b)



## 15. LIABILITY FOR POLICY AND CONTRACT CLAIMS—HEALTH

A reconciliation of the liability for policy and contract claims—health, which includes claim liabilities and reserves, as of December 31, was as follows:

	2020	2019
Health balance at January 1	\$ 943,638,522	\$ 874,579,246
Reinsurance recoverable	<u>69,138,786</u>	<u>65,460,174</u>
Net balance at January 1	<u>874,499,736</u>	<u>809,119,072</u>
Incurred related to:		
Current year	1,015,789,061	1,043,387,781
Prior years	<u>(28,717,980)</u>	<u>(43,183,324)</u>
Total incurred	<u>987,071,081</u>	<u>1,000,204,457</u>
Paid related to:		
Current year	644,940,777	690,526,635
Prior years	<u>262,699,584</u>	<u>244,297,158</u>
Total paid	<u>907,640,361</u>	<u>934,823,793</u>
Net balance at December 31	953,930,456	874,499,736
Reinsurance recoverable	<u>73,421,193</u>	<u>69,138,786</u>
Balance at December 31	<u><u>\$1,027,351,649</u></u>	<u><u>\$ 943,638,522</u></u>

During 2020, incurred claims related to prior years were favorable on both an interest adjusted and non-interest adjusted basis primarily due to favorable runout within Medicare supplement, long-term care, and group health coverages. Group long-term disability (“LTD”) had favorable runout on a non-interest basis primarily due to updated claim termination rates. The runout for other health products was in line with expectations. During 2019, runout on prior year incurrals was favorable on both an interest adjusted and non-interest adjusted basis primarily due to updated claim termination rates for group LTD with a smaller impact due to favorable runout on group ancillary and Medicare supplement products. The reserves are reviewed and revised to reflect current conditions and claim trends and any resulting adjustments are reflected in operating results in the year the revisions are made.

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 and taxes due or accrued, as of December 31, was as follows:

	<b>2020</b>	<b>2019</b>
Prior year accrual	\$ 31,503,976	\$ 29,602,779
Incurred claim adjustment expenses	64,717,117	56,564,862
Paid claim adjustment expenses related to:		
Current year	(43,199,188)	(40,380,049)
Prior years	<u>(17,593,365)</u>	<u>(14,283,616)</u>
Total	<u>\$ 35,428,540</u>	<u>\$ 31,503,976</u>

#### **16. RESERVES FOR LIFE, ANNUITY, AND DEPOSIT-TYPE POLICIES AND CONTRACTS**

The Company waives deduction of deferred fractional premiums upon death of the insured and returns any portion of the final premium for periods beyond the monthly policy anniversary following the date of death. Surrender values are not promised in excess of the legally computed reserves.

For plans of insurance introduced prior to 1989, substandard reserves for policies with a substandard underwriting class were set equal to the excess of the reserves calculated using the appropriate substandard multiple mortality table over the reserves calculated using the standard mortality table, where both calculations use the same valuation interest rate and reserve method. For plans of insurance introduced after 1988 with a substandard underwriting class and for all policies with a flat extra substandard premium, substandard reserves were set equal to the unearned portion of the substandard premiums.

As of December 31, 2020 and 2019, the Company had insurance in force with a face value of \$26,547,566,491 and \$32,992,677,360, respectively, for which the gross premiums were less than the net premiums according to the valuation standards set by the NDOI. Reserves to cover the above insurance totaled \$147,519,460 and \$151,817,162 as of December 31, 2020 and 2019, respectively.

The Company updated the interpretation of an unusual cash value (“UCV”) calculation for a return of premium (“ROP”) endowment benefit on certain term plans resulting in an increase in policy reserves and a corresponding charge to operations of \$3,595,213 in 2020. The interpretation of an UCV calculation for a ROP endowment benefit on certain term plans were updated resulting in an increase in policy reserves and a corresponding increase in reserves for life policies and contracts of \$12,693,456 in 2019.

The Company updated mortality assumptions used for calculating certain life deficiency reserves resulting in an increase in reserve for life policies and contracts and a corresponding charge to surplus of \$7,353,964 and \$31,985,660 in 2020 and 2019, respectively. Mortality assumptions used for calculating certain life deficiency reserves were updated resulting in a decrease in reserves and an increase to surplus of \$1,195,486 in 2018.

The Company updated mortality assumptions used for calculating reserves for anticipated anti-selection mortality on term conversions resulting in a decrease in reserve for policies and contracts and a corresponding increase to surplus of \$7,581,207 and \$1,535,794 in 2020 and 2019, respectively. Mortality assumptions used for calculating reserves for anticipated anti-selection mortality on term conversions were updated resulting in an increase in reserve for policies and contracts and a corresponding charge to surplus of \$9,866,473 in 2018.

The Company applied PBR retrospectively as of January 1, 2020 to 2017-2019 issues of 2017 CSO simplified issue term plans with the approval of the NDOI resulting in a decrease in reserves and a corresponding increase to surplus of \$25,901,236 in 2020.

Scheduled premiums used in the UCV calculation for ROP on certain short guarantee term plans were updated from guaranteed to current resulting in an increase in reserves and a corresponding charge to surplus of \$10,324,480 in 2019.

Group term life premium deficiency reserves established in 2015 for business assumed from Companion were released resulting in a decrease in reserve for life policies and contracts and a corresponding increase in surplus of \$7,161,203 in 2019.

Valuation interest rates on certain policies and issue years were increased from lower than maximum to the maximum allowed rates resulting in a decrease in reserve for life policies and contracts and a corresponding increase in surplus of \$23,612,331 in 2018.

## 17. ANALYSIS OF LIFE AND ANNUITY RESERVES AND DEPOSIT-TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

The withdrawal characteristics of the Company's individual annuity reserves, group annuity reserves, and deposit-type contracts as of December 31, were as follows:

2020	General Account	Separate Account Non-Guaranteed	Total	% of Total
Individual annuity reserves—subject to discretionary withdrawal:				
With market value adjustment	\$1,099,075,293	\$ -	\$1,099,075,293	29.1 %
At book value less current surrender charge of 5% or more	123,349,355	-	123,349,355	3.3
At fair value	-	100,488,356	100,488,356	2.6
Total with adjustment or at fair value	1,222,424,648	100,488,356	1,322,913,004	35.0
At book value without adjustment (minimal or no charge)	1,261,109,536	-	1,261,109,536	33.4
Not subject to discretionary withdrawal	1,192,720,651	450,051	1,193,170,702	31.6
Gross total	3,676,254,835	100,938,407	3,777,193,242	100.0 %
Reinsurance ceded	1,858,132,677	-	1,858,132,677	
Net total	\$1,818,122,158	\$ 100,938,407	\$1,919,060,565	
Amount included in book value less current surrender charge of 5% or more that will move to the book value without adjustment for the first time in the year after the statutory-basis statement date:				
	\$ 5,581,069	\$ -	\$ 5,581,069	
	General Account	Separate Account Non-Guaranteed	Total	% of Total
Group annuity reserves—subject to discretionary withdrawal:				
With market value adjustment	\$ 298,570,783	\$ -	\$ 298,570,783	6.4 %
At book value without adjustment (minimal or no charge)	17,998,760	-	17,998,760	0.4
Not subject to discretionary withdrawal	4,348,034,882	-	4,348,034,882	93.2
Gross total	4,664,604,425	-	4,664,604,425	100.0 %
Reinsurance ceded	17,073,199	-	17,073,199	
Net total	\$4,647,531,226	\$ -	\$4,647,531,226	
	General Account	Separate Account Non-Guaranteed	Total	% of Total
Deposit funds liabilities—subject to discretionary withdrawal:				
With market value adjustment	\$1,039,965,541	\$ -	\$1,039,965,541	12.3 %
At fair value	-	4,341,823,964	4,341,823,964	51.4
Total with adjustment or at fair value	1,039,965,541	4,341,823,964	5,381,789,505	63.7
At book value without adjustment (minimal or no charge)	297,536,551	-	297,536,551	3.6
Not subject to discretionary withdrawal	2,765,671,912	-	2,765,671,912	32.7
Gross total	4,103,174,004	4,341,823,964	8,444,997,968	100.0 %
Reinsurance ceded	31,892,074	-	31,892,074	
Net total	\$4,071,281,930	\$4,341,823,964	\$8,413,105,894	

<b>2019</b>	<b>General Account</b>	<b>Separate Account Non-Guaranteed</b>	<b>Total</b>	<b>% of Total</b>
Individual annuity reserves—subject to discretionary withdrawal:				
With market value adjustment	\$ 826,857,619	\$ -	\$ 826,857,619	23.7 %
At book value less current surrender charge of 5% or more	131,749,752	-	131,749,752	3.8
At fair value	-	94,620,393	94,620,393	2.7
Total with adjustment or at fair value	958,607,371	94,620,393	1,053,227,764	30.2
At book value without adjustment (minimal or no charge)	1,291,988,044	-	1,291,988,044	37.0
Not subject to discretionary withdrawal	1,145,901,227	325,451	1,146,226,678	32.8
Gross total	3,396,496,642	94,945,844	3,491,442,486	100.0 %
Reinsurance ceded	1,882,879,095	-	1,882,879,095	
Net total	<u>\$ 1,513,617,547</u>	<u>\$ 94,945,844</u>	<u>\$ 1,608,563,391</u>	
Amount included in book value less current surrender charge of 5% or more that will move to the book value without adjustment for the first time in the year after the statutory-basis statement date:				
	<u>\$ 12,083,694</u>	<u>\$ -</u>	<u>\$ 12,083,694</u>	
	<b>General Account</b>	<b>Separate Account Non-Guaranteed</b>	<b>Total</b>	<b>% of Total</b>
Group annuity reserves—subject to discretionary withdrawal:				
With market value adjustment	\$ 254,129,684	\$ -	\$ 254,129,684	6.0 %
At book value without adjustment (minimal or no charge)	964,734	-	964,734	-
Not subject to discretionary withdrawal	3,958,185,810	-	3,958,185,810	94.0
Net total	<u>\$ 4,213,280,228</u>	<u>\$ -</u>	<u>\$ 4,213,280,228</u>	100.0 %
	<b>General Account</b>	<b>Separate Account Non-Guaranteed</b>	<b>Total</b>	<b>% of Total</b>
Deposit funds liabilities—subject to discretionary withdrawal:				
With market value adjustment	\$ 698,334,520	\$ -	\$ 698,334,520	9.3 %
At fair value	-	4,006,259,652	4,006,259,652	53.1
Total with adjustment or at fair value	698,334,520	4,006,259,652	4,704,594,172	62.4
At book value without adjustment (minimal or no charge)	393,783,905	-	393,783,905	5.2
Not subject to discretionary withdrawal	2,441,913,513	-	2,441,913,513	32.4
Gross total	3,534,031,938	4,006,259,652	7,540,291,590	100.0 %
Reinsurance ceded	36,850,020	-	36,850,020	
Net total	<u>\$ 3,497,181,918</u>	<u>\$ 4,006,259,652</u>	<u>\$ 7,503,441,570</u>	

Annuity reserves and deposit funds liabilities subject to discretionary withdrawal at fair value includes runoff variable annuity reserves for policies which are 100% ceded under a modified coinsurance reinsurance agreement to a third party. A portion of these policies may be subject to surrender charges at certain policy durations.

There were no annuity reserves or deposit-type liabilities in guaranteed separate accounts as of December 31, 2020 and 2019.

The following information is obtained from the applicable exhibit in the Company's annual statement and related separate accounts annual statement, both of which were filed with the NDOI and are provided to reconcile annuity reserves, supplementary contracts with life contingencies, and deposit-type funds to amounts reported on the statutory financial statements as of December 31.

	<b>2020</b>	<b>2019</b>
Life, accident and health annual statement:		
Exhibit 5, Annuities section—net total	\$ 6,465,653,384	\$ 5,722,331,816
Exhibit 5, Supplementary Contracts with Life Contingencies section—net total	4,640,587	4,565,959
Exhibit 7, Deposit-type Contracts, Line 14—net total	<u>4,071,281,930</u>	<u>3,497,181,918</u>
Subtotal	10,541,575,901	9,224,079,693
Separate accounts annual statement:		
Exhibit 3, Annuities section—net total	100,938,407	94,945,845
Exhibit 4, Deposit-type Contracts, Line 9—net total	<u>4,341,823,964</u>	<u>4,006,259,651</u>
Total	<u>\$14,984,338,272</u>	<u>\$13,325,285,189</u>

The withdrawal characteristics of the Company's life policy reserves as of December 31, were as follows:

<b>2020</b>	<b>Account Value</b>	<b>Cash Value</b>	<b>Reserves</b>
General account—			
Subject to discretionary withdrawal, surrender values, or policy loans:			
Term policies with cash value	\$ -	\$ 69,741,596	\$ 195,487,045
Universal life	461,950,431	526,966,309	568,729,831
Universal life with secondary guarantees	1,587,560,578	1,220,118,083	2,926,998,531
Indexed universal life with secondary guarantees	212,849,723	107,395,573	200,158,314
Other permanent cash value life insurance	-	2,432,180,565	3,259,369,878
Variable universal life	13,028,520	13,046,803	19,083,194
Not subject to discretionary withdrawal or no cash value:			
Term policies without cash value	N/A	N/A	1,749,350,193
Accidental death benefits	N/A	N/A	7,709,925
Disability—active lives	N/A	N/A	15,991,315
Disability—disabled lives	N/A	N/A	120,329,568
Miscellaneous reserves	N/A	N/A	232,963,531
	<u>2,275,389,252</u>	<u>4,369,448,929</u>	<u>9,296,171,325</u>
Gross total			
Reinsurance ceded	<u>555,958,598</u>	<u>387,441,446</u>	<u>3,152,486,865</u>
Net total	<u>\$1,719,430,654</u>	<u>\$3,982,007,483</u>	<u>\$6,143,684,460</u>
Separate account non-guaranteed—			
Subject to discretionary withdrawal, surrender values, or policy loans:			
Variable universal life	\$ 65,104,832	\$ 65,104,832	\$ 65,147,862
Reinsurance ceded	<u>-</u>	<u>-</u>	<u>-</u>
Net total	<u>\$ 65,104,832</u>	<u>\$ 65,104,832</u>	<u>\$ 65,147,862</u>

2019	Account Value	Cash Value	Reserves
General account—			
Subject to discretionary withdrawal, surrender values, or policy loans:			
Term policies with cash value	\$ -	\$ 59,590,806	\$ 196,744,887
Universal life	477,509,157	541,347,667	583,996,106
Universal life with secondary guarantees	1,576,208,763	1,194,100,960	2,731,743,090
Indexed universal life with secondary guarantees	136,994,317	62,652,546	112,649,480
Other permanent cash value life insurance	-	2,241,879,823	3,001,305,422
Variable universal life	12,497,090	12,509,257	18,443,926
Not subject to discretionary withdrawal or no cash value:			
Term policies without cash value	N/A	N/A	1,588,114,246
Accidental death benefits	N/A	N/A	6,381,099
Disability—active lives	N/A	N/A	19,933,754
Disability—disabled lives	N/A	N/A	118,545,044
Miscellaneous reserves	N/A	N/A	254,791,662
Gross total	2,203,209,327	4,112,081,059	8,632,648,716
Reinsurance ceded	464,164,730	345,454,359	2,764,842,147
Net total	<u>\$1,739,044,597</u>	<u>\$3,766,626,700</u>	<u>\$5,867,806,569</u>
Separate account non-guaranteed—			
Subject to discretionary withdrawal, surrender values, or policy loans:			
Variable universal life	\$ 59,005,916	\$ 59,009,439	\$ 59,043,135
Reinsurance ceded	-	-	-
Net total	<u>\$ 59,005,916</u>	<u>\$ 59,009,439</u>	<u>\$ 59,043,135</u>

The following information is obtained from the applicable exhibit in the Company's annual statement and related separate accounts annual statement, both of which were filed with the NDOI and are provided to reconcile life reserves to amounts reported on the statutory financial statements as of December 31.

	2020	2019
Life, accident and health annual statement:		
Exhibit 5, Life Insurance section—net total	\$ 5,882,061,595	\$ 5,572,590,724
Exhibit 5, Accidental Death Benefits section—net total	7,431,909	6,241,927
Exhibit 5, Disability—Active Lives section—net total	5,993,469	7,088,034
Exhibit 5, Disability—Disabled Lives section—net total	118,732,531	117,478,491
Exhibit 5, Disability—Miscellaneous Reserves section—net total	<u>129,464,956</u>	<u>164,407,393</u>
Subtotal	6,143,684,460	5,867,806,569
Separate accounts annual statement:		
Exhibit 3, Life Insurance section—net total	<u>65,147,862</u>	<u>59,043,135</u>
Total	<u>\$ 6,208,832,322</u>	<u>\$ 5,926,849,704</u>



## 18. PREMIUMS DEFERRED AND UNCOLLECTED

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, were as follows:

Type	2020		2019	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary first year business	\$ 89,409,323	\$ (653,136)	\$ 104,082,472	\$ 6,943,785
Ordinary renewal	464,560,321	328,279,623	471,961,912	349,515,371
Group life	(81,393,352)	(82,201,922)	(94,579,274)	(95,398,626)
Group annuity	<u>(4,600)</u>	<u>(4,600)</u>	<u>(228,045)</u>	<u>(228,045)</u>
Total	<u>\$472,571,692</u>	<u>\$245,419,965</u>	<u>\$481,237,065</u>	<u>\$260,832,485</u>

## 19. SEPARATE ACCOUNTS

Information regarding the non-guaranteed separate accounts of the Company was as follows:

	2020	2019
For the years ended December 31:		
Premiums and considerations	\$ 3,901,186	\$ 3,645,545
Deposits	<u>1,696,810,601</u>	<u>1,743,680,478</u>
Premiums, considerations, and deposits	<u>\$ 1,700,711,787</u>	<u>\$ 1,747,326,023</u>
As of December 31:		
Reserves by valuation basis—fair value	<u>\$ 4,507,910,233</u>	<u>\$ 4,160,248,632</u>
Reserves with discretionary withdrawal characteristics—fair value	<u>\$ 4,507,910,233</u>	<u>\$ 4,160,248,632</u>
Transfers as reported on the statutory statements of operations of the separate accounts annual statement:		
Transfers to separate accounts	\$ 3,901,186	\$ 3,645,545
Transfers from separate accounts	<u>14,911,728</u>	<u>15,936,702</u>
Net transfers of the general account	(11,010,542)	(12,291,157)
Reinsurance of separate account business	<u>11,010,542</u>	<u>12,291,157</u>
Net transfers as reported on the statutory statements of operations	<u>\$ -</u>	<u>\$ -</u>

The Company holds no guaranteed separate accounts or reserves in separate accounts for asset default risk in lieu of AVR as of December 31, 2020 and 2019.

## 20. SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2020 through April 23, 2021, the date these statutory financial statements were available to be issued. A Type I subsequent event, as defined

by SSAP 9 *Subsequent Events*, of a \$10,000,000 capital contribution to Companion was reported as a payable from parent and affiliates as of December 31, 2020 which was subsequently settled in cash on February 1, 2021. The Company is not aware of any additional material subsequent events requiring adjustment to or disclosure in the statutory financial statements.

\* \* \* \* \*

## **SUPPLEMENTAL SCHEDULES**



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## **INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Board of Directors  
United of Omaha Life Insurance Company  
Omaha, Nebraska

Our 2020 audit was conducted for the purpose of forming an opinion on the 2020 statutory-basis financial statements as a whole. The supplemental schedule of selected financial data, the supplemental reinsurance schedule, the supplemental summary investment schedule, and the supplemental schedule of investment risks interrogatories as of and for the year ended December 31, 2020, are presented for purposes of additional analysis and are not a required part of the 2020 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 2020 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 2020 statutory-basis financial statements as a whole.

*Deloitte & Touche LLP*

April 23, 2021

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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Investment income earned:	
U.S. government bonds	\$ 20,939,654
Other bonds (unaffiliated)	716,752,826
Bonds of affiliates	1,567,891
Preferred stocks (unaffiliated)	1,339,670
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	-
Common stocks of affiliates	-
Mortgage loans	128,678,092
Real estate	18,334,191
Contract loans	12,476,324
Cash and cash equivalents	1,309,019
Short-term investments	7,050,658
Other invested assets	39,930,907
Derivative instruments	15,084,297
Aggregate write-ins for investment income	<u>5,207,327</u>
Gross investment income	<u>\$ 968,670,856</u>
Real estate owned—book value less encumbrances	<u>\$ 43,333,930</u>
Mortgage loans—book value:	
Farm mortgages	\$ -
Residential mortgages	-
Commercial mortgages	<u>3,009,702,869</u>
Total mortgage loans	<u>\$3,009,702,869</u>
Mortgage loans by standing—book value:	
Good standing	<u>\$3,003,760,451</u>
Good standing with restructured terms	<u>\$ 5,942,418</u>
Interest overdue more than three months, not in foreclosure	<u>\$ -</u>
Foreclosure in process	<u>\$ -</u>
Other long-term assets—statement value	<u>\$ 412,169,486</u>
Collateral loans	<u>\$ -</u>

(Continued)

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

Bonds and stocks of subsidiaries and affiliates—book value:	
Bonds	\$ 11,849,455
Preferred stocks	\$ -
Common stocks	\$ 114,219,727
Bonds and Short-term Investments by NAIC designation and maturity:	
Bonds by maturity—statement value:	
Due within one year or less	\$ 1,633,280,235
Over 1 year and through 5 years	4,607,149,128
Over 5 years through 10 years	4,513,128,416
Over 10 years through 20 years	3,434,406,733
Over 20 years	4,406,270,340
No maturity date	-
Total by maturity	\$ 18,594,234,852
Bonds and Short-term Investments by NAIC designation—statement value:	
NAIC 1	\$ 9,168,725,211
NAIC 2	8,700,613,927
NAIC 3	563,869,412
NAIC 4	142,921,414
NAIC 5	16,087,481
NAIC 6	2,017,407
Total by NAIC designation	\$ 18,594,234,852
Total bonds publicly traded	\$ 7,238,915,459
Total bonds privately placed	\$ 11,355,319,393
Preferred stocks—statement value	\$ 118,496,050
Common stocks	\$ 191,097,448
Short-term investments—book value	\$ 313,574,991
Options, caps, and floors owned—statement value	\$ -
Options, caps, and floors written and in force—statement value	\$ -
Collar, swap, and forward agreements open—current value	\$ (33,953,355)
Cash on deposit	\$ (79,934,524)

(Continued)

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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Life insurance in force (in thousands):	
Industrial	<u>\$ -</u>
Ordinary	<u>\$ 200,822,882</u>
Credit life	<u>\$ -</u>
Group life	<u>\$ 263,398,277</u>
Amount of accidental death insurance in force under ordinary policies (in thousands)	<u>\$ 5,632,909</u>
Life insurance with disability provisions in force (in thousands):	
Industrial	<u>\$ -</u>
Ordinary	<u>\$ 12,835,391</u>
Credit life	<u>\$ -</u>
Group life	<u>\$ 251,939,376</u>
Supplementary contracts in force:	
Ordinary—not involving life contingencies:	
Amount on deposit	<u>\$ 57,274,198</u>
Income payable	<u>\$ 748,415</u>
Ordinary—involving life contingencies:	
Income payable	<u>\$ 597,249</u>
Group—not involving life contingencies:	
Amount on deposit	<u>\$ -</u>
Income payable	<u>\$ -</u>
Group—involving life contingencies:	
Income payable	<u>\$ 16,694</u>

(Continued)

Immediate—amount of income payable	<u>\$ 129,194,992</u>
Deferred—fully paid account balance	<u>\$ 1,667,766,792</u>
Deferred—not fully paid account balance	<u>\$ 689,977,899</u>
Group:	
Amount of income payable	<u>\$ 397,462,236</u>
Fully paid account balance	<u>\$ 759,606,024</u>
Not fully paid account balance	<u>\$ 16,156,464</u>
Accident and health insurance—Premiums in force:	
Other	<u>\$ 949,364,187</u>
Group	<u>\$ 1,035,822,749</u>
Credit	<u>\$ -</u>
Deposit funds and dividend accumulations:	
Deposit funds—account balance	<u>\$ 4,045,894,017</u>
Dividend accumulations—account balance	<u>\$ 5,788</u>
Claim payments 2020:	
Group accident and health—year ended December 31, 2020:	
2020	<u>\$ 302,500,561</u>
2019	<u>\$ 121,719,910</u>
2018	<u>\$ 30,055,230</u>
2017	<u>\$ 14,158,975</u>
2016	<u>\$ 10,638,184</u>
2015 and prior	<u>\$ 44,554,235</u>

(Continued)



**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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Claim payments 2020 (continued):

Other accident and health—year ended December 31, 2020:

2020	<u>\$ 342,440,216</u>
2019	<u>\$ 42,065,619</u>
2018	<u>\$ (265,526)</u>
2017	<u>\$ (156,925)</u>
2016	<u>\$ (55,415)</u>
2015 and prior	<u>\$ (14,702)</u>

Other coverages that use developmental methods to calculate  
claim reserves—year ended December 31, 2020:

2020	<u>\$ -</u>
2019	<u>\$ -</u>
2018	<u>\$ -</u>
2017	<u>\$ -</u>
2016	<u>\$ -</u>
2015 and prior	<u>\$ -</u>

(Concluded)

**UNITED OF OMAHA LIFE INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)**

**SUPPLEMENTAL REINSURANCE SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. Reinsurance contracts which limit significance risk subject to Appendix A-791—Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual (“Appendix A-791”):**

The Company has not entered into, renewed, or amended any reinsurance contracts on or after January 1, 1996, that have provisions limiting the reinsurer’s assumption of significant risk, as described in Appendix A-791.

**2. Reinsurance contracts which limit reinsurers risk NOT subject to Appendix A-791:**

The Company has not entered into, renewed, or amended on or after January 1, 1996, that include provisions, which limits the reinsurer’s assumptions of risk.

**3. Reinsurance contracts which contain features that delay payment (excluding reinsurance contracts with a federal or state facility):**

The Company has not entered into, renewed, or amended reinsurance contracts on or after January 1, 1996, which contain provisions that allow (1) the reporting of losses or settlements with the reinsurer to occur less frequently than quarterly or (2) payments due from the reinsurer to not be made in cash within ninety days of the settlement date unless there is no activity during the period or (3) contain a payment schedule, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding company.

**4. Reinsurance contracts NOT subject to Appendix A-791 and NOT YRT that meet the risk transfer requirements under SSAP No. 61R:**

The Company has not entered into, renewed, or amended any reinsurance contract on or after January 1, 1996, which are not subject to Appendix A-791 and are not YRT which reflected reinsurance reserve credit for the following (1) Assumption reinsurance or (2) Non-proportional reinsurance that does not result in significant surplus relief.

**5. Risk ceded not subject to Appendix A-791 and NOT YRT which were accounted as reinsurance for SAP and deposit accounting for GAAP or were accounted as reinsurance for GAAP and deposit accounting for SAP:**

The Company has not ceded any risk during the period ended December 31, 2020, under any reinsurance contracts entered into, renewed, or amended on or after January 1, 1996, which are not subject to Appendix A-791 and are not YRT which are accounted for as reinsurance, as described under SSAP No. 61R for SAP and deposit accounting for GAAP or were accounted for as reinsurance for GAAP and deposit accounting for SAP.

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	435,758,040	1.866	435,758,040	0	435,758,040	1.866
1.02 All other governments	27,772,312	0.119	27,772,312	0	27,772,312	0.119
1.03 U.S. states, territories and possessions, etc. guaranteed	22,208,317	0.095	22,208,317	0	22,208,317	0.095
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	51,126,191	0.219	51,126,191	0	51,126,191	0.219
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	1,139,369,444	4.880	1,139,369,444	0	1,139,369,444	4.880
1.06 Industrial and miscellaneous	16,487,116,553	70.617	16,487,116,553	248,561,806	16,735,678,359	71.682
1.07 Hybrid securities	80,408,486	0.344	80,408,486	0	80,408,486	0.344
1.08 Parent, subsidiaries and affiliates	11,849,455	0.051	11,849,455	0	11,849,455	0.051
1.09 SVO identified funds	0	0.000	0	0	0	0.000
1.10 Unaffiliated Bank loans	51,812	0.000	51,812	0	51,812	0.000
1.11 Total long-term bonds	18,255,660,612	78.192	18,255,660,612	248,561,806	18,504,222,417	79.257
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	118,496,050	0.508	118,496,050	0	118,496,050	0.508
2.02 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
2.03 Total preferred stocks	118,496,050	0.508	118,496,050	0	118,496,050	0.508
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	67,216,621	0.288	67,216,621	0	67,216,621	0.288
3.02 Industrial and miscellaneous Other (Unaffiliated)	9,661,100	0.041	9,661,100	0	9,661,100	0.041
3.03 Parent, subsidiaries and affiliates Publicly traded	0	0.000	0	0	0	0.000
3.04 Parent, subsidiaries and affiliates Other	114,219,727	0.489	114,219,727	0	114,219,727	0.489
3.05 Mutual funds	0	0.000	0	0	0	0.000
3.06 Unit investment trusts	0	0.000	0	0	0	0.000
3.07 Closed-end funds	0	0.000	0	0	0	0.000
3.08 Total common stocks	191,097,448	0.818	191,097,448	0	191,097,448	0.819
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0	0.000	0	0	0	0.000
4.02 Residential mortgages	0	0.000	0	0	0	0.000
4.03 Commercial mortgages	3,009,702,869	12.891	3,009,702,869	0	3,009,702,869	12.891
4.04 Mezzanine real estate loans	0	0.000	0	0	0	0.000
4.05 Total valuation allowance	0	0.000	0	0	0	0.000
4.06 Total mortgage loans	3,009,702,869	12.891	3,009,702,869	0	3,009,702,869	12.891
5. Real estate (Schedule A):						
5.01 Properties occupied by company	43,333,930	0.186	43,333,930	0	43,333,930	0.186
5.02 Properties held for production of income	0	0.000	0	0	0	0.000
5.03 Properties held for sale	0	0.000	0	0	0	0.000
5.04 Total real estate	43,333,930	0.186	43,333,930	0	43,333,930	0.186
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	(79,934,524)	(0.342)	(79,934,524)	0	(79,934,524)	(0.342)
6.02 Cash equivalents (Schedule E, Part 2)	47,969,037	0.205	47,969,037	0	47,969,037	0.205
6.03 Short-term investments (Schedule DA)	313,574,991	1.343	313,574,991	0	313,574,991	1.343
6.04 Total cash, cash equivalents and short-term investments	281,609,503	1.206	281,609,504	0	281,609,504	1.206
7. Contract loans	198,030,914	0.848	197,990,533	0	197,990,533	0.848
8. Derivatives (Schedule DB)	28,750,959	0.123	28,750,959	0	28,750,959	0.123
9. Other invested assets (Schedule BA)	412,169,486	1.765	412,169,486	0	412,169,486	1.765
10. Receivables for securities	2,255,136	0.010	2,255,136	0	2,255,136	0.010
11. Securities Lending (Schedule DL, Part 1)	806,171,440	3.453	806,171,440	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0	557,609,634	557,609,634	2.388
13. Total invested assets	23,347,278,346	100.000	23,347,237,967	806,171,440	23,347,237,967	100.000



# SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2020  
(To Be Filed by April 1)

Of The United of Omaha Life Insurance Company.....  
ADDRESS (City, State and Zip Code) Omaha , NE 68175 .....  
NAIC Group Code 0261 ..... NAIC Company Code 69868 ..... Federal Employer's Identification Number (FEIN) 47-0322111 .....

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. .... \$ .....24,131,909,234

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

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Freddie Mac	MBS, CMO	\$ 394,804,919	1.6 %
2.02	Federal National Mortgage Association	MBS, CMO	\$ 311,727,530	1.3 %
2.03	Omaha Financial Holdings (Mutual of Omaha Mortgage) Revolver	Bank Loan	\$ 306,950,000	1.3 %
2.04	ESSENCE GROUP HOLDINGS CORP	Preferred Stock	\$ 100,000,000	0.4 %
2.05	Verizon Communications Inc.	Bonds	\$ 93,059,507	0.4 %
2.06	AT&T Inc.	Bonds	\$ 76,980,597	0.3 %
2.07	Oracle Corporation	Bonds	\$ 74,202,385	0.3 %
2.08	Eastern Bluebird Fleet Holdings, LLC.	ABS	\$ 70,660,000	0.3 %
2.09	Mutual of Omaha Opportunities Fund, L.P.	Sch BA-Joint Venture	\$ 70,352,316	0.3 %
2.10	Federal Home Loan Banks	Bonds, Equity	\$ 68,923,460	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	\$ 9,168,725,211	38.0 %	3.07 P/RP-1	\$ 7,696,050	0.0 %
3.02	NAIC-2	\$ 8,700,613,927	36.1 %	3.08 P/RP-2	\$ 10,800,000	0.0 %
3.03	NAIC-3	\$ 563,869,412	2.3 %	3.09 P/RP-3	\$ 0	0.0 %
3.04	NAIC-4	\$ 142,921,414	0.6 %	3.10 P/RP-4	\$ 0	0.0 %
3.05	NAIC-5	\$ 16,087,481	0.1 %	3.11 P/RP-5	\$ 0	0.0 %
3.06	NAIC-6	\$ 2,017,407	0.0 %	3.12 P/RP-6	\$ 100,000,000	0.4 %

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	\$ 3,728,595,357 15.5 %
4.03	Foreign-currency-denominated investments	\$ 0 0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	\$ 0 0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE United of Omaha Life Insurance Company

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

	<u>1</u>	<u>2</u>
5.01 Countries designated NAIC-1 .....	\$ 3,684,965,374	15.3 %
5.02 Countries designated NAIC-2 .....	\$ 28,373,865	0.1 %
5.03 Countries designated NAIC-3 or below .....	\$ 15,256,118	0.1 %

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

	<u>1</u>	<u>2</u>
Countries designated NAIC - 1:		
6.01 Country 1: United Kingdom .....	\$ 1,116,086,921	4.6 %
6.02 Country 2: Cayman Islands .....	\$ 768,912,253	3.2 %
Countries designated NAIC - 2:		
6.03 Country 1: Israel .....	\$ 10,016,518	0.0 %
6.04 Country 2: Mexico .....	\$ 5,128,082	0.0 %
Countries designated NAIC - 3 or below:		
6.05 Country 1: Bahamas .....	\$ 13,762,804	0.1 %
6.06 Country 2: Morocco .....	\$ 854,719	0.0 %

	<u>1</u>	<u>2</u>
7. Aggregate unhedged foreign currency exposure .....	\$ 0	0.0 %

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

	<u>1</u>	<u>2</u>
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:

	<u>1</u>	<u>2</u>
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:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Issuer	NAIC Designation		
10.01 Rin Ltd. ....	1FE		\$ 49,992,400	0.2 %
10.02 Heathrow Airport Limited .....	2		\$ 47,855,500	0.2 %
10.03 GPT Re Limited .....	1FE, 1		\$ 45,000,000	0.2 %
10.04 RIN II Ltd. ....	1FE		\$ 43,950,000	0.2 %
10.05 Covent Garden Group Holdings Limited .....	1PL		\$ 43,753,600	0.2 %
10.06 LondonMetric Property Plc .....	2		\$ 39,651,700	0.2 %
10.07 Caribbean Utilities Company, Ltd. ....	2FE, 2		\$ 39,571,435	0.2 %
10.08 Dalrymple Bay Finance PTY Ltd .....	2FE, 2, 2YE		\$ 39,219,580	0.2 %
10.09 SEGRO plc .....	1PL		\$ 39,081,600	0.2 %
10.10 FIL Limited .....	2		\$ 38,343,643	0.2 %

SUPPLEMENT FOR THE YEAR 2020 OF THE United of Omaha Life Insurance Company

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 [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]
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 .....	\$ 680,698,447	2.8 %
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 [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]
If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			
		1	2
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 [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]
If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			
		1	2
	Issuer		3
13.02	.....	\$ 0	0.0 %
13.03	.....	\$ 0	0.0 %
13.04	.....	\$ 0	0.0 %
13.05	.....	\$ 0	0.0 %
13.06	.....	\$ 0	0.0 %
13.07	.....	\$ 0	0.0 %
13.08	.....	\$ 0	0.0 %
13.09	.....	\$ 0	0.0 %
13.10	.....	\$ 0	0.0 %
13.11	.....	\$ 0	0.0 %

**SUPPLEMENT FOR THE YEAR 2020 OF THE United of Omaha Life Insurance Company**

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

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

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities .....	\$ .....	0	0.0 %
Largest three investments held in nonaffiliated, privately placed equities:			
14.03 .....	\$ .....	0	0.0 %
14.04 .....	\$ .....	0	0.0 %
14.05 .....	\$ .....	0	0.0 %

Ten largest fund managers:

	1	2	3	4
	Fund Manager	Total Invested	Diversified	Nondiversified
14.06 JPMorgan Trust II - JPMorgan U.S. Treasury Plus Money Market Fund .....		\$ 22,969,787	\$ 22,969,787	\$ 0
14.07 Demand Deposit Account FHLB Topeka .....		\$ 27,066	\$ 0	\$ 27,066
14.08 .....		\$ 0	\$ 0	\$ 0
14.09 .....		\$ 0	\$ 0	\$ 0
14.10 .....		\$ 0	\$ 0	\$ 0
14.11 .....		\$ 0	\$ 0	\$ 0
14.12 .....		\$ 0	\$ 0	\$ 0
14.13 .....		\$ 0	\$ 0	\$ 0
14.14 .....		\$ 0	\$ 0	\$ 0
14.15 .....		\$ 0	\$ 0	\$ 0

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

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

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

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests .....	\$ .....	0	0.0 %
Largest three investments in general partnership interests:			
15.03 .....	\$ .....	0	0.0 %
15.04 .....	\$ .....	0	0.0 %
15.05 .....	\$ .....	0	0.0 %

**SUPPLEMENT FOR THE YEAR 2020 OF THE United of Omaha Life Insurance Company**

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	2	3
	Type (Residential, Commercial, Agricultural)		
16.02	Commercial - KEW REALTY CORPORATION	\$ 38,729,636	0.2 %
16.03	Commercial - FEDERAL BUSINESS CENTERS INC	\$ 31,844,602	0.1 %
16.04	Commercial - THE LINKS AT BENTONVILLE LP	\$ 28,818,842	0.1 %
16.05	Commercial - SUNSET LAND COMPANY LLC	\$ 24,659,697	0.1 %
16.06	Commercial - VIRGINIA INDUSTRIAL PROPERTIES LLC	\$ 24,638,069	0.1 %
16.07	Commercial - INDUSTRIAL PROPERTY FUND VII LLC	\$ 23,977,583	0.1 %
16.08	Commercial - WRI RETAIL POOL I, L.P.	\$ 23,170,532	0.1 %
16.09	Commercial - BEL GARDENA LLC	\$ 23,000,000	0.1 %
16.10	Commercial - SORRENTO WEST PROPERTIES INC	\$ 22,967,251	0.1 %
16.11	Commercial - OAKWOOD TRAIL LLP	\$ 22,620,000	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	\$ 5,942,418	0.0 %

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

Loan to Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%.....	\$ 0	0.0 %	\$ 0	0.0 %	\$ 0	0.0 %
17.02 91 to 95%.....	\$ 0	0.0 %	\$ 0	0.0 %	\$ 0	0.0 %
17.03 81 to 90%.....	\$ 0	0.0 %	\$ 1,024,001	0.0 %	\$ 0	0.0 %
17.04 71 to 80%.....	\$ 0	0.0 %	\$ 39,387,982	0.2 %	\$ 0	0.0 %
17.05 below 70%.....	\$ 0	0.0 %	\$ 2,969,290,887	12.3 %	\$ 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 %



SUPPLEMENT FOR THE YEAR 2020 OF THE United of Omaha Life Insurance Company

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

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 615,037,412	2.5 %	\$ 767,451,987	\$ 569,058,751	\$ 586,156,824
20.02 Repurchase agreements	\$ 66,708,450	0.3 %	\$ 100,955,512	\$ 84,204,797	\$ 66,292,604
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		3	Written	
	1	2		4	5
21.01 Hedging	\$ 12,819,361	0.1 %	\$ 0	\$ 0	\$ 0
21.02 Income generation	\$ 0	0.0 %	\$ 0	\$ 0	\$ 0
21.03 Other	\$ 0	0.0 %	\$ 0	\$ 0	\$ 0

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

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
22.01 Hedging	\$ 18,279,889	0.1 %	\$ 16,845,706	\$ 16,947,715	\$ 17,124,371
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		1st Quarter 3	At End of Each Quarter	
	1	2		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