STATEMENT OF ADDITIONAL INFORMATION FOR THE

VARIABLE UNIVERSAL LIFE - DB

Flexible Premium Variable Universal Life Policy

Issued By:

MIDLAND NATIONAL LIFE INSURANCE COMPANY
(through the Midland National Life Separate Account A)

This Statement of Additional Information ("SAI") expands upon subjects discussed in the current prospectus for the Variable Universal Life Insurance Policy – DB ("policy") issued by Midland National Life Insurance Company. You may obtain a free copy of the prospectus dated May 1, 2015, by contacting Us at:

Midland National Life Insurance Company
One Sammons Plaza
Sioux Falls, SD 57193
(605) 373-2207 (telephone)
(800) 272-1642 (toll-free telephone)
(877) 841-6709 (toll-free facsimile for transaction requests)
(877) 208-6136 (toll-free facsimile for service requests)

Terms used in this SAI have the same meanings as in the current prospectus for the policy.

This statement of additional information is not a prospectus and should be read only in conjunction with the prospectus for this policy and the prospectuses for the 58 Portfolios currently available in the policy.

Dated May 1, 2015

Table of Contents

THE POLICY 3
- POLICYOWNER 3
- DEATH BENEFIT 3
- PAYMENT OPTIONS 6
- PREMIUM LIMITATIONS 6

ABOUT US 6
- MIDLAND NATIONAL LIFE INSURANCE COMPANY 6
- OUR SEPARATE ACCOUNT A 7
- OUR REPORTS TO POLICYOWNERS 7
- DIVIDENDS 7
- DISTRIBUTION OF THE POLICIES 8
- REGULATION 9
- DISCOUNT FOR EMPLOYEES OF SAMMONS ENTERPRISES, INC. 9
- LEGAL MATTERS 9
- FINANCIAL MATTERS 9
- ADDITIONAL INFORMATION 9

ILLUSTRATIONS 9

FINANCIAL STATEMENTS 10

THE POLICY

The entire contract is made up of the policy, including any supplemental benefit, schedules, the signed written application for the policy, and any attached supplemental written application(s). We assume that each statement made in the written application is made to the best of the knowledge and belief of the person(s) who made them and, in the absence of fraud, those statements are deeded to be representations and not warranties. We cannot use any statement to deny a claim or to void the policy unless it is contained in a written application that is made part of the policy by attachment or insertion.

POLICYOWNER

The policyowner is the Insured unless another individual has been named in the application. As policyowner, You are entitled to exercise all rights under Your policy while the Insured is alive. Without any beneficiary consent You can:

1. Transfer ownership of Your policy by absolute assignment;
2. Designate, change or revoke a contingent owner; or
3. Change any revocable beneficiary during the Insured's lifetime.

With each irrevocable beneficiary's consent, You may:

1. Change the irrevocable beneficiary during the insured's lifetime;
2. Receive any benefit, exercise any right, and use any privilege granted by Your policy allowed by Us; or
3. Agree with Us to any change or amendment of Your policy.

If You die while the Insured is alive, the contingent owner, if any, will become the owner. If there is no contingent owner, ownership will pass to Your estate.

DEATH BENEFIT

As long as the policy is still inforce, We will pay the death benefit to the beneficiary when the insured dies. Federal tax law may require a greater death benefit than the one provided for in Your policy. Your policy allows a choice between two death benefit qualification tests – the Cash Value Accumulation Test and the Guideline Premium Test. Both of these tests are ones defined under Section 7702 of the Internal Revenue Code.

If You do not want limits (subject to Company minimums and maximum and the policy becoming a Modified Endowment Contract), on the amount of premium You can pay into the policy, the Cash Value Accumulation Test is usually the better choice.

The Guideline Premium Test will usually result in a lower minimum death benefit than the Cash Value Accumulation Test. Your choice depends on the premiums You want to pay. THE GUIDELINE PREMIUM TEST IS THE DEFAULT TEST FOR YOUR POLICY, AND HISTORICALLY HAS BEEN THE MORE POPULAR CHOICE.

Under both the Cash Value Accumulation Test and the Guideline Premium Test, the guideline minimum death benefit is the accumulation value of Your policy (Your policy fund) times a corridor percentage. The corridor percentages do vary depending on the test that you choose.

For the Guideline Premium Test, the corridor percentage varies by the policy age of the insured(s) at the start of the policy year and declines as the insured person gets older.

The minimum death benefit will be Your policy fund on the day the insured person dies multiplied by the

corridor percentage for his or her age. For this purpose, age is the policy age (last birthday) at the beginning of the policy year of the insured person's death.

For the Cash Value Accumulation Test, the corridor percentage varies by the policy age, sex and Premium Class of the Insured. The minimum death benefit will be Your policy fund on the day the insured person dies multiplied by the percentage for his or her age. For this purpose, age is the policy age (last birthday) at the beginning of the policy year of the insured person's death.

Table of Corridor Percentages
Based on Policy Fund

If the Insured Person's Age Is This	The Death Benefit Will Be At Least Equal To This Percent Of The Policy Fund	If the Insured Person's Age Is This	The Death Benefit Will Be At Least Equal To This Percent Of The Policy Fund
0-40	250%	60	130%
41	243%	61	128%
42	236%	62	126%
43	229%	63	124%
44	222%	64	122%
45	215%	65	120%
46	209%	66	119%
47	203%	67	118%
48	197%	68	117%
49	191%	69	116%
50	185%	70	115%
51	178%	71	113%
52	171%	72	111%
53	164%	73	109%
54	157%	74	107%
55	150%	75-90	105%
56	146%	91	104%
57	142%	92	103%
58	138%	93	102%
59	134%	94	101%
		95-99	100%

These percentages are based on federal income tax law which requires a minimum death benefit, in relation to policy fund, for Your policy to qualify as life insurance.

Example – Assuming Guideline Premium Test

For example, assume the Insured person is 55 years old and the face amount is $100,000. The "corridor percentage" at that age is 150%. Under option 1, the death benefit will generally be $100,000. However, when the policy fund is greater than $66,666.67, the corridor percentage applies and the death benefit will be greater than $100,000 (since 150% of $66,666.67 equals $100,000). In this case, at age 55, We multiply the policy fund by a factor of 150%. So if the policy fund were $70,000, then the death benefit would be $105,000.

Under option 2, the death benefit is the face amount plus the policy fund. In this example, if a 55 year-old had a face amount of $100,000 and a policy fund of $200,000, then the death benefit would be $300,000. This figure results from either: (a) adding the face amount to the policy fund or (b) multiplying the policy fund by the corridor percentage. For all policy funds higher than this level, the corridor percentage would apply. Therefore, for every $1.00 added to the policy fund above $200,000, the death benefit would increase by $1.50 (at that age).

Table of Corridor Percentages Cash Value Accumulation Test

Male

Based on Policy Fund

If the Insured Person's Policy Age is this	The Death Benefit Will be at Least Equal to This Percent of The Policy Fund	If the Insured Person's Policy Age is this	The Death Benefit Will be at Least Equal to This Percent of The Policy Fund
0	1547.8%	51	272.2%
1	1503.6%	52	263.7%
2	1455.4%	53	255.4%
3	1406.2%	54	247.6%
4	1356.2%	55	240.1%
5	1307.9%	56	232.9%
6	1261.2%	57	226.1%
7	1216.0%	58	219.5%
8	1172.4%	59	213.2%
9	1130.1%	60	207.2%
10	1089.3%	61	201.4%
11	1049.8%	62	195.9%
12	1011.7%	63	190.7%
13	975.9%	64	185.7%
14	941.3%	65	181.0%
15	908.7%	66	176.5%
16	878.8%	67	172.2%
17	850.4%	68	168.0%
18	822.8%	69	164.1%
19	796.6%	70	160.2%
20	771.0%	71	156.5%
21	746.1%	72	153.0%
22	721.7%	73	149.7%
23	698.6%	74	146.5%
24	676.0%	75	143.5%
25	654.0%	76	140.6%
26	632.5%	77	137.9%
27	612.0%	78	135.3%
28	592.1%	79	132.9%
29	572.6%	80	130.6%
30	553.7%	81	128.5%
31	535.2%	82	126.5%
32	517.0%	83	124.6%
33	499.6%	84	122.8%
34	482.6%	85	121.2%
35	466.1%	86	119.7%
36	450.1%	87	118.3%
37	434.8%	88	117.0%
38	420.1%	89	115.9%
39	405.7%	90	114.8%
40	392.0%	91	113.9%
41	378.7%	92	113.0%
42	366.0%	93	112.2%
43	353.8%	94	111.4%
44	342.2%	95	110.8%
45	331.0%	96	110.1%
46	320.2%	97	109.5%
47	309.9%	98	108.9%
48	300.0%	99+	108.4%
49	290.4%		
50	281.1%		

Example – Assuming Cash Value Accumulation Test

Assume the insured person is 55 years old, male standard non- tobacco and the face amount is $100,000. The "corridor percentage" for the Cash Value Accumulation Test at that age is 240.1%. Under option 1, the death benefit will generally be $100,000. However, when the policy fund is greater than $41,649.31, the corridor percentage applies and the death benefit will be greater than $100,000 (since 240.1% of $41,649.31 equals $100,000). In this case, at age 55, We multiply the policy fund by a factor of 240.1%. So if the policy fund were $70,000, then the death benefit would be $168,070.

Under option 2, the death benefit is the face amount plus the policy fund. In this example, if a 55 year-old had a face amount of $100,000 and a policy fund of $71,377.59, then the death benefit would be $171,377.59. This figure results from either: (a) adding the face amount to the policy fund or (b) multiplying the policy fund by the corridor percentage. For all policy funds higher than this level, the corridor percentage would apply. Therefore, for every $1.00 added to the policy fund above $71,377.59, the death benefit would increase by $2.40 (at that age).

PAYMENT OPTIONS

You may choose for policy benefits and other payments (such as the net cash surrender value or death benefit) to be paid immediately in one lump sum or in another form of payment. Payments under these options are not affected by the investment performance of any investment division. Instead, interest accrues pursuant to the option chosen. If You do not arrange for a specific form of payment before the Insured person dies, then the beneficiary will have this choice. However, if You do make an arrangement with Us for how the money will be paid, then the beneficiary cannot change Your choice. Payment options will also be subject to Our rules at the time of selection.

PREMIUM LIMITATIONS

Federal law limits the premiums that can be paid if this policy is to qualify as life insurance for tax purposes. We will not accept a premium that would cause this limit to be exceeded. If We accept such a premium in error, We will refund it as soon as the error is discovered.

If a policy change is executed that causes this policy to exceed the maximum premium limits allowed by federal law, We will refund the excess premium when the total premiums paid exceed the federal limits.

We will accept any premium needed to keep this policy in force.

ABOUT US

MIDLAND NATIONAL LIFE INSURANCE COMPANY

We are Midland National Life Insurance Company, a stock life insurance company. We were organized, in 1906, in South Dakota, as a mutual life insurance company at that time named "The Dakota Mutual Life Insurance Company". We were reincorporated as a stock life insurance company in 1909. Our name, Midland National Life Insurance Company, was adopted in 1925. We redomesticated to Iowa in 1999. We are licensed to do business in 49 states, the District of Columbia, and Puerto Rico.

Midland National is a subsidiary of Sammons Enterprises, Inc., Dallas, Texas. Sammons Enterprises, Inc. has controlling or substantial stock interests in a large number of other companies engaged in the areas of insurance, corporate services, and industrial distribution.

Our Financial Condition: As an insurance company, we are required by state insurance regulation to hold a specified amount of reserves in order to meet all of the contractual obligations of Our General Account to our policyowners. We monitor our reserves so that we hold sufficient amounts to cover actual or expected policy and claims payments. It is important to note, however, that there is no guarantee that we

will always be able to meet our claims-paying obligations, and that there are risks to purchasing any insurance product.

State insurance regulators also require insurance companies to maintain a minimum amount of capital, which acts as a cushion in the event that the insurer suffers a financial impairment, based on the inherent risks in the insurer's operations. These risks include those associated with losses that we may incur as the result of defaults on the payment of interest or principal on Our General Account assets, as well as the loss in market value of those investments. We may also experience liquidity risk if Our General Account assets cannot be readily converted into cash to meet obligations to our policyowners or to provide collateral necessary to finance Our business operations.

We encourage both existing and prospective policyowners to read and understand our financial statements, which are included in this Statement of Additional Information ("SAI").

OUR SEPARATE ACCOUNT A

The "Separate Account" is Our Separate Account A, established under the insurance laws of the State of Iowa. It is a unit investment trust registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, as amended, but **this registration does not involve any SEC supervision of its management or investment policies.** The Separate Account meets the definition of a "Separate Account" under the federal securities laws. Income, gains and losses credited to, or charged against, the Separate Account reflects the investment experience of the Separate Account and not the investment experience of Midland National's other assets. The assets of the Separate Account may not be used to pay any of Our other liabilities. We are obligated to pay all amounts guaranteed under the policy.

The Separate Account has a number of investment divisions, each of which invests in the shares of a corresponding portfolio of the funds. You may allocate part or all of Your net premiums in up to fifteen of the fifty-eight investment divisions of Our Separate Account at any one time.

OUR REPORTS TO POLICYOWNERS

We currently intend to send You reports shortly after the end of the third, sixth, ninth, and twelfth policy months of each policy year that show:

- the current death benefit for Your policy,
- Your policy fund,
- information about investment divisions,
- the cash surrender value of Your policy,
- the amount of Your outstanding policy loans,
- the amount of any interest that You owe on the loan, and
- information about the current loan interest rate.

The annual report will show any transactions involving Your policy fund that occurred during the policy year. Transactions include Your premium allocations, Our deductions, and Your transfer or withdrawals. The annual or other periodic statements provide confirmations of certain regular, periodic items (such as monthly deductions and premium payments by Civil Service Allotment or automatic checking account deductions). We may change these reporting practices. Confirmations will be sent to You for transfers of amounts between investment divisions and certain other policy transactions.

Our report also contains information that is required by the insurance supervisory official in the jurisdiction in which this insurance policy is delivered.

We will send You semi-annual reports with financial information on the funds.

DIVIDENDS

We do not pay any dividends on these policies.

DISTRIBUTION OF THE POLICIES

The policies are offered to the public on a continuous basis. We anticipate continuing to offer the policies, but reserve the right to discontinue the offering.

Sammons Financial Network, LLC ("Sammons Financial Network") serves as principal underwriter for the contracts. Sammons Financial Network is a Delaware limited liability company and its principal office is located at 4546 Corporate Drive, Suite 100, West Des Moines, IA 50266. Sammons Financial Network is an indirect, wholly owned subsidiary of Sammons Enterprises, Inc. of Dallas, Texas, which in turn is the ultimate parent company of Midland National Life Insurance Company. Sammons Financial Network is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is a member of FINRA, Inc. Sammons Financial Network enters into selling agreements with other broker-dealers ("selling firms") and compensates them for their services. Registered representatives, who offer contracts, are appointed as insurance agents for Midland National Life Insurance Company.

Sammons Financial Network and Sammons Securities Company received sales compensation with respect to these policies and other variable life policies not included in this registration statement under the Midland National Life Separate Account A in the following amounts during the years indicated:

Fiscal year	Aggregate Amount of Commissions Paid to Underwriter*	Aggregate Amount of Commissions Retained by Underwriter*
2012**	$1,851,309	$21,280
2013**	$1,319,001	$15,002
2014***	$825,754.49	$8,238.09

*May include total sales compensation paid to registered persons of the underwriter and an underwriting fee of 1.25% for first-year commissions paid to the underwriter for all of Midland National's variable universal life insurance policies under Separate Account A.

**Paid to Sammons Securities Company, principal underwriter for Separate Account A, for 2012 and 2013.

***Paid to Sammons Securities Company and Sammons Financial Network, principal underwriters for Separate Account A, for 2014. Sammons Financial Network became the principal underwriter on July 1, 2014.

Sammons Financial Network passes through commissions it receives to selling firms for their sales and does not retain any portion of it in return for its services as distributor for the policies. However, under the distribution agreement with Sammons Financial Network, We pay the following sales expenses:

- sales representative training allowances,
- deferred compensation and insurance benefits,
- advertising expenses, and
- all other expenses of distributing the policies.

We and/or Sammons Financial Network may pay certain selling firms additional amounts for

- "preferred product" treatment of the policies in their marketing programs, which may include marketing services and increased access to their sales representatives;
- sales promotions relating to the policies;
- costs associated with sales conferences and educational seminars for their sales representatives; and
- other sales expenses incurred by them.

We and/or Sammons Financial Network may make bonus payments to certain selling firms based on aggregate sales or persistency standards. These additional payments are not offered to all selling firms, and the terms of any particular agreement governing the payments may vary among selling firms.

We intend to distribute the policies in all states, except New York, and in certain United States possessions and territories.

REGULATION

We are regulated and supervised by the Iowa Insurance Department. We are subject to the insurance laws and regulations in every jurisdiction where We sell policies. This policy has been filed with and, as necessary, approved by insurance officials in those states. The provisions of this policy may vary somewhat from jurisdiction to jurisdiction.

We submit annual reports on Our operations and finances to insurance officials in all the jurisdictions where We sell policies. The officials are responsible for reviewing Our reports to be sure that We are financially sound and are complying with the applicable laws and regulations.

We are also subject to various federal securities laws and regulations with respect to the Separate Account and the policies.

DISCOUNT FOR EMPLOYEES OF SAMMONS ENTERPRISES, INC.

Employees of Sammons Enterprises, Inc. may receive a discount of up to 25% of first year premiums. Midland National is a subsidiary of Sammons Enterprises, Inc., and additional premium payments contributed solely by Us will be paid into the employee's policy during the first year. All other policy provisions will apply.

LEGAL MATTERS

The law firm of Sutherland Asbill & Brennan LLP, Washington, DC, has provided certain legal advice relating to certain matters under the federal securities laws.

FINANCIAL MATTERS

The financial statements of Midland National Life Separate Account A and Midland National Life Insurance Company, included in this SAI and the registration statement, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, for the periods indicated in their report which appears in this SAI. The address for PricewaterhouseCoopers LLP is 699 Walnut Street, Suite 1300, Des Moines, IA 50309. The financial statements have been included in reliance upon reports given upon the authority of the firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed a Registration Statement relating to the Separate Account and the variable life insurance policy described in this SAI with the SEC. The Registration Statement, which is required by the Securities Act of 1933, includes additional information that is not required in this SAI under the rules and regulations of the SEC. If You would like additional information, then You may obtain it from the SEC's main office in Washington, DC. You will have to pay a fee for the material.

ILLUSTRATIONS

Midland National may provide individual hypothetical illustrations of policy fund, cash surrender value, and death benefits based on the funds' historical investment returns. These illustrations will reflect the deduction of expenses in the funds and the deduction of policy charges, including the percent of fund value charge, the deductions from premiums, the monthly deduction from the policy fund and the surrender charge. The hypothetical illustrations are designed to show the performance that could have resulted if the policy had been in existence during the period illustrated and do not indicate what policy benefits will be in the future.

FINANCIAL STATEMENTS

The financial statements of Midland National Life Insurance Company included in this Statement of Additional Information should be distinguished from the financial statements of the Midland National Life Separate Account A and should be considered only as bearing upon the ability of Midland National Life Insurance Company to meet its obligations under the policies. They should not be considered as bearing upon the safety or investment performance of the assets held in the Separate Account.

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

TABLE OF CONTENTS

Report of Independent Auditors 1

Midland National Life Insurance Company and Subsidiaries
Consolidated Financial Statements

Consolidated Balance Sheets as of December 31, 2014 and 2013 3

Consolidated Statements of Income for the years ended December 31, 2014, 2013, and 2012 4

Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012 5

Consolidated Statements of Stockholder's Equity for the years ended December 31, 2014, 2013, and 2012 6

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012 7

Notes to Consolidated Financial Statements 9

Independent Auditor's Report

To the Board of Directors of Midland National Life Insurance Company and Subsidiaries:

We have audited the accompanying consolidated financial statements of Midland National Life Insurance Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, of comprehensive income, of stockholder's equity and of cash flows for each of the three years in the period ended December 31, 2014.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopersLLP, 699 Walnut Street, Suite 1300, Des Moines, IA 50309
T: (515) 246 3800, F: (515) 246 3811, www.pwc.com/us

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midland National Life Insurance Company and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 27, 2015

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
(a wholly owned subsidiary of Sammons Financial Group, Inc.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 and 2013
(Amounts in Thousands, except share amounts)

	2014	2013
ASSETS		
Investments		
Fixed maturities, available-for-sale, at fair value	$ 35,004,141	$ 31,918,396
Equity securities, available-for-sale, at fair value	629,968	458,537
Mortgage loans	2,946,469	1,947,951
Policy loans	362,181	354,022
Short-term investments	681,352	153,647
Derivative instruments	607,805	619,286
Other invested assets	977,601	848,632
Total investments	41,209,517	36,300,471
Cash	369,820	480,054
Accrued investment income	298,459	287,076
Deferred policy acquisition costs	1,566,861	1,481,675
Deferred sales inducements	460,588	451,876
Present value of future profits of acquired businesses	14,907	14,459
Other receivables, other assets and property, plant and equipment	346,951	245,514
Reinsurance receivables	1,849,174	1,793,130
Separate account assets	1,279,865	1,126,513
Total assets	$ 47,396,142	$ 42,180,768
LIABILITIES		
Policyholder account balances	$ 33,608,754	$ 31,227,329
Policy benefit reserves	1,496,443	1,293,352
Policy claims and benefits payable	222,690	155,760
Notes payable	383,440	142,000
Repurchase agreements, other borrowings and collateral on derivative instruments	4,049,716	3,467,680
Derivative instruments	2,485	14,488
Deferred income tax	896,685	471,794
Other liabilities	886,604	788,447
Separate account liabilities	1,279,865	1,126,513
Total liabilities	42,826,682	38,687,363
STOCKHOLDER'S EQUITY		
Common stock, $1 par value, 1,000 shares authorized, issued and outstanding	2,549	2,549
Additional paid-in capital	476,573	449,179
Retained earnings	2,737,239	2,512,128
Accumulated other comprehensive income	1,351,554	529,549
Total Midland National Life stockholder's equity	4,567,915	3,493,405
Noncontrolling interest	1,545	-
Total stockholder's equity	4,569,460	3,493,405
Total liabilities and stockholder's equity	$ 47,396,142	$ 42,180,768

The accompanying notes are an integral part of the consolidated financial statements.

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012

(Amounts in Thousands)

	2014	2013	2012
REVENUES			
Premiums	$ 232,994	$ 221,462	$ 201,993
Charges on interest sensitive and investment-type products	423,206	394,221	379,115
Net investment income	1,725,708	1,627,179	1,347,485
Net gains on derivatives and derivative instruments	343,313	333,118	35,472
Net realized investment gains	237,092	134,180	51,437
Other-than-temporary impairment losses	(53,031)	(21,132)	(19,319)
Non-credit portion in other comprehensive income	-	-	3,860
Net impairment loss recognized in earnings	(53,031)	(21,132)	(15,459)
Other income	18,722	17,939	26,905
Total revenue	2,928,004	2,706,967	2,026,948
BENEFITS AND EXPENSES			
Interest credited to policyholder account balances	1,205,610	1,047,995	745,291
Benefits incurred	519,672	423,172	349,217
Amortization of deferred sales inducements	48,093	82,837	78,923
Total benefits	1,773,375	1,554,004	1,173,431
Operating and other expenses (net of commissions and other expenses deferred)	206,285	220,856	175,625
Amortization of deferred policy acquisition costs and present value of future profits of acquired businesses	75,700	189,200	202,443
Total benefits and expenses	2,055,360	1,964,060	1,551,499
Income before income taxes	872,644	742,907	475,449
Income tax provision	281,049	232,489	137,509
Net income	591,595	510,418	337,940
Plus: Net loss attributable to noncontrolling interests	2,768	-	-
Net income attributable to Midland National Life	$ 594,363	$ 510,418	$ 337,940

The accompanying notes are an integral part of the consolidated financial statements.

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012

(Amounts in Thousands)

	2014	2013	2012
Net income	$ 591,595	$ 510,418	$ 337,940
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale investments, non-credit portion of OTTI, and certain interest rate swaps	818,529	(952,559)	698,594
Change in pension liability	8,679	5,166	505
Change in post-retirement liability	(5,203)	10,491	1,589
Total other comprehensive income (loss)	822,005	(936,902)	700,688
Comprehensive income (loss)	1,413,600	(426,484)	1,038,628
Plus: Comprehensive loss attributable to noncontrolling interest	2,768	-	-
Comprehensive income (loss) attributable to Midland National Life	$ 1,416,368	$ (426,484)	$ 1,038,628

The accompanying notes are an integral part of the consolidated financial statements.

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES
(a wholly owned subsidiary of Sammons Financial Group, Inc.)
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(Amounts in Thousands)

	Midland National Life Insurance Co. Stockholder's Equity					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total Stockholder's Equity
Balance, December 31, 2011	$ 2,549	$ 378,092	$ 1,861,734	$ 765,763	$ -	$ 3,008,138
Total comprehensive income	-	-	337,940	700,688	-	1,038,628
Capital contribution	-	10,507	-	-	-	10,507
Employee stock ownership plan	-	18,680	-	-	-	18,680
Dividends paid on common stock	-	-	(75,523)	-	-	(75,523)
Balance, December 31, 2012	2,549	407,279	2,124,151	1,466,451	-	4,000,430
Total comprehensive income (loss)	-	-	510,418	(936,902)	-	(426,484)
Capital contribution	-	21,830	-	-	-	21,830
Employee stock ownership plan	-	20,070	-	-	-	20,070
Dividends paid on common stock	-	-	(122,441)	-	-	(122,441)
Balance, December 31, 2013	2,549	449,179	2,512,128	529,549	-	3,493,405
Total comprehensive income (loss)	-	-	594,363	822,005	-	1,416,368
Capital contribution	-	6,005	-	-	-	6,005
Employee stock ownership plan	-	21,389	-	-	-	21,389
Equity transaction with noncontrolling interest	-	-	-	-	1,545	1,545
Dividends paid on common stock	-	-	(369,252)	-	-	(369,252)
Balance, December 31, 2014	$ 2,549	$ 476,573	$ 2,737,239	$ 1,351,554	$ 1,545	$ 4,569,460

The accompanying notes are an integral part of the consolidated financial statements.

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2011

(Amounts in Thousands)

	2014	2013	2012
OPERATING ACTIVITIES			
Net income	$ 591,595	$ 510,418	$ 337,940
Adjustments to reconcile net income to net cash provided by operating activities			
Amortization of deferred policy acquisition costs, deferred sales inducements and present value of future profits of acquired businesses	123,793	272,037	281,366
Net amortization of premiums and discounts on investments	(145,652)	(150,893)	(129,810)
Amortization of index options	199,025	159,644	246,893
Employee stock ownership plan	21,389	20,070	18,680
Policy acquisition costs deferred	(279,766)	(295,664)	(268,516)
Sales inducements deferred	(115,144)	(111,657)	(88,791)
Net realized investment (gains) and net impairment losses recognized in earnings	(184,061)	(113,048)	(35,978)
Net (gains) losses on derivatives and derivative instruments	(343,313)	(333,118)	(35,472)
Provision (benefit) for deferred income taxes	(17,727)	199,847	86,702
Net interest credited and product charges on interest sensitive and investment-type products	1,202,534	987,532	610,673
Changes in other assets and liabilities			
Net receivables	(99,442)	(145,935)	(34,884)
Net payables	77,252	61,883	8,793
Policy benefits and reserves	281,392	311,366	84,030
Other, net	(144,591)	(45,794)	(70,485)
Net cash provided by operating activities	$ 1,167,284	$ 1,326,688	$ 1,011,141

(continued)

MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2011

(Dollars in Thousands)

	2014	2013	2012
INVESTING ACTIVITIES			
Proceeds from investments sold, matured or repaid			
Fixed maturities	$ 5,975,089	$ 4,649,637	$ 4,592,800
Equity securities	8,194	50,228	121,001
Mortgage loans	219,765	29,890	78,968
Other invested assets	57,586	123,768	210,817
Cost of investments acquired			
Fixed maturities	(7,293,375)	(7,836,402)	(6,166,191)
Equity securities	(156,526)	(114,302)	(86,211)
Mortgage loans	(1,217,892)	(870,861)	(698,344)
Derivative instruments	(89,611)	56,462	(156,031)
Other invested assets	(32,117)	(62,839)	(26,807)
Net change in policy loans	(8,159)	(4,618)	(8,673)
Net change in short-term investments	(527,705)	452,858	(315,435)
Net change in collateral on derivatives	(34,382)	157,147	55,105
Net change in amounts due to/from brokers	25,277	64,908	29,793
Net cash used in investing activities	(3,073,856)	(3,304,124)	(2,369,208)
FINANCING ACTIVITIES			
Receipts from universal life and investment products	3,370,222	3,817,909	3,315,548
Benefits paid on universal life and investment products	(2,072,809)	(1,938,507)	(2,186,141)
Net change in repurchase agreements and other borrowings	616,419	355,954	299,068
Issuance of notes payable	241,440	142,000	-
Capital contributions received	6,005	21,830	10,507
Capital contributions received from noncontrolling interest	4,313	-	-
Dividends paid on common stock	(369,252)	(112,699)	(75,523)
Net cash provided by financing activities	1,796,338	2,286,487	1,363,459
Net change in cash	(110,234)	309,051	5,392
Cash at beginning of year	480,054	171,003	165,611
Cash at end of year	$ 369,820	$ 480,054	$ 171,003
SUPPLEMENTAL INFORMATION			
Cash paid during the year for			
Income taxes	$ 147,000	$ 27,741	$ 29,987
Interest on other borrowings	5,245	4,278	2,002
Non-cash investing and financing activities:			
Dividends paid by transfer of securities	$ -	$ 9,742	$ -

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Midland National Life Insurance Company and Subsidiaries ("Midland National" or the "Company") is a wholly owned subsidiary of Sammons Financial Group, Inc. ("SFG"). SFG is an indirect wholly owned subsidiary of Sammons Enterprises, Inc. ("SEI"). Midland National is comprised of three wholly owned subsidiaries. MNL Reinsurance Company ("MNL Re") and Solberg Reinsurance Company ("Solberg Re") are captive reinsurance companies domiciled in Iowa. Midland National Services Corporation, LLC ("MNSC") is a Delaware Limited Liability Company created as a wholly owned subsidiary of Midland National to hold agreed amounts for payment of facility fees and other amounts due under a credit facility agreement that governs a letter of credit arrangement between several SFG entities and a large commercial bank. Midland National offers individual life and annuity products in 49 states and the District of Columbia. The Company is affiliated through common ownership with North American Company for Life and Health Insurance ("North American").

Basis of presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and reflect the consolidation of the Company with its wholly owned subsidiaries and all entities for which it holds a controlling financial interest. Intercompany transactions have been eliminated in consolidation.

The Company has a financial interest in several entities where it is required to determine whether the entity should be consolidated in the Company's financial statements. For each financial interest, the Company performs an analysis to determine whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE"). The analysis requires the evaluation of several characteristics, including the determination of whether an entity has sufficient equity at risk to allow it to adequately finance its activities, the determination of whether the party with the power to direct the activities of the entity has equity investment at risk in the entity, and whether the equity investment at risk lacks the obligation to absorb expected losses or the right to receive expected residual returns.

Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance its activities independently and the equity holders have the obligation to absorb losses, the right to receive residual returns, and the right to make decisions about the entity's activities. The usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the Company consolidates voting interest entities in which it has a majority voting interest.

If an entity is determined to be a VIE, the next step is the identification of the primary beneficiary of the VIE. An enterprise is deemed to be the primary beneficiary of a VIE if it has both (i) the power to direct the activities of the entity that most significantly impact the VIE's economic success and (ii) has the obligation to absorb losses or receive benefits that could potentially be significant to the VIE, or both. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design,

including the risks the VIE was designed to create and pass through to its variable interest holders, (ii) the VIE's capital structure, (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE, (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE and (vi) related party relationships. The party that is the primary beneficiary consolidates the financial results of the VIE. The Company will continue to assess its investments on an ongoing basis as circumstances may change whereby an entity could be determined to be a VIE. The Company could become a primary beneficiary in such a VIE, or an entity's characteristics could change whereby it is no longer a VIE. All of these situations could potentially have a corresponding impact on the Company's consolidated financial statements. When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies (generally defined as owning a voting interest of 20% to 50%) and has an investment in common stock or in-substance common stock, the Company primarily accounts for its investment using the equity method of accounting. For certain limited partnerships, the threshold for the equity method of accounting is 5%.

See Note 7 for further discussion related to the Company's involvement with VIEs.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

The most significant areas which require the use of management's estimates relate to the determination of the fair values of financial assets and liabilities, derivatives and derivative instruments, impairment of securities, income taxes, deferred policy acquisition costs ("DAC"), deferred sales inducements ("DSI"), present value of future profits of acquired businesses ("PVFP"), reinsurance receivables and policy benefit reserves for traditional life insurance policies.

Interest rate risk

The Company is subject to the risk that interest rates will change and cause changes in investment prepayments and changes in the value of its investments. Policyholder persistency is also affected by changes in interest rates. The Company manages its interest rate risk by monitoring its asset and liability durations within a predetermined range. It will mitigate this risk by rebalancing assets when it approaches the boundaries of the pre-determined range. To the extent that fluctuations in interest rates cause the cash flows and duration of assets and liabilities to differ from product pricing assumptions, the Company may have to sell assets prior to their maturity and realize a loss.

Liquidity risk

Market conditions for fixed income securities could be such that illiquidity in the markets could make it difficult for the Company to sell certain securities and generate cash to meet policyholder obligations. Management believes it has adequate liquidity in its investment portfolio and other sources of funds to meet any future policyholder obligations.

Counterparty risk

The Company enters into derivative and repurchase agreements with various financial institution counterparties. The Company is at risk that any particular counterparty will fail to fulfill its obligations under outstanding agreements. The Company generally limits this risk by selecting counterparties with long-standing performance records and with credit ratings of “A” or above. The amount of exposure to each counterparty is essentially the net replacement cost or fair value for such agreements with each counterparty, as well as any interest due the Company from the last interest payment period less any collateral posted by the counterparty.

Fair value of financial assets, financial liabilities, and financial instruments

The Company can elect an option to record at fair value certain financial assets and financial liabilities. The election is irrevocable and is made contract by contract. The Company has elected to utilize the fair value option for certain fixed maturities designated as hybrid instruments.

Fair value estimates are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could cause these estimates to vary materially. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in some cases, could not be realized in the immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented in Note 3 may not represent the underlying value to the Company.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

Available-for-sale securities

Fair value for fixed maturity and equity securities is obtained primarily from independent pricing sources, broker quotes and fair value/cash flow models. Fair value is based on quoted market prices, where available. For securities not actively traded, fair value is estimated using values obtained from independent pricing services or broker quotes. When values are not available from pricing services or broker quotes, such as private placements including corporate securities, asset-backed securities, commercial mortgage-backed and residential mortgage-backed securities, fair value may be estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments.

Mortgage loans

Fair value for mortgage loans is estimated using a duration-adjusted pricing methodology that reflects changes in market interest rates and the specific interest-rate sensitivity of each mortgage.

Price changes derived from the monthly duration-adjustments are applied to the mortgage portfolio. Each mortgage modeled is assigned a spread corresponding to its risk profile for valuation purposes. For fair value reporting purposes, these spreads are adjusted for current market conditions. Fair value is also adjusted by internally generated illiquidity and default factors.

Short-term investments

The carrying amounts for short-term investments, which primarily consist of money market funds, direct reverse repurchase agreements and fixed income securities acquired with less than one year to maturity, approximate fair value due to their short-term nature.

Derivative instruments

Fair value for options is based on internal financial models or counterparty quoted prices. Variation margin accounts, consisting of cash balances applicable to open futures contracts, held by counterparties are reported at the cash balances, which is equal to fair value. Fair value for interest rate swaps, credit default swaps, interest rate floors, interest rate caps, foreign currency forwards and other derivatives is based on exchange prices, broker quoted prices or fair values provided by the counterparties.

Other invested assets

Other invested assets consist primarily of limited partnerships and certain investments held by VIE's in situations where the Company has been determined to be the primary beneficiary. The Company measures the fair value of limited partnerships on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement guidance issued by the Financial Accounting Standards Board ("FASB") for investment companies as of the reporting entity's measurement date. Investments held by consolidated VIE's are reported at the values of the unaudited financial statements provided by the manager of each applicable VIE.

Reinsurance receivables – embedded derivatives from reinsurance ceded

Fair value for embedded derivatives related to coinsurance with funds withheld treaties for indexed annuities is determined based on fair values of the financial instruments in the funds withheld portfolios and on models the Company has developed to estimate the fair values of the liabilities ceded.

Fair value for the embedded derivative related to a modified coinsurance treaty for multi-year guaranteed annuities is based on the difference between the fair value and the cost basis of the financial instruments applicable to the Company's funds withheld reinsurance agreements.

Separate account assets

Separate account assets are reported at fair value in the consolidated balance sheets based on quoted net asset values of the underlying mutual funds.

Policyholder account balances

Fair value for the Company's liabilities for investment-type insurance contracts is estimated using two methods. For those contracts without a defined maturity, the fair value is estimated as the amount payable on demand (cash surrender value). For those contracts with known maturities, fair value is estimated using discounted cash flow calculations using interest rates currently being offered for similar contracts with maturities consistent with the contracts being valued. The reported value of the Company's investment-type insurance contracts includes the fair value of indexed life and annuity embedded derivatives which are calculated using discounted cash flow valuation techniques based on current interest rates adjusted to reflect credit risk and an additional provision for adverse deviation.

Notes payable

Fair value for the SFG notes payable issued by the Company on December 30, 2014, is equal to its issue price (par value) due to the issue date's proximity to December 31, 2014. The fair value of the Company's other notes payable is derived from a discounted cash flow model using current market rates applicable to the yield, credit quality and maturity of the notes.

Repurchase agreements, other borrowings and collateral on derivative instruments

The fair value of the Company's repurchase agreements is tied to the fair value of the underlying collateral securities. The fair value of other borrowings which consists of borrowings from the Federal Home Loan Bank of Des Moines ("FHLB"), approximates its reported value due to its short maturity. The fair value of collateral on derivative instruments approximates the carrying value due to the short-term nature of the investment. These investments primarily consist of money market funds.

Investments and investment income

Available-for-sale securities

The Company is required to classify its fixed maturity investments (bonds and redeemable preferred stocks) and equity securities (common and non-redeemable preferred stocks) into three categories: securities that the Company has the positive intent and the ability to hold to maturity are classified as "held-to-maturity;" securities that are held for current resale are classified as "trading securities;" and securities not classified as held-to-maturity or as trading securities are classified as "available-for-sale." Investments classified as trading or available-for-sale are required to be reported at fair value in the consolidated balance sheets. The Company currently has no securities classified as held-to-maturity or trading.

Available-for-sale securities are classified as such if not considered trading securities or if there is not the positive intent and ability to hold the securities to maturity. Such securities are carried at fair value with the unrealized holding gains (losses) and non-credit related impairment losses included as a component of other comprehensive income (loss) ("OCI") in the consolidated statements of comprehensive income. OCI is reported net of related adjustments to intangibles, deferred income taxes, and the accumulated unrealized holding gains (losses) on securities sold which are released into income as realized investment gains (losses).

For collateralized mortgage obligations ("CMOs") and mortgage-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the security is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security. This adjustment is included in net investment income. Included in this category is approximately $171,193 and $187,438 of mortgage-backed securities that are all or partially collateralized by sub-prime mortgages at December 31, 2014 and 2013, respectively. A sub-prime mortgage is defined as a mortgage with one or more of the following attributes: weak credit score, high debt-to-income ratio, high loan-to-value ratio or undocumented income. At December 31, 2014 and 2013, 94% and 79%, respectively of the Company's securities with sub-prime exposure were rated as investment grade.

Mortgage loans

Mortgage loans consist principally of commercial mortgage loans and are carried at the adjusted unpaid balances. The Company's lending policies allow for primarily first-lien mortgages that generally do not exceed 75% of the fair market value of the property allowing for sufficient excess collateral to absorb losses should the Company be required to foreclose and take possession of the collateral. The mortgage portfolio invests primarily in larger metropolitan areas across the U.S. and is diversified by type of property. Property and casualty insurance is required on all properties covered by mortgage loans at least equal to the excess of the loan over the maximum loan which would be permitted by law on the land without the buildings. Interest income on non-performing loans is generally recognized on a cash basis.

Policy loans

Policy loans are carried at unpaid principal balances.

Short-term investments

Short-term investments primarily include fixed income securities, stated at amortized cost, acquired with less than one year to maturity, direct reverse repurchase agreements and money market funds.

Derivative instruments

Derivative instruments consist of options, futures, interest rate floors, interest rate caps, foreign currency forwards, interest rate swaps and credit default swaps. Options, interest rate floors, interest rate caps, foreign currency forwards, interest rate swaps and credit default swaps are reported at fair value. Futures are reported at the cash balances held in counterparty variation margin accounts, which amount equals fair value.

Other invested assets

Other invested assets are primarily comprised of limited partnerships and certain investments held by VIE's in situations where the Company has been determined to be the primary beneficiary. Limited partnerships are recorded on the cost or equity method of accounting depending on the respective ownership percentage, ability to control or election to apply fair value accounting. In most cases, the carrying amounts represent the Company's share of the entity's underlying equity reported in its balance sheet. In situations where the Company has an ownership of less than 5%, the limited partnership is carried at cost. These investments are reviewed for impairment on a periodic basis. The aggregate carrying value of investments recorded on the cost method was $8,498 and $15,495 as of December 31, 2014 and 2013, respectively. Investments held by consolidated VIE's, which typically consist of equity investments, are reported at the values provided by the managers of each VIE.

Other-than-temporary impairment losses

The Company reviews its investments to determine if declines in value are other-than-temporary. If the fair value of a fixed maturity security is less than its amortized cost basis at the balance sheet date, the Company must assess whether the impairment is other-than-temporary. For fixed income securities, the primary factor the Company considers in its assessment of whether a decline in value is other-than-temporary is the issuer's ability to pay the amounts due according to the contractual terms of the investment. Additional factors considered in evaluating whether a decline in value is other-than-temporary are the length of time and magnitude by which the fair value is less than amortized cost, adverse conditions specifically related to the security, changes to the rating of the security by a rating agency, changes in the quality of underlying credit enhancements and changes in the fair value of the security subsequent to the balance sheet date.

When an other-than-temporary impairment ("OTTI") has occurred, the amount of the impairment charged against earnings depends on whether the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire impairment is recognized as a charge against earnings. If the Company does not intend to sell the security and it is not more likely than not it will be required to sell the security before recovery of its amortized cost basis, the impairment is bifurcated into a credit related loss and a non-credit related loss. The credit related loss is measured as the difference between the present value of cash flows expected to be collected from the debt security and the debt security's amortized cost. The amount of the credit related loss is recognized as a charge against earnings. The difference between the unrealized loss on the impaired debt security and the credit related loss charged against earnings is the non-credit related loss that is recognized in accumulated OCI.

The Company uses a single best estimate of cash flows approach and uses the effective yield prior to the date of impairment to calculate the present value of cash flows. The Company's assumptions for residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and collateralized debt obligations include collateral pledged, scheduled interest payments, default levels, delinquency rates and the level of nonperforming assets for the remainder of the investments' expected term. The Company's assumptions for corporate and other fixed maturity securities include scheduled interest payments and an estimated recovery value, generally based on a percentage return of the current market value.

After an other-than-temporary write-down, the new cost basis is the prior amortized cost less the credit loss. The adjusted cost basis is generally not adjusted for subsequent recoveries in fair value. However, if the Company can reasonably estimate future cash flows after a write-down and the expected cash flows indicate some or all of the credit related loss will be recovered, the discount or reduced premium recorded is amortized over the remaining life of the security. Amortization in this instance is computed using the prospective method and is determined based on the current estimate of the amount and timing of future cash flows.

During 2014, 2013 and 2012, the Company recorded $53,031, $21,132 and $15,459, respectively, of realized losses as a result of OTTI. These losses are included in net impairment loss recognized in earnings in the consolidated statements of income.

Investment income

Investment income is recorded when earned and includes interest received and accrued, amortization of purchased premium and discounts on securities, proceeds from derivatives and equity earnings from limited partnerships. Net realized investment gains (losses) are determined on the basis of specific identification of the investments. Dividends are recorded on the ex-dividend date.

Change in Accounting Principle

In 2014, the Company changed its accounting policy for recognizing certain rebates of investment management fees. Prior to 2014, these rebates were recognized in Net investment income of the Company. Beginning in 2014, the rebates will now be recorded at SFG, the Company's parent. This change in principle will better reflect net income at the parent company level where the investment decisions that result in the rebates are made. The Company retrospectively adopted this change in accounting principle as of January 1, 2014. The change in accounting principle is being treated as a reduction of net income coupled with a deemed contribution of capital from SFG to the Company in all periods retrospectively presented, therefore, there is no impact to net stockholders equity for the cumulative effect of the adoption as of January 1, 2012. The change in principle results in a decrease to net income (net of tax) in the 2013 and 2012 years presented of $12,088 and $8,392, respectively. The adoption results in an increase to additional paid-in-capital at 2013 and 2012 of $12,088 and $8,392, respectively. The following tables present the effect of the change on financial statement line items for prior periods that were retrospectively adjusted.

	December 31, 2013		
	As originally reported	Change in Accounting Principle	As adjusted
Assets:			
Total assets	$ 42,180,768	$ -	$ 42,180,768
Liabilities:			
Total liabilities	38,687,363	-	38,687,363
Stockholder's Equity:			
Additional paid in capital	404,815	(44,364)	449,179
Retained Earnings	2,556,492	44,364	2,512,128
Total SFG stockholder's equity	3,493,405	-	3,493,405
Total liab and stockholder's equity	$ 42,180,768	$ -	$ 42,180,768
Revenues:			
Net investment income	$ 1,645,776	$ 18,597	$ 1,627,179
Total revenues	2,725,564	18,597	2,706,967
Benefits and expenses:			
Total benefits and expenses	1,964,060	-	1,964,060
Income before income taxes	761,504	18,597	742,907
Income tax provision	238,998	6,509	232,489
Net income	$ 522,506	$ 12,088	$ 510,418

	December 31, 2012		
	As originally reported	Change in Accounting Principle	As adjusted
Assets:			
Total assets	$ 38,959,711	$ -	$ 38,959,711
Liabilities:			
Total liabilities	34,959,281	-	34,959,281
Stockholder's Equity:			
Additional paid in capital	375,003	(32,276)	407,279
Retained Earnings	2,156,427	32,276	2,124,151
Total SFG stockholder's equity	4,000,430	-	4,000,430
Total liab and stockholder's equity	$ 38,959,711	$ -	$ 38,959,711
Revenues:			
Net investment income	$ 1,360,396	$ 12,911	$ 1,347,485
Total revenues	2,039,859	12,911	2,026,948
Benefits and expenses:			
Total benefits and expenses	1,551,499	-	1,551,499
Income before income taxes	488,360	12,911	475,449
Income tax provision	142,028	4,519	137,509
Net income	$ 346,332	$ 8,392	$ 337,940

See Note 4 for further discussion of the Company's investments and investment income.

Cash

Cash consists of demand deposits and non-interest bearing deposits held by various commercial and custodial banks. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of material loss.

Derivatives and derivative instruments

The Company uses derivative instruments to manage its fixed indexed and policy obligation interest guarantees and interest rate and credit risks applicable to its investments. To mitigate these risks, the Company enters into interest rate and credit default swap agreements, interest rate floors, interest rate caps, futures contracts and equity indexed call options. To qualify for hedge accounting, the Company is required to formally document the hedging relationship at the inception of each derivative transaction. This documentation includes the specific derivative instrument, risk management objective, hedging strategy, identification of the hedged item, specific risk being hedged and how effectiveness will be assessed. To be considered an effective hedge, the derivative must be highly effective in offsetting the variability of the cash flows or the changes in fair value of the hedged item. Effectiveness is evaluated on a retrospective and prospective basis. As of December 31, 2014, the Company had no derivatives that qualify as effective hedges. The Company also uses foreign currency forwards to protect itself against currency fluctuations between trade and settlement dates on foreign financial instruments.

Derivative instruments are carried at fair value, with changes in derivative fair value related to non-hedge derivatives reflected as net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

The Company has certain reinsurance arrangements and fixed maturities containing embedded derivatives due to the incorporation of credit risk exposures that are not clearly and closely related to the creditworthiness of the obligor.

The agreements between the Company and its derivatives counterparties require the posting of collateral when the market value of the derivative instruments exceeds the cost of the instruments. Under guidelines implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company or its counterparties are required to post initial and variation margin collateral for certain swap derivatives entered into on or after June 10, 2013. Collateral posted by counterparties is reported in the consolidated balance sheets in short-term investments with a corresponding liability reported in repurchase agreements, other borrowings and collateral on derivative instruments. Collateral posted by the Company is reported in the consolidated balance sheets as a component of other receivables, other assets and property, plant and equipment.

See Note 5 for further discussion of the Company's derivatives and derivative instruments.

Accrued investment income

Accrued investment income consists of amounts due on invested assets. It excludes amounts the Company does not expect to receive.

Deferred policy acquisition costs

Policy acquisition costs that vary with, and are related to the successful acquisition of new and renewal insurance contracts are deferred to the extent that such costs are deemed recoverable from future profits. The costs result directly from and are essential to the contract transaction and would not have been incurred by the Company had the contract transaction not occurred. Such costs include commissions, policy issuance, underwriting and medical inspection fees. For traditional insurance policies, such costs are amortized over the estimated premium paying period of the related policies in proportion to the ratio of the annual premium revenues to the total anticipated premium revenues. For interest sensitive policies, these costs are amortized over the lives of the policies in relation to the present value of actual and estimated gross profits. Recoverability of DAC is evaluated on an annual basis by comparing the current estimate of future profits to the unamortized asset balance.

See Note 9 for further discussion of the Company’s DAC.

Deferred sales inducements

The Company defers certain sales inducement costs. Sales inducements consist of premium bonuses and bonus interest on the Company’s life and annuity products. The Company accounts and reports for certain sales inducements whereby capitalized costs are reported separately in the consolidated balance sheets and the amortization of the capitalized sales inducements is reported as a separate component of insurance benefits in the consolidated statements of income in accordance with authoritative guidance.

See Note 9 for further discussion of the Company’s DSI.

To the extent that unrealized investment gains or losses on available-for-sale securities would result in an adjustment to the amortization pattern of DAC and DSI had those gains or losses actually been realized, the adjustments are recorded directly to stockholders’ equity through OCI as an offset to the unrealized investment gains or losses on available-for-sale securities.

Present value of future profits of acquired businesses

The PVFP represents the portion of the purchase price of blocks of businesses that was allocated to the future profits attributable to the insurance in force at the dates of acquisition. The PVFP is amortized in relationship to the actual and expected emergence of such future profits. Based on current conditions and assumptions as to future events, the Company expects to amortize $546, $479, $399, $384, and $406 of the existing PVFP over the next five years. Recoverability of the PVFP is evaluated periodically by comparing the current estimate of future profits to the unamortized asset balance.

See Note 9 for further discussion of the Company’s PVFP.

Retrospective adjustments of DAC, DSI, and PVFP are made periodically upon revision of current or estimates of future gross profits on interest sensitive and investment-type products to be realized from a group of policies.

Reinsurance receivables

Liabilities ceded to reinsurance companies and receivables related to obligations due from those reinsurers to the Company are reported as reinsurance receivables. Funds withheld liabilities and embedded derivatives associated with certain annuity coinsurance with funds withheld agreements are also reported as reinsurance receivables in the consolidated balance sheets. The Company uses reinsurance for risk mitigation on life and annuity products and, in certain cases, capital relief. The Company generally reinsures the excess of each individual risk over $1,000 on ordinary life policies in order to spread its risk of loss. The Company remains contingently liable for the liabilities ceded in the event the reinsurers are unable to meet their obligations under the reinsurance agreements. To limit the possibility of such losses, the Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk. The Company generally reinsures with companies rated “A” or better by A.M. Best. The Company monitors these ratings on an on-going basis as it is at risk that a reinsurer may be downgraded after an agreement has been entered.

Separate account assets and liabilities

The separate accounts held by the Company are funds on which investment income and gains or losses accrue directly to certain policyholders. The assets of these accounts are legally separated and are not subject to the claims that may arise out of any other business of the Company. The Company reports its separate account assets at fair value. The underlying investment risks are assumed by the policyholders. The Company records the related liabilities at amounts equal to the fair value of the underlying assets. The Company reflects these assets and liabilities in separate account assets and liabilities in the consolidated balance sheets. The Company reports the fees earned for administrative and policyholder services performed for the separate accounts as a component of other income in the consolidated statements of income.

Policy claims and benefits payable

The liability for policy claims and benefits payable includes provisions for reported claims and estimates for claims incurred but not reported, based on the terms of the related policies and contracts and on prior experience. Claim liabilities are based on estimates and are subject to future changes in claim severity and frequency. Estimates are periodically reviewed and adjustments are reflected in benefits incurred in the consolidated statements of income.

Recognition of traditional life insurance revenue and policy benefits

Traditional life insurance products include those products with fixed and guaranteed premiums and benefits. Life insurance premiums are recognized as premium income when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for policy benefit reserves and the amortization of DAC.

Policy benefit reserves for traditional life insurance policies reported in the consolidated balance sheets of $1,496,443 and $1,293,352 at December 31, 2014 and 2013, respectively, generally are computed by the net level premium method based on estimated future investment yield, mortality, morbidity and withdrawals that were appropriate at the time the policies were issued or acquired. Interest rate assumptions ranged from 6.00% to 9.00% in 2014 and 2013.

Recognition of revenue and policy benefits for interest sensitive life insurance products and investment contracts ("interest sensitive policies")

Interest sensitive policies are issued on a periodic and single premium basis. Amounts collected are credited to policyholder account balances. Revenues from interest sensitive policies consist of charges assessed against policyholder account balances for the cost of insurance, policy administration, and surrender charges. Revenues also include investment income related to the investments that support the policyholder account balances. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances. Benefits also include interest and fixed index amounts credited to the account balances.

Policyholder reserves for universal life and other interest sensitive life insurance and investment contracts, reported in the consolidated balance sheets as policyholder account balances of $33,608,754 and $31,227,329 at December 31, 2014 and 2013, respectively, are determined using the retrospective deposit method. Policy reserves consist of the policyholder deposits and credited interest and fixed index credits less withdrawal charges for mortality and policy administrative expenses. Interest crediting rates ranged primarily from 0.75% to 6.45% in 2014 and 1.00% to 6.45% in 2013. For certain contracts, these crediting rates extend for periods in excess of one year.

Repurchase agreements

As part of its investment strategy, the Company enters into repurchase agreements to increase the Company's investment return. The Company accounts for these transactions as secured borrowings, where the amount borrowed is tied to the fair value of the underlying collateral securities. Repurchase agreements involve a sale of securities and an agreement to repurchase the same securities at a later date at an agreed-upon price. As of December 31, 2014 and 2013, there were $2,677,167 and $2,260,749, respectively, of such agreements outstanding. The collateral for these agreements is reported in fixed maturities in the consolidated balance sheets.

Income taxes

Prior to 2014, the Company and its eligible subsidiaries filed a consolidated Federal income tax return with SEI and its other eligible subsidiaries. The policy for intercompany allocation of Federal income taxes was that the Company computed the provision for income taxes on a separate return basis as if the Company and its eligible subsidiaries were filing their own consolidated return. The Company made payment to, or received payment from, SEI in the amount it would have paid to, or received from, the Internal Revenue Service ("IRS") had it filed a consolidated tax return with only its own subsidiaries.

Effective January 1, 2014, SEI elected to be treated as an S Corporation and simultaneously elected to treat certain of its eligible subsidiaries as qualified subchapter S subsidiaries. As a result of these elections SFG will be treated as disregarded entity and included in SEI's Federal S Corporation income tax return. The Company will file a consolidated Federal income tax return with MNL Re and Solberg Re. The intercompany allocation agreement with SEI is no longer applicable effective January 1, 2014 as a result of the S Corporation election; however, MNL's agreements with MNL Re and Solberg Re remain in effect.

The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities, based on enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or some portion of the deferred tax assets will not be realized.

If applicable, the Company's liability for income taxes would include a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the IRS or other taxing jurisdictions. The Company recognizes tax benefits only on tax positions where it is more likely than not to prevail if reviewed by the IRS or another taxing authority.

Comprehensive income

Comprehensive income for the Company includes net income and OCI, which includes changes in pension liability and post-retirement liability, net unrealized investment gains (losses) on available-for-sale securities, non-credit portion of OTTI losses, and interest rate swaps accounted for as cash flow hedges (net of related adjustments to intangibles and deferred income taxes).

Reclassifications

Certain items in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Current income tax was reclassified from Income taxes liabilities to Other liabilities in the amount of $14,380 for 2013.

2. EFFECTS OF NEW AUTHORITATIVE GUIDANCE

Recently adopted authoritative guidance

Offsetting assets and liabilities

In December 2011, the FASB issued updated guidance regarding the disclosure of offsetting assets and liabilities. This new guidance requires an entity to disclose information on both a gross basis and net basis about both instruments and transactions eligible for offset in the consolidated balance sheets and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This guidance became effective January 1, 2014 and was applied retrospectively for all comparative periods presented. Other than the additional disclosure, the adoption of the guidance did not have any impact on the consolidated financial statements.

See Note 6 for further discussion of the Company's offsetting assets and liabilities.

Comprehensive income update

In February 2013, the FASB issued an update to improve the reporting of reclassifications out of accumulated OCI. The update does not change the current requirements for reporting net income or OCI in financial statements. The update requires an entity to report the effect of significant reclassifications out of accumulated OCI on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For amounts not required under U.S. GAAP to be reclassified in their entirety in the same reporting period, an entity must cross-reference other disclosures required under U.S. GAAP that provide additional detail about these amounts. This guidance became effective beginning January 1, 2014. Other than the additional disclosure, the adoption of the guidance did not have any impact on the consolidated financial statements.

Income taxes

In July 2013, the FASB issued guidance regarding the disclosure presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, when settlement in that manner is available under the tax law. This guidance became effective beginning January 1, 2014. The adoption of the guidance did not have any impact on the consolidated financial statements.

Recently issued authoritative guidance

Consolidation

In February 2015, the FASB issued an update to the consolidation guidance VIE. The updated guidance changes the evaluation process and criteria in determining whether an identified VIE is required to be consolidated in the Company's consolidated financial statements and disclosures. The new guidance will be effective beginning January 1, 2017. The Company is currently assessing the impact of the new guidance on its consolidated financial statements.

Repurchase Agreements

In June 2014, the FASB issued guidance requiring enhanced disclosures regarding repurchase agreements, repurchase to maturity and securities lending transactions. The additional disclosures required include (1) a disaggregation of the gross obligation by the class of collateral pledged, (2) the remaining maturity of the repurchase agreements, (3) a discussion of potential risks associated with the agreements and collateral pledged. The new guidance is effective for the Company beginning January 1, 2015. Other than additional disclosures, the adoption of this guidance should not have any impact on the consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of the Company's financial instruments are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Available-for-sale:				
Fixed maturities	$ 35,004,141	$ 35,004,141	$31,918,396	$31,918,396
Equity securities	629,968	629,968	458,537	458,537
Mortgage loans	2,946,469	2,920,819	1,947,951	1,921,909
Short-term investments	681,352	681,352	153,647	153,647
Derivative instruments	607,805	607,805	619,286	619,286
Other invested assets	977,601	989,362	848,632	860,070
Reinsurance receivables - embedded derivatives from reinsurance ceded	357,738	357,738	189,416	189,416
Separate account assets	1,279,865	1,279,865	1,126,513	1,126,513
Financial liabilities:				
Policyholder account balances:				
Investment-type insurance contracts	19,962,551	18,246,590	18,028,406	16,684,245
Indexed life and annuity embedded derivatives	284,982	284,982	286,801	286,801
Repurchase agreements, other borrowings and collateral on derivative instruments	4,049,716	4,049,716	3,467,680	3,467,680
Notes payable	383,440	383,440	142,000	142,000
Derivative instruments	2,485	2,485	14,488	14,488

Fair value measurements

Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value guidance also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Company determines the fair value of its investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments, market activity may be minimal or nonexistent and management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions, which involves a significant degree of judgment.

Investments for which market prices are not observable are generally private investments, securities valued using non-binding broker quotes or securities with very little trading activity. Fair values of private investments are determined by reference to public market or private transactions

or valuations for comparable companies or assets in the relevant asset class when such amounts are available. If these are not available, a discounted cash flow analysis using interest spreads adjusted for the maturity/average life differences may be used. Spread adjustments are intended to reflect an illiquidity premium and take into account a variety of factors including but not limited to senior unsecured versus secured, par amount outstanding, number of holders, maturity, average life, composition of lending group, debt rating, credit default spreads, default rates and credit spreads applicable to the security sector. These valuation methodologies involve a significant degree of judgment.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets that the Company has the ability to access for identical financial instruments as of the reporting date. The types of financial instruments included in Level 1 are listed equities, mutual funds, money market funds, non-interest bearing cash, exchange traded futures and options, and separate account assets. As required by the fair value measurements guidance, the Company does not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Fair values are based on quoted prices for similar assets or liabilities in active and inactive markets. Inactive markets involve few transactions for similar assets or liabilities and the prices are not current or price quotations vary substantially over time or among market makers, which would include some broker quotes. Level 2 inputs also include corroborated market data such as interest rate spreads, yield curves, volatilities, prepayment speeds, credit risks and default rates. Financial instruments that are generally included in this category include corporate bonds, asset-backed securities, CMOs, short-term securities, less liquid and restricted equity securities and over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial instruments. Financial instruments that are included in this category generally include private corporate securities, collateralized debt obligations and indexed life and annuity embedded derivatives.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source of the information from which the Company obtains the information. Transfers in or out of any level are measured as of the beginning of the period.

The Company relies on third party pricing services and independent broker quotes to value fixed maturity and equity securities. The third party pricing services use discounted cash flow models or the market approach to value the securities when the securities are not traded on an exchange. The following characteristics are considered in the valuation process: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark and comparable securities, estimated cash flows and prepayment speeds.

The Company performs both quantitative and qualitative analysis of the prices. The review includes initial and ongoing review of the third party pricing methodologies, back testing of recent trades, and review of pricing trends and statistics.

The following tables summarize the valuation of the Company's financial instruments carried at fair value in the consolidated balance sheets as of December 31, 2014 and 2013 by the fair value hierarchy levels defined in the fair value measurements guidance. Methods and assumptions used to determine the fair values are described in Note 1:

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets (carried at fair value):				
Fixed maturities:				
U.S. government and agencies	$ -	$ 2,807,447	$ -	$ 2,807,447
Municipal securities	-	4,646,798	4,237	4,651,035
Corporate securities	-	14,255,710	813,167	15,068,877
Residential mortgage-backed securities	-	3,187,126	122,039	3,309,165
Commercial mortgage-backed securities	-	1,656,970	8,415	1,665,385
Asset-backed securities	-	4,420,231	2,885,885	7,306,116
Other debt obligations	-	13,086	183,030	196,116
Total fixed maturities	-	30,987,368	4,016,773	35,004,141
Equity securities:				
Financial services	41,893	295,891	7,661	345,445
Other	98,519	184,373	1,631	284,523
Total equity securities	140,412	480,264	9,292	629,968
Derivative instruments:				
Options	28,400	207,304	-	235,704
Interest rate swaps, credit default swaps, interest rate floors, and interest rate caps	-	72,451	-	72,451
Foreign exchange derivatives	-	3,635	-	3,635
Futures	-	296,015	-	296,015
Total derivative instruments	28,400	579,405	-	607,805
Reinsurance receivables - embedded derivatives from reinsurance ceded:				
Indexed annuity products ceded	-	-	57,721	57,721
Annuity funds withheld and modco	-	-	300,017	300,017
Total reinsurance receivables	-	-	357,738	357,738
Separate account assets	1,279,865	-	-	1,279,865
Financial liabilities (carried at fair value):				
Policyholder account balances - indexed life and annuity embedded derivatives	-	-	284,982	284,982
Derivative instruments:				
Written options	-	2,485	-	2,485

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets (carried at fair value):				
Fixed maturities:				
U.S. government and agencies	$ -	$ 2,503,463	$ -	$ 2,503,463
Municipal securities	-	3,944,529	13,790	3,958,319
Corporate securities	-	12,504,818	758,726	13,263,544
Residential mortgage-backed securities	-	3,697,868	183,210	3,881,078
Commercial mortgage-backed securities	-	1,550,336	114	1,550,450
Asset-backed securities	-	3,487,183	3,064,504	6,551,687
Other debt obligations	-	36,324	173,531	209,855
Total fixed maturities	-	27,724,521	4,193,875	31,918,396
Equity securities:				
Financial services	36,225	221,691	4,171	262,087
Other	2,146	114,796	79,508	196,450
Total equity securities	38,371	336,487	83,679	458,537
Derivative instruments:				
Options	-	358,926	-	358,926
Interest rate swaps, credit default swaps, and interest rate floors	-	18,806	-	18,806
Futures	241,554	-	-	241,554
Total derivative instruments	241,554	377,732	-	619,286
Reinsurance receivables - embedded derivatives from reinsurance ceded:				
Indexed annuity products ceded	-	-	57,314	57,314
Annuity funds withheld and modco	-	-	132,102	132,102
Total reinsurance receivables	-	-	189,416	189,416
Separate account assets	1,126,513	-	-	1,126,513
Financial liabilities (carried at fair value):				
Policyholder account balances - indexed life and annuity embedded derivatives	-	-	286,801	286,801
Derivative instruments:				
Interest rate swaps and credit default swaps	-	571	-	571

Approximately 11% and 13% of the total fixed maturities are included in the Level 3 group at December 31, 2014 and 2013, respectively.

The following tables summarize certain financial instruments categorized as Level 3 by valuation methodology as of December 31, 2014 and 2013:

	December 31, 2014		
	Third-party Source	Priced Internally	Total
Fixed maturities:			
Municipal securities	$ -	$ 4,237	$ 4,237
Corporate securities	-	813,167	813,167
Residential mortgage-backed securities	-	122,039	122,039
Commercial mortgage-backed securities	-	8,415	8,415
Asset-backed securities	-	2,885,885	2,885,885
Other debt obligations	-	183,030	183,030
Total fixed maturities	-	4,016,773	4,016,773
Equity securities:			
Financial services	-	7,661	7,661
Other	-	1,631	1,631
Total equity securities	-	9,292	9,292
Reinsurance receivables - embedded derivatives from reinsurance ceded:			
Indexed annuity products ceded	-	57,721	57,721
Annuity funds withheld and modco	-	300,017	300,017
Total reinsurance receivables	-	357,738	357,738
Policyholder account balances - indexed life and annuity embedded derivatives	$ -	$ 284,982	$ 284,982

	December 31, 2013		
	Third-party Source	Priced Internally	Total
Fixed maturities:			
Municipal securities	$ -	$ 13,790	$ 13,790
Corporate securities	-	758,726	758,726
Residential mortgage-backed securities	-	183,210	183,210
Commercial mortgage-backed securities	-	114	114
Asset-backed securities	-	3,064,504	3,064,504
Other debt obligations	-	173,531	173,531
Total fixed maturities	-	4,193,875	4,193,875
	-		
Equity securities:			
Financial services		4,171	4,171
Other	-	79,508	79,508
Total equity securities	-	83,679	83,679
	-		
Reinsurance receivables - embedded derivatives from reinsurance ceded:			
Indexed annuity products ceded		57,314	57,314
Annuity funds withheld and modco	-	132,102	132,102
Total reinsurance receivables	-	189,416	189,416
	-		
Policyholder account balances - indexed life and annuity embedded derivatives	$ -	$ 286,801	$ 286,801

Included in the December 31, 2014 Level 3 fixed maturities are private asset-backed securities, categorized as asset-backed securities, with unique fair value considerations. The private asset-backed securities consist of forty-two securities with a par value of $2,033,282 and a fair value of $1,994,082. These securities were structured by the Company's investment advisor Guggenheim Partners Investment Management ("GPIM"), an affiliate, between 2006 and 2009. The market for these securities is very limited and, as a result, there is a lack of observable market inputs. These securities are supported by invested assets held in trusts. The invested assets typically consist of a zero coupon U.S. Government or Government Agency security that has a par value and maturity equal to the par value and maturity of the applicable asset-backed security. The interest obligation applicable to these securities is supported by the remaining assets held in the trust. As a note holder in these trusts, the Company does not have access to detailed information about the underlying collateral in the trusts. As such, the Company makes certain assumptions regarding the underlying collateral in order to determine a fair value for these securities.

The Company has developed internal pricing models to determine the fair values of the private asset-backed securities. The internal models use cash flow projections with input assumptions consistent with market estimates for AA+/Aaa structured finance securities. The models assume limited liquidity and include conservative assumptions regarding the collateral underlying the interest obligations due to the Company's limited access to information on the collateral.

Quantitative Information Regarding Internally Priced Level 3 Assets and Liabilities

The following table summarizes significant internally priced Level 3 Assets and Liabilities:

	December 31, 2014			
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Financial assets:				
Fixed maturities:				
Asset backed securities	2,885,885	Discounted cash flow	Spread over swaps	2.18% - 11.58% (3.81%)
			Spread over LIBOR	2.50% - 3.89% (2.65%)
			Discount rate	3.53% - 20% (8.40%)
			Spread over treasury	2.84% - 2.84% (2.84%)
Corporate securities	813,167	Discounted cash flow	Discount rate	1.60% - 4.85% (2.88%)
			Spread over treasury	7.00% - 10.00% (8.95%)
		Matrix model	EBITDA multiple	4.1 - 12.4 (9.73)
		Recent trade	Recent trade price	99 - 99 (99)
Reinsurance receivables- embedded derivatives from reinsurance ceded:				
Annuity funds withheld and modco	300,017	Total return swap	Mortality	1% - 9% (3%)
			Surrender	1% - 15% (7%)
			Withdrawal	0% - 6% (2%)
			Credited rate	2% - 3% (3%)
			Own credit	1.24%
Indexed annuity products ceded	57,721	Discounted cash flow	Lapse	50%
			Withdrawal	20%
			Credit risk	1.24%
Financial liabilities:				
Policyholder account balances				
Indexed life and annuity embedded derivatives	284,982	Discounted cash flow	Mortality	0% - 20% (1%)
			Lapse	20% - 50% (48%)
			Withdrawal	0% - 20% (19%)
			Credit risk	1.24% - 1.31% (1.24%)

	December 31, 2013			
	Fair Value	**Valuation Techniques**	**Unobservable Input**	**Range (Weighted Average)**
Financial assets:				
Fixed maturities:				
Asset backed securities	$ 3,064,504	Discounted cash flow	Spread over swaps	2.10% - 2.98% (2.24%)
			Spread over LIBOR	1.84% - 15.12% (3.46%)
			Discount Rate	2.7% - 5.32% (3.91%)
			Vendor spread pricing	2.8% - 4.14% (3.05%)
		Recent trade	Recent trade price	100 - 100 (100)
		Cap at call or maturity price	Call or maturity value	99.72 - 99.72 (99.72)
Corporate securities	758,726	Discounted cash flow	Discount rate	3.27% - 22.75% (5.14%)
			Vendor spread pricing	3.30% - 4.95% (3.73%)
			Spread over swaps	2.38% - 2.38% (2.38%)
			Spread over LIBOR	6.50% - 6.50% (6.50%)
		Matrix model	EBITDA multiple	3.50 - 11.60 (7.40)
			Spread over treasury	2.60% - 2.60% (2.60%)
		Recent trade	Recent trade price	59 - 100 (95.98)
		Credit tenant loan model	Spread over treasury	2.60% - 2.60% (2.60%)
Reinsurance receivables- embedded derivatives from reinsurance ceded:				
Annuity funds withheld and modco	132,102	Total return swap	Mortality	1% - 8% (3%)
			Surrender	2% - 14% (7%)
			Withdrawal	0% - 4% (2%)
			Credited rate	2% - 3% (3%)
			Own credit	1.59%
Indexed annuity products ceded	57,314	Discounted cash flow	Lapse	50%
			Withdrawal	20%
			Credit risk	1.59%
Financial liabilities:				
Policyholder account balances				
Indexed life and annuity embedded derivatives	286,801	Discounted cash flow	Mortality	0% - 20% (1%)
			Lapse	20% - 50% (49%)
			Withdrawal	0% - 20% (19%)
			Credit risk	1.59% - 1.72% (1.60%)

The tables above exclude certain securities for which the fair value was based on non-binding broker quotes where the Company could not reasonably obtain the quantitative unobservable inputs.

The changes in financial instruments measured at fair value, excluding accrued interest income, for which Level 3 inputs were used to determine fair value during 2014 and 2013 are as follows:

	December 31, 2014								
		Realized and Unrealized Gains (Losses)							
	Beginning Balance	Included in Net Income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers in and/or out of Level 3 [(A)]	Ending Balance
Financial assets (carried at fair value):									
Fixed maturities:									
Municipal securities	$ 13,790	$ -	$ 2,558	$ -	$ -	$ -	$ -	$ (12,111)	$ 4,237
Corporate securities	758,726	(46,638)	35,093	411,804	(243,544)	-	-	(102,274)	813,167
Residential mortgage-backed securities	183,210	828	11,375	-	(36,919)	-	-	(36,455)	122,039
Commercial mortgage-backed securities	114	(169)	56	-	-	-	-	8,414	8,415
Asset-backed securities	3,064,504	(12,930)	28,497	396,442	(399,979)	-	-	(190,649)	2,885,885
Other debt obligations	173,531	163	7,589	-	(20,874)	-	-	22,621	183,030
Total fixed maturities	4,193,875	(58,746)	85,168	808,246	(701,316)	-	-	(310,454)	4,016,773
Equity securities:									
Financial services	4,171	-	3,490	-	-	-	-	-	7,661
Other	79,508	(5,577)	(72,300)	-	-	-	-	-	1,631
Total equity securities	83,679	(5,577)	(68,810)	-	-	-	-	-	9,292
Reinsurance receivables - embedded derivatives from reinsurance ceded									
Indexed annuity products ceded	57,314	1,955	-	-	-	-	(1,548)	-	57,721
Annuity funds withheld and modco	132,102	86,201	-	-	-	-	81,714	-	300,017
Total reinsurance receivables	189,416	88,156	-	-	-	-	80,166	-	357,738
Financial liabilities (carried at fair value):									
Policyholder account balances - indexed life and annuity embedded derivatives [(B)]	286,801	22,612	-	-	-	(28,742)	7,949	-	284,982

[(A)] Included in the transfers in and/or out column above is $441,106 of securities priced using unobservable data at December 31, 2014 that were valued by a pricing service using observable market data at December 31, 2014, and $130,656 of securities transferred into Level 3 that did not have enough observable data to include in Level 2 at December 31,

[(B)] Excludes host accretion and the timing of crediting index credits to policyholder, which are included in interest credited to policyholder account balances in the consolidated statements of income.

	December 31, 2013								
		Realized and Unrealized Gains (Losses)							
	Beginning Balance	Included in Net Income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers in and/or out of Level 3 [(A)]	Ending Balance
Financial assets (carried at fair value):									
Fixed maturities:									
Municipal securities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,790	$ 13,790
Corporate securities	1,164,919	12,330	(37,912)	482,546	(256,755)	-	-	(606,402)	758,726
Residential mortgage-backed securities	169,626	(219)	(2,922)	9,050	(32,941)	-	-	40,616	183,210
Commercial mortgage-backed securities	197	(27)	(56)	-	-	-	-	-	114
Asset-backed securities	2,658,846	1,047	(7,198)	553,681	(180,440)	-	-	38,568	3,064,504
Other debt obligations	141,828	101	(6,329)	46,385	(8,454)	-	-	-	173,531
Total fixed maturities	4,135,416	13,232	(54,417)	1,091,662	(478,590)	-	-	(513,428)	4,193,875
Equity securities:									
Financial survives	14,829	2,773	(962)	31	(12,500)	-	-	-	4,171
Other	59,586	8,215	20,756	7,000	(16,049)	-	-	-	79,508
Total equity securities	74,415	10,988	19,794	7,031	(28,549)	-	-	-	83,679
Reinsurance receivables - embedded derivatives from reinsurance ceded									
Indexed annuity products ceded	44,356	12,222	-	-	-	-	736	-	57,314
Annuity funds withheld and modco	174,549	56,961	-	-	-	-	(99,408)	-	132,102
Total reinsurance receivables	218,905	69,183	-	-	-	-	(98,672)	-	189,416
Financial liabilities (carried at fair value):									
Policyholder account balances - indexed life and annuity embedded derivatives [(B)]	181,550	(84,587)	-	-	-	(24,121)	3,457	-	286,801

[(A)] Included in the transfers in and/or out column above is $667,937 of securities priced using unobservable data at December 31, 2012 that were valued by a pricing service using observable market data at December 31, 2013 and $154,506 of securities transferred into Level 3 that did not have enough observable data to include in Level 2 at December 31,

[(B)] Excludes host accretion and the timing of crediting index credits to policyholder, which are included in interest credited to policyholder account balances in the consolidated statements of income.

The total gains (losses) included in earnings related to financial instruments categorized at Level 3 still held at December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Financial assets (carried at fair value):			
Fixed maturities:			
Corporate securities	$ (47,602)	$ 114	$ (3,443)
Residential mortgage-backed securities	-	(6)	(7,482)
Commercial mortgage-backed securities	-	(27)	-
Asset-backed securities	-	-	(1)
Other debt obligations	35	101	93
Total fixed maturities	(47,567)	182	(10,833)
Equity securities			
Other	(5,577)	-	-
Total equity securities	(5,577)	-	-
Reinsurance receivables - embedded derivatives from reinsurance ceded:			
Indexed annuity products ceded	1,955	12,222	51,717
Annuity funds withheld and modco	86,201	56,961	28,894
Total reinsurance receivables	88,156	69,183	80,611
Annuity funds withheld and modco			
Policy account balances - indexed life and annuity embedded derivatives	22,612	(84,587)	(194,576)

The following table shows the investments which are included in other invested assets (primarily limited partnerships, private and residual equity investments) in the consolidated balance sheets:

	December 31, 2014		December 31, 2013	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Fixed income	$ 789,286	$ 70,637	$ 726,082	$ 47,672
Private equity	73,479	39,195	67,287	15,026
Real estate	18,080	1,818	26,262	1,818
Residual equity	80,455	-	-	-
Other	28,062	-	40,439	-
	$ 989,362	$ 111,650	$ 860,070	$ 64,516

Limited partnership interests are not redeemable at specific time periods. The Company receives periodic distributions from these investments while maintaining the investment for the long-term.

4. INVESTMENTS AND NET INVESTMENT INCOME

Available-for-sale securities

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of fixed maturities and equity securities classified as available-for-sale at December 31, 2014 and 2013 are as follows:

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities				
U.S. government and agencies	$ 2,601,114	$ 219,939	$ 13,606	$ 2,807,447
Municipal securities	3,979,759	676,745	5,469	4,651,035
Corporate securities	14,059,704	1,095,181	86,008	15,068,877
Residential mortgage-backed securities	3,059,339	274,826	25,000	3,309,165
Commercial mortgage-backed securities	1,614,914	54,525	4,054	1,665,385
Asset-backed securities	7,201,644	172,351	67,879	7,306,116
Other debt obligations	179,591	16,801	276	196,116
Total fixed maturities	32,696,065	2,510,368	202,292	35,004,141
Equity securities				
Financial services	341,876	13,612	10,043	345,445
Other	174,984	111,078	1,539	284,523
Total equity securities	516,860	124,690	11,582	629,968
Total available-for-sale	$33,212,925	$ 2,635,058	$ 213,874	$35,634,109

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities				
U.S. government and agencies	$ 2,539,185	$ 85,650	$ 121,372	$ 2,503,463
Municipal securities	3,706,862	284,526	33,069	3,958,319
Corporate securities	12,813,054	710,892	260,402	13,263,544
Residential mortgage-backed securities	3,750,060	241,896	110,878	3,881,078
Commercial mortgage-backed securities	1,582,941	41,005	73,496	1,550,450
Asset-backed securities	6,429,925	190,015	68,253	6,551,687
Other debt obligations	203,423	8,114	1,682	209,855
Total fixed maturities	31,025,450	1,562,098	669,152	31,918,396
Equity securities				
Financial services	259,859	10,060	7,832	262,087
Other	113,886	82,823	259	196,450
Total equity securities	373,746	92,883	8,091	458,537
Total available-for-sale	$31,399,195	$ 1,654,981	$ 677,243	$32,376,933

The amortized cost and estimated fair value of available-for-sale fixed maturities at December 31, 2014 and 2013, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	2014		2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 310,143	$ 312,950	$ 109,176	$ 110,722
Due after one year through five years	2,296,310	2,526,243	2,080,557	2,246,438
Due after five years through ten years	7,407,285	7,828,444	6,625,769	6,908,715
Due after ten years	11,934,126	13,191,234	11,756,036	11,987,390
Securities not due at a single maturity date (primarily mortgage-backed securities)	10,748,201	11,145,270	10,453,912	10,665,131
Total fixed maturities	$ 32,696,065	$ 35,004,141	$ 31,025,450	$ 31,918,396

Gross unrealized losses

The Company's gross unrealized losses and fair value on its available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. government and agencies	$ 21,485	$ 75	$ 515,441	$ 13,531	$ 536,926	$ 13,606
Municipal securities	9,257	97	64,735	5,372	73,992	5,469
Corporate securities	705,896	21,629	1,268,820	64,379	1,974,716	86,008
Residential mortgage-backed securities	25,137	151	475,062	24,849	500,199	25,000
Commercial mortgage-backed securities	83,452	559	346,016	3,495	429,468	4,054
Asset-backed securities	1,566,158	16,890	1,299,485	50,989	2,865,643	67,879
Other debt obligations	-	-	18,390	276	18,390	276
Total fixed maturities	2,411,385	39,401	3,987,949	162,891	6,399,334	202,292
Equity securities:						
Financial services	38,892	8,978	13,254	1,065	52,146	10,043
Other	54,693	1,013	253	526	54,946	1,539
Total equity securities	93,585	9,991	13,507	1,591	107,092	11,582
Total available-for-sale	$ 2,504,970	$ 49,392	$ 4,001,456	$ 164,482	$ 6,506,426	$ 213,874

	December 31, 2013					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. government and agencies	$ 1,406,137	$ 117,690	$ 14,089	$ 3,682	$ 1,420,226	$ 121,372
Municipal securities	566,845	28,608	54,063	4,461	620,908	33,069
Corporate securities	3,265,043	141,460	955,273	118,942	4,220,316	260,402
Residential mortgage-backed securities	1,117,654	101,212	89,253	9,666	1,206,907	110,878
Commercial mortgage-backed securities	631,591	55,503	241,987	17,996	873,578	73,496
Asset-backed securities	889,546	11,683	1,212,458	56,570	2,102,004	68,253
Other debt obligations	21,410	955	28,938	727	50,348	1,682
Total fixed maturities	7,898,226	457,111	2,598,061	212,041	10,494,287	669,152
Equity securities:						
Financial services	85,256	4,804	15,845	3,028	101,101	7,832
Other	1,296	50	383	209	1,679	259
Total equity services	86,552	4,854	16,228	2,137	102,780	8,091
Total available-for-sale	$ 7,984,778	$ 461,965	$ 2,612,289	$ 215,278	$ 10,597,067	$ 677,243

At December 31, 2014, the Company held 7,731 positions in fixed income and equity securities. The above table includes 561 securities of 430 issuers as of December 31, 2014. At December 31, 2014, 78%

of the unrealized losses on fixed maturities were securities rated investment grade. Investment grade securities are defined as those securities rated AAA through BBB – by Standard & Poor's. At December 31, 2014, 22% of the unrealized losses on fixed maturities were on securities rated below investment grade. Equity securities in the above table consist primarily of non-redeemable preferred stocks and an exchange listed common stock. These securities are reviewed for impairment in the same manner as the fixed income securities. At December 31, 2014, fixed income and equity securities in an unrealized loss position had fair value equal to approximately 97% of amortized cost.

The following summarizes the unrealized losses by investment category as of December 31, 2014.

U.S. Government and agencies

The U. S. government and agencies represent 6% of the unrealized losses at December 31, 2014. The total unrealized losses in this category have decreased significantly at December 31, 2014 compared to December 31, 2013. The unrealized losses are applicable to securities with yields lower than the market yield available on similar securities at December 31, 2014. The table above indicates a majority of the unrealized losses have been in an unrealized loss position for twelve months or more. These unrealized losses are due to the rise in market interest rates during 2013 and 2014 from year end 2012 levels. At this time the Company believes these impairments are temporary and the Company does not intend or believe it will be required to sell these securities before recovery of its amortized cost.

Municipal securities

The municipal category, which represents 3% of the unrealized losses at December 31, 2014, includes bonds issued by state and local governments and school district tax credit bonds. The total unrealized losses in this category have decreased significantly at December 31, 2014 compared to December 31, 2013. The unrealized losses in this category are primarily the result of concerns regarding possible defaults by state and local governments, including the Commonwealth of Puerto Rico. The Company does not believe there will be significant defaults in this sector in the short or long-term. The Company believes it will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, therefore impairment losses have not been recognized in this sector.

Corporate securities

Corporate Securities represent the largest category of unrealized losses at December 31, 2014 representing 40% of unrealized losses. The total unrealized losses in this category that have decreased significantly at December 31, 2014 compared to December 31, 2013. The unrealized losses in this category that have been in an unrealized loss position for twelve months or more are primarily in the financial services and military housing sectors. The financial services sector unrealized losses are in the commercial banking sector, including foreign banks and large U.S. national and regional banks. The Company recognized corporate securities impairment losses of $46,808 and $14,124 for the years ended December 31, 2014 and 2013, respectively. The impairment losses recognized in 2014 were principally related to a restructuring by a specialty retailer and defaults on debt issued by a gaming company. The Company has reviewed the other unrealized losses in the corporate securities sector and believes the impairments are temporary and the company does not intend to sell or believe it will be required to sell these securities before recovery of each security's amortized cost.

Residential mortgage-backed securities ("RMBS")

The unrealized losses on RMBS, which represents 12% of unrealized losses at December 31, 2014, are concentrated in the non-agency sector. The total unrealized losses in this category have decreased significantly at December 31, 2014 compared to December 31, 2013. A substantial majority of the unrealized losses at December 31, 2014 are in the twelve months or more category. These unrealized losses are primarily attributable to the increase in market interest rates in this sector during 2013 and 2014 from the 2012 levels. The Company performs various stress tests on the cash flow projections for these securities and in situations where it is determined the projected cash flows cannot support the contractual amounts due the Company, an OTTI is recognized. In situations where the projected cash flows indicate the Company will receive the amounts it is contractually due and the Company does not intend or believe it will be required to sell these securities before recovery of its amortized cost, an OTTI is not recognized. The Company recognized no impairment losses on RMBS during the year ended December 31, 2014 and during the year ended December 31, 2013.

Commercial mortgage-backed securities ("CMBS")

The unrealized losses on CMBS, which represents 2% of unrealized losses at December 31, 2014, are primarily attributable to illiquidity applicable to certain securities in that sector and concerns regarding the potential for future commercial mortgage defaults. The total unrealized losses in this category have decreased significantly at December 31, 2014 compared to December 31, 2013. The Company has reviewed payment performance, delinquency rates, and credit enhancements within the security structures and monitored the credit ratings of all its CMBS holdings. The Company has performed cash flow projection analyses on all of its CMBS and in those situations where it appears the Company will receive all amounts contractually due and it does not intend to sell or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

Asset-backed securities ("ABS")

The unrealized losses in ABS, which represents 32% of unrealized losses at December 31, 2014, are primarily related to collateralized debt obligations backed by various consumer and commercial finance loans. This category also includes structured notes backed by diversified investment portfolios. In addition, the Company has recognized unrealized losses applicable to private ABS securities within this category, which losses are primarily included in the less than twelve months category. The unrealized losses are primarily due to wide credit spreads in this sector, particularly related to private ABS. The unrealized losses in this category have decreased in the twelve months or more category due to the sale of some private ABS securities and have increased in the less than twelve months category due to unrealized losses on other private ABS securities. The Company stress tests the projected cash flows of its ABS and recognizes OTTI in situations where the testing indicates the Company will not receive all amounts contractually due from the securities. This category also includes fixed income securities containing embedded derivatives. The Company recognized ABS impairment losses of $646 for the year ended December 31, 2014. In those situations where it appears the Company will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

Other debt obligations

This category primarily consists of credit tenant loans. The unrealized losses in this category are the result of concerns regarding the credit worthiness of the building tenants and illiquidity in this market sector. The unrealized losses on these securities have decreased during the year ended December 31, 2014 compared to

the unrealized losses at December 31, 2013. The Company monitors the creditworthiness of the obligors and recognizes OTTI in situations where it is determined the Company will not receive all amounts contractually due from the securities. In those situations where it appears the Company will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

Equity securities

This category, which represents 5% of unrealized losses at December 31, 2014, primarily consists of one common equity position of a publicly listed equity security. The Company has a large position in this equity and the security changed from an unrealized gain at December 31, 2013 to a loss at December 31, 2014. The fair value of this equity position was 81% of its cost at December 31, 2014. The Company considers this unrealized loss to be temporary. The Company recognized credit related impairment losses of $5,577 and $7,008 applicable to equity securities for the years ended December 31, 2014 and 2013, respectively.

Other-than-temporary impairments

As a result of the Company's review of OTTI of investment securities, the Company recorded net impairment losses recognized in earnings during 2014, 2013 and 2012, as summarized in the following table:

	2014	2013	2012
Corporate securities	$ 46,808	$ 14,124	$ 8,560
Residential mortgage-backed securities	-	-	6,899
Asset-backed securities	646	-	-
Preferred stock	5,577	7,008	-
Net impairment loss recognized in earnings	$ 53,031	$ 21,132	$ 15,459

The following is a roll-forward of credit losses for the years ended December 31, 2014 and 2013 on fixed maturities held by the Company for which a non-credit portion of the OTTI impairment was recognized in OCI:

	2014	2013
Balance, January 1	$ 4,351	$ 22,221
Additions for previously impaired securities	-	1,855
Reductions for impaired securities sold	(985)	(8,791)
Reductions for securities no longer with OTTI OCI loss	(3,366)	(10,934)
Balance, December 31	$ -	$ 4,351

The amounts of non-credit related OTTI losses recorded on fixed maturities that remain in accumulated OCI at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Residential mortgage-backed securities	$ -	$ 272
Total OTTI losses in accumulated OCI	$ -	$ 272

Net investment income and investment gains (losses)

The major categories of investment income reflected in the consolidated statements of income are summarized as follows:

	2014	2013	2012
Gross investment income			
Fixed maturities	$ 1,434,576	$ 1,306,237	$ 1,234,265
Equity securities	23,139	20,138	18,324
Mortgage loans	109,123	72,743	37,334
Policy loans	23,719	23,872	23,665
Short-term investments	3,845	12,088	3,659
Derivative instruments	149,267	172,407	(29,554)
Other invested assets	32,993	64,309	97,623
Total gross investment income	1,776,662	1,671,794	1,385,316
Less: Investment expenses	50,954	44,615	37,831
Net investment income	$ 1,725,708	$ 1,627,179	$ 1,347,485

Investment expenses primarily consist of investment advisor fees, interest expense on repurchase agreements, interest on FHLB advances and interest related to derivative collateral liabilities.

The major categories of realized investment gains and (losses) reflected in the consolidated statements of income are summarized as follows:

	2014	2013	2012
Fixed maturities	$ 241,840	$ 133,865	$ 45,830
Equity securities	(4,806)	(1,139)	9,341
Mortgage loans	36	1,737	(2,442)
Real estate	-	(250)	-
Short-term investments	22	(33)	(1,292)
Net realized investment gains	$ 237,092	$ 134,180	$ 51,437

Proceeds from the sale of available-for-sale securities and the gross realized gains and losses on these sales (prior to gains (losses) ceded to reinsurer and excluding OTTI losses, maturities, calls, exchanges and prepayments) during 2014, 2013 and 2012 were as follows:

	2014		2013		2012	
	Fixed Maturities	Equity Securities	Fixed Maturities	Equity Securities	Fixed Maturities	Equity Securities
Proceeds from sales	$ 3,438,655	$ 8,194	$ 1,860,869	$ 7,359	$ 1,857,145	$ 21,205
Gross realized gains	212,178	847	104,501	-	73,406	1,155
Gross realized losses	(25,413)	(487)	(9,927)	(312)	(33,961)	(891)

Mortgage Loans

The carrying value and related loan loss allowance of the mortgage loan portfolio is as follows:

	2014	2013
Carrying value	$ 2,946,727	$ 1,948,620
Loan loss allowance	(258)	(669)
Carrying value, net of allowance	$ 2,946,469	$ 1,947,951

The following table includes a breakdown of the Company's mortgage loans by property type as of December 31:

	2014		2013	
	Carrying Value	Percent	Carrying Value	Percent
Office	$ 1,202,077	41%	$ 708,088	38%
Retail	883,377	30%	567,055	29%
Multi-family	468,797	16%	350,921	18%
Industrial	124,971	4%	28,510	1%
Hotel	124,912	4%	140,350	7%
Other	68,025	2%	61,652	3%
Medical	48,822	2%	65,580	3%
Residential	25,746	1%	26,464	1%
	$ 2,946,727	100%	$ 1,948,620	100%

Mortgage loans by geographic locations are as follows as of December 31:

	2014		2013	
	Carrying Value	Percent	Carrying Value	Percent
South Atlantic	$ 953,241	33%	$ 643,867	32%
Pacific	716,102	24%	498,898	26%
Middle Atlantic	447,439	15%	287,708	15%
West South Central	207,149	7%	65,896	3%
East North Central	201,910	7%	198,884	10%
Mountain	187,445	6%	170,510	9%
New England	122,300	4%	272	0%
West North Central	64,436	2%	31,013	2%
East South Central	46,705	2%	51,572	3%
	$ 2,946,727	100%	$ 1,948,620	100%

The Company's mortgage loans by origination year are as follows as of December 31:

	Carrying Value	Percent
2014	$ 1,190,659	41%
2013	806,561	27%
2012	615,127	21%
2011	268,326	9%
2010 and prior	66,054	2%
Total	$ 2,946,727	100%

The Company has outstanding commitments on mortgage loans of $8,155 at December 31, 2014.

Any loan delinquent on contractual payments is considered non-performing. At December 31, 2014 and December 31, 2013, there were no non-performing loans over 90 days past due on contractual payments.

Information regarding the Company's credit quality indicators for its recorded investment in mortgage loans, gross of valuation allowances, as of December 31, 2014 and December 31, 2013 is as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	% of Total	Carrying Value	% of Total
Internal credit risk grade:				
High quality	$ 2,716,075	92%	$ 1,830,682	95%
Medium quality	167,616	6%	64,139	3%
Low quality	37,290	1%	25,001	1%
Watch list	-	0%	2,334	0%
Residential - unrated	25,746	1%	26,464	1%
Total mortgage loans	$ 2,946,727	100%	$ 1,948,620	100%

The Company reviews its mortgage loans for impairment on an on-going basis. It considers such factors as delinquency of payments, decreases in the value of underlying properties, the financial condition of the mortgagee and the impact of general economic conditions in the geographic areas of the properties collateralizing the mortgages. Once the determination is made that a mortgage loan is impaired, the primary consideration used to determine the amount of the impairment is the fair market value of the underlying property. The Company assumes it would receive the proceeds from the sale of the underlying property less sale expenses. The Company maintains an allowance for mortgage loan losses. The allowance is determined through an analysis of specific loans that are believed to have a higher risk of credit impairment. The rollforward of the allowance for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Balance at beginning of period	$ 669	$ 3,053
Allowances established/ provision released	(161)	(1,745)
Charge offs	(250)	(639)
Balance at end of period	$ 258	$ 669

Charge offs include the amount of loss resulting from writing specific mortgage loans to fair value and loans which were satisfied by taking ownership of the real estate. When the real estate is taken it is recorded at its fair value and the mortgage loan is recorded as fully paid. Provision released is applicable to loans determined to no longer require an allowance.

During the year ended December 31, 2014, there were no mortgages written down to fair value. There was $250 of allowance charge offs related to a reverse mortgage that was paid in full in 2014. The negotiated payoff amount for this reverse mortgage was less than the mortgage value. During the year ended December 31, 2013, two mortgages were written down to fair value. The amount of allowance charge offs related to these write downs was $639 during the year ended December 31, 2013. The Company did not restructure any mortgage loans during the years ended December 31, 2014 and 2013.

The Company did take ownership of one piece of real estate in each year 2014 and 2013 to satisfy a mortgage loan. Real estate is a component of other invested assets in the consolidated balance sheets.

The following table summarizes the activity in real estate owned which was obtained in satisfaction of mortgage loans on real estate:

	2014	2013
Real estate owned at beginning of period	$ 8,141	$ 8,272
Real estate acquired in satisfaction of mortgage loans	-	1,250
Property improvements	-	46
Sales	(3,652)	(1,177)
Gain (Loss) on sale of real estate	411	(250)
Real estate owned at end of period	$ 4,900	$ 8,141

Credit risk concentration

The Company generally strives to maintain a diversified invested assets portfolio. Other than investments in U.S. Government or U.S. Government Agencies, the Company had the following investments that exceeded 10% of the Company's stockholder's equity at December 31, 2014:

Guggenheim Partners Opportunistic Investment Grade Securities Fund, LLC	$ 541,690

Other

Federal Home Loan Bank of Des Moines

Midland National is a member of FHLB Des Moines. In order to maintain its membership and borrow funds, the Company was required to purchase FHLB equity securities that total $55,195 and $47,195 as of December 31, 2014 and 2013, respectively. These securities are included in equity securities and are carried at cost, which approximates fair value. Resale of these securities is restricted only to FHLB. As a member of FHLB, the Company can borrow money, provided that FHLB's collateral and stock ownership requirements are met. The maximum amount a member can borrow is twenty times its FHLB investment. The interest rate and repayment terms differ depending on the type of advance and the term selected. At December 31, 2014 and 2013, the Company had outstanding advances of $1,129,870 and $929,870, respectively from FHLB (see Note 8).

Deposits with regulatory authorities

At December 31, 2014 and 2013, securities with reported values of $3,244 and $3,519, respectively, were on deposit with regulatory authorities as required by law. These consist of fixed maturity securities reported in the consolidated balance sheets at fair value and have an amortized cost of $3,458 and $3,298, respectively.

5. DERIVATIVES AND DERIVATIVE INSTRUMENTS

The following table presents the notional amount and fair value of derivatives and derivative instruments:

	December 31, 2014		December 31, 2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets:				
Derivative instruments:				
Interest rate swaps	$ 242,660	$ 6,694	$ 255,390	$ 7,199
Credit default swaps - pay	-	-	56,000	234
Interest rate floors	113,000	13,039	113,000	11,373
Interest rate caps	2,490,000	52,718	-	-
Foreign exchange derivatives	24,552	3,635	-	-
Futures	2,522,174	296,015	1,807,451	241,554
Call options	5,839,695	235,704	4,413,365	358,926
		$ 607,805		$ 619,286
Reinsurance receivables - embedded derivatives from reinsurance ceded:				
Indexed annuity products ceded	N/A	$ 57,721	N/A	$ 57,314
Annuity funds withheld and modco	N/A	300,017	N/A	132,102
		$ 357,738		$ 189,416
Fixed maturities - asset-backed securities:				
Hybrid instruments		$ 695,254		$ 580,623
Liabilities:				
Investment-type insurance contracts embedded derivatives:				
Indexed life and annuity products		$ 284,982		$ 286,801
Derivative instruments				
Interest rate swaps	$ -	$ -	$ 42,900	$ 571
Written options	773,020	2,485	675,270	13,917
		$ 2,485		$ 14,488

All derivatives above are not designated as heding instruments.

The notional values above approximate the level of activity throughout 2014 and 2013.

Indexed options and futures

The Company has indexed annuity and indexed universal life products that provide for a guaranteed base return and a higher potential return tied to several major equity market indices. In order to fund these benefits, the Company purchases over-the-counter index options that compensate the Company for any appreciation over the strike price and offsets the corresponding increase in the policyholder obligation. The

Company also enters futures contracts and options to compensate it for increases in the same indices. The Company classifies these options and futures as derivative instruments.

The Company amortizes the cost of the indexed options against investment income over the term of the option, which is typically one year. When the options are exercised at maturity, the value received by the Company is reflected as net investment income in the consolidated statements of income.

The futures contracts have no initial cost and are marked to market daily. That daily mark-to-market is settled through the Company's variation margin accounts maintained with the counterparty. The Company reports the change in the difference between market value and amortized cost of indexed options and the change in the futures variation margin accounts as gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

Embedded derivatives related to indexed life and annuity products

The Company's indexed life and annuity products contain embedded derivatives. The fair value of the embedded options related to these direct and ceded policyholder obligations are based upon current and expected index levels and returns as well as assumptions regarding general policyholder behavior, primarily lapses and withdrawals. These projected benefit values are discounted to the current date using an assumed interest rate consistent with the duration of the liability adjusted to reflect the Company's credit risk and additional provision for adverse deviation. This value is then compared to the carrying value of the liability to calculate any gain or loss that is reflected in the consolidated statements of income as net gains (losses) on derivatives and derivative instruments.

The Company has two coinsurance with funds withheld reinsurance agreements as well as a modified coinsurance agreement with unaffiliated reinsurers. Under applicable guidance, the Company's reinsurance agreements contain embedded derivatives that require bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the Company. The embedded derivatives contained in the funds withheld liability have characteristics similar to a total return swap since the Company cedes the total return on a designated investment portfolio to the outside reinsurer. The reinsurer assumes the interest credited to the policyholders on the policies covered by the treaties, which interest is relatively fixed. The Company has developed models based on the expected cash flows of the ceded annuity business to estimate the fair value of the policy liabilities. The value of the derivative embedded in the funds withheld coinsurance agreements is equal to the difference between the fair value of the assets in the funds withheld portfolio and the fair value of the policy liabilities estimated from cash flow models. The value of the derivative embedded in the modified coinsurance agreement is equal to the difference between the fair value and cost basis of the underlying financial instruments in the modco portfolio. The value of the embedded derivative is reported in the consolidated balance sheets in reinsurance receivables. The net change in the reported value of the embedded derivatives is reported in net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

See Note 11 for further discussion related to the Company's coinsurance with funds withheld and modified coinsurance reinsurance agreements.

Embedded derivatives related to hybrid financial instruments

The Company holds hybrid financial instruments, fixed income securities with embedded derivatives, and has elected fair value measurement. These securities are reported in the consolidated balance sheets in fixed maturities, available-for-sale, at fair value. Any change in the fair value of the security is reported as net gains (losses) on derivatives and derivative instruments in the consolidated statements of income. The

amortized cost and fair value of the Company's hybrid financial instruments at December 31, 2014 was $665,000 and $695,254, respectively. The amortized cost and fair value of the Company's hybrid financial instruments at December 31, 2013 was $580,000 and $580,623, respectively. The decision to elect fair value measurement is made on an instrument-by-instrument basis under the guidance. The Company will consider making an election of fair value measurement at the time of any future acquisitions of hybrid financial instruments.

Other derivative instruments

The Company has also entered into interest rate floor, interest rate cap, interest rate swap and credit default swap agreements to help manage its overall exposure to interest rate changes and credit events. These swaps do not hedge specific assets or liabilities and as such are not accounted for as effective hedges. Included in the non-hedge swaps are credit default swaps where the Company is a protection provider and a protection buyer. As of December 31, 2014, the Company no longer had credit default swaps. The Company holds interest rate floor and cap agreements to protect itself against interest rate fluctuations in relation to crediting rates on its policyholder accounts. These swaps, caps and floors are reported at fair value in the consolidated balance sheets and changes in the fair value are reported as a component of net gains (losses) on derivatives and derivative instruments in the consolidated statements of income. Periodic interest rate and credit default swap settlements and current period changes in the swap accruals for these non-hedge swaps are reported as a component of net investment income in the consolidated statements of income with the payable or receivable included in accrued investment income in the consolidated balance sheets. The stated fair value of the applicable interest rate and credit default swaps excludes the current period accruals.

The Company will also enter into foreign currency forwards from time to time to protect itself against currency fluctuations between trade and settlement dates on foreign financial instruments. These forwards are reported at fair value in the consolidated balance sheets and changes in fair value are reported as a component of net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

The following table presents the impact of derivatives and derivative instruments not designated as hedging instruments in the consolidated statements of income:

	2014	2013	2012
Gains (losses) recognized in net gains (losses) on derivatives and derivative instruments:			
Interest rate swaps	$ 65	$ (9,694)	$ (2,747)
Credit default swaps - receive	-	340	(1,285)
Credit default swaps - pay	(234)	1,457	11,776
Interest rate floors	1,886	(5,383)	2,679
Interest rate caps	(7,275)	-	-
Foreign exchange derivatives	4,912	-	-
Embedded derivatives in:			
Indexed life and annuity products	1,820	(105,251)	(216,692)
Indexed annuity products ceded	32,736	(35,072)	52,005
Annuity funds withheld and modco	167,914	(42,447)	30,220
Hybrid instruments	29,632	(3,026)	(5,232)
Futures	245,698	351,302	105,352
Options	(133,841)	180,892	59,396
	$ 343,313	$ 333,118	$ 35,472
Gains (losses) recognized in net investment income:			
Interest rate and credit default swaps	$ 6,770	$ 9,901	$ 12,557
Interest rate floors	2,378	1,308	-
Options	140,119	161,198	(42,111)
	$ 149,267	$ 172,407	$ (29,554)

Collateral on derivative instruments

Collateral posted by counterparties at December 31, 2014 and 2013 applicable to derivative instruments was $241,402 and $276,872, respectively, and is reflected in the consolidated balance sheets in short-term investments. The obligation to repay the collateral is reflected in the consolidated balance sheets in repurchase agreements, other borrowings and collateral on derivative instruments.

6. OFFSETTING OF ASSETS AND LIABILITIES

Certain of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements are also in place requiring the Company or the counterparty to pledge collateral in the event minimum thresholds have been reached, typically related to the fair value of the outstanding derivatives. Additionally, certain of the Company's repurchase and reverse repurchase agreements provide for net settlement on termination of the agreement.

The Company reports derivative instruments, repurchase agreements, and reverse repurchase agreements on a gross basis within the consolidated balance sheet. The tables below present the Company's gross and net derivative instruments and gross and net repurchase agreements by asset and liabilities for the Company as December 31, 2014 and 2013:

	December 31, 2014		
	Gross Amounts Presented in the Balance Sheet	Financial Instruments/ Collateral	Net Amount
Offsetting of financial assets:			
Derivative instruments	$ 607,805	$ 241,402	$ 366,403
Reinsurance receivables - embedded derivatives from reinsurance ceded	357,738	-	357,738
Total derivative instruments subject to a master netting arrangement	965,543	241,402	724,141
Reverse repurchase agreements	98,300	98,300	-
Total financial assets	$ 1,063,843	$ 339,702	$ 724,141
Offsetting of financial liabilities:			
Derivative instruments	$ 2,485	$ -	$ 2,485
Investment-type insurance contracts - embedded derivatives	284,982	-	284,982
Total derivatives subject to a master netting arrangement	287,467	-	287,467
Repurchase agreements	2,677,167	2,677,167	-
Total financial liabilities	$ 2,964,634	$ 2,677,167	$ 287,467

	December 31, 2013		
	Gross Amounts Presented in the Balance Sheet	Financial Instruments/ Collateral	Net Amount
Offsetting of financial assets:			
Derivative instruments	$ 619,286	$ -	$ 619,286
Reinsurance receivables - embedded derivatives from reinsurance ceded	189,416	-	189,416
Total derivative instruments subject to a master netting arrangement	808,702	-	808,702
Reverse repurchase agreements	70,000	70,000	-
Total financial assets	$ 878,702	$ 70,000	$ 808,702
Offsetting of financial liabilities:			
Derivative instruments	$ 14,488	$ -	$ 14,488
Investment-type insurance contracts - embedded derivatives	286,801	-	286,801
Total derivatives subject to a master netting arrangement	301,289	-	301,289
Repurchase agreements	2,260,749	2,260,749	-
Total financial liabilities	$ 2,562,038	$ 2,260,749	$ 301,289

7. NONCONTROLLING INTERESTS AND VARIABLE INTEREST ENTITIES

In 2009, the Company completed a re-securitization transaction by transferring nonagency RMBS to a special interest entity, which then transferred the securities to a nonaffiliated Trust. The cash flows from the transferred securities will be used to service re-tranched and re-rated securities issued by the Trust. Upon completion of the re-securitization, the previous carrying amount of the transferred securities was allocated to the securities issued by the Trust. The beneficial interests in the remaining securities issued by the Trust had been retained by the Company and had a carrying value equal to the prior carrying value of the transferred securities less the carrying value allocated to the re-securitized securities sold. As of December 31, 2014, the beneficial interests in the remaining securities had a book value of $89,960 and fair value of $102,607.

In 2014, the Company invested in two special purpose vehicles (“SPVs”), Paris Finance II, LLC (“PF II”)and Wattage Finance LLC (“Wattage”), that are designed to provide financing to underlying real estate and energy projects, respectively.

The Company invested in 67% of the outstanding senior and subordinated debt of PF II. PF II’s entire capitalization is made up of debt. PF II’s management function is controlled by an investment manager, GPIM, over which the Company retains kick out rights. Due to insufficient equity at risk as well as the management function control by a third party, PF II is considered a VIE. As the Company is the holder of a majority of the beneficial interests of PF II and has authority to replace the investment manager, the Company is the primary beneficiary. As primary beneficiary the Company has included PF II’s financial activity in the Company’s consolidated financial statements.

The noncontrolling interest included in stockholder's equity related to PF II as of December 31, 2014 is ($1,251). The related net loss attributable to noncontrolling interest for the year ended December 31, 2014 for PF II is $1,251.

The Company invested in 63% of the equity interest of Wattage which represents a majority of the total capitalization. Wattage's management function is controlled by GPIM, over which the Company retains kick out rights. Due to management control by a third party, Wattage is considered a VIE. As the Company is the holder of a majority of the beneficial interests of Wattage and has authority to replace the investment manager, the Company is the primary beneficiary. As primary beneficiary the Company has included Wattage's financial activity in the Company's consolidated financial statements.

The noncontrolling interest included in stockholders' equity related to Wattage as of December 31, 2014 is $2,796. The related net loss attributable to noncontrolling interest for the year ended December 31, 2014 for Wattage is $1,517.

In addition, the Company has other investments in limited partnerships, SPVs, the previously discussed re-securitization trust and a private debt fund that are reviewed to determine if they are VIEs. The VIEs are primarily limited partnerships formed for the purpose of purchasing fixed income and private equity securities and SPVs formed for specific business purposes such as aircraft leasing. Financing for these VIEs is primarily accomplished through limited partnership contributions and various debt structures. For limited partnerships, the Company is a limited partner with no voting rights in the VIEs. For the SPVs, the Company is typically a senior and subordinated debt holder with limited voting rights, which voting rights are not significant enough to have the power to direct activities of the SPV. In the case of the SPVs, the Company reports its investment in these entities as a component of fixed maturity investments. The Company's involvement with the re-securitization trust and private debt fund is limited due to a third-party manager. Certain of these investments were determined to be VIEs, but in each case the Company has determined it is not the primary beneficiary. The determination was based on the conclusion that the Company does not have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance. Except for amounts contractually required, the Company did not provide any further financial or other support to the VIEs.

The Company's maximum exposure to loss is based on the carrying value of the limited partnerships, SPVs, the remaining beneficial interests held for the re-securitization trust and its investment in the private debt fund. The Company's carrying amount of its asset compared to its maximum exposure to loss as of December 31, 2014 is as follows:

Limited partnerships			
	Carrying amount of assets	$	977,601
	Maximum exposure to loss		977,601
Special Purpose Vehicles			
	Carrying amount of assets		472,262
	Maximum exposure to loss		472,262
Private debt fund			
	Carrying amount of assets		118,950
	Maximum exposure to loss		118,950
Re-securitization trust			
	Beneficial interests held in trust		102,607
	Maximum exposure to loss		102,607

8. OTHER BORROWINGS

At December 31, 2014, 2013 and 2012, the Company had outstanding borrowings of $1,129,870, $929,870 and $649,870, respectively from the FHLB in accordance with the terms of its membership agreement. The purpose of the borrowings is to complement the Company's repurchase agreement program. The borrowings are reported as a component of repurchase agreements, other borrowings and collateral on derivative instruments in the consolidated balance sheets. The borrowings outstanding at December 31, 2014 have maturity dates in February, August and December of 2015, March and June of 2016, and June of 2021. The interest rates on the outstanding borrowings range from 0.35% to 0.68%. Interest expense incurred during 2014, 2013 and 2011 was $ 5,245, $4,278, and $2,002, respectively, and is reported as a component of net investment income in the consolidated statements of income. The fair value of this borrowing approximates its reported value due to its short maturity.

In accordance with the FHLB membership agreement, the Company was required to purchase FHLB common stock. At December 31, 2014, 2013 and 2012 the Company held $55,195, $47,195 and $38,919 of FHLB common stock, respectively. In addition, the Company has posted mortgage loans and agency MBS/CMO fixed income securities with fair values in excess of the amount of the borrowing as collateral.

On December 31, 2011 Solberg Re, an indirect wholly owned limited purpose subsidiary domiciled in the State of Iowa, secured an irrevocable standby letter of credit ("LOC") from a large commercial bank. On June 28, 2013, the LOC facility was amended to increase the aggregate maximum LOC amount, extend the term and increase the life insurance policies covered under the agreement. On June 30, 2014, the LOC facility was amended to increase the life insurance policies covered under the agreement. The term of the facility and the aggregate maximum issuance amount did not change in the 2014 amendment. The amended LOC, which has a term of 13 years, has an aggregate maximum issuance amount of $700,000, of which $513,954 and $411,492 were issued and outstanding at December 31, 2014 and 2013, respectively. The purpose of the LOC is to support redundant statutory required reserves on specific term life insurance policies issued by Midland National and North American and ceded to Solberg Re. The LOC can be drawn upon when actual policy benefits applicable to the specific life insurance term policies exceed specified thresholds. Solberg Re does not anticipate drawing funds against the LOC. Total credit facility origination costs of $5,814 were incurred and capitalized and are included in other receivables, other assets and property, plant and equipment on the consolidated balance sheets. The capitalized fees will be amortized over the original life of the facility. Amortization expense of $447 was recorded in 2014, 2013 and 2012, respectively. The Company expects to amortize $447 in each of the next five years. In addition, a quarterly

fee equal to 1.45% per annum of the outstanding LOC was paid during part of 2013. As part of the 2013 LOC facility amendment, the quarterly fee was changed to 1.3855% per annum of the outstanding LOC, which will be paid during the remaining term of the facility. LOC fees of $6,284, $5,136 and $4,504 were incurred in 2014, 2013 and 2012, respectively.

On December 31, 2012 MNL Re, another indirect wholly owned limited purpose subsidiary domiciled in the State of Iowa, secured a contingent note guarantee of specific risks on certain permanent life insurance policies assumed from Midland National and North American from an unrelated third party. The contingent note guarantee was amended on December 31, 2013 to increase the aggregate maximum guarantee amount, extend the term and increase the permanent life insurance policies covered under the agreement. On June 30, 2014, the contingent note was further amended to increase the aggregate maximum guarantee amount and increase the permanent life insurance policies covered under the agreement. This contingent note guarantee functions in a manner similar to a letter of credit. The contingent note guarantee has a term of 23 years and an aggregate maximum guarantee amount of $1,432,000, of which $704,550 and $417,440 was utilized at December 31, 2014 and 2013, respectively. MNL Re pays a fee to the guarantee provider equal to 0.65% per annum, payable quarterly, applied to the amount of the guarantee utilized. The contingent note guarantee can be drawn upon when actual policy benefits applicable to the specific permanent life insurance policies exceed certain thresholds. MNL Re does not anticipate drawing funds against the contingent note guarantee. For the years ended December 31, 2014, 2013 and 2012 fees incurred related to this contingent note guarantee were $3,420, $1,339 and $229 respectively.

9. DAC, DSI and PVFP

Policy acquisition costs of new and acquired business deferred and amortized for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
DAC, beginning of year	$ 1,481,675	$ 1,205,520	$ 1,247,354
Commissions deferred	266,983	281,921	255,404
Underwriting and acquisition expenses deferred	12,783	13,743	13,112
Change in offset to unrealized (gains) losses	(118,432)	168,066	(108,999)
Amortization related to operations	(64,011)	(144,051)	(206,802)
Amortization related to realized gains	(19,392)	(12,257)	(2,434)
Amortization related to derivatives (gains) losses	7,255	(31,267)	7,885
DAC, end of year	$ 1,566,861	$ 1,481,675	$ 1,205,520

The composition of DSI for the years ended December 31, 2014, 2013 and 2012 is summarized below:

	2014	2013	2012
DSI, beginning of year	$ 451,876	$ 324,262	$ 374,891
Sales inducement costs deferred	115,144	111,657	88,791
Change in offset to unrealized (gains) losses	(58,339)	98,794	(60,497)
Amortization related to operations	(37,259)	(67,057)	(82,074)
Amortization related to realized gains	(7,058)	(5,536)	(1,170)
Amortization related to derivatives (gains) losses	(3,776)	(10,244)	4,321
DSI, end of year	$ 460,588	$ 451,876	$ 324,262

The composition of the PVFP for the years ended December 31, 2014, 2013 and 2012 is summarized below:

	2014	2013	2012
PVFP, beginning of year	$ 14,459	$ 16,084	$ 17,176
Amortization	448	(1,625)	(1,092)
PVFP, end of year	$ 14,907	$ 14,459	$ 16,084

10. PROPERTY, PLANT AND EQUIPMENT

The major classifications of property, plant and equipment recorded in the consolidated balance sheets as a component of other receivables, other assets and property, plant and equipment are as follows:

	Range of Useful Lives	2014	2013
Land	-	$ 3,029	$ 3,029
Buildings and improvements	20 - 39 years	20,792	18,746
Leasehold improvements	4 - 40 years	2,696	2,322
Furniture and fixtures	10 years	8,313	7,788
Computer equipment and software	3 - 10 years	85,890	65,275
Other	5 years	51	51
		120,771	97,211
Accumulated depreciation		(54,032)	(40,201)
		$ 66,739	$ 57,010

Depreciation expense was $14,242, $8,644 and $6,423 for the years ended December 31, 2014, 2013 and 2012, respectively.

11. REINSURANCE

The Company is primarily involved in the cession and, to a lesser degree, assumption of life and annuity reinsurance with other companies. Reinsurance premiums and claims ceded and assumed for the years ended December 31 are as follows:

	2014		2013		2012	
	Ceded	Assumed	Ceded	Assumed	Ceded	Assumed
Premiums and deposits on investment contracts	$ 402,065	$ 204,209	$ 264,176	$ 131,726	$ 461,561	$ 112,130
Claims and investment contract withdrawals	266,776	50,131	230,860	39,023	257,257	27,281

The Company is party to two funds withheld coinsurance agreements with a third-party reinsurer. These are indemnity agreements that cover 50% of substantially all policies of specific annuity plans issued from January 1, 2002 through March 31, 2005, 60% of substantially all policies of specific annuity plans issued

from April 1, 2005 through February 29, 2008, and 50% of substantially all policies of specific annuity plans issued from March 1, 2008 through November 30, 2013. In these agreements, the Company agrees to withhold, on behalf of the reinsurer, assets equal to the statutory liabilities associated with these policies. The Company has netted the funds withheld liability of $4,210,916 and $4,221,227 against the reinsurance receivables of $4,924,463 and $4,735,912 in reinsurance receivables in the December 31, 2014 and 2013 consolidated balance sheets, respectively. The reinsurance receivables contain embedded derivatives as discussed in Note 5.

The Company is a party to a reinsurance agreement with North American. In this indemnity agreement, the Company assumes 80% of all policies issued by North American on or after January 1, 2014 of specific annuity plans. The Company retrocedes 100% of this business to a third party reinsurer through a modified coinsurance agreement.

The Company is a party to a modified coinsurance agreement with a third-party reinsurer. This indemnity agreement covers 80% of all policies issued by the Company on or after January 1, 2014 of specific annuity plans along with 100% of the business the Company assumes from North American in the coinsurance agreement discussed in the previous paragraph. In this agreement, the Company retains, on behalf of the reinsurer, assets equal to the statutory liabilities associated with the reinsured policies.

The Company is a party to a coinsurance agreement with Guggenheim Life and Annuity Company (“GLAC”), an affiliate. This is an indemnity agreement that covers 100% of all policies issued from January 1, 2008 through September 30, 2009 of specific annuity plans. Reinsurance receivables of $287,440 and $425,959 associated with this agreement are reported as a component of reinsurance receivables in the December 31, 2014 and 2013 consolidated balance sheets, respectively.

MNL Re has a coinsurance agreement with North American, which was subsequently amended and restated on December 31, 2013. On June 30, 2014, the coinsurance agreement with North American was further amended to increase the life insurance policies covered under the agreement. In accordance with the coinsurance agreement North American ceded a defined block of permanent life insurance products to MNL Re. At December 31, 2014 and 2013, MNL Re assumed reserves of $120,306 and $55,855, respectively, which are included in reinsurance receivables. MNL Re received premiums of $59,763, $35,013, and 42,135 from North American in 2014, 2013, and 2012 respectively. MNL Re paid experience refunds to North American of $0, $158 and $1,152 in 2014, 2013 and 2012, respectively.

On December 31, 2011, Solberg Re entered into a coinsurance agreement with North American. On June 28, 2013, the agreement was amended and extends the term and increase the life insurance policies covered under the agreement. In accordance with the coinsurance agreement North American ceded a defined block of term life insurance to Solberg Re. At December 31, 2014 and 2013, Solberg Re assumed reserves of $121,943 and $97,284, respectively, which are included in reinsurance receivables. Solberg Re received premiums of $61,826, $52,671 and $42,266 from North American in 2014, 2013, and 2012 respectively. In addition, Solberg Re received a reinsurance assumed risk charge of $9,823, $10,493, and $8,685 in 2014, 2013 and 2012, respectively from North American. Solberg Re paid an expense allowance of $19,153, $18,573 and $14,480 in 2014, 2013 and 2012, respectively and paid claims of $17,417, $13,429, and $10,683 in 2014, 2013 and 2012 respectively to North American.

Premiums, interest sensitive life and investment product charges, and benefits incurred are stated net of the amounts of premiums and claims assumed and ceded. Policyholder account balances, policy benefit reserves, and policy claims and benefits payable are reported gross of the related reinsurance receivables. These receivables are recognized in a manner consistent with the liabilities related to the underlying reinsured contracts.

12. NOTES PAYABLE

On October 28, 2013, the Company issued a note payable to its parent, SFG, for $142,000. The note payable bears an interest rate of 7.5% payable semi-annually. The maturity date of the note is October 31, 2043. The amount of interest accrued and incurred during 2014 and 2013 was $10,650 and $1,897, respectively. Payment of principal and interest on this note is subject to approval by the Iowa Insurance Division.

On December 30, 2014, the Company issued a note payable to its parent, SFG, for $200,000. The note payable bears an interest rate of 7.0% payable semi-annually. The maturity date of the note is December 30, 2044. No interest was accrued in 2014. Payment of principal and interest on this note is subject to approval by the Iowa Insurance Division.

The remaining $41,440 of notes payable recognized on the Company's balance sheet relate to notes payable on Paris Finance II's that were issued to the non-controlling interest holder.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated OCI are as follows:

	December 31,						
	Net Unrealized (Gain) Loss on Available-For-Sale Securities	Net Unrealized (Gain) Loss on Non-Credit Portion of OTTI Losses	Intangible Offset- Net Unrealized (Gain) Loss	Pension Liability	Postretirement Liability	Deferred Income Taxes	Total
Balance at December 31, 2012	2,744,556	(31,094)	(429,915)	(21,298)	(6,171)	(789,627)	1,466,451
Other comprehensive income before reclassifications	(1,655,689)	30,822	255,667	5,179	17,065	471,435	(875,521)
Reclassification adjustments	(111,456)	-	15,182	2,768	(926)	33,051	(61,381)
Balance at December 31, 2013	977,411	(272)	(159,066)	(13,351)	9,968	(285,141)	529,549
Other comprehensive income before reclassifications	1,597,278	272	(173,695)	(3,045)	(6,969)	(494,845)	918,996
Reclassification adjustments	(183,758)	-	19,180	16,395	(1,035)	52,226	(96,992)
Balance at December 31, 2014	2,390,931	-	(313,581)	-	1,964	(727,760)	1,351,554

The following table sets forth the reclassification adjustments in accumulated other comprehensive income by component as reflected in the consolidated statements of income:

	December 31, 2014				
	Net Unrealized (Gain) Loss on Available-For-Sale Securities	Intangible Offset- Net Unrealized (Gain) Loss on Available-For-Sale Securities	Pension Liability	Postretirement Liability	Total
Net realized investment gains	$ (183,758)	$ -	$ -	$ -	$ (183,758)
Amortization of deferred policy acquisition costs and present value of future profits of acquired businesses	-	19,546	-	-	19,546
Charges on interest sensitive and investment-type products	-	(7,723)	-	-	(7,723)
Benefits incurred	-	299	-	-	299
Amortization of deferred sales inducements	-	7,058	-	-	7,058
other expenses deferred)					
Amortization of unrecognized pension items	-	-	917	-	917
Pension plan settlement	-	-	15,479	-	15,479
Amortization of unrecognized postretirement items	-	-	-	(1,035)	(1,035)
Reclassifications before income taxes	(183,758)	19,180	16,395	(1,035)	(149,218)
Income taxes	64,315	(6,713)	(5,738)	362	52,226
Reclassification adjustments	$ (119,443)	$ 12,467	$10,657	$ (673)	$ (96,992)

	December 31, 2013				
	Net Unrealized (Gain) Loss on Available-For-Sale Securities	Intangible Offset-Net Unrealized (Gain) Loss on Available-For-Sale Securities	Pension Liability	Postretirement Liability	Total
Net realized investment gains	$ (111,456)	$ -	$ -	$ -	$ (111,456)
Amortization of deferred policy acquisition costs and present value of future profits of acquired businesses	-	12,496	-	-	12,496
Charges on interest sensitive and investment-type products	-	(2,850)	-	-	(2,850)
Amortization of deferred sales inducements	-	5,536	-	-	5,536
Realized capital gains (losses) on sales of investments					
Operating and other expenses (net of commissions and other expenses deferred)					
Amortization of unrecognized pension items	-	-	2,768	-	2,768
Postretirement curtailment	-	-	-	(826)	(826)
Amortization of unrecognized postretirement items	-	-	-	(100)	(100)
Reclassifications before income taxes	(111,456)	15,182	2,768	(926)	(94,432)
Income taxes	39,010	(5,314)	(969)	324	33,051
Reclassification adjustments	$ (72,446)	$ 9,868	$ 1,799	$ (602)	$ (61,381)

The unrealized gain (loss) on available-for-sale securities, certain interest rate swaps, and non-credit portion of OTTI losses is adjusted by intangibles and deferred income taxes and is included in the statements of comprehensive income.

14. INCOME TAXES

The significant components of income tax expense are as follows:

	2014	2013	2012
Current	$ 298,776	$ 32,642	$ 50,807
Deferred	(17,727)	199,847	86,702
Total income tax expense	$ 281,049	$ 232,489	$ 137,509

Total income tax expense attributable to income before taxes differs from the amounts that would result from applying the U.S. federal statutory income tax rate of 35% in 2014, 2013 and 2011 as follows:

	2014	2013	2012
At statutory federal income tax rate	$ 306,394	$ 260,018	$ 166,407
Dividends received deductions	(2,078)	(1,572)	(1,726)
Nondeductible ESOP expense	7,486	7,024	6,538
Tax credits	(34,201)	(33,668)	(33,680)
Other, net	3,448	687	(30)
Total income tax expense	$ 281,049	$ 232,489	$ 137,509

The tax effects of temporary differences that give rise to significant portions of deferred income tax assets and deferred income tax liabilities at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred income tax assets		
Policy liabilities and reserves	$ 629,610	$ 686,533
Other, net	60,329	56,719
Total deferred income tax assets	689,939	743,252
Deferred income tax liabilities		
Present value of future profits of acquired business	(5,218)	(5,061)
Investments	(994,454)	(660,640)
Deferred policy acquisition costs and deferred sales inducements	(586,952)	(549,345)
Total deferred income tax liabilities	(1,586,624)	(1,215,046)
Net deferred income tax asset (liability)	$ (896,685)	$ (471,794)

If the Company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. Based upon a review of the Company's anticipated future taxable income and after considering all other available evidence, both positive and negative, the Company's management concluded that it is more likely than not that the gross deferred tax assets will be realized, and no valuation allowance is necessary.

The Company has not established a liability for unrecognized tax benefits and does not expect this to change during the next twelve months. The Company recognizes interest and/or penalties as a component of tax expense. The Company did not have any accrued interest and penalties at December 31, 2014 and 2013.

The IRS concluded an examination of the Company's income tax returns through 2008 and has conducted surveys of the income tax returns for years 2009 through 2012.

15. OPERATING LEASES

The Company leases certain equipment and office space. Rental expense of $3,923, $3,883 and $3,824 was incurred in 2014, 2013 and 2012, respectively. Approximate future minimum lease payments under non-cancellable leases are as follows:

Year ending December 31,	
2015	$ 2,447
2016	2,839
2017	2,952
2018	2,993
2019	3,034
Thereafter	5,206
	$ 19,471

16. EMPLOYEE BENEFIT PLANS

Defined benefit pension plan and post-retirement health care benefits

The Company had a noncontributory defined benefit pension plan ("Pension Plan") covering certain full-time employees which was terminated on July 18, 2014. In 2004, the Company approved a plan amendment to freeze the participant's accounts of the Pension Plan, which had the effect of establishing each participant's earned accrued benefit as of December 31, 2004. As a result of the plan termination, the liability to plan participants was settled through the purchase of nonparticipating annuity contracts and lump sum payments. The Company recorded a nonrecurring settlement loss of approximately $15,479. Plan assets remaining in the Pension Plan after termination payouts and payment of certain plan expenses will be transferred to the Employee Stock Ownership Plan ("ESOP") in accordance with IRC § 409 and will not be subject to excise tax.

Retiree Medical Plan

The Company provides certain post-retirement health care benefits through a health and welfare benefit plan ("Retiree Medical Plan") and life insurance benefits for eligible active and retired employees.

The information for the Pension Plan and Retiree Medical Plan at December 31 is as follows:

	Pension Plan		Other Benefit Plan	
	2014	2013	2014	2013
Obligation and funded status				
Accumulated benefit obligation	$ -	$ (52,094)	$ (24,311)	$ (16,008)
Fair value of plan assets	-	49,064	-	-
Underfunded status	$ -	$ (3,030)	$ (24,311)	$ (16,008)
Accrued benefit liability recognized in other liabilities	$ -	$ (3,030)	$ (24,310)	$ (16,008)
Changes in liability for benefits recognized in accumulated OCI (pre-tax)				
Beginning balance	$ (13,351)	$ (21,298)	$ 9,968	$ (6,171)
Net (gain) loss amortized into net periodic benefit cost	12,434	2,768	(6,969)	4,917
Net gain (loss) arising during the period	917	5,179	30	191
Net curtailment effect	-	-	-	1,978
Prior service costs arising during period	-	-	-	9,345
Amortization of prior service costs	-	-	(1,065)	(292)
Balance at December 31	$ -	$ (13,351)	$ 1,964	$ 9,968
Changes in deferred taxes recognized in accumulated OCI	$ 4,673	$ 2,781	$ (2,802)	$ 5,649

	Pension Plan			Other Benefit Plan		
	2014	2013	2012	2014	2013	2012
Additional information						
Net periodic benefit income (costs)	$ (377)	$ (1,933)	$ (1,374)	$ (702)	$ (1,207)	$ 2,495
Settlement expense	(15,479)	-	-	-	826	-
Employer contributions	6,005	-	-	405	110	269
Employee contributions	-	-	-	86	329	325
Benefit payments	56,473	1,504	1,242	491	526	697
Actuarial assumptions						
Weighted-average assumptions used to determine benefit obligations as of December 31:						
Discount rate	N/A	4.70%	3.82%	3.79%	4.75%	3.95%
Expected return on plan assets	N/A	6.50%	7.00%	N/A	N/A	N/A
Weighted-average assumptions used to determine net costs for the years ended December 31:						
Discount rate	N/A	3.82%	4.27%	4.75%	3.95% / 4.71%	4.28%
Expected return on plan assets	N/A	6.50%	7.00%	N/A	N/A	N/A

The assumed initial annual rate of increase in the per capita cost of covered healthcare benefits was 8.7% and 5.4% in 2014 and 2013, respectively, grading down to 4.50% by 2084.

Employee stock ownership plan

The Company participates in an Employee Stock Ownership Plan ("ESOP") sponsored by SEI covering certain full-time employees. Prior to 2010, the majority of SEI's stock was held in the Charles A. Sammons 1987 Charitable Remainder Trust Number Two (the "CRT"). Prior to his death in 1988, Charles A. Sammons, the founder of SEI, established the CRT. The death of his widow, Elaine D. Sammons, in January 2009, initiated the process of settling the CRT. In January 2010, the 7,664,402 shares of the SEI stock held by the CRT were transferred to the ESOP (the "Transfer") as unallocated shares, which completed the settlement of the CRT. As of December 31, 2013 the ESOP owns 100% of the outstanding stock of SEI.

Compensation expense of $21,389, $20,070 and $18,680 for 2014, 2013 and 2012, respectively, was recorded related to the ESOP.

17. STATUTORY FINANCIAL DATA AND DIVIDEND RESTRICTIONS

The Company is domiciled in Iowa and its statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the insurance department of the domiciliary state. "Prescribed" statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed. Such practices differ from state to state and company to company.

The prescribed and permitted practices used by the Company in 2014 include the following:

- In 2006 Iowa issued a prescribed practice that instructs insurance companies to use other than market value for assets held in separate accounts where general account guarantees are present on such separate accounts. As a result, the Company carries the assets of the separate accounts related to its bank owned life insurance products at book value.

- In 2008 Iowa issued a prescribed practice that instructs insurance companies to account for call option derivative assets that hedge the growth in interest credited to the hedged policy as a direct result of changes in the related indices at amortized cost. Other derivative instruments such as indexed futures, swaps and swaptions that may be used to hedge the growth in interest credited to the policy as a direct result of changes in the related indices would still be accounted for at fair value since an amortized cost for these instruments does not exist. As a result, the Company elected to establish a voluntary reserve to offset increases in the values of these other derivative instruments. The prescribed practice also provides guidance to determine indexed annuity reserve calculations based on the Guideline 35 Reserve assuming the market value of the call option(s) associated with the current index term is zero, regardless of the observable market for such option(s). At the conclusion of the index term, credited interest is reflected in the reserve as realized, based on actual index performance. The Company adopted this prescribed practice in 2008.

- The state of Iowa permits limited purpose captive insurance companies to assume certain redundant insurance reserves. Solberg Re and MNL re assume redundant reserves from Midland National and North American that are secured by an LOC and contingent note guarantee that provided combined statutory-based surplus relief of $1,218,504 at December 31, 2014.

The combined effect of applying these prescribed practices in 2014 decreased the Company's statutory-based surplus by $26,045. The risk-based capital excluding the effect of these prescribed practices would not have resulted in a regulatory trigger event.

Generally, the net assets of an Iowa domiciled insurance company available for distribution to its stockholders are limited to the amounts by which the net assets, as determined in accordance with statutory accounting practices, exceed minimum regulatory statutory capital requirements. All payments of dividends or other distributions to stockholders are subject to notification of regulatory authorities. The maximum amount of dividends that can be paid by the Company during any 12-month period, without prior approval of the Iowa insurance commissioner, is limited according to statutory regulations and is a function of statutory equity and statutory income (generally, the greater of prior year statutory-basis net gain from operations or 10% of prior year-end statutory-basis surplus). The Company paid dividends of $369,251, $122,441 and $75,523 in 2014, 2013 and 2012, respectively. Dividends payable in 2015 up to approximately $279,422 will not require prior approval of regulatory authorities.

The statutory net gain from operations of the Company for the years ended December 31, 2014, 2013 and 2012, was $258,889, $460,689 and $359,533, respectively, and reported surplus at December 31, 2014, 2013 and 2012, was $2,794,217, $2,563,054 and $2,124,326, respectively, in accordance with statutory accounting principles.

18. OTHER RELATED PARTY TRANSACTIONS

The Company pays fees to SEI under management contracts that cover certain investment, accounting, employee benefits and management services. The Company was charged $10,525, $11,393 and $9,568 in 2014, 2013 and 2012, respectively, related to these contracts.

The Company issued guaranteed investment contracts to SEI for $102,000. These contracts are included in policyholder account balances in the accompanying consolidated balance sheet at December 31, 2014. The contracts pay 1% interest and mature in equal monthly installments over a one year period. Each installment may be renewed for an additional one year period. Interest incurred on these contracts were $1,021 and $153 in 2014 and 2013, respectively.

SEI has a noncontrolling interest in Guggenheim Capital, LLC (“Guggenheim”), a diversified financial services firm that operates businesses in capital markets, investment management, insurance services and solutions, wealth management and merchant banking.

GPIM provides investment management services for the Company. During 2014, 2013 and 2012, the Company incurred expense of $35,257, $31,616 and $27,989, respectively, for these investment management services. The fee is calculated based on the average fair value of invested assets under management multiplied by a contractual rate.

Guggenheim Commercial Real Estate Finance, LLC (an indirect subsidiary of Guggenheim) provides commercial mortgage loan origination and servicing services for the Company. During 2014 and 2013, the Company incurred expense of $4,177 and $2,312, respectively, for these commercial mortgage services. The fee is calculated monthly based on the outstanding principal balance of the commercial mortgage loans and real estate owned multiplied by a contractual rate.

The Company had a $98,300 reverse repurchase agreement with Guggenheim Aircraft Opportunity Fund, L.P. (a limited partnership managed by Guggenheim). The reverse repurchase agreement is reported in short-term investments in the consolidated balance sheets, has an initial term of 364 days, is renewable and earns an interest rate of 3.92%. The Company earned $87 and $193 from this agreement in 2014 and 2013, respectively.

At December 31, 2014, the Company holds various investment securities issued by Guggenheim and its affiliates. These securities are reported in fixed maturities, available-for-sale in the accompanying consolidated balance sheet at December 31, 2014 and include securities issued by Guggenheim (4.25% interest, $69,602 par, $69,080 reported value, due 2020) and Security Benefit Life Insurance Company (7.45% interest, $24,313 par, $30,442 reported value, due 2033).

The Company provided specified accounting and financial reporting services to GLAC in accordance with a service contract which terminated effective August 15, 2013. The service fees received were $361 in 2013.

The Company is party to two coinsurance agreements with GLAC. See Note 11 for further discussion of these transactions.

The Company pays sales commissions to Sammons Securities Company, LLC ("SSC"), a registered broker dealer, associated with the variable life and annuity premiums placed with the Company's separate account funds and other fixed annuity product sales. The Company incurred commissions of approximately $329, $577 and $557 in 2014, 2013 and 2012, respectively, related to SSC sales. On July 1, 2014, SSC was sold to an unaffiliated 3rd party.

The Company is a party to a reinsurance agreement with North American. See Note 11 for further discussion of these transactions.

19. COMMITMENTS AND CONTINGENCIES

The Company has, in the normal course of business, claims and lawsuits filed against it. In some cases the damages sought are substantially in excess of contractual policy benefits. The Company believes these claims and lawsuits, either individually or in aggregate, will not materially affect the Company's financial position or results of operations.

The Company is a party to various agreements with state regulators on the use of the Social Security Administration's Death Master File (the "DMF") in determining whether an insured has died. These agreements address whether the Company is liable for a death benefit, or for the escheatment of the value of a death benefit, even in situations where the beneficiary has not filed a claim. The Company has reviewed information obtained from the DMF and reported a liability at December 31, 2014 of $15,905 in anticipation of discovering unreported death claims.

At December 31, 2014, the Company had outstanding capital commitments to limited partnerships of $111,650.

The Company makes funding commitments to various private placement bond issuers. As of December 31, 2014, the Company had $29,651 of outstanding private placement bond funding commitments.

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. The Company does not believe such assessments will be materially different from amounts already provided for in the consolidated financial statements. Most of these laws do provide, however, that an assessment may be excused or deferred if it would threaten an insurer's own financial strength.

20. SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 27, 2015 which is the date the consolidated financial statements were available to be issued. There were no subsequent event transactions that required disclosure in the consolidated financial statements.