

CUNA Mutual Insurance

Society and Subsidiaries

**Financial Update and GAAP Consolidated Financial Statements and Highlights,
Unaudited**

For the three months ended and as of March 31, 2009

CUNA Mutual Group Financial Update

March 31, 2009

As you read the headlines and hear the financial news, it's important you know CUNA Mutual stands committed to credit unions, their members, and other policyholders through these challenging times. We abide by all state and national regulations regarding financial reporting and providing financial statements. In addition to publishing annual financial statements we now publish quarterly financial statements to provide more recent information.

Capital and Surplus

GAAP Surplus – On an insurance company's balance sheet, surplus represents the excess of the value of its assets over its liabilities. Generally accepted accounting principles (GAAP) define how surplus is measured through a common set of accounting principles and standards. CUNA Mutual, like many insurance companies, experienced a decline in its GAAP surplus in 2008 due to the credit crisis, which includes unrealized losses, many of which we believe will ultimately return a higher value than the amount at which they are currently reported. GAAP surplus at March 31, 2009 is materially consistent with year-end 2008 GAAP surplus.

GAAP Surplus – 3/31/2009	GAAP Surplus – 12/31/2008	GAAP Surplus – 12/31/2007
\$1.2 Billion*	\$1.2 Billion	\$1.8 Billion

Statutory Surplus – Statutory accounting principles, as defined by the National Association of Insurance Commissioners (NAIC), are generally more conservative than GAAP and therefore result in a lower surplus value than GAAP. CUNA Mutual's statutory ("STAT") surplus at December 31, 2008 was consistent with the December 31, 2007 level, with operating gains being offset by realized investment losses, dividends from subsidiaries and other restructuring measures in 2008. STAT surplus at March 31, 2009 decreased slightly from the December 31, 2008 level.

STAT Surplus – 3/31/2009	STAT Surplus – 12/31/2008	STAT Surplus – 12/31/2007
\$0.9 Billion*	\$1.0 Billion	\$1.0 Billion

Risk-Based Capital Ratio – Risk based capital (RBC) is the amount of required capital an insurance company must maintain based on the inherent risks in the insurer's operations. The RBC ratio is calculated annually and reported to state regulators and the NAIC. It compares a company's available capital (statutory surplus) to its required capital. At the end of 2008, CUNA Mutual's RBC ratio was more than two times the required capital level.

RBC Ratio – 12/31/2008	RBC Ratio – 12/31/2007
300%	325%

*Amount is unaudited

General Account Portfolio – Cash & Invested Assets: In 2008, CUNA Mutual adopted revised investment allocation and policy guidelines to systematically reduce our investment risk. The general account portfolio is well diversified, with below average equity and financial services exposure. In this uncertain economic environment, we have placed an emphasis on quality and liquidity. At December 31, 2008, CUNA Mutual had \$1.3 billion invested in cash, treasuries and agency securities (18% of the portfolio). The overall quality of our portfolio was A+ at December 31, 2008. [Link to chart on invested assets.](#)

Financial Strength Ratings

The financial strength rating of an insurance organization is derived from an evaluation of the company's balance sheet strength, operating performance and business profile. CUNA Mutual is rated by both Fitch and A.M. Best. Financial strength ratings at March 31, 2009 are summarized below:

A.M. Best A (Excellent)	Fitch A (Strong)
Rating Definition: Excellent ability to meet ongoing insurance obligations.	Rating Definition: Strong capacity to meet policy- holder and contract obligations on a timely basis.

CUNA Mutual Insurance Society and Subsidiaries

March 31, 2009 GAAP Financial Highlights, Unaudited

Balance Sheet Movements

- Total cash and investments increased 3.1% to \$7,734.8 million at March 31, 2009 driven by positive cash flow from operations and net deposits in policyholder accounts. The majority of new asset purchases were in debt securities. Total investment losses in the first quarter were \$37.2 million with \$70.0 million of realized losses (including impairments) offset by \$32.8 million of unrealized gains.
- Separate account assets are comprised of \$3,053.7 million for U.S. life and annuity products and \$116.2 million for CUMIS Group operations. The separate account assets decreased \$244.2 million primarily attributable to a continued decline in market value of \$217.1 million.
- Property and casualty reserves are down 21% or \$103.7 million from year end. Almost all of this decrease is due to crop reserves, which decreased \$102.1 million in Q1 due to the settlement of 2008 crop claims in Q1.
- The policyholder account balance liability which includes fixed annuities and deposit type contracts increased 5.4% or \$223.9 million as members continue to favor fixed over variable product options in the current economic environment.

Statement of Operations Movements

- Life and Health premiums declined \$10.2 million or 3% in Q1. Core U.S. life and health products were flat. Canada life and health premiums were down \$4.5 million (partly driven by foreign exchange). Single premium annuity revenue, which has some quarter to quarter volatility, was down \$2.9 million.
- Property and Casualty premiums were flat in total but had some significant offsetting variability. The four growth products for P&C continue to be Crop, Members Auto/Home, Lenders Protection and Debt Cancellation. These four products combined had growth of \$20 million in Q1 which was in line with expectations. Offsetting this growth were decreases for International (excluding Canada) of \$3.3 million, Credit Union Protection (Bond, CU Property, Workers Comp, etc.) of \$4.1 million that were consistent with the recessionary plan. The decrease in collateral products revenue of \$13.7 million was greater than expected as we continue to see challenges in the implementation of the new tracking software.
- Property and Casualty benefits increased \$31.5 million. The growth products noted above (Crop, Auto/Home, Lenders Protection and Debt Cancellation) saw an increase in benefits of \$34.5 million in Q1, which exceeded their premium growth by \$14.5 million. Crop and Auto/Home both had unfavorable reserve development in Q1 that totaled \$12.9 million.
- Realized losses, net of taxes, of \$76.4 million in 2009 increased from \$60.8 million in 2008. Gross (pretax) losses in 2009 were \$70.0 million (including \$75.0 million of OTTI) compared to \$90.1 million (including \$80.8 million of OTTI) in 2008. The tax on these losses changed from a \$29.3 million offset in 2008 to a \$6.4 million tax expense in 2009. This \$35.7 million swing was due to the recognition of a \$31.0 million tax valuation allowance in Q1 of 2009 that was driven by investment capital losses and changes in tax planning strategies.

CUNA Mutual Insurance Society and Subsidiaries
Consolidated Balance Sheets, unaudited
March 31, 2009 and December 31, 2008
(000s omitted)

Assets	March 31, 2009	December 31, 2008
Cash and investments		
Debt securities, available for sale, at fair value	\$ 5,554,290	\$ 5,331,132
Equity securities, available for sale, at fair value	179,650	216,930
Equity in unconsolidated affiliates	157,436	157,903
Mortgage loans	752,627	760,902
Real estate, at cost	29,979	30,411
Policy loans	104,900	104,775
Short-term investments	73,455	227,088
Limited partnerships	337,586	329,684
Other invested assets	199,393	61,346
Total investments	7,389,316	7,220,171
Cash and cash equivalents	345,472	278,855
Total cash and investments	7,734,788	7,499,026
Accrued investment income	84,317	74,565
Premiums receivable	202,245	289,295
Reinsurance recoverables	180,277	193,788
Federal income taxes receivable	34,566	7,205
Deferred policy acquisition costs	766,045	776,622
Office properties, equipment and computer software at cost	187,769	192,455
Deferred tax asset, net	466,589	516,996
Goodwill and other intangibles, net	21,582	21,690
Other assets and receivables	205,833	232,496
Separate account assets	3,169,882	3,414,109
Total assets	\$ 13,053,893	\$ 13,218,247

CUNA Mutual Insurance Society and Subsidiaries
Consolidated Balance Sheets, unaudited - continued
March 31, 2009 and December 31, 2008
(000s omitted)

Liabilities and Policyholders' Surplus	March 31, 2009	December 31, 2008
Liabilities		
Claim and policy benefit reserves - life and health	\$ 2,539,256	\$ 2,533,919
Loss and loss adjustment expense reserves - property and casualty	395,463	499,161
Policyholder account balances	4,391,988	4,168,056
Unearned premiums	586,672	536,006
Notes payable	100,000	100,000
Dividends payable to policyholders	19,615	19,114
Reinsurance payable	38,380	68,275
Accrued postretirement benefit liability	41,082	41,390
Accrued pension liability	203,448	199,489
Accounts payable and other liabilities	395,959	397,443
Separate account liabilities	3,169,882	3,414,109
Total liabilities	11,881,745	11,976,962
Policyholders' surplus		
Retained earnings	1,729,163	1,804,996
Accumulated other comprehensive (loss)	(594,861)	(600,643)
Total CUNA Mutual policyholders' surplus	1,134,302	1,204,353
Noncontrolling interests	37,846	36,932
Total policyholders' surplus	1,172,148	1,241,285
Total liabilities and policyholders' surplus	\$ 13,053,893	\$ 13,218,247

CUNA Mutual Insurance Society and Subsidiaries
Consolidated Statements of Operations, unaudited
Three Months Ended March 31, 2009 and 2008
(000s omitted)

	March 31, 2009	March 31, 2008
Revenues:		
Life and health premiums	\$ 313,066	\$ 323,283
Property and casualty premiums	162,590	164,749
Net investment income	92,636	97,343
Contract charges	19,860	20,609
Other income	66,204	81,203
Total revenues	654,356	687,187
Benefits and expenses:		
Life and health insurance claims and benefits	196,587	197,226
Property and casualty insurance loss and loss adjustment expenses	124,874	93,386
Interest credited to policyholder account balances	38,250	36,181
Policyholder dividends	8,142	8,333
Operating and other expenses	284,215	301,122
Total benefits and expenses	652,068	636,248
Income from continuing operations before income taxes and equity in income of unconsolidated affiliates	2,288	50,939
Income tax expense (benefit)	(1,029)	16,443
Income (loss) from continuing operations before equity in income of unconsolidated affiliates	3,317	34,496
Equity in income (loss) of unconsolidated affiliates, net of tax	(1,298)	2,411
Income (loss) from continuing operations	2,019	36,907
Net realized investment (losses), net of tax	(76,391)	(60,773)
Net income (loss)	(74,372)	(23,866)
Less: Net income attributable to noncontrolling interests	1,461	499
Net loss attributable to CUNA Mutual	(75,833)	(24,365)

CUNA Mutual Insurance Society and Subsidiaries

Consolidated Statements of Cash Flows, unaudited

Three Months Ended March 31, 2009 and 2008

(000s omitted)

	March 31, 2009	March 31, 2008
Cash flows from operating activities:		
Net loss	\$ (75,833)	\$ (24,365)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Undistributed earnings of unconsolidated subsidiaries	1,298	(1,936)
Amortization of deferred policy acquisition costs	84,938	74,787
Policy acquisition costs deferred	(88,182)	(76,874)
Depreciation of office properties, equipment, software and real estate	8,143	10,730
Amortization of bond premium and discount	12,525	884
Net realized investment losses	69,999	90,077
Policyholder assessments on investment-type contracts	(6,935)	(1,523)
Interest credited to policyholder account balances	38,250	36,181
Changes in other assets and liabilities:		
Accrued investment income	(9,806)	(4,469)
Reinsurance recoverables	11,447	(7,081)
Premiums receivable	86,687	(20,843)
Other assets and receivables	34,665	59,352
Deferred tax asset, net	30,275	(286)
Insurance reserves	(86,479)	21,671
Unearned premiums	53,964	23,775
Accrued income taxes	(27,577)	(19,946)
Accounts payable and other liabilities	(79,486)	(53,147)
Net cash provided by operating activities	57,893	106,987

CUNA Mutual Insurance Society and Subsidiaries
Consolidated Statements of Cash Flows, unaudited - continued
Three Months Ended March 31, 2009 and 2008
(000s omitted)

	March 31, 2009	March 31, 2008
Cash flows from investing activities:		
Purchases of investments:		
Debt securities	\$ (762,862)	\$ (380,824)
Equity securities	(7,801)	(145,268)
Mortgage loans	(297)	(32,103)
Real estate	(249)	(230)
Short-term investments	(2,098)	(169,713)
Other invested assets	(178,816)	(91,425)
Proceeds on sale or maturity of investments:		
Debt securities	437,976	218,730
Equity securities	21,973	118,192
Mortgage loans	10,259	8,309
Real estate	1,642	-
Short-term investments	155,630	208,629
Other invested assets	166,462	54,237
Purchases of office properties, equipment, and computer software	(3,731)	(11,440)
Sale of investment in unconsolidated affiliate	-	1,312
Investments in unconsolidated affiliates	-	(96)
Change in policy loans and other, net	160	744
Net cash used in investing activities	(161,752)	(220,946)
Cash flows from financing activities:		
Policyholder account deposits	361,993	167,800
Policyholder account withdrawals	(163,792)	(234,073)
Distribution to minority shareholders	-	(6,397)
Change in bank overdrafts	(25,489)	5,014
Repayment of notes payable	(9)	(966)
Net cash used in financing activities	172,703	(68,622)
Effect of foreign exchange rate on cash balances	(2,227)	(5,170)
Change in cash and cash equivalents	68,844	(182,581)
Cash and cash equivalents at beginning of year	278,855	607,209
Cash and cash equivalents at end of period	\$ 345,472	\$ 419,458

CUNA Mutual Insurance Society and Subsidiaries

Consolidated Statements of Policyholders' Surplus, unaudited

Year Ended December 31, 2008 and Three Months Ended March 31, 2009

(000s omitted)

	CUNA Mutual Policyholders'					Total policyholders' surplus
	Comprehensive income (loss)	Accumulated other comprehensive income (loss)	Retained earnings	Total	Noncontrolling interests	
Balance, December 31, 2007		\$ (156,849)	\$ 1,953,098	\$ 1,796,249	\$ 28,641	\$ 1,824,890
Net income (loss)	\$ (148,634)	-	(148,911)	(148,911)	277	(148,634)
Cumulative effect of change in accounting for SFAS No. 157	-	-	809	809	-	809
Foreign currency translation adjustment	(22,189)	(18,595)	-	(18,595)	(3,594)	(22,189)
Change in unrealized (losses)	(384,905)	(383,557)	-	(383,557)	(1,348)	(384,905)
Reclassification adjustment for (gains) included in net income	14,236	14,236	-	14,236	-	14,236
Change in pension liability	(55,519)	(55,878)	-	(55,878)	359	(55,519)
Comprehensive (loss)	(597,011)					
Comprehensive loss attributable to noncontrolling interests	4,306	-	-	-	-	-
Comprehensive (loss) attributable to CUNA Mutual	<u>\$ (592,705)</u>					
Subsidiary dividend attributable to noncontrolling interest		-	-	-	(13,064)	(13,064)
Noncontrolling interest attributable to acquisition of subsidiary		-	-	-	46,529	46,529
Acquisition of noncontrolling interest		-	-	-	(20,868)	(20,868)
Balance, December 31, 2008		(600,643)	1,804,996	1,204,353	36,932	1,241,285
Net income (loss)	\$ (74,372)	-	(75,833)	(75,833)	1,461	(74,372)
Foreign currency translation adjustment	(3,042)	(2,741)	-	(2,741)	(300)	(3,041)
Change in unrealized gains	6,510	6,757	-	6,757	(247)	6,510
Change in pension liability	1,766	1,766	-	1,766	-	1,766
Comprehensive (loss)	(69,138)					
Comprehensive income attributable to noncontrolling interest	(914)	-	-	-	-	-
Comprehensive (loss) attributable to CUNA Mutual	<u>\$ (70,052)</u>					
Balance, March 31, 2009		\$ (594,861)	\$ 1,729,163	\$ 1,134,302	\$ 37,846	\$ 1,172,148