

Report
of the
Examination of
CUNA Mutual Insurance Society
Madison, Wisconsin
As of December 31, 2005

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	2
II. HISTORY AND PLAN OF OPERATION	4
III. MANAGEMENT AND CONTROL	7
IV. AFFILIATED COMPANIES	9
V. REINSURANCE	20
VI. FINANCIAL DATA	23
VII. SUMMARY OF EXAMINATION RESULTS	33
VIII. CONCLUSION.....	39
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS.....	40
X. ACKNOWLEDGMENT	41
XI. SUBSEQUENT EVENTS	42



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

April 10, 2007

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
Web Address: oci.wi.gov

Honorable Sean Dilweg
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53702

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Merle Scheiber
Secretary, Midwestern Zone, NAIC
Director of Insurance
State of South Dakota
445 East Capitol Avenue
Pierre, South Dakota 57501-3185

Honorable Steven M. Goldman
Secretary, Northeastern Zone, NAIC
Commissioner of Insurance
State of New Jersey
20 West State Street, 11th Floor
Trenton, New Jersey 08625

Honorable Julie Mix McPeak
Secretary, Southeastern Zone, NAIC
Executive Director, Office of Insurance
Commonwealth of Kentucky
215 West Main Street
Frankfort, Kentucky 40601

Honorable D. Kent Michie
Secretary, Western Zone, NAIC
Commissioner of Insurance
State of Utah
3110 State Office Building
Salt Lake City, Utah 84114-6901

Commissioners:

In accordance with your instructions, a compliance examination has been made of the
affairs and financial condition of:

CUNA MUTUAL INSURANCE SOCIETY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of CUNA Mutual Insurance Society (CMIS, CUNA Mutual or the company) was conducted in 2001 and 2002 as of December 31, 2000. The current examination covered the intervening period ending December 31, 2005, and included a review of such 2006 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Employees' Welfare and Pension Plans
- Territory and Plan of Operations
- Affiliated Companies
- Growth of Company
- Reinsurance
- Financial Statements
- Accounts and Records
- Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity

reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

As of the date of this report, CUNA Mutual Insurance Society is a Wisconsin-domiciled mutual life and health insurer. Following the completion of examination fieldwork, the company changed its state of domicile from Wisconsin to Iowa. Further discussion of the redomestication and related plans can be found in the Subsequent Events section of this report. The company was initially organized in 1935 under the applicable laws of Wisconsin and was established by credit union interests for the purpose of providing for the insurance needs of credit unions, credit union organizations, and credit union members. Ownership and control of the company is vested in the company's policyholders, which are comprised primarily of credit union institutions and individual members of credit unions.

CUNA Mutual and its affiliates provide group and individual life insurance, accident and health insurance, property and casualty insurance, and other financial products and services to the credit union industry. CUNA Mutual's business activities are conducted in all states, the District of Columbia, and internationally. The company maintains special deposits in the local currency of various countries to receive premiums and to pay claims.

Effective July 1, 1990, the company entered into an agreement of permanent affiliation with CUNA Mutual Life Insurance Company (CMLIC), an Iowa-domiciled life insurer formerly known as Century Life of America. Pursuant to the affiliation agreement, CUNA Mutual and CMLIC have common management and maintain integrated business functions and operations. CMLIC serves as the primary direct writer of individual life insurance and individual annuities that are marketed to credit union members through CUNA Mutual's policyholder credit unions.

Pursuant to the affiliation agreement the two companies transact affiliated profit sharing on their respective direct business. CUNA Mutual cedes to CMLIC 50% of its individual and group life and AD&D business written on a direct mail basis to credit union members. CMLIC cedes to MEMBERS Life Insurance Company 50% of its non-variable individual life and annuity business written through its agency force.

CUNA Mutual is the parent company for an extensive holding company system that includes life and health insurers, property and casualty insurers, and non-insurance operating companies. The subsidiary companies engage in diverse insurance, financial, and management product and services businesses serving various credit union industry market segments. Further discussion of the CUNA Mutual holding company and of the company's affiliation with CMLIC is included in the sections of this report captioned "Affiliated Companies" and "Reinsurance."

The company maintains insurance authorization in all 50 states and Washington, DC, in American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands, and in Canada and other foreign countries. Most of the company's insurance business is written in the United States, with no individual state accounting for more than 7% of the direct premium written. In 2005, the company wrote direct premiums in the following jurisdictions:

Texas	\$ 121,098,779	7.7%
Wisconsin	92,954,864	5.9
New York	83,449,481	5.3
Pennsylvania	81,842,148	5.2
California	81,517,507	5.2
Michigan	81,080,068	5.2
Florida	74,362,755	4.7
Virginia	71,176,788	4.5
Illinois	52,233,889	3.3
North Carolina	42,567,788	2.7
Alabama	42,199,396	2.7
Louisiana	39,011,248	2.5
Ohio	38,292,641	2.4
Tennessee	37,475,133	2.4
Georgia	37,176,818	2.4
South Carolina	34,514,887	2.2
Iowa	28,724,527	1.8
Minnesota	27,624,064	1.8
All others	<u>504,235,116</u>	<u>32.1</u>
Total	<u>\$1,571,537,897</u>	<u>100.0%</u>

The "all others" category amount shown above includes approximately \$15.5 million of premium related to direct business written in U.S territories and foreign countries.

The major products marketed by the company include credit life, credit disability, group term life, pension products, individual life, and accidental death and dismemberment. Credit life and credit disability insurance coverages are purchased by individual credit union members to cover outstanding loan balances or by credit union institutions as a free benefit

provided to members. Group term life, individual term life, and accidental death and dismemberment are purchased by individual credit union members. CUNA Mutual markets group life and group health coverages to credit unions for employee benefit programs.

The following chart is a summary of premium income as reported by the company in 2005. The growth of the company is discussed in the "Financial Data" section of this report

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Group annuities	\$ 547,716,041	\$ 0	\$ 0	\$ 547,716,041
Credit A&H (group and individual)	361,854,312	88,810		361,943,122
Group life	227,549,860	2,797,615	76,359,416	153,988,059
Group credit life	220,896,316	2,069,271	6,000	222,959,587
A&H group	136,491,450	0	60,539,987	75,951,463
Ordinary life	42,335,676	28,961	14,343,404	28,021,233
Individual annuities	17,146,937	0	3,422	17,143,515
A&H other	<u>63,516</u>	<u>0</u>	<u>15,568</u>	<u>47,948</u>
Total All Lines	<u>\$1,554,054,108</u>	<u>\$4,984,657</u>	<u>\$151,267,797</u>	<u>\$1,407,770,968</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 14 members. Seven directors are elected to serve a four-year term. The board had filled one of two positions that were vacant at the end of 2005. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive \$48,000 annually for service on the company and CUNA Mutual Life Insurance Company boards. In addition, the chairman of the board receives \$6,250 annually and the vice-chairman, immediate past chairman and committee chairs receive \$4,150 annually.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Eldon R. Arnold Peoria, Illinois	Retired President-CEO CEFCU Peoria, Illinois	2010
James L. Bryan, Sr. Dallas, Texas	Retired President-CEO Texas Credit Union Richardson, Texas	2010
Loretta M. Burd Columbus, Indiana	President/CEO Centra Credit Union	2010
William B. Eckhardt Anchorage, Alaska	President/CEO Alaska USA Federal Credit Union	2008
Joseph J. Gasper Dublin, Ohio	Retired President-COO Nationwide Ins. Columbus, Ohio	2010
Bert J. Hash, Jr. Ellicott City, Maryland	President/CEO Municipal Employees Credit Union of Baltimore, Inc.	2008
Victoria W. Miller Atlanta, Georgia	CFO Turner Entertainment Group- Turner Broadcasting System	2008
C. Alan Peppers Denver, Colorado	President/CEO Westerra Credit Union	2008
Jeffrey H. Post Verona, Wisconsin	President/CEO CUNA Mutual Group	2008
Neil A. Springer Wheaton, Illinois	Managing Director Springer and Associates	2008
Farouk D. G. Wang Mililani, Hawaii	Director of Buildings and Grounds Mgmt. University of Hawaii at Manoa	2010

Name and Residence	Principal Occupation	Term Expires
Larry T. Wilson Raleigh, North Carolina	President/CEO Coastal Federal Credit Union	2010
James W. Zilinski Plymouth, Massachusetts	Retired President Berkshire Life Ins. Co. Pittsfield, Massachusetts	2010
Vacant		2008

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2005 Compensation
Jeffrey H. Post	President/CEO	\$361,713
Faye A. Patzner	Secretary/Chief Officer-Legal	180,994
Jeffrey D. Holley	Treasurer, EVP, CFO	200,572
Irene R. Steinl	Actuary, Corporate Financial Risk Manager	12,867

The presented compensation is the amount allocated to CMIS. Total salaries are allocated to affiliates.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Executive Committee

Loretta M. Burd, Chair
Eldon R. Arnold
James L. Bryan, Sr.

Audit Committee

Victoria W. Miller, Chair
Bert J. Hash, Jr.
Larry T. Wilson
James W. Zilinski

Governance Committee

C. Alan Peppers, Chair
James L. Bryan, Sr.
Farouk D. G. Wang

Investment and Capital Committee

Neil A. Springer, Chair
William B. Eckhardt
Joseph J. Gasper

IV. AFFILIATED COMPANIES

CMIS is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart As of December 31, 2005

CUNA Mutual Insurance Society (1)
CUNA Mutual Investment Corporation
 CUMIS Insurance Society, Inc.
 MEMBERS Life Insurance Company
 CMG Mortgage Insurance Group (2)
 MEMBERS Capital Advisors, Inc. (3)
 Stewart Associates Incorporated
 MEMBERS Development Company LLC (4)
 CUNA Mutual Insurance Agency, Inc.
 CUNA Mutual General Agency of Texas, Inc.
 CUNA Brokerage Services, Inc.
 CUNA Mutual Mortgage Corporation
 Lending Call Center Services, LLC (5)
The CUMIS Group, LTD. (Canada)
 CUMIS Life Insurance Company (Canada)
 CUMIS General Insurance Company (Canada)
 Canadian Northern Shield Insurance Company (Canada)
CUNA Mutual Australia Holding Company PTY LTD. (Australia)
 CUNA Mutual Life Australia, LTD. (Australia)
 CUNA Mutual Australia, LTD. (Australia)
Lenders Protection, LLC (6)
China Credit Co-Operative Services, Limited (7)
 CUNA Mutual Consulting Services (Guangdong) Co. Limited
CUNA Caribbean Insurance
CUNA Mutual Group Holdings Europe, Ltd.
 CUNA Mutual Life Assurance (Europe), Ltd.
MEMBERS Trust Company (8)

- (1) CUNA Mutual Insurance Society and CUNA Mutual Life Insurance Company (CMLIC) are affiliated pursuant to a mutual agreement to have common management and shared operating functions. The two companies are independent with regard to their respective ownership interests, as each is a mutual insurer owned by its respective policyholders.
- (2) Comprised of three mortgage guaranty insurers, each of which is a joint venture that is 50% owned by CUNA Mutual Investment Corporation and 50% owned by PMI Mortgage Insurance Co.
- (3) 50% owned by CUNA Mutual Investment Corporation and 50% owned by CUNA Mutual Life Insurance Company.
- (4) 49% owned by CUNA Mutual Investment Corporation and 51% owned by various credit unions and credit union organizations.

- (5) 92.7% owned by CUNA Mutual Investment Corporation and 7.3% owned by various credit unions and credit union organizations.
- (6) 50% owned by CUNA Mutual Insurance Society and 50% owned by Open Lending, LLC.
- (7) 70.588% owned by CUNA Mutual Insurance Society and 29.412% is owned by International Finance Corporation, a division of the International Monetary Fund.
- (8) 19.93% is owned by CUNA Mutual Insurance Society and 80.07% is owned by various credit unions and credit union organizations.

CUNA Mutual Life Insurance Company (CMLIC)

CMLIC is an Iowa-domiciled mutual life insurer that offers a full range of variable and universal life and health insurance products. CUNA Mutual and CMLIC entered into an Agreement of Permanent Affiliation effective July 1, 1990. Under the agreement, the companies have common management and share functions such as legal, investment, and product administration services. CMLIC formerly was known as Century Life of America; its name was changed to CUNA Mutual Life Insurance Company effective December 31, 1996.

As of December 31, 2005, CMLIC's statutory financial statement reported total admitted assets of \$7.78 billion, total liabilities of \$7.48 billion, and capital and surplus of \$299 million. Operations for 2005 reported net income of \$31.6 million.

CUNA Mutual Investment Corporation (CMIC)

CMIC is a Wisconsin-domiciled holding company that is a wholly owned subsidiary of CUNA Mutual Insurance Society. CMIC serves as a holding company for each of the CUNA Mutual operating companies domiciled in the United States.

As of December 31, 2005, CMIC's statutory basis audited financial statements reported total assets of \$2.20 billion, total liabilities of \$1.53 billion, and total stockholders' equity of \$679 million. In 2005, CMIC reported net income of \$23.2 million.

CUMIS Insurance Society, Inc. (CUMIS)

CUMIS is a Wisconsin-domiciled property and casualty insurance company wholly owned by CMIC. CUMIS primarily markets commercial property and casualty insurance products to credit unions, including credit accident and health, worker's compensation, and fidelity insurance coverages.

As of December 31, 2005, CUMIS' statutory financial statements reported total admitted assets of \$1.058 billion, total liabilities of \$643 million, and capital and surplus of \$415 million. Operations for 2005 reported net income of \$12 million.

MEMBERS Life Insurance Company (MLIC)

MLIC is a Wisconsin-domiciled stock life and health insurance company wholly owned by CMIC. MLIC primarily services existing blocks of individual and group life policies and serves as a reinsurer of individual life and annuity policies written by the affiliated insurer, CUNA Mutual Life Insurance Company.

As of December 31, 2005, MLIC's statutory financial statements reported total admitted assets of \$795 million, total liabilities of \$764 million, and capital and surplus of \$31 million. Operations for 2005 reported net loss of \$3 million.

CMG Mortgage Insurance Group

The CMG mortgage insurance group is comprised of three Wisconsin-domiciled mortgage guaranty insurers, including CMG Mortgage Insurance Company (CMG Mortgage), CMG Mortgage Reinsurance Company (CMG Re), and CMG Mortgage Assurance Company (CMG Assurance). Each CMG mortgage guaranty insurer is operated as an independently organized joint venture enterprise, with the capital stock of each respective company jointly owned 50% by CMIC and 50% by PMI Mortgage Insurance Company. CMG Mortgage is a direct writer of mortgage guaranty insurance and provides coverage for first lien residential mortgage loans originated by credit unions. CMG Re assumes quota share reinsurance coverage of risks written by CMG Mortgage, to enable CMG Mortgage to comply with statutory restrictions on the amount of mortgage guaranty risks that an individual insurer is permitted to retain. CMG Assurance is authorized to insure loans on junior liens and second mortgages.

As of December 31, 2005, the CMG mortgage insurance group's statutory financial statements reported aggregate admitted assets of \$345 million, aggregate liabilities of \$210 million, and capital and surplus of \$135 million. Operations for 2005 reported net income of \$17 million.

MEMBERS Capital Advisors, Inc. (MCA)

MCA is an investment advisor and manager that is registered under the Investment Advisers Act of 1940. MCA is jointly owned 50% by CMIC and 50% by CMLIC and acts as an investment advisor and portfolio manager for CUNA Mutual as well as other affiliates. MCA was organized in 1982 under the name Century Investment Management Company, and its name was changed to MEMBERS Capital Advisors, Inc., effective September 21, 2000.

As of December 31, 2005, MCA's audited financial statements reported total assets of \$58 million, total liabilities of \$9 million, and stockholders' equity of \$49 million. Operations for 2005 reported net income of \$10 million.

Stewart Associates Incorporated (Stewart)

Stewart is an insurance agency formerly named Stewart and Associates, which was purchased by CMIC in 1998. Stewart was organized to maintain the former collateral protection insurance business of Stewart and Associates and to manage the ongoing collateral insurance program of the CUNA Mutual group.

As of December 31, 2005, Stewart's unaudited financial statements reported total assets of \$2,850,500, total liabilities of \$2,614,861, and shareholders' equity of \$235,639. Operations reported for 2005 were break-even, and did not report a net income or loss.

Members Development Company, LLC (MDC)

MEMBERS Development Company, LLC, is a credit union/CUNA Mutual Group jointly owned, yet credit union-controlled, research and development company. Its mission is to provide a unified credit union approach to the effective and efficient development and delivery of high quality state-of-the-art member-related products and services for the credit union marketplace. Fifty-nine credit unions/credit union service organizations currently hold equity positions in MDC.

As of December 31, 2005, MDC's audited financial statements reported total assets of \$7,347,804, total liabilities of \$146,320, and shareholders' equity of \$7,201,484. Operations for 2005 reported a net loss of \$270,009.

CUNA Brokerage Services, Inc. (CBS)

CBS is registered with the Securities and Exchange Commission as a broker-dealer and is a member of National Association of Securities Dealers, Inc. (NASD). CBS markets various financial products primarily to credit union members. CBS-marketed products include mutual funds, unit investment trusts, variable annuities, flexible premium variable life insurance, public limited partnerships, financial planning, and discount brokerage services.

As of December 31, 2005, CBS's audited financial statements reported total assets of \$8,584,716, total liabilities of \$3,426,537, and stockholders' equity of \$5,158,179. Operations for 2005 reported net income of \$3,081,621.

CUNA Mutual General Agency of Texas, Inc. (CMGA)

CMGA is a Texas managing general agency that produces collateral protection insurance (CPI) issued to credit unions under a fronting arrangement with Old American County Mutual Fire Insurance Company (Old American). The business is written in Old American to satisfy Texas regulatory requirements that CPI business in Texas may be written solely by Texas-domiciled insurers. The Old American business produced by CMGA is 100% ceded to CUMIS Insurance Society, Inc.

As of December 31, 2005, CMGA's unaudited financial statements reported total assets of \$2,440,581, total liabilities of \$2,154,536, and stockholders' equity of \$286,045. Operations for 2005 reported a net loss of \$16,459.

CUNA Mutual Insurance Agency, Inc. (CMIA)

CMIA serves as an insurance brokerage affiliate to provide corporate and personal lines insurance brokerage and agency services.

As of December 31, 2005, CMIA's unaudited financial statements reported total assets of \$13,246,762, total liabilities of \$13,361,661, and stockholders' equity of \$(114,889). Operations for 2005 reported a net loss of \$4,529,308.

CUNA Mutual Mortgage Corporation (CMMC)

CMMC is a Wisconsin-domiciled financial services corporation wholly owned by CMIC and provides mortgage banking and loan services to credit unions. CMMC maintains a servicing

portfolio of mortgage loans that it manages and services and also originates mortgage loans. CMMC was formerly known as CUNA Mortgage Corporation, and its name was changed to the one presently used effective December 17, 1999.

As of December 31, 2005, CMMC's audited financial statements reported total assets of \$38,475,201, total liabilities of \$9,651,027, and total stockholders' equity of \$28,824,174. Operations in 2005 reported a net loss of \$10,034,198.

The CUMIS Group, LTD. (CUMIS Group)

CUMIS Group is an insurance holding company incorporated under the Canada Business Corporations Act. As of December 31, 2005, CUNA Mutual holds a 77.366% ownership interest in CUMIS Group; Canadian cooperatives and credit unions hold the remaining ownership interest. CUMIS Group, through its subsidiaries, CUMIS Life Insurance Company (CUMIS Life), CUMIS General Insurance Company, and Canadian Northern Shield Insurance Company, underwrites, markets and services an array of insurance products that are offered to credit unions and credit union members in Canada. CUMIS Group insurance products include life, accident and sickness, property and casualty, and commercial insurance.

As of December 31, 2005, CUMIS Group's consolidated, audited financial statements reported total assets of Cdn\$1.02 billion, total liabilities of Cdn\$847 million, and shareholders' equity of Cdn\$173 million. Operations in 2005 reported net income of Cdn\$21.5 million.

Lending Call Center Services, LLC

Lending Call Center Services, LLC, serves as a 24-hour, 7-days-a-week service center for processing of loan applications and handling member service calls for various credit unions and financial institutions throughout the United States. The company facilitates this process by utilizing both in-house staff as well as on-line internet access to loan applications.

As of December 31, 2005, Lending Call Center Services' consolidated, audited financial statements reported total assets of \$4,658,754, total liabilities of \$3,551,060, and shareholders' equity of \$1,107,694. Operations in 2005 reported net loss of \$7,753,575.

Lenders Protection, LLC

Lenders Protection, LLC, is a Delaware limited liability company, 50% owned by CUNA Mutual Insurance Society and 50% owned by Open Lending, Inc. Lenders Protection was incorporated on December 19, 2003. This company provides near-prime lending solutions and default insurance to credit unions. As of December 31, 2005, Lenders Protection, LLC's unaudited statements showed CMIS's share of assets as \$264,751, liabilities of \$149,603, and equity of \$115,148. CMIS's share of the 2005 income was \$471,689.

MEMBERS Trust Company (MTC)

MEMBERS Trust Company is a Federal Savings Bank located in Tampa, Florida. As of December 31, 2005, CUNA Mutual holds a 19.93% ownership interest in MTC. CUNA Mutual Insurance Society and Suncoast Schools Federal Credit Union in Tampa, Florida, have received federal charter approval to establish MTC. MTC will offer an array of estate financial planning services to members through their credit unions. MTC will operate independently from Suncoast and CUNA Mutual with shares of ownership to be sold to credit unions and credit union entities. The MTC board includes one CUNA Mutual marketing executive, the senior officer of Suncoast, one credit union executive (retired), and two trust industry experts.

As of December 31, 2005, MTC's audited financial statements reported total assets of \$23 million, total liabilities of \$949,000, and shareholders' equity of \$22.1 million. Operations in 2005 reported net loss of \$744,389.

Agreements with Affiliates

CUNA Mutual and its affiliates have various intercompany financial and services relationships that are governed by affiliated agreements. A brief summary of significant affiliated agreements pertaining to the company is provided below.

CUNA Mutual and CMLIC Permanent Affiliation

As noted previously in this report, CUNA Mutual and CMLIC are parties to an agreement of permanent affiliation whereby the two companies have unified executive management and corporate governance and under which the two companies maintain unified operating functions. Pursuant to the permanent affiliation agreement, CUNA Mutual, MLIC and

CMLIC provide mutual intercompany services, and their respective applicable direct and indirect expenses are assigned, allocated, or shared in accordance with provisions of the affiliation agreement. The affiliation provides that for certain lines of their respective direct business CUNA Mutual and CMLIC share as equal partners in the net profits of the two respective companies.

Tax Allocation Agreement

Effective October 3, 2005, CUNA Mutual and its affiliates entered into a restated tax allocation agreement for filing federal income tax returns on a consolidated basis. The tax liability of the affiliated group is allocated to individual member companies in accordance with Internal Revenue Service regulations. Each participating affiliate reimburses CUNA Mutual for payment of the affiliate's portion of liability included in the consolidated tax liability, and each respective affiliate receives its pro rata share of consolidation-basis tax benefits.

Cost-Sharing Agreement

Effective January 1, 1993, CUNA Mutual, MLIC, and CUMIS established a cost-sharing agreement pertaining to allocation of costs paid by CUNA Mutual for administrative functions and services that CUNA Mutual provides to MLIC and CUMIS. Pursuant to the agreement, joint administrative costs are allocated monthly to MLIC and to CUMIS based on mutually agreed upon allocation methods that take into account appropriate time allocations, item counts, number of employees, or special studies.

Billing and Collections Services Agreement

Effective November 1, 2000, CUNA Mutual and its subsidiaries entered into a revised agreement for allocation of billing and collection services that are performed by CUNA Mutual. Services include processing of all billing notices, printing, mailing and distribution of billing notices, maintenance of customer billing and payment history information, processing and validation of payment receipts, daily electronic transfer of funds to the respective company's designated account, automated feed to the general ledger of all due and received premium, and daily and monthly reconciliation of deposit accounts and outstanding bills. Each participating company pays quarterly to CUNA a servicing fee based on mutually agreed upon allocation methods.

Procurement and Disbursement Services Agreement

Effective November 1, 2000, CUNA Mutual and its subsidiaries entered into a revised agreement for allocation of procurement and disbursement services that are performed by CUNA Mutual. Procurement services include maintenance of a company-wide procurement function, central processing of all requests for purchase, negotiation of purchase agreements and pricing, performance of lease/purchase analysis, and coordination of master inventory management. Disbursement services include processing all disbursement requests for general operating expenditures, facilitation of payment by the appropriate participating subsidiary, maintenance of vendor payment and voucher record archives, maintenance of detailed accrual and cash journal entries, and daily account reconciliation. Each participating company pays quarterly to CUNA a servicing fee based on mutually agreed upon allocation methods.

Investment Advisory Agreement

Effective September 8, 1994, CUNA Mutual and its affiliates entered into an investment advisory agreement with MEMBERS Capital Advisors, Inc. (MCA, formerly known as Century Investment Management Co.). Under the agreement CUNA Mutual appointed MCA to act as the principal investment advisor and portfolio manager for the management and investment of the invested assets of CUNA Mutual and its respective affiliates. The agreement also appointed MCA as the principal investment advisor and manager of specified trust fund assets that are held by United States Trust Company of New York as Trustee. MCA as advisor agreed to provide continuous professional investment management for the company and its affiliates and to comply at all times to the policies, directives and guidelines established by the company's board of directors.

CMG Mortgage Insurance Group Agreements

CUNA Mutual has established separate administrative services agreements with each of the three CMG Mortgage insurance companies: CMG Mortgage, CMG Re, and CMG Assurance. Pursuant to the agreements, CUNA Mutual provides general management, sales, corporate insurance, investment accounting, government relations, and federal income tax return services to each of the three joint venture mortgage guaranty companies. In compensation for

CUNA Mutual services, each of the mortgage guaranty insurers pays a quarterly service fee based on actual costs of services.

CUNA Mutual has established a trade name license agreement with CMG Mortgage, wherein CUNA Mutual granted to CMG Mortgage a royalty-free, non-exclusive right and license in the United States to use the term "CMG," a CUNA Mutual Group trade name, as part of the CMG Mortgage corporate name, corporate trade name, and corporate trademarks and service marks. The agreement establishes certain requirements and prohibitions on the authority of CMG Mortgage to use the term "CMG." The agreement provides that any use of the mark "CMG" by CMG Mortgage shall inure for the benefit of CUNA Mutual Group and provides that CMG Mortgage acknowledges the validity of the mark "CMG" and CUNA Mutual Group's exclusive right, title, and interest in the mark.

Effective April 10, 2001, a Capital Support Agreement was executed by CMIC and PMI Mortgage Insurance Company whereby both parties agreed to contribute up to \$37,650,000 each, subject to certain limitations, so as to maintain the statutory risk-to-capital ratio of CMG at or below 18 to 1. The guarantee was established in order for CMG Mortgage to obtain an AA rating from Fitch IBCA, Inc. As of December 31, 2005, statutory risk-to-capital ratio of CMG was 12 to 1, and no payment had been made under the agreement.

CUMIS Group Services Agreements

Effective February 2003, CUNA Mutual Insurance Society entered into service agreements with The CUMIS Group, LTD., and its subsidiaries, CUMIS Life Insurance Company and CUMIS General Insurance Company. CUNA Mutual provides network and system security services and standard off-the-shelf service applications such as Web browsing, e-mail, calendaring and desktop productivity services to The CUMIS Group and its subsidiaries.

Australian Insurance Services and Agency Agreements

Effective March 6, 2003, CUMIS Insurance Society entered into an insurance services and agency agreement with an affiliate, CUNA Mutual Australia, LTD, (CMAL). CMAL is an Australian financial services company that is 100% owned by an Australian holding company subsidiary of CUNA Mutual Insurance Society. Pursuant to the services and agency agreement,

CMAL provides various data processing, accounting, payroll, cash management, policy administration, and marketing services on behalf of the company. CMAL agreed to provide management, administrative, marketing and support services in connection with the conduct of CUMIS' Australian business.

V. REINSURANCE

CUNA Mutual Insurance Society's reinsurance portfolio and strategy are described below. The company's primary reinsurance program includes cessions of reinsurance under the company's affiliation with CUNA Mutual Life Insurance Company (CMLIC) and assumption of international risks written by both affiliates and non-affiliates in the credit union industry. Each reinsurance contract contained proper insolvency provisions. Cessions for the run-off of a now-terminated joint venture, assumption of risks through participation in Federal Employees Group Life Insurance and Servicemembers Group Life Insurance pools are still a component of the portfolio, although greatly diminished from the levels of the previous exam.

Affiliated Ceding Contracts

CUNA Mutual cedes a portion of its direct written individual life and annuity business to the affiliated insurer CMLIC. In calendar year 2005, reinsurance premiums ceded from CMIC to CMLIC were \$122.9 million and equaled 81.4% of the total premium ceded by the company.

The reinsurance treaty with CMLIC was established as a component agreement of the 1990 affiliation agreement between CUNA Mutual and CMLIC. Pursuant to the affiliation agreement, the net profits of CUNA Mutual and CMLIC from portions of their respective direct written business are shared equally by the other party through reinsurance. Through CUNA Mutual's cession to CMLIC, CMLIC is afforded a 50% affiliate participation in the ongoing direct written life and accidental death business of CUNA Mutual. Corresponding reinsurance agreements between MEMBERS Life Insurance Company and CMLIC provide for the CMLIC cession to MLIC of a 50% portion of CMLIC's direct individual life and annuity business. The total net amount ceded, including any prior cessions, is limited to a maximum of \$250,000 on any individual life insured.

CUNA Mutual cedes to the Canadian affiliate CUMIS Life a 50% pro rata portion of the Canadian business written by CUNA Mutual and existing as of January 1, 1983. The subject business includes all of the individual life policies except member's individual life, all pension and trust policies, and all then-existing riders to such policies. CUNA Mutual has not written any new Canadian business since commencement of this agreement and does not intend to write further

business. The reinsurance contract was established to transfer to CUMIS Life a 50% profit-share of the net income realized on the subject business.

Unaffiliated Ceding Contracts

CUNA Mutual cedes individual life and health insurance risks to Peoples Benefit Life Insurance Company, formerly known as National Home Life Assurance Company (NHLAC). Premium ceded in 2005 was \$18.7 million, amounting to 12.4% of the total premium ceded and comprises 99% of unaffiliated premium ceded by the company. The business ceded is for policies written from 1983 through 1993 under a joint venture relationship between CUNA Mutual (and its affiliates) and NHLAC and its affiliate National Liberty Marketing (NLM). NLM was a direct response marketing company for NHLAC and other affiliate insurer's life and health insurance products.

Under the former joint venture agreement, CUNA Mutual and NHLAC established equal participation in the management and profitability of a joint venture in which life and health insurance products were written on a direct basis by CUNA Mutual and marketed to credit union members through direct response marketing operations conducted by NLM. The joint venture reinsurance contract provides that CUNA Mutual cedes an automatic 50% quota share of the policies issued by the company and marketed by NLM, and the company and the reinsurer each retain their respective share of claims liability and loss reserves. Under the coinsurance treaty, CUNA Mutual pays to the reinsurer monthly consideration equal to 50% of the statutory basis pre-tax net profits of the reinsured business. The joint venture terminated in 1993 pursuant to provisions of the joint venture agreement, and the book of business under which the reinsurance cessions are made is comprised solely of renewal policies in run-off.

Affiliated Assuming Contracts

The company assumes a portion of the risks written on a direct basis by the subsidiary insurer CUNA Caribbean Insurance Society, Ltd (CUNA Caribbean). The total assumed premiums are \$205,154 for year 2005. The business assumed by the company from CUNA Caribbean represents the portion of the subsidiary's writings that exceed the subsidiary's desired retentions. Lines of business written include loan protection and savings protection coverages.

Unaffiliated Assuming Contracts

The company assumes immaterial amounts of reinsurance from five alien non-affiliates and one US unauthorized non-affiliate. The non-affiliates appear to be financial affiliates of credit union entities. Premiums assumed from all such companies totaled less than \$5 million.

The most material contract in terms of premium assumed, with \$3,683,124 in premium, is with Eagle Star Life Assurance Company of Ireland Limited. The contract was effective on or about June 25, 2003. The agreement is a 100% quota share reinsurance agreement that covers 'LP/LS' contracts. LP or Loan Protection contracts provide Loan Protection Death Benefits payable first to the lending institution, then to the named beneficiary if the proceeds exceed the amount owed on the loan. The LS or Life Savings contracts provide a Death Benefit equal to the ending balance of the savings account of the insured. Other endorsements are available. Eagle Star remits 88.5% of premium to CMIS, thus CMIS is paying a 12.5% commission to Eagle Star.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2005, annual statement. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

CUNA Mutual Insurance Society
Assets
As of December 31, 2005

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$2,012,411,160	\$	\$2,012,411,160
Stocks:			
Preferred stocks	1,008,000		1,008,000
Common stocks	707,161,744		707,161,744
Mortgage loans on real estate:			
First liens	41,659,679		41,659,679
Real estate:			
Occupied by the company	91,801,702		91,801,702
Held for production of income	7,935,298		7,935,298
Cash, cash equivalents, and short-term investments	39,479,117		39,479,117
Contract loans	8,748,996		8,748,996
Other invested assets	60,255,872		60,255,872
Receivables for securities	1,909,527	510,350	1,399,177
Investment income due and accrued	22,180,425		22,180,425
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	62,464,874	1,391,734	61,073,140
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	29,577,507		29,577,507
Accrued retrospective premiums	4,771,277	4,771,277	0
Reinsurance:			
Amounts recoverable from reinsurers	80,966		80,966
Funds held by or deposited with reinsured companies	63,546		63,546
Other amounts receivable under reinsurance contracts	6,175,090		6,175,090
Current federal and foreign income tax recoverable and interest thereon	10,523,185		10,523,185
Net deferred tax asset	100,873,634	59,993,380	40,880,254
Guaranty funds receivable or on deposit	3,222,105		3,222,105
Electronic data processing equipment and software	30,284,310	22,423,592	7,860,718
Furniture and equipment, including health care delivery assets	17,782,959	17,782,959	0
Receivable from parent, subsidiaries and affiliates	72,599,759		72,599,759
Write-ins for other than invested assets:			
Prepaid expenses	12,632,394	12,632,394	0
Items not allocated	3,926,283	3,926,283	0
Intangible assets	2,076,017	2,076,017	0
Miscellaneous receivables and deposits	1,366,949	1,366,949	0
Leasehold improvements	643,923	643,923	0
Total Assets	<u>\$3,353,616,298</u>	<u>\$127,518,858</u>	<u>\$3,226,097,440</u>

CUNA Mutual Insurance Society
Liabilities, Surplus, and Other Funds
As of December 31, 2005

Aggregate reserve for life contracts	\$1,471,674,522
Aggregate reserve for accident and health contracts	432,684,147
Liability for deposit-type contracts	23,789,111
Contract claims:	
Life	54,829,484
Accident and health	28,662,994
Policyholders' dividends and coupons due and unpaid	1,763
Provision for policyholders' dividends and coupons payable in following calendar year:	
Apportioned for payment to December 31, 2006	1,870,148
Premiums and annuity considerations received in advance	30,033,132
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	56,578,273
Other amounts payable on reinsurance	7,849,299
Interest maintenance reserve	13,025,208
Commissions and expense allowances payable on reinsurance assumed	45,306
General expenses due or accrued	217,536,239
Taxes, licenses, and fees due or accrued, excluding federal income taxes	8,331,218
Unearned investment income	10,597
Amounts withheld or retained by company as agent or trustee	20,639,189
Remittances and items not allocated	468,630
Borrowed money and interest thereon	8,356
Miscellaneous liabilities:	
Asset valuation reserve	84,820,913
Payable to parent, subsidiaries and affiliates	11,641,121
Payable for securities	12,486,241
Write-ins for liabilities:	
Reserve for checks charged off	1,799,021
Miscellaneous liabilities	<u>400,000</u>
 Total Liabilities	 2,479,184,912
 Write-ins for special surplus funds:	
Permanent surplus fund	\$ 500,000
Unassigned funds (surplus)	<u>746,412,528</u>
 Total Capital and Surplus	 <u>746,912,528</u>
 Total Liabilities, Capital and Surplus	 <u>\$3,226,097,440</u>

CUNA Mutual Insurance Society
Summary of Operations
For the Year 2005

Premiums and annuity considerations for life and accident and health contracts		\$1,407,770,967
Considerations for supplementary contracts with life contingencies		41
Net investment income		157,536,716
Amortization of interest maintenance reserve		2,228,110
Commissions and expense allowances on reinsurance ceded		68,107,711
Write-ins for miscellaneous income:		
Administrative service fees		16,252,092
Miscellaneous income		<u>6,423,973</u>
Total income items		<u>1,658,319,610</u>
Death benefits	\$ 240,342,581	
Matured endowments	14,526	
Annuity benefits	17,265,654	
Disability benefits and benefits under accident and health contracts	239,094,074	
Surrender benefits and withdrawals for life contracts	456,652,543	
Interest and adjustments on contract- or deposit-type contract funds	1,113,877	
Payments on supplementary contracts with life contingencies	1,361,371	
Increase in aggregate reserves for life and accident and health contracts	<u>125,175,046</u>	
Subtotal	1,081,019,672	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	231,256	
Commissions and expense allowances on reinsurance assumed	485,379	
General insurance expenses	417,100,980	
Insurance taxes, licenses, and fees, excluding federal income taxes	28,872,410	
Increase in loading on deferred and uncollected premiums	422,240	
Write-in for deductions:		
Miscellaneous expense	<u>178,790</u>	
Total deductions		<u>1,528,310,727</u>
Net gain (loss) from operations before dividends to policyholders and federal income taxes		130,008,883
Dividends to policyholders		<u>1,917,277</u>
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		128,091,606
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>10,192,732</u>
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		117,898,874
Net realized capital gains or (losses)		<u>752,599</u>
Net Income		<u>\$ 118,651,473</u>

CUNA Mutual Insurance Society
Cash Flow
For the Year 2005

Premiums collected net of reinsurance		\$1,427,245,133
Net investment income		164,329,749
Miscellaneous income		<u>90,395,324</u>
Total		1,681,970,206
Benefit- and loss-related payments	\$ 966,051,594	
Commissions, expenses paid, and aggregate write-ins for deductions	408,789,676	
Dividends paid to policyholders	1,749,330	
Federal and foreign income taxes paid (recovered)	<u>14,301,854</u>	
Total deductions		<u>1,390,892,454</u>
Net cash from operations		291,077,752
Proceeds from investments sold, matured, or repaid:		
Bonds	\$1,202,064,369	
Stocks	9,566,732	
Mortgage loans	8,521,465	
Other invested assets	105,607,820	
Net gains (losses) on cash, cash equivalents, and short-term investments	(9,250)	
Miscellaneous proceeds	<u>12,516,695</u>	
Total investment proceeds		1,338,267,831
Cost of investments acquired (long- term only):		
Bonds	1,446,431,317	
Stocks	26,402,116	
Mortgage loans	724,312	
Real estate	13,603,356	
Other invested assets	67,082,524	
Miscellaneous applications	<u>2,302,485</u>	
Total investments acquired		1,556,546,110
Net increase (or decrease) in contract loans and premium notes	<u>846,341</u>	
Net cash from investments		(219,124,620)
Cash from financing and miscellaneous sources:		
Borrowed funds	(45,000,000)	
Net deposits on deposit-type contracts and other insurance	173,622	
Other cash provided (applied)	<u>(27,842,276)</u>	
Net cash from financing and miscellaneous sources		<u>(72,668,654)</u>
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		(715,522)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>40,194,639</u>
End of year		<u>\$ 39,479,117</u>

**CUNA Mutual Insurance Society
Compulsory and Security Surplus Calculation
December 31, 2005**

Assets		\$3,226,097,440
Less security surplus of insurance subsidiaries		321,528,520
Less liabilities		<u>2,479,184,912</u>
Adjusted surplus		425,384,008
Annual premium:		
Individual life and health	\$ 25,178,283	
Factor	<u>15%</u>	
Total		\$ 3,776,742
Group life and health	835,454,479	
Factor	<u>10%</u>	
Total		83,545,448
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		<u>42,504,987</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>129,827,177</u>
Compulsory surplus excess or (deficit)		<u>\$ 295,556,831</u>
Adjusted surplus (from above)		\$ 425,384,008
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>142,809,895</u>
Security surplus excess or (deficit)		<u>\$ 282,574,113</u>

CUNA Mutual Insurance Society
Reconciliation and Analysis of Surplus (In Thousands)
For the Five-Year Period Ending December 31, 2005

The following schedule is a reconciliation of total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2005	2004	2003	2002	2001
Capital and surplus, beginning of year	\$ 724,660	\$619,093	\$502,075	\$506,256	\$574,572
Net income	118,651	37,565	37,731	8,427	13,413
Change in net unrealized capital gains/losses	(142,441)	87,371	128,902	(31,034)	54,666
Change in net unrealized foreign exchange capital gains/losses	(2,865)	5,883	12,121	5,635	(2,262)
Change in net deferred income tax	608	(11,804)	(1,328)	(1,566)	11,934
Change in nonadmitted assets and related items	29,024	7,002	(7,990)	(2,532)	(37,827)
Change in liability for reinsurance in unauthorized companies					19
Change in asset valuation reserve	66,577	(21,976)	(55,172)	17,312	(56,710)
Cumulative effect of changes in accounting principles		585			(51,057)
Write-ins for gains and (losses) in surplus:					
Foreign Exchange on Changes to Capital and Surplus		2,620	2,770	131	(386)
Net Adjustments to Ledger Assets/Liabilities – Foreign Exchange		(31)	(16)	(30)	34
Change in additional pension liability	(47,301)	(1,648)	_____	(524)	(140)
Capital and surplus, end of year	<u>\$746,913</u>	<u>\$724,660</u>	<u>\$619,093</u>	<u>\$502,075</u>	<u>\$506,256</u>

**CUNA Mutual Insurance Society
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2005**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2005	2004	2003	2002	2001
#1 Net change in capital and surplus	3%	17%	23%	-1%	-12%*
#2 Gross change in capital and surplus	3	17	23	-1	-12 *
#3 Net income to total income	7	2	3	1	1
#4 Adequacy of investment income	302	191	243	192	211
#5 Nonadmitted to admitted assets	4	5	6	6	6
#6 Total real estate and mortgage loans to cash and invested assets	5	5	5	6	6
#7 Total affiliated investments to capital and surplus	102*	125*	131*	147*	118*
#8 Surplus relief	9	9	9	11	10
#9 Change in premium	-2	10	2	10	-2
#10 Change in product mix	0.3	1.9	0.7	1.6	4.6
#11 Change in asset mix	1.0	0.4	0.8	0.9	0.6
#12 Change in reserving ratio	1	-1	1	3	7

Ratio No. 1 and 2 are exceptions in 2001 due to codification. Ratio No. 7 is exceptional in all years due to the company having significant investments in affiliated companies.

Growth of CUNA Mutual Insurance Society

Year	Admitted Assets	Liabilities	Surplus
2005	\$3,226,097,440	\$2,479,184,912	\$746,912,528
2004	3,124,014,741	2,399,354,605	724,660,136
2003	2,872,970,212	2,253,876,958	619,093,254
2002	2,598,378,827	2,096,304,228	502,074,599
2001	2,390,524,476	1,884,268,061	506,256,415
2000	2,284,860,288	1,710,288,308	574,571,980

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2005	\$405,840,449	\$564,862,979	\$ 1,870,190
2004	416,083,709	593,959,346	2,942,263
2003	460,522,153	434,593,883	2,759,638
2002	470,130,825	389,407,143	2,994,014
2001	464,902,869	265,040,991	2,695,689
2000	465,018,620	22,872,968	269,112,752

Life Insurance In Force (in thousands)

Year	Gross Risk In Force	Ceded	Net
2005	\$67,269,339	\$7,321,408	\$59,947,931
2004	67,381,928	6,830,083	60,551,845
2003	78,058,126	6,624,887	71,793,239
2002	91,669,869	5,792,275	85,877,594
2001	91,790,063	5,558,038	86,232,025
2000	89,902,764	5,657,267	84,245,497

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2005	\$440,071,575	\$208,861,170	\$(34,956,145)	\$243,958,285	94.95%
2004	443,037,987	268,480,292	(33,475,699)	225,809,236	104.10
2003	433,318,171	271,678,918	(29,521,782)	201,722,143	102.44
2002	437,443,736	275,967,005	(31,212,271)	212,901,212	104.99
2001	439,708,011	289,780,386	(25,092,497)	225,902,724	111.57
2000	430,746,459	283,510,030	(27,660,068)	214,094,415	109.10

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

Admitted assets, liabilities and surplus increased since the last examination to \$3.2 billion, \$2.5 billion and \$747 million, respectively. The company decreased net life premiums since the last examination to \$406 million. Annuity considerations increased significantly to \$565 million. Deposit type contract funds decreased significantly to \$1.9 million. The company's gross life insurance in force has decreased since the last examination while ceded risk increased and the net in force decreased to \$60 billion. The company has improved its combined ratio to under 100% in 2005. The company elected to nonadmit the value of most of its foreign subsidiaries for 2005 rather than obtaining a US GAAP basis audit report for those subsidiaries as required by SSAP 88.

Reconciliation of Surplus per Examination

The amount of surplus reported by the company as of December 31, 2005, is accepted. The examination did not make any adjustments to surplus or reclassifications.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were ten specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Biographical Disclosures—It is recommended that the company provide timely biographical disclosure upon the appointment or election of new officers and directors, in compliance with s. 611.54, Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code.

Action—Compliance.

2. Incentive Compensation Disclosures—It is recommended that the company report to the Commissioner actions taken by the board regarding pension and incentive compensation programs within 30 days of board approval, in compliance with s. 611.63 (3), Wis. Stat.

Action—Compliance.

3. Invested Assets—SVO Compliance—It is recommended that the company establish the following corrective procedures:

- a. All securities held by the company that have not been filed with the SVO and that are not exempt from SVO filing requirements be sold or filed with the SVO within 120 days.
- b. All new securities purchased by the company that are not rated by the SVO and that are not exempt from SVO filing requirements be filed with the SVO within 120 days of purchase.
- c. The company evaluate at least monthly the SVO valuation status of all investments its invested securities and will make all necessary annual filings to maintain SVO valuations for all securities held that are not exempt from SVO filing requirements.
- d. The company provide to the Commissioner copies of all filings made to the SVO.

Action—Compliance.

4. Loaned Securities Disclosures—It is recommended that the company disclose in its statutory annual statements loaned securities supplemental transaction information, in compliance with NAIC Annual Statement Instructions—Life, Accident, and Health.

Action—Compliance.

5. Financial Reporting—Common Stock—It is recommended that the company report its investments in Ultra Series Funds and MEMBERS Mutual Funds under the classification “Common Stock—Parent, Subsidiaries, and Affiliates” in Schedule D of the company’s statutory annual statements.

Action—Compliance.

6. Financial Reporting—Annual Statement Schedule S—It is recommended that the company report its reinsurance treaty with CUMIS Life as a reinsurance transaction in Schedule S of its statutory annual statements, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

Action—Compliance.

7. Financial Reporting—It is recommended that the company report in Schedule Y of its statutory annual statements material transactions among affiliated insurers, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

Action—Compliance.

8. Financial Reporting—Annual Statement Schedule T—It is recommended that the company obtain documentation of its license authorization in each jurisdiction in which it is licensed, and that the company maintain documentation pertaining to its licensure authorization in the various jurisdictions.

Action—Compliance.

9. Other Assets—It is recommended that the company properly classify and report its intangible assets as nonadmitted assets in its statutory financial statements, in conformity with the NAIC Accounting Practices and Procedures Manual.

Action—Compliance.

10. Remittances and Items Not Allocated—It is recommended that the company exclude transactions from its remittances and items not allocated account that do not relate to unapplied premium and cash receipts, and that the company report unrelated intercompany balances in the course of settlement in an appropriately intercompany asset or liability account, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Financial Reporting

During the review of the minutes it was noted that the board did not accept or approve minutes from the committee reports. The board did vote on individual items that needed approval from the whole board but did not approve minutes as presented to the board. It is recommended that the board adopt committee minutes to show acceptance of all actions taken in compliance with s. 180.0825 (7), Wis. Stat.

Minutes of the board and committee meetings indicate that neither the board nor the Investment and Capital Committee approved the investments made by the company. Also, the reports received by the board and the Investment and Capital Committee only reported investments on a consolidated group basis. This does not provide for oversight of the individual company's investments by the board and an individual company could be in violation of their investment policy while still being within the guidelines of the group. The board should be reviewing and approving CMIS's unconsolidated investments regularly to ensure compliance of the investment policy established. It is recommended that the board review and approve investments at regular intervals, at least quarterly. It is also recommended that the board receive investment reports by company to ensure that each company is within its approved investment guidelines.

Several errors by the company in filling out the annual statement were discovered by the examination. In addition to those items noted elsewhere in this report, the company neglected to include a table in Note 33 and Canadian investments were not denoted with a "C" in column 4 of Schedule D per the NAIC Annual Statement Instructions. It is recommended that the company complete the annual statement in accordance with the NAIC Annual Statement Instructions.

Investments – Custodial Agreement

When reviewing the company's assets placed in safekeeping, the examiners verified the presence of executed custodial agreements. The company had three custodian agreements in effect as of December 31, 2005. The agreements were reviewed to determine whether the language of the agreements contained adequate indemnification provisions consistent with the NAIC Financial Condition Examiners Handbook. The examiners found that two of the three agreements did not have adequate indemnification language. The agreements failed to state that the custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the bank or trust company's custody and in the event of a loss of the securities for which the bank or trust company is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced. It is recommended that the company's custodial agreements include indemnification language consistent with the NAIC Financial Condition Examiners Handbook.

Investments – Mortgage Loans

During examination of the company's mortgage loans it was noted that the company could not document that property taxes were paid or that adequate insurance coverage exists on the properties securing its mortgage loans. The company indicated that these processes have been outsourced to various mortgage bankers but that documentation for taxes and insurance is not reviewed by the company. It is recommended that the company develop procedures to annually verify that property taxes were paid and that adequate insurance coverage exists for each property securing its mortgage loans.

Investments – Real Estate

The company leases land to CMIC but has not collected lease payments from CMIC since 1996. The lease calls for lease payments plus one half of the property's real estate taxes. The company was in the process of computing and collecting the amount past due. It is recommended that the company develop better accounting controls on leases to ensure that payments are received according to the lease.

Loss Reserve

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance to review the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary noted that the gross premium valuation of the company's group term business was done in 1991. It appears it has not been updated since that time. While the results of projections showed a pattern of profitability, it appears the projection ended in 2001. While actual results shown in comparison indicates the business is profitable, an updated valuation would be appropriate. It is recommended that the company complete a new gross premium valuation on its group term life business.

Reinsurance

The company reported in Schedule S, Part 4, that it did not cede any premium to unauthorized reinsurers. Testing of the 2005 reinsurers found that three reinsurers are unauthorized; one is an affiliate (CUMIS Life Insurance Company) and two are unaffiliated (Sirius International Insurance Corporation and American Disability Underwriters). NAIC Annual Statement Instructions state that any unauthorized reinsurer must be entered on Schedule S, Part 4. Additionally, the instructions state that any unauthorized affiliate should be assigned a special line on Schedule S, Part 4. It is recommended that the company prepare Schedule S, Part 4, Reinsurance Ceded To Unauthorized Companies, in accordance with NAIC Annual Statement Instructions.

Chapter Ins 52, Wis. Adm. Code, and SSAP No. 61, paragraph 42, provide guidance for the treatment of unauthorized reinsurance. Unless secured by a trust account, letter of credit, or funds withheld, a liability must be established to offset the credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. The company took reserve credit of \$1,328,734 from an unauthorized reinsurer, American Disability Reinsurance Underwriters, even though the credit was unsecured. The company should have established an offsetting \$1,328,734 in the liability "Reinsurance in Unauthorized Reinsurers." It is recommended that the company properly account for its unsecured unauthorized reinsurance as required by ch. Ins 52, Wis. Adm.

Code, and SSAP No. 61. No adjustment was made to surplus by the examination due to immateriality of the amount relative to surplus.

The examination determined that the company failed to establish reserves for reinsurance assumed for the following companies and failed to report the following reserves in column 8, Schedule S, Part 1 - Section 1:

Name of Reinsured	Reserve
Dominica Cooperative Credit Union League	\$ 80,990
National Credit Union Federation of Korea	214,510
TIAN AN Insurance Company	7,033
Grenada Co-Operative Credit Union League	116,125
Eagle Star Life Assurance Co., Ltd.	241,632

It is recommended that the company establish and correctly report reserves for assumed reinsurance in accordance with SSAP No. 61, paragraph 38. No adjustment was made to surplus by the examination due to immateriality of the amount relative to surplus.

VIII. CONCLUSION

As of the date of this report, CUNA Mutual Insurance Society is a Wisconsin-domiciled mutual life and health insurer. Following the completion of examination fieldwork, the company changed its state of domicile from Wisconsin to Iowa. Further discussion of the redomestication and related plans can be found in the "Subsequent Events" section of this report.

CUNA Mutual is the parent of an extensive holding company system, and the company and its affiliates provide group and individual life insurance, accident and health insurance, property and casualty insurance, and other insurance products and financial services to credit unions and credit union members.

In 1990, the company established a permanent business affiliation with CUNA Mutual Life Insurance Company, an Iowa-domiciled mutual life and health insurer. Under the affiliation, CUNA Mutual and CMLIC have common management and maintain integrated business functions and operations. CUNA Mutual and CMLIC share the net operating profits and losses on certain portions of business written on a direct basis by the respective companies. The profit sharing is transacted through reinsurance contracts under which the two companies mutually cede 50% pro rata reinsurance for their respective direct business for lines subject to profit sharing. MEMBERS Life Insurance Company assumes as reinsurance all of the profit sharing business ceded by CMLIC under the affiliation of CUNA Mutual with CMLIC.

The examination determined that the company complied with the recommendations of the previous examination. The current examination made numerous recommendations. The examination did not make any adjustments to reported surplus. The examination determined that, as of December 31, 2005, the company had total admitted assets of \$3.226 billion, total liabilities of \$2.479 billion, and policyholders' surplus of \$747 million.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 35 - Financial Reporting—It is recommended that the board adopt committee minutes to show acceptance of all actions taken in compliance with s. 180.0825 (7), Wis. Stat.
2. Page 35 - Financial Reporting—It is recommended that the board review and approve investments at regular intervals, at least quarterly.
3. Page 35 - Financial Reporting—It is also recommended that the board receive investment reports by company to ensure that each company is within its approved investment guidelines.
4. Page 35 - Financial Reporting—It is recommended that the company complete the annual statement in accordance with the NAIC Annual Statement Instructions.
5. Page 36 - Investment-Custodial Agreement—It is recommended that the company's custodial agreements include indemnification language consistent with the NAIC Financial Condition Examiners Handbook.
6. Page 36 - Investments-Mortgage Loans—It is recommended that the company develop procedures to annually verify that property taxes were paid and that adequate insurance coverage exists for each property securing its mortgage loans.
7. Page 36 - Investment-Real Estate—It is recommended that the company develop better accounting controls on leases to ensure that payments are received according to the lease.
8. Page 37 - Loss Reserve—It is recommended that the company complete a new gross premium valuation on its group term life business.
9. Page 37 - Reinsurance—It is recommended that the company prepare Schedule S, Part 4, Reinsurance Ceded To Unauthorized Companies, in accordance with NAIC Annual Statement Instructions.
10. Page 37 - Reinsurance—It is recommended that the company properly account for its unsecured unauthorized reinsurance as required by ch. Ins 52, Wis. Adm. Code, and SSAP No. 61.
11. Page 38 - Reinsurance—It is recommended that the company establish and correctly report reserves for assumed reinsurance in accordance with SSAP No. 61, paragraph 38.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Eleanor Opprecht	Insurance Financial Examiner - Senior
Russell Lamb	Insurance Financial Examiner
Joe Hilgendorf	Insurance Financial Examiner
Stephen Elmer	Insurance Financial Examiner
Thomas Thomas	Insurance Financial Examiner
Sheur Yang	Insurance Financial Examiner
Victoria Chi	Insurance Financial Examiner IT Specialist
Jerry DeArmond	Insurance Financial Examiner - Advanced

Respectfully submitted,

David A. Grinnell
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

Effective May 3, 2007, the company as well as MEMBERS Life Insurance Company and CUMIS Insurance Society, Inc., changed their state of domicile from Wisconsin to Iowa. Both the Wisconsin and Iowa Insurance Departments approved the redomestication following an April 20, 2007, policyholders' vote on the matter. As a condition of the Wisconsin approval, the company entered into a stipulation and order extending certain policyholder rights under Wisconsin law related to potential future demutualization or mutual holding company formation for varying periods expiring no later than December 31, 2020. The group is also planning to merge CUNA Mutual Life Insurance Company into CMIS in 2008.