TruStage Financial Group, Inc. and Subsidiaries

Consolidated Financial Statements as of December 31, 2023 and 2022 and for each of the Three Years in the Period Ended December 31, 2023 and Independent Auditor's Report

Deloitte & Touche LLP

111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholder of
TruStage Financial Group, Inc.
Madison, Wisconsin

Opinion

We have audited the consolidated financial statements of TruStage Financial Group, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration contracts in Note 9 to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 6, 2024

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2023 and 2022
($ in 000s)

Assets	2023	2022
Cash and investments		
Debt securities, available for sale, at fair value		
(amortized cost 2023 - $24,730,986; 2022 - $23,948,983)		
(credit loss allowance 2023 - $4,906; 2022 - $2,327)	$ 22,196,834	$ 20,498,718
Debt securities, trading, at fair value		
(amortized cost 2023 - $64,297; 2022 - $42,572)	63,070	39,616
Equity securities (cost 2023 - $228,662; 2022 - $397,811)	381,230	555,127
Mortgage loans		
(credit loss allowance 2023 - $18,257; 2022 - $17,409)	4,270,389	3,945,218
Policy loans	132,866	125,448
Equity in unconsolidated affiliates	67,740	-
Limited partnerships (includes 2023 - $2,559,989; 2022 - $2,238,911		
relating to variable interest entities)	2,612,514	2,266,107
Securities lending assets	565,249	565,358
Derivative assets, at fair value	1,167,185	554,009
Other invested assets	378,632	284,589
Total investments	31,835,709	28,834,190
Cash and cash equivalents (includes 2023 - $28,870; 2022 - $35,896		
relating to variable interest entities)	453,317	371,527
Total cash and investments	32,289,026	29,205,717
Accrued investment income	247,012	226,720
Premiums receivable, net		
(credit loss allowance 2023 - $2,803; 2022 - $3,269)	368,413	355,893
Reinsurance recoverables, net		
(credit loss allowance 2023 - $2,088; 2022 - $3,292)	3,167,833	3,232,501
Net federal income taxes recoverable	19,539	28,640
Deferred policy acquisition costs	1,639,855	1,416,384
Value of business acquired	195,977	180,772
Office properties, equipment and computer software at cost, net	283,224	275,530
Net deferred tax asset	735,372	888,192
Goodwill, net	602,816	601,512
Intangible assets, net	84,100	92,278
Assets on deposit	1,060,426	709,714
Other assets and receivables	458,575	471,898
Separate account assets	3,818,108	3,653,995
Total assets	$ 44,970,276	$ 41,339,746

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets, continued
December 31, 2023 and 2022
($ in 000s)

Liabilities and Stockholder's Equity	2023	2022
Liabilities		
Policyholder account balances	$ 21,332,458	$ 19,844,428
Claim and policy benefit reserves - life and health	11,336,182	10,718,259
Loss and loss adjustment expense reserves - property and casualty	667,156	545,220
Unearned premiums	1,021,445	882,483
Notes and interest payable (includes 2023 - $108,715; 2022 - $145,887 relating to variable interest entities)	1,161,698	1,509,383
Dividends payable to policyholders	12,757	12,996
Reinsurance payable	123,067	115,180
Net federal income taxes payable	8,132	1,365
Accrued pension and postretirement benefit liability	133,335	139,154
Payable for securities lending	565,249	565,358
Derivative liabilities, at fair value	665,749	496,422
Accounts payable and other liabilities (includes 2023 - $330; 2022 - $344 relating to variable interest entities)	1,256,537	811,705
Separate account liabilities	3,818,108	3,653,995
Total liabilities	42,101,873	39,295,948
Stockholder's equity		
Common stock, $0.01 par value, authorized 100 shares issued and outstanding 100 shares	-	-
Additional paid in capital	22,500	22,500
Retained earnings	4,950,594	4,810,879
Accumulated other comprehensive loss, net of tax benefit (2023 - ($565,616); 2022 - ($753,558))	(2,104,691)	(2,789,581)
Total stockholder's equity	2,868,403	2,043,798
Total liabilities and stockholder's equity	$ 44,970,276	$ 41,339,746

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
Years Ended December 31, 2023, 2022, and 2021
($ in 000s)

	2023	2022	2021
Revenues			
Life and health premiums, net	$2,396,276	$ 2,267,858	$2,023,221
Contract charges	280,683	287,631	161,658
Property and casualty premiums, net	1,229,628	1,093,313	975,375
Net investment income	1,193,082	1,158,799	1,342,651
Net realized investment gains (losses)			
Total other-than-temporary impairments	(96,497)	(27,421)	(17,661)
Sales and other realized investment gains (losses)	(74,495)	(75,885)	80,791
Total net realized investment gains (losses)	(170,992)	(103,306)	63,130
Commission and fee income	414,195	427,001	433,498
Other income	82,746	70,990	49,945
Total revenues	5,425,618	5,202,286	5,049,478
Benefits and expenses			
Life and health insurance claims and benefits, net	1,854,987	1,767,714	1,635,229
Property and casualty insurance loss and loss adjustment expenses, net	820,552	651,684	563,376
Interest credited to policyholder account balances	456,624	386,507	287,681
Policyholder dividends	27,178	27,508	26,340
Operating and other expenses	2,116,344	1,957,281	1,789,850
Total benefits and expenses	5,275,685	4,790,694	4,302,476
Income from continuing operations before income taxes	149,933	411,592	747,002
Income tax expense	10,218	68,250	124,713
Net income	139,715	343,342	622,289

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss), continued
Years Ended December 31, 2023, 2022, and 2021
($ in 000s)

	2023	2022	2021
Net income	139,715	343,342	622,289
Foreign currency translation adjustment, net of tax expense (benefit) - (2023 - ($841); 2022 - $249; 2021 - $668)	(626)	(1,666)	1,303
Change in unrealized gains (losses), net of tax expense (benefit) - (2023 - $189,510; 2022 - ($894,056); 2021 - ($134,253))	688,791	(3,294,530)	(505,385)
Reclassification adjustment for (gains) losses included in net income, net of tax expense (benefit) - (2023 - $3,436; 2022 - ($8,664); 2021 - ($14,894))	12,925	(32,594)	(56,029)
Change in pension liability, net of tax expense (benefit) - (2023 - $3,780; 2022 - ($4,636); 2021 - $769)	14,219	(17,439)	2,895
Change in shadow adjustments, net of tax expense (benefit) - (2023 - ($7,943); 2022 - $60,948); 2021 - $22,784)	(30,419)	228,189	86,025
Other comprehensive income (loss)	684,890	(3,118,040)	(471,191)
Total comprehensive income (loss)	$ 824,605	$(2,774,698)	$ 151,098

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholder’s Equity
Years Ended December 31, 2023, 2022, and 2021
($ in 000s)

	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance, January 1, 2021	**$ 22,500**	**$ 3,845,248**	**$ 799,650**	**$ 4,667,398**
Net income	-	622,289	-	622,289
Other comprehensive loss		-	(471,191)	(471,191)
Balance, December 31, 2021	**22,500**	**4,467,537**	**328,459**	**4,818,496**
Net income	-	343,342	-	343,342
Other comprehensive loss	-	-	(3,118,040)	(3,118,040)
Balance, December 31, 2022	**22,500**	**4,810,879**	**(2,789,581)**	**2,043,798**
Net income	-	139,715	-	139,715
Other comprehensive income	-	-	684,890	684,890
Balance, December 31, 2023	**$ 22,500**	**$ 4,950,594**	**$ (2,104,691)**	**$ 2,868,403**

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2023, 2022, and 2021
($ in 000s)

	2023	2022	2021
Cash flows from operating activities			
Net income	$ 139,715	$ 343,342	$ 622,289
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Undistributed (income) of limited partnerships	(91,644)	(45,933)	(339,512)
Net realized investment (gains) losses	170,992	103,306	(63,130)
Amortization of value of business acquired	13,697	1,360	14,040
Policy acquisition costs deferred	(718,315)	(669,813)	(552,438)
Amortization of deferred policy acquisition costs	443,146	399,237	319,048
Depreciation of office properties, equipment, computer software and real estate	48,678	45,246	43,345
Amortization of intangible assets	8,178	9,237	6,128
Amortization of premium and discount on investments and low-income housing tax credits	97,992	106,870	33,568
Deferred income tax expense (benefit)	(8,317)	(136,510)	1,198
Policyholder charges on investment-type contracts	(376,611)	(323,604)	(135,631)
Interest credited to policyholder account balances	456,624	386,507	287,681
Impairment of intangible assets	-	1,399	-
Impairment of office properties, equipment and computer software	-	14,048	1,685
Changes in other assets and liabilities			
Purchases of debt securities, trading	(26,516)	(7,653)	-
Sales of debt securities, trading	5,000	4,000	6,024
Accrued investment income	(23,254)	(23,745)	1,014
Premiums receivable	(12,565)	(32,790)	(5,311)
Reinsurance recoverables	61,699	18,392	(31,611)
Net federal income taxes	(9,418)	169,778	39,564
Other assets and receivables	1,383	(48,924)	(42,554)
Insurance reserves	739,650	665,843	615,929
Unearned premiums	126,894	134,756	107,732
Reinsurance payable	7,889	15,628	9,004
Accounts payable and other liabilities	22,463	74,578	59,834
Net cash provided by operating activities	1,077,360	1,204,555	997,896

($ in 000s)

	2023	2022	2021
Cash flows from investing activities			
Purchases of investments			
Debt securities, available for sale	$ (1,893,802)	$ (2,929,179)	$ (4,020,133)
Equity securities	(47,434)	(78,312)	(162,490)
Mortgage loans	(557,692)	(703,141)	(834,242)
Limited partnerships	(446,284)	(418,992)	(367,104)
Derivative financial instruments	(1,152,864)	(1,262,440)	(1,900,949)
Other invested assets	(1,861,103)	(2,825,275)	(961,792)
Proceeds on sale or maturity of investments			
Debt securities, available for sale	990,940	2,073,292	2,924,759
Equity securities	145,218	85,205	140,249
Mortgage loans	228,005	443,123	471,033
Limited partnerships	191,522	173,243	209,590
Derivative financial instruments	1,059,715	998,665	2,162,592
Other invested assets	2,165,527	2,442,965	1,057,783
Purchases of office properties, equipment, and computer software	(47,187)	(97,193)	(99,208)
Proceeds on sale of office properties, equipment, and computer software	17,570	-	-
Net change in collateral under securities lending	(13,709)	23,459	(33,401)
Net change in payable for collateral under securities lending	13,709	(23,459)	33,401
Cash paid for acquisitions, net of cash acquired	-	(14,253)	(1,257,269)
Change in policy loans	(7,476)	(4,695)	2,141
Net cash used in investing activities	(1,215,345)	(2,116,987)	(2,635,040)

TRUSTAGE FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2023, 2022, and 2021
($ in 000s)

	2023	2022	2021
Cash flows from financing activities			
Policyholder account deposits	$ 3,518,283	$ 3,488,688	$ 2,996,497
Policyholder account withdrawals	(2,602,287)	(2,331,146)	(1,971,802)
Assets on deposit - deposits	(391,798)	(306,080)	(150,674)
Assets on deposit - withdrawals	38,861	10,313	3,183
Notes payable - borrowings	2,060,000	6,510,985	3,855,000
Notes payable - repayments	(2,405,334)	(6,402,331)	(3,103,192)
Change in bank overdrafts	(1,917)	1,917	-
Payment of debt financing costs	-	(5,462)	1,199
Net cash provided by financing activities	215,808	966,884	1,630,211
Change in cash and cash equivalents	77,823	54,452	(6,933)
Effect of foreign exchange rate on cash	3,967	(3,363)	(21,218)
Cash and cash equivalents at beginning of year	371,527	320,438	348,589
Cash and cash equivalents at end of year	$ 453,317	$ 371,527	$ 320,438
Supplemental disclosure of cash and non-cash information			
Cash paid for interest	$ 73,608	$ 13,462	$ 12,254
Cash paid for income taxes, net of refunds	9,978	19,962	73,538
Non-cash exchanges of debt securities	76,406	164,978	152,338
Non-cash receipt of debt securities from securities lending, net	13,818	9,476	19,447
Non-cash exchanges of equity securities	11,044	1,846	25,052
Non-cash purchase of limited partnerships	40,930	5,240	15,694
Non-cash distribution from limited partnerships	40,930	5,240	15,694
Non-cash decrease in reinsurance recoverable	2,962	3,351	12,689
Non-cash decrease in assets on deposit	21,908	6,548	5,256
Non-cash decrease in policyholder account balances	24,871	9,899	17,945
Non-cash exchanges of debt securities for equity securities	9,000	-	-
Non-cash exchange of debt securities and accrued interest for equity in unconsolidated affiliates	26,256	-	-
Non-cash exchange of notes receivable for equity in unconsolidated affiliates	15,228	-	-

Note 1: Nature of Business

TruStage Financial Group, Inc. ("TruStage" or, with its subsidiaries, the "Company") is an intermediate holding company organized under the laws of Iowa for the principal purpose of serving the insurance and financial services needs of credit unions and consumers. TruStage is a direct, wholly-owned subsidiary of CUNA Mutual Holding Company ("CMHC"), a mutual holding company. Its primary products include group credit life and disability sold through credit unions; retirement plans for credit union employees and other employers; and life, health and annuity policies. The Company is also engaged in the business of property and casualty insurance, retail investment brokerage, and other businesses useful to businesses including credit unions and consumers. The Company markets its products through face-to-face and direct response distribution systems, while group products are sold primarily by salaried representatives. In 2018, the Company changed its name from CUNA Mutual Financial Group, Inc. to TruStage Financial Group Inc.

On July 31, 2021, the Company acquired Preneed Holdings, LLC ("Preneed Holdings") and ALOC Holdings, ULC ("ALOC Holdings"). American Memorial Life Insurance Company ("AMLIC") and Union Security Insurance Company ("USIC") were wholly-owned subsidiaries of Preneed Holdings. Assurant Life of Canada ("ALOC") was a wholly-owned subsidiary of ALOC Holdings. AMLIC, USIC and ALOC are life insurance companies that provide pre-funded funeral ("preneed") insurance, final expense products and other life insurance products to consumers. See Note 15, Acquisitions, for additional information on the Company's acquisition of Preneed Holdings and ALOC Holdings. Subsequent to the acquisition, the Company dissolved Preneed Holdings. Effective January 1, 2022, ALOC changed its name to TruStage Life of Canada ("TLOC").

The Company is licensed to sell insurance in all 50 states, the District of Columbia and Canada and the majority of its revenue and the revenues of its affiliated companies are generated in the United States and Canada. It also conducts business in other foreign countries through branch offices or subsidiaries. None of these foreign operations and no individual state in the United States represent more than 10% of the Company's premiums for the years ended December 31, 2023, 2022, and 2021.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany accounts and transactions have been eliminated.

The Company consolidates a variable interest entity ("VIE") when it is the primary beneficiary. A primary beneficiary is the entity with both the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and, in some cases, the difference could be material. Investment valuations, determinations of allowances for credit losses, deferral of policy acquisition costs and the related amortization and recoverability, valuation of embedded derivatives, valuation of goodwill and intangible assets, value of business acquired ("VOBA") and the related amortization, deferred tax asset valuation reserves, insurance liabilities, reinsurance balances, receivables related to contracts with customers and pension and postretirement obligations are most affected by the use of estimates and assumptions.

Investments

Debt securities: Investments in debt securities, including bonds and redeemable preferred stocks, are classified as available for sale securities and are carried at fair value, except the debt securities owned by the Company's broker-dealer subsidiary, which are classified as trading securities.

Unrealized gains and losses on available for sale debt securities, net of any deferred federal income taxes, are included in accumulated other comprehensive income (loss) ("AOCI") as a separate component of stockholder's equity unless designated as a hedged item in a fair value hedge. Unrealized gains and losses on trading securities are reflected in the Consolidated Statements of Operations and Comprehensive Income (Loss), within net realized investment gains (losses).

The Company periodically evaluates its available for sale securities for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value. In determining whether an impairment exists, the Company considers, among other factors, financial position of the issuer, recent events affecting the issuer's business and industry sector, credit ratings and the intent and ability of the Company to hold the investment until the fair value has recovered to at least its cost basis. See further discussion in Note 3, Impairments of Available for Sale Debt Securities.

If a credit loss exists, but the Company does not have the intent to sell the security and is not more likely than not to be required to sell before recovery, an allowance for credit loss is established and the portion of loss that relates to credit loss is recorded through income as net realized investment gains (losses) and the portion of loss that relates to non-credit loss is recorded in other comprehensive income (loss).

If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell before anticipated recovery in value, the entire impairment loss is recorded through income to net realized investment gains (losses).

Equity securities: Investments in equity securities include common stocks, non-redeemable preferred stocks with readily determinable fair values and non-redeemable preferred stocks without readily determinable fair values. Common stocks and non-redeemable preferred stocks with readily determinable fair values are carried at fair value. The Company holds non-redeemable preferred stocks without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Unrealized gains and losses on common stocks, non-redeemable preferred stocks with readily determinable fair values and non-redeemable preferred stocks without readily determinable fair values are included in net realized investment gains (losses).

Mortgage loans: Mortgage loans held for investment are generally carried at their aggregate unpaid principal balance, adjusted for amortization of premiums and accretion of discounts and are net of an allowance for credit losses. The loan portfolio consists of commercial mortgage loans made to borrowers throughout the United States and Canada collateralized by completed properties. The Company believes all of the loans in the portfolio share three primary credit related risks: borrower credit worthiness; sustainability of the cash flow of the property; and property valuation; therefore, the method for monitoring and assessing credit risk is consistent for the entire portfolio.

The Company records an allowance for credit losses that represents the portion of the amortized cost basis that the Company does not expect to collect. To determine the allowance for credit losses, the Company pools mortgage loans that share similar risk characteristics, considers the lifetime credit loss expected over the contractual term of the mortgage loans, adjusted for expected prepayments and any extensions, and takes into account past events, current economic conditions and forecasts of future economic conditions. Loans are pooled primarily on their internal risk ratings, key factors for which are loan-to-value ratios and debt-service coverage ratios. Annual expected loss rates are based on historical default and loss experience factors. Using average lives, the annual expected loss rates are converted into life-of-loan loss expectations.

Mortgage loans with dissimilar risk characteristics are removed from the pool and are evaluated individually for credit loss. Loans with dissimilar risk characteristics include those with significant declines in credit quality, collateral dependent loans (i.e., when the borrower is experiencing financial difficulty and foreclosure is reasonably probable), and reasonably expected troubled debt restructurings resulting from the Company making concessions to the borrower.

For those individual loans not evaluated as part of the pool, the allowance for credit losses is established as follows: (a) for loans where the probable outcome is foreclosure or in-substance foreclosure, the credit loss is calculated as the difference between the carrying amount and the fair value of the collateral less costs to sell; and (b) for other impaired loans, the credit loss is calculated as the difference between the carrying amount and the present value of the expected future cash flows discounted at the lowest original effective interest rate. The original valuation allowance and subsequent changes in the valuation allowance are recorded in net realized investment gains (losses).

Mortgage loans are placed on nonaccrual status if the financial condition of the borrower causes the asset to be maintained on a cash basis, if full payment of principal or interest is not expected, or if the principal or interest has been in default for more than 90 days unless the asset is both well secured and in process of collection. A loan is returned to accrual status if it meets the following criteria:

- None of the principal or accrued interest is past due and repayment of the remaining contractual obligation is expected;
- The loan becomes well secured and in the process of collection.

The exceptions to meeting the first criterion are as follows:

- The loan has been formally restructured and repayment is assured under the modified terms;
- The loan is a purchased impaired loan; or
- The borrower is making the contractual principal and interest payments and, while the loan may not be fully current, it is reasonably assured that the loan will be able to become current within a reasonable period and the borrower has shown a sustained period of being able to make the contractual payments.

When a loan is on nonaccrual status, any payments received are applied toward the principal balance. Generally, there is no immediate income recognition when removing a loan from nonaccrual status.

Policy loans: Policy loans are reported at their unpaid principal balance. A valuation allowance is not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal or interest on the loan is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Equity in unconsolidated affiliates: Equity in unconsolidated affiliates includes investments in companies that the Company has the ability to exercise significant influence over the operating and financial policies of the investee. Generally, this occurs when the Company's ownership ranges from 20% to 50%. The Company accounts for these investments using the equity method whereby the Company's proportionate share of the net income (loss) of these unconsolidated affiliates is reported in the consolidated statement of comprehensive income (loss), net of related income taxes.

Equity in unconsolidated affiliates investments are assessed for impairment annually or whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment loss may need to be recognized as an equity loss of unconsolidated affiliates to the extent the carrying value of the assets exceeded the fair value of such assets. The estimation of fair values requires assumptions by management about factors that are uncertain including future cash flows, the appropriate discount rate and other factors. There were no impairments in 2023. The Company was not invested in equity in unconsolidated affiliates in 2022.

During 2023, the Company exchanged debt securities and accrued interest (which included a two times conversion feature) and a note receivable for a preferred stock investment of $67,740 in a financial technology company which is included in equity in unconsolidated affiliates on the Consolidated Balance Sheets.

Limited partnerships: Limited partnerships primarily represent interests in energy, mezzanine, private equity, real estate partnerships, and socially responsible investments and are accounted for using the equity method. Accordingly, the Company's investments in these limited partnerships are carried at the value of outstanding equity as reported by the general partner. As a result of delays in the reporting of results by the partnerships, the Company generally records its equity interests on a three-month lag, as adjusted for contributions and distributions through the reporting date.

Determinations of the fair value of certain investments held by the limited partnerships are dependent upon unobservable inputs given the nature of the investments, and the fact that observable market data is frequently not available. Accordingly, the values assigned are subject to risks of variability.

Securities lending assets and payable for securities lending: The Company participates in a securities lending program, whereby certain securities are loaned for a short period of time from the Company's portfolio to qualifying third parties. Terms of the agreement are for borrowers of these securities to provide collateral of at least 102% of the fair value of the loaned securities; the Company is permitted by contract to sell or repledge this collateral. Acceptable collateral may be in the form of cash or U.S. government securities as outlined in the securities lending agreement. The fair value of the loaned securities is monitored daily and additional collateral is obtained if the fair value of the collateral falls below 102% of the fair value of the loaned securities. The loaned securities remain an asset of the Company. A liability is also recorded for the same amount as the collateral received to reflect the obligation to return the collateral to the payer.

The Company typically invests cash collateral in short-term securities through the use of reverse repurchase agreements, which are recorded at amortized cost and included in securities lending assets. Under reverse repurchase agreements, the Company transfers cash or short-term securities to approved counterparties and receives U.S. Treasury or investment grade securities.

Income associated with securities lending transactions is reported as a component of net investment income on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company's exposure to credit risk related to the securities lending program and reverse repurchase agreements is limited, due to the nature of the collateral received. The Company has counterparty exposure on these transactions in the event of a counterparty default to the extent the collateral security's value declines below the amount of cash or securities the Company delivered to acquire the collateral. The short-term nature of the transactions reduces that exposure.

Other invested assets: Other invested assets primarily consist of low-income housing tax credit investments ("LIHTC"), investments in restricted common stock of the Federal Home Loan Bank of Des Moines ("FHLB"), short-term investments, margin deposits, investments receivable and real estate.

- LIHTC are investments in partnerships and limited liability entities that generate and realize low-income housing tax credits. These investments are carried at amortized cost, unless considered impaired, and are accounted for using the proportional amortization method. Under the proportional amortization method, the excess of the carrying value of the investment over its estimated residual value is amortized into income tax expense during the period in which tax benefits are recognized. As further described in the Variable Interest Entities section of this note, the passive interests the Company holds in these LIHTC are considered to be variable interests.
- The FHLB restricted stock is purchased to facilitate borrowing from the FHLB and is carried at cost.
- Short-term investments include certificates of deposit that are reported at amortized cost, which approximates fair value, and government securities that are carried at fair value. Short-term investments are evaluated for impairment using the same methods described above for available for sale debt securities.
- For certain derivatives, the counterparty requires margin deposits as well as daily cash settlements of margin accounts, and such amounts on deposit are included in other invested assets.
- Investment receivables are carried at cost and represent receivables for investments that have been sold. The Company has concluded that there is no possibility of nonpayment on receivables for investments that have been sold because the custodial bank delivers sold securities simultaneously when the proceeds are received. Accordingly, no allowance for credit losses is required.
- Investments in real estate are carried at cost, net of accumulated depreciation. When events or circumstances indicate the carrying value of investments in real estate may not be recoverable, it is tested for impairment. Investments in real estate are deemed to be impaired when the carrying value exceeds the sum of the undiscounted cash flows expected to result from the investment. Impaired investments in real estate are written down to estimated fair value with the impairment loss being included in net realized investment gains (losses).

Net investment income: Dividends are recorded at the ex-dividend date. Interest income related to mortgage-backed and other structured securities is recognized when earned using a constant effective yield method, based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments, and such adjustments are reflected in net investment income. Prepayment assumptions for mortgage-backed bonds and other structured securities are based on industry averages or internal estimates. Interest income related to non-structured securities is recognized when earned. Discounts and premiums on debt securities are amortized over the estimated lives of the respective securities on an effective yield basis. Investment income is also derived from investments in real estate, limited partnerships, and derivative activity. Income from investments in real estate is recognized when earned. Income from investments in limited partnership interests is accounted for using the equity method generally on a three-month lag, as adjusted for contributions and distributions, and recognized in net investment income.

Net realized investment gains (losses): Net realized investment gains and losses on the sale of investments are determined on a specific identification basis and are recorded on the trade date. Unrealized holding gains and losses on trading debt securities, common stocks, non-redeemable preferred stocks with readily determinable fair values and non-redeemable preferred stocks without readily determinable fair values are also included in net realized investment gains (losses) and are recorded on the valuation date. Impairment losses on debt securities that the Company has the intent to sell or it is more likely than not that the Company will be required to sell before the anticipated recovery value are recorded in net realized investment gains (losses).

Derivative Financial Instruments

The Company uses derivative instruments, such as swaps, options, and futures, to manage exposure to various currency and market risks. All such derivatives are recorded in the Consolidated Balance Sheets at fair value. See Note 3, Investments-Derivative Financial Instruments, and Note 4, Fair Value, for additional information on the Company's derivative financial instruments.

The Company issues products that contain embedded derivatives including equity-indexed annuities and guarantees contained in variable annuity, single premium deferred index annuity, single premium deferred index-linked interest options annuity, single premium deferred modified guaranteed index annuity and flexible premium variable and index-linked deferred annuity contracts. Derivatives embedded within non-derivative host contracts are separated from the host instrument when the embedded derivative is not clearly and closely related to the host instrument. Such embedded derivatives are recorded at fair value, and they are reported as part of policyholder account balances in the Consolidated Balance Sheets, with the change in the value being recorded in net realized investment gains (losses).

The Company may designate certain derivatives as fair value hedges or cash flow hedges. At inception of the hedge, the Company formally documents the hedging relationship, risk management objective and strategy. In addition, the documentation includes a description of the hedging instrument, hedged transaction, nature of the risk being hedged and methodologies for assessing effectiveness and measuring ineffectiveness. The Company performs procedures to assess the effectiveness of the hedging relationship and the change in fair value associated with any ineffectiveness is recorded in net realized investment gains (losses).

Fair value hedges: For instruments that qualify as fair value hedges, the changes in fair value of the hedging instruments are recorded in net realized investment gains (losses). The changes in fair value of the hedged item, attributable to the risk being hedged, are also recorded in net realized investment gains (losses). The difference between the changes in fair value of the hedging instrument and the changes in fair value of the hedged item represents the ineffectiveness in an otherwise effective hedging relationship.

Cash flow hedges: The Company designates certain derivative instruments as cash flow hedges when the hedging instrument is highly effective in offsetting the hedged risk of variability in cash flows that could affect net income. The changes in fair value of the swaps attributable to hedged risk are recorded in AOCI to the extent the hedge is effective, with any ineffectiveness recorded in net realized investment gains (losses). Amounts are reclassified from AOCI to net investment income when cash flows associated with the hedged item are included in net income.

Hedges of net investments: The Company uses certain derivative instruments to hedge a portion of the equity in its consolidated foreign subsidiary from the effects of fluctuations in currency exchange rates. When deemed effective, changes in fair value of the instruments are recorded in AOCI. Any ineffectiveness, in an otherwise effective hedging relationship, is recorded in net realized investment gains (losses).

Non-hedge derivatives: The Company is party to certain interest rate swaps, equity futures and options that are not designated as qualified hedging instruments. Changes in fair value and the income and expenses associated with derivatives not classified as qualified hedges are recorded in net realized investment gains (losses).

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted deposits in financial institutions, money market mutual funds, and investments with maturities at the date of purchase of 90 days or less. Money market mutual funds are stated at their net asset value. Other cash equivalents are stated at amortized cost, which approximates fair value, and are evaluated for impairment using the same methods described above for available for sale debt securities.

Variable Interest Entities

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity. Consolidation of a VIE by its primary beneficiary is not based on majority voting interest but is based on a review of the VIE's capital structure, contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued and the Company's involvement with the entity. When assessing the need to consolidate a VIE, the Company evaluates the design of the VIE as well as the related exposure to the variable interest holders.

The primary beneficiary is the entity that has both the power to direct the activities of the VIE that most significantly affect the entity's economic performance and the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. While also considering these factors, the consolidation conclusion depends on the breadth of the Company's decision-making ability and the Company's ability to influence activities that significantly affect the economic performance of the VIE.

Consolidated VIEs: The Company owns certain limited partnerships that hold the Company's investments in unaffiliated limited partnerships ("MCA Funds"); the MCA Funds were organized with the principal purpose of investing in limited partnerships to provide returns from distributions and capital appreciation, which is management's primary purpose for investing in all limited partnerships, including those that the Company's subsidiaries are directly invested in. The MCA Funds meet the definition of a VIE for which the Company has concluded that it is the primary beneficiary and which are consolidated at December 31, 2023 and 2022. The underlying limited partnership investments held by the MCA Funds are classified as VIEs but have not been directly consolidated in the Company's consolidated financial statements as the Company has determined it is not the primary beneficiary.

($ in 000s)

The following table presents the total assets and total liabilities associated with the VIEs which the Company has consolidated:

	Collateralized Fund Obligations	Limited Partnership Investment Vehicles	Elimination of Affiliated Notes and Interest Payable	Total
December 31, 2023				
Assets:				
Limited partnerships	$ 576,923	$ 1,983,066	$ -	$ 2,559,989
Cash and cash equivalents	18,246	10,624	-	28,870
Total assets	$ 595,169	$ 1,993,690	$ -	$ 2,588,859
Liabilities:				
Notes and interest payable	$ 253,551	$ -	$ (144,836)	$ 108,715
Accounts payable and other liabilities	327	3	-	330
Total liabilities	$ 253,878	$ 3	$ (144,836)	$ 109,045
December 31, 2022				
Assets:				
Limited partnerships	$ 610,892	$ 1,628,019	$ -	$ 2,238,911
Cash and cash equivalents	21,928	13,968	-	35,896
Total assets	$ 632,820	$ 1,641,987	$ -	$ 2,274,807
Liabilities:				
Notes and interest payable	$ 315,371	$ -	$ (169,484)	$ 145,887
Accounts payable and other liabilities	340	4	-	344
Total liabilities	$ 315,711	$ 4	$ (169,484)	$ 146,231

The assets of the Company's consolidated VIEs which are collateralized fund obligations can be used only to settle obligations of that VIE and are not available to pay or otherwise satisfy any obligations of the Company's subsidiaries.

($ in 000s)

The Company calculates the maximum exposure to loss to be the amount invested in the debt or equity of the consolidated VIE plus other commitments and guarantees to the VIE. Off-balance sheet exposure consists of commitments to purchase underlying limited partnership investments, which were $1,671,157 and $1,680,516 as of December 31, 2023 and 2022, respectively. The off-balance sheet exposure is included within total commitments disclosed in Note 14, Commitments and Contingencies.

Unconsolidated VIEs: The Company holds a variable interest in certain VIEs for which the Company is not the primary beneficiary, and, therefore, these VIEs were not consolidated on the Company's Consolidated Balance Sheets. The Company invests in unconsolidated VIEs with the primary purpose of earning capital appreciation.

The following table presents the carrying amount and maximum exposure to loss associated with VIEs which the Company has not consolidated:

	2023		2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Equity securities	$ 4,500	$ 4,500	$ 101,168	$ 101,168
Debt securities, available for sale	-	-	4,123	4,123
Equity in unconsolidated affiliates	67,740	67,740	-	-
Limited partnerships	52,525	168,487	27,196	91,663
LIHTC	118,886	215,644	106,206	207,882
Total assets	$ 243,651	$ 456,371	$ 238,693	$ 404,836

The maximum exposure to loss relating to equity securities is equal to the carrying amount of the security. The maximum exposure to loss relating to equity in unconsolidated affiliates is equal to the carrying amount of the investment. The maximum exposure to loss relating to limited partnerships and LIHTC is calculated to be the amount invested in the debt or equity of the VIE plus other commitments and guarantees to the VIE. As described in Note 14, Commitments and Contingencies, the Company makes commitments to fund limited partnerships and LIHTC in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during the years ended December 31, 2023 and 2022.

All of the Company's investments in residential mortgage-backed, commercial mortgage-backed, and other structured securities are also classified as unconsolidated VIEs. The maximum exposure to loss relating to these securities is equal to the carrying amount of the security. The values of these investments are disclosed in the Debt Securities section of Note 3, Investments.

Premiums Receivable and Reinsurance Recoverables

Premiums receivable and reinsurance recoverables are generally non-interest-bearing and have a 30-to-90-day term. The allowance for uncollectible premiums receivable is estimated based on a combination of estimated loss rates, write-off history and aging analysis. The allowance is calculated on a pooled basis for major product groups, the policyholders of which are considered to have similar risk characteristics; primarily for life insurance and personal lines auto and homeowner's insurance.

For reinsurance recoverables, an allowance for expected lifetime credit losses is established based on assumptions for the probability of default and loss given default, giving effect to any applicable collateral arrangements. The reinsurance recoverables are assessed for the credit loss allowance in pools, segmented by the reinsurers' publicly available credit ratings.

($ in 000s)

Changes in the allowance for credit losses on premiums receivable are as follows:

	Life and Health Insurance	Auto and Home	Other	Total
Balance as of January 1, 2022	$ 592	$ 1,917	$ 630	$ 3,139
Net increase (decrease) related to credit losses	(97)	(407)	634	130
Balance as of December 31, 2022	495	1,510	1,264	3,269
Net increase (decrease) related to credit losses	18	220	(704)	(466)
Balance as of December 31, 2023	$ 513	$ 1,730	$ 560	$ 2,803

Recognition of Life and Health Insurance Revenue and Related Benefits

Credit life and disability insurance coverages are issued on either a single or monthly premium basis and revenue is recognized in relation to anticipated benefits to policyholders.

The Company has entered into retrospective rating agreements for certain credit life and credit disability contracts. Retrospective premiums are accrued as an increase or decrease to premium based on premium and claim experience for each qualifying policy and are included as part of the liability for claim and policy benefit reserves or as premium receivables.

Term-life, whole-life, accidental death and dismemberment and long-term care insurance premiums are recognized as premium income when due. Policy benefits for these products are recognized in relation to the premiums so as to result in the recognition of profits over the expected lives of the policies and contracts.

Revenue is recognized at the time of issue on immediate annuity and supplemental contracts that subject the Company to mortality or longevity risk (risk that the Company will have to make payments contingent upon the continued survival of an insured or insureds). A deferred profit liability is established for the excess of the gross premium collected over the sum of acquisition expenses incurred plus the initial benefit and maintenance expense reserve established. Deferred profits are included within life and health policy benefit reserves and are recognized over the expected benefit payment period.

Pension risk transfer premiums are recognized as revenue for the amount of the deposit less the deferred profit liability.

Amounts collected on policies not subject to significant mortality or longevity risk, principally group annuity and deferred annuity contracts (investment contracts), are recorded as increases in policyholder account balances. Revenues for investment contracts principally consist of net investment income and contract charges such as expense and surrender charges. Expenses for investment contracts consist of interest credited to contracts, benefits incurred in excess of related policyholder account balances and policy maintenance costs.

Universal life-type policies are insurance contracts with terms that are not fixed or guaranteed. Amounts received as payments for such contracts are credited to policyholder account balances. Revenues from universal life-type policies, which are recorded as contract charges in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss), consist of fees assessed against policyholder account balances for surrender charges, cost of insurance and policy administration. Policy benefits and claims that are charged to expense include interest credited to contracts and benefits incurred in excess of related policyholder account balances.

($ in 000s)

Recognition of Property and Casualty Insurance Revenue

Property and casualty insurance premiums are generally recognized ratably over the periods to which the premiums relate. Certain property and casualty contracts insure lenders against losses related to loan collateral, and the premium for these policies is recognized over the expected period of exposure. Such premium is recognized on an accelerated basis versus on a pro rata method to reflect the higher exposure to loss in the early period of the loan term. An unearned premium reserve is established for the unexpired portion of insurance premiums.

The premium on certain insurance contracts is subject to retrospective rating adjustments. Retrospective premiums are accrued in earned premium individually for each qualifying policy based on premium and claim experience.

Commission and Fee Income

The following table identifies commission and fee income disaggregated by major sources for the years ended December 31:

	2023	2022	2021
Brokered automobile and homeowner insurance	$ 107,756	$ 112,949	$ 74,681
Annuities and broker-dealer	155,926	139,845	183,293
Retirement solutions	59,435	77,687	89,082
Lending	79,471	84,498	75,096
Other commission and fee income	11,607	12,022	11,346
Total commission and fee income	$ 414,195	$ 427,001	$ 433,498

Brokered automobile and homeowner insurance: The Company’s brokered automobile and homeowner insurance commission and fee income revenue is derived primarily by marketing third-party automobile and homeowner insurance products to credit union members through one of the Company’s agency subsidiaries. Revenue is generated by the Company initiating contact between potential customers and third-party automobile and homeowner insurance carriers (lead fees), new business commissions, and commissions on policy renewals for policies initiated by the marketing efforts (renewal commissions). The Company has a single performance obligation to arrange for the sale of insurance products between insurance carriers and credit union members. For new business commissions and renewal commissions, this single performance obligation is satisfied at the time when the customer’s insurance policy becomes effective. For lead fees, the single performance obligation is satisfied when a lead occurs. Lead fees received are based on a fixed amount per lead generated and a percentage of the policy premium for new and existing policy renewals. The Company estimates future renewal commissions at the beginning of the contract period based on customer persistency and lapse rates. The estimate assumes future premium changes and policy cancellations and is discounted based upon interest rates from the appropriate cohort year. Lead fees and renewal commissions are typically collected monthly in arrears.

Contract assets from renewal commissions are estimated when policies are sold; they are subsequently adjusted when renewal commissions are paid, for the unwind of the discount, or as assumptions are updated based on experience. A corresponding contract liability is also established for the obligation to compensate credit unions whose members are solicited. The contract assets primarily relate to a receivable from a third-party insurance carrier, and the liabilities relate to amounts due to credit unions. These contract liabilities are settled quarterly. The contract asset does not meet the definition of a financing receivable because the Company cannot demand payment until the policies renew and payments are not due on fixed and determinable dates; therefore, an allowance for credit losses has not been established.

($ in 000s)

The following table shows the activity in the balance of brokered automobile and homeowner insurance contract assets and liabilities.

	Contract Assets		Contract Liabilities	
Balance as of January 1, 2022	$	123,124	$	56,428
Increase		11,764		1,306
Balance as of December 31, 2022		134,888		57,734
Increase (decrease)		(5,538)		1,707
Balance as of December 31, 2023	$	129,350	$	59,441

Annuities and broker-dealer: The Company's annuities and broker-dealer commission revenue and fee income is derived from a portion of the revenue earned by LPL Financial LLC ("LPL"), which has an agreement with CBSI. LPL has the direct relationship with the providers, which pay LPL up-front sales commissions and renewal and trailing commissions from the sale of mutual funds, annuities and other investments. The relationship with LPL became effective May 2022. Prior to this agreement, commission revenue and fee income was primarily based on contracts with mutual fund companies, insurance companies, and other product providers.

Post-LPL agreement

Beginning in May 2022, the Company has a single performance obligation to provide marketing support and relationship management services to LPL. Commission revenue and fee income are collected bimonthly from LPL. Up-front commissions are based on a percentage of the amount purchased and are recognized as revenue in the month when the trade occurred. When applicable, an estimate of chargebacks is accrued. Trailing commissions and fee income are generally earned based on a percentage of the customer's assets under management and paid over time. The Company has concluded that the estimate of these future commissions is constrained because the amount may vary widely based on customer behavior and the value of the underlying investments, among other factors. Therefore, trailing commission revenue and fee income is recorded when the account values become fixed and determinable. Trailing commission revenue is generally collected on a monthly or quarterly basis in arrears, and fee income is generally collected on a monthly basis.

Pre-LPL agreement

Prior to the LPL agreement becoming effective in May 2022, the Company's primary performance obligation for commission revenue and externally managed account program fee activity was to market and sell the related products. The Company also sponsored its own managed account program; however, that program was terminated, and the customers were transferred to LPL starting in May 2022.

Commission income was based on a percentage of the amount purchased and recognized as revenue on the trade date. Renewal and trailing commissions were generally earned based on a percentage of the customer's assets under management and paid over time. The Company concluded that the estimate of these future commissions was constrained because the amount could vary widely based on customer behavior and the value of the underlying investments, among other factors. Therefore, trailing commission revenue was recorded when the account values became fixed and determinable and was generally collected on a monthly or quarterly basis in arrears.

Both managed account fees and mutual fund 12b-1 distribution fees were based on a percentage of assets under management. The Company concluded that the estimate of these fees was constrained because the amount could vary widely based on customer behavior and the value of the underlying investments, among other factors. Therefore, the fee revenue was recorded when the account values become fixed and determinable.

The Company's internally managed account advisory services were based on a percentage of assets under management, were recognized as revenue when the service had been performed and were typically collected on a monthly or quarterly basis in arrears.

Retirement solutions: The Company's retirement solutions commission and fee income revenue is derived primarily from retirement plan administration and related investment advisory and processing services of 401(k) and pension plans for two primary groups of customers – credit unions and other employers obtained through the intermediary (non-credit union) market. The Company provides fund selection advice to institutional plans and receives fees for this service. The Company has a single bundled performance obligation of administering retirement plans which is provided over the entire annual contract period, with the exception that certain services may occur only at the customer's request and are therefore provided at a point in time. The primary source of retirement solutions revenue is wrap fees. Other types of retirement solutions revenue are per person transaction fees and flat rate plan fees.

Wrap fees are charged as a percent of plan assets. The corresponding revenue is collected and recognized when the asset values are fixed at the end of a monthly reporting period and the amount of revenue is known. Wrap fees are not charged on amounts held in fixed accounts.

Per person fees are charged per participant in a plan, and the corresponding revenue is collected at the beginning of the plan year and recognized on a pro-rata basis over the plan year, which is the service period.

Transaction fees are charged for execution of a specific service or transaction, such as processing a loan or amending the plan document. The corresponding revenue is collected and recognized when the service is performed.

Flat rate plan fees are a fixed amount charged to a plan for services, and the corresponding revenue is collected at the beginning of the plan year and recognized on a pro-rata basis over the plan year, which is the service period.

Lending: Lending revenue from contracts with customers primarily consists of revenue generated from the efforts of a marketing program and the Company's lending documents services.

The Company markets an insurance carrier's warranty coverage to credit union members. The Company has a single performance obligation to arrange for the sale of insurance products between the third-party insurance carrier and the credit union members. The contract price is fixed, and collectability is reasonably assured. Revenue is recognized when the third-party insurance carrier binds a policy that was initiated by the marketing efforts of the Company; revenue is typically collected monthly in arrears.

The Company offers state and federally compliant loan and other documents used by credit unions and other financial institutions, along with related services. These documents are offered in two formats, paper documents and electronic documents. Paper documents have one bundled performance obligation to deliver paper documents to the customer and provide access to a team of compliance operation experts along with training and support services. The performance obligation related to paper documents is considered bundled because the Company does not sell compliance training and support services independently of the sale of paper documents. The contract price is fixed, and the revenue is recognized upon delivery of the documents and usually collected shortly thereafter. Electronic documents allow credit unions to access electronic documents that are continuously updated as compliance regulations change. The contract price is fixed and collected at the beginning of the service period, and revenue is recognized pro rata over the term of the contract.

Deferred Policy Acquisition Costs

Deferred costs: The costs of acquiring insurance business that are directly related to the successful acquisition of new and renewal business are deferred to the extent that such costs are expected to be recoverable from future profits. Such costs principally include commissions and sales costs, direct response advertising costs, premium taxes, and certain policy issuance and underwriting costs.

Amortization of costs: Costs deferred on property and casualty insurance products as well as credit life and credit disability policies are amortized over the term of the related policies in proportion to the premium recognized as earned. For term-life and whole-life insurance products, deferred policy acquisition costs are amortized in proportion to the ratio of the annual premium to the total anticipated premiums generated by the deferred acquisition costs. For investment contracts, primarily deferred annuities, and universal life-type products, deferred policy acquisition costs are amortized principally over the expected contract lives and in any one period in proportion to the relationship of actual gross profits for the period to the present value of all estimated gross profits from mortality, investment, and expense margins. Deferred policy acquisition cost assets for investment contracts and universal life-type products are adjusted for changes in the present value of estimated gross profits. Such adjustments are recorded in the period that the change in the present value of future years' gross profits becomes apparent. An additional adjustment to deferred policy acquisition costs on investment contracts and universal life-type products is made representing the effect on deferred policy acquisition costs that would occur if the unrealized gains and losses on investments related to these contracts were realized; the offset to this adjustment is included in AOCI. This adjustment is referred to as shadow deferred policy acquisition costs. Deferred policy acquisition costs on participating insurance contracts are amortized over the life of the participating contracts at a constant rate based on the present value of the estimated gross margin expected to be realized.

Estimating future gross profits is a complex process requiring considerable judgment and the forecasting of events well into the future. The primary assumptions for determining the amount of the estimated gross profits are future investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to contract holders, and the effects of future persistency, mortality, expenses, and hedges, if any. Financial market volatility increases the variability and risk of estimating gross profits, which in turn could impact amortization of the deferred policy acquisition costs.

Recoverability and loss recognition: Deferred policy acquisition costs are subject to recoverability testing at the time of policy issuance and loss recognition testing on an annual basis or when an event occurs that may indicate an inability to recover the deferred costs. To the extent that future policy premiums and investment income or gross profits are not adequate to cover the estimated anticipated losses and maintenance expenses at the time of policy issue, costs that would otherwise qualify for capitalization are not recoverable and are therefore expensed. Deferred policy acquisition costs are written down to the extent that future policy premiums and investment income or gross profits on in force policies are not adequate to cover the related estimated losses and expenses. Loss recognition in excess of the deferred policy acquisition costs balance is recognized by an increase in premium deficiency reserves, which are recorded in claim and policy benefit reserves – life and health or loss and loss adjustment expense reserves – property and casualty, as applicable, in the Consolidated Balance Sheets. See further discussion in Claim and Policy Benefit Reserves – Life and Health in Note 2.

Internal replacements: An internal replacement is defined as the modification of product benefits, features, rights or coverage that occurs by the exchange of an existing contract for a new contract, or by amendment, endorsement or rider, or by election of a feature or coverage within a contract. When an internal replacement occurs, which results in a substantial change to a policy, unamortized deferred policy acquisition costs, unearned revenues, and deferred sales inducements are expensed on the basis that the change constitutes the issuance of a new policy. Acquisition costs, sales inducements, and unearned revenue associated with the new replacement contract are deferred and amortized over the lifetime of the new contract. An internal replacement that is not a substantial change to the initial policy is accounted for as a continuation of the existing contract and the existing deferred policy acquisition costs and unearned revenue are carried over to the replacement contract.

($ in 000s)

Value of Business Acquired

VOBA represents identifiable intangible assets to which a portion of the purchase price in a business acquisition is attributed under the application of purchase accounting. VOBA represents an adjustment to the stated value of in-force insurance contract liabilities to present them at fair value, determined as of the acquisition date. VOBA balances are also subject to recoverability testing on an annual basis or when an event occurs that may indicate an inability to recover the balance. The Company has established a VOBA asset for its life products from its acquisition of AMLIC, USIC and TLOC in 2021. The Company amortizes VOBA over the anticipated life of the acquired contracts using similar methodologies and assumptions used to amortize DAC. An additional adjustment to VOBA on investment contracts and universal life-type products is made representing the effect on VOBA that would occur if the unrealized gains and losses on investments related to these contracts were realized; the offset to this adjustment is included in AOCI on the Consolidated Balance Sheets. This adjustment is referred to as shadow VOBA. The Company records amortization of VOBA in operating and other expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Office Properties, Equipment and Computer Software

Office properties, equipment and computer software are carried at cost net of accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets. The useful life of office equipment and purchased software is generally three to seven years. The useful life of capitalized costs for internally developed software ranges from three to ten years, while the useful life for office properties is generally 20 years. The following table provides a summary of office properties, equipment and computer software as of December 31:

	2023	2022
Office properties	$ 263,868	$ 296,651
Equipment	84,641	78,224
Computer software	350,734	321,383
Total cost of office properties, equipment and computer software	699,243	696,258
Accumulated depreciation	(416,019)	(420,728)
Office properties, equipment and computer software at cost, less accumulated depreciation	$ 283,224	$ 275,530

In 2023, the Company sold equipment and recognized a pre-tax gain in other income in the Consolidated Statements of Operations and Comprehensive Income (Loss) of $9,192.

Depreciation expense totaled $48,233, $45,103, and $43,783 in 2023, 2022, and 2021, respectively.

In 2022, the Company recognized impairment losses of $14,048 related to computer software and office properties. The Company did not recognize impairment losses in 2023 or 2021.

($ in 000s)

Goodwill and Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are subject to an impairment test annually, or whenever events or circumstances indicate the carrying amount may not be recoverable. Definite-lived intangible assets are amortized over their estimated useful lives, ranging from two years to 24 years. Amortization is based on the pattern in which the economic benefits are expected to be realized, when determinable; otherwise, straight-line amortization is used. Definite-lived intangible assets are subject to an impairment test whenever events or circumstances indicate the carrying amount may not be recoverable.

The following table provides a rollforward of goodwill and intangible assets.

	Goodwill	Intangible Assets
Gross balance at January 1, 2021	$ 146,448	$ 51,394
Accumulated amortization at January 1, 2021	-	(12,402)
Balance, net, at January 1, 2021	146,448	38,992
Acquisition of subsidiaries	445,234	64,900
Adjustment on acquisition of subsidiaries	41	-
Amortization	-	(6,128)
Balance, net, at December 31, 2021	591,723	97,764
Acquisition of subsidiary	8,975	5,150
Impairment	-	(1,399)
Measurement period adjustments	9,014	-
Change due to foreign currency translation adjustment	(8,200)	-
Amortization	-	(9,237)
Balance, net, at December 31, 2022	601,512	92,278
Change due to foreign currency translation adjustment	1,304	39
Amortization	-	(8,217)
Balance, net, at December 31, 2023	602,816	84,100
Add: Accumulated amortization at December 31, 2023	-	34,940
Gross balance at December 31, 2023	$ 602,816	$ 119,040

The indefinite-lived intangibles primarily represent the value of insurance licenses which permit the Company's subsidiaries to write new insurance business in their respective jurisdictions. Such licenses are generally annually renewable for a nominal cost and are expected to be renewed in all states and Canadian provinces.

($ in 000s)

Definite-lived intangible assets primarily consist of technology, customer lists, and distribution relationships and were valued at the time of acquisition. Developed technology represents internally-developed and highly customized systems that are necessary to run the business. The fair value of such technology was estimated using the replacement cost method, a form of the cost approach. The estimated fair value of customer lists and distribution agreements represents the present value of expected future profits associated with the expected future business derived from the agreements and relationships. The estimated fair value at the point of acquisition (net of amortization) of these relationships was calculated using the excess earnings method, a type of income approach. Definite-lived intangible assets totaled $68,100 and $76,278 at December 31, 2023 and 2022, respectively. The weighted average amortization period of definite-lived assets was 12 years in 2023, 14 years in 2022 and 11 years in 2021.

In 2021, the Company acquired the preplanning solutions business of Assurant, Inc. (“Assurant”) which includes several life insurance companies that provide preneed insurance, final expense products and other life insurance products to consumers, which resulted in the addition of $64,900 of intangible assets and $445,234 of goodwill on the acquisition date. See Note 15, Acquisitions, for further details regarding adjustments made to goodwill after the acquisition date. The amortization period for intangible assets related to this acquisition ranges from 2 to 24 years. The weighted average amortization period of definite-lived assets related to the acquisition of the preplanning solutions business from Assurant is 16 years. In 2022, the Company adjusted the goodwill related to the 2021 acquisition of the preplanning solutions business related to post close purchase accounting adjustments during the one year measurement period permitted by Accounting Standard Codification (“ASC”) 805, *Business Combinations*.

In 2022, the Company acquired a cloud-based lending solution for financial institutions, which resulted in an addition of $5,150 of intangible assets and $8,975 of goodwill.

See Note 15, Acquisitions, for further details on these acquisitions.

The following table is a summary of the estimated aggregate amortization expense for intangible assets.

		Estimated Aggregated Amortization Expense
2024	$	7,584
2025		7,584
2026		7,584
2027		7,584
2028		7,228
Thereafter		30,536
Total estimated amortization expense	$	68,100

Assets on Deposit

Assets on deposit represent the amount of policyholder account balances related to reinsurance of annuities (investment-type contract) that are ceded to an unaffiliated entity. Assets on deposit are accounted for on a basis consistent with accounting for the underlying investment-type contracts; therefore, the Company accounts for the reinsurance of these contracts using the deposit method of accounting consistent with the terms of the reinsurance agreements. The related contract charges and interest credited to policyholder account balances in the Consolidated Statements of Operations and Comprehensive Income (Loss) are reported net of the amounts ceded under the agreements.

Other Assets and Receivables

Other assets and receivables primarily consist of company-owned life insurance ("COLI"), receivables from unaffiliated entities, prepaid assets and leases. COLI is carried at the cash surrender value on the Consolidated Balance Sheets. COLI premiums paid are the initial cash surrender value. Changes to the cash surrender value are recorded in other income in the Consolidated Statements of Operations and Comprehensive Income (Loss). Receivables from unaffiliated entities and prepaid assets occur from transactions with unaffiliated entities in the normal course of business.

The Company, as a lessee, has entered into various lease agreements for office space and equipment. At contract inception, the Company determines that an arrangement contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts that contain a lease, the Company recognizes the right-of-use ("ROU") asset in other assets and receivables and the lease liability in accounts payable and other liabilities. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are determined using the Company's incremental borrowing rate based upon information available at commencement date to recognize the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease and are included in the lease measurement when it is reasonably certain that the Company will exercise that option.

Separate Accounts

Separate accounts represent customer accounts related to certain contracts issued by the Company, such as variable annuities, variable life insurance policies, and flexible premium variable and index-linked deferred annuities, where investment income and investment gains and losses accrue directly to the contract holders who bear the investment risk. In some contracts the Company provides certain guarantees. Such guarantees may include a minimum account value upon death or minimum withdrawal or accumulation benefits. The liabilities for these guarantees are not included in the separate accounts as they are obligations of the Company. See Note 3, Investments-Embedded Derivatives, for further discussion of the guarantees for minimum withdrawal or accumulation benefits. The additional liability held for minimum death benefits is equal to the current benefit ratio multiplied by the cumulative revenue from the contract's issue date, less cumulative excess death benefits from the issue date, plus interest, and floored at zero. The reserve for minimum death benefit guarantees was $7,035 and $5,285 as of December 31, 2023 and 2022, respectively, and is reported in policyholder account balances in the Consolidated Balance Sheets.

Contract holders are able to invest in investment funds managed for their benefit. Approximately 54% and 56% of the separate account assets are invested in unit investment trusts and mutual funds that are registered with the Securities and Exchange Commission ("SEC") as of December 31, 2023 and 2022, respectively.

Separate account assets are legally segregated and may only be used to settle separate account liabilities. Separate account assets are carried at fair value, which is based on daily quoted net asset values ("NAVs") at which the Company could transact on behalf of the contract holder. Separate account liabilities are equal to the separate account assets and represent contract holders' claims to the related assets. Contract holder deposits to and withdrawals from the separate accounts are recorded directly to the separate account assets and liabilities and are not included in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

Charges made by the Company to the contract holders' balances include fees for maintenance, administration, cost of insurance, and surrenders of contracts prior to the contractually specified dates. Such fees are reflected as revenues (contract charges) in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) when they are assessed to the contract holder by the Company.

Policyholder Account Balances

The Company recognizes a liability at the stated account value for policyholder deposits that are not subject to significant policyholder mortality or longevity risk, for universal life-type policies and for funding agreements with the FHLB. The account value equals the sum of the original deposit and accumulated interest, less any withdrawals and expense charges. Average credited rates for the various products ranged from 1.0% to 8.2% in 2023, 1.0% to 6.5% in 2022, and 1.2% to 3.2% in 2021. Future minimum guaranteed interest rates during the life of the contracts vary from 0.05% to 4.5%.

The funding agreements with the FHLB have fixed interest rates that range from 0.6% to 5.0% in 2023 and 0.6% to 1.0% in 2022 and 2021 and floating interest rates that range from 4.1% to 6.3% in 2023, 0.5% to 5.6% in 2022 and 0.4% to 0.7% in 2021.

Claim and Policy Benefit Reserves – Life and Health

Life and health claim and policy benefit reserves consist principally of future policy benefit reserves and reserves for estimates of future payments on incurred claims reported but not yet paid and unreported incurred claims.

Claim reserves: Estimates for future payments on incurred claims are developed using actuarial principles and assumptions based on past experience adjusted for current trends. Any change in the probable ultimate liabilities is reflected in net income in the period in which the change is determined. Gross reserves for unpaid claims and claim adjustment expenses of $165,141 on certain claims, principally those resulting from a disability, use discount factors between 64% and 99% as of December 31, 2023. The aggregate discount deducted from gross reserves was $3,664 as of December 31, 2023. Interest accretion, a result of unwinding the prior year discount, of $2,246, $2,678, and $3,188 was recorded in life and health insurance claims and benefits within the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2023, 2022, and 2021, respectively.

Incurred but not reported ("IBNR") reserves are recorded as the difference between paid losses to-date and the ultimate loss selections for each accident year. Expected development on reported credit disability claims is calculated using continuance tables, which provide the probability that a claim, at a given age, will have additional payments. These tables are calculated using actual historic company experience. Expected development is combined with paid losses for use in actuarial techniques using reported losses.

Actuarial techniques for unpaid claims and claim adjustment expenses primarily include paid and reported development techniques, their corresponding Bornhuetter-Ferguson methods (a combination of the expected loss ratio and paid development or reported development method), and prior ultimate loss selections. Expected loss ratio inputs for an accident year are generally based on the most recent quarterly financial forecast, which considers historic loss experience and current trends. Reserves for adjusting expenses are set as a percentage of the unpaid loss estimate, based on internal studies.

Within any one line of business, the methods that are given more influence vary based primarily on the maturity of the accident year, the mix of business and the particular internal and external influences impacting the claims experience or the methods.

Future policy benefit reserves: For term-life, whole-life and long-term care insurance products, future policy benefit reserves are computed using the net level premium method based on assumptions related to estimated future investment yield, mortality, morbidity, withdrawals, expenses and dividends, if applicable. The assumptions are set at issue and persist until a loss recognition event occurs. Mortality, morbidity and withdrawal assumptions reflect the Company's historical experience and industry standards. Interest rate assumptions range from 2.1% to 7.5% as of December 31, 2023 and 2022. Provisions for adverse deviation have been reflected in the assumptions, unless a premium deficiency has been recorded.

The Company assesses the adequacy of future policy benefit reserves by performing a gross premium valuation ("GPV") to determine if there is a premium deficiency. The GPV estimates required reserves using best estimate assumptions as of the date of the assessment without provisions for adverse deviation. The GPV required reserves are then compared to the existing recorded reserves. If the GPV required reserves are greater than the existing recorded reserves, the assumptions are unlocked and future policy benefit reserves are increased to the greater amount. Any such increase is reflected in the results of operations in the period in which the need for an adjustment is determined.

The 2023 GPV analysis on long-term care insurance showed no premium deficiency.

The 2022 GPV analysis on long-term care insurance showed that there was a premium deficiency of $49,246, of which an estimated $7,123 is recoverable from reinsurers, resulting in an increase of $42,123 to life and health insurance claims and benefits, net in the Consolidated Statements of Operations and Comprehensive Income (Loss). The long-term care reserves held as of December 31, 2022 represent management's best estimate assumptions as of that date with no margin for adverse deviation. The premium deficiency was driven primarily by higher future morbidity expectations, including higher costs due to care inflation.

The 2021 GPV analysis on long-term care insurance showed that there was a premium deficiency of $78,770, of which an estimated $19,308 is recoverable from reinsurers, resulting in an increase of $59,462 to life and health insurance claims and benefits, net in the Consolidated Statements of Operations and Comprehensive Income (Loss). The long-term care reserves held as of December 31, 2021 represented management's best estimate assumptions as of that date with no margin for adverse deviation. The premium deficiency was primarily driven by estimates of higher expected morbidity and persistency.

The Company recognized $41,506 of shadow loss reserves in other comprehensive income (loss) for the year ended December 31, 2021, related to unrealized investment gains on invested assets attributed to long-term care which led to lower expected future investment income. There was no shadow loss recognition in 2023 and 2022.

For immediate annuities or similar contracts with life contingencies, the reserve is calculated as the present value of future benefits. The mortality rates used are based on standard industry valuation tables, modified for the Company's experience if appropriate, and the interest rates used, set at issue, range from 1.0% to 7.5% and 1.0% to 9.2% as of December 31, 2023 and 2022, respectively.

Loss and Loss Adjustment Expense Reserves – Property and Casualty

Loss and loss adjustment expense reserves for property and casualty products represent the estimated claim cost and loss adjustment expense necessary to cover the ultimate cost of investigating and settling all losses incurred and unpaid as of the balance sheet date. Such reserve estimates are based on individual case estimates for reported losses, estimates for IBNR losses based on past experience and estimated adjustments for ultimate loss expectations based on historical experience patterns and current economic trends. The reserves are stated net of estimated salvage and subrogation recoverables of $15,734 and $16,607 at December 31, 2023 and 2022, respectively. Any change in the probable ultimate liabilities is reflected in net income in the period the change is determined to be necessary; such adjustments generally arise from new information emerging and could be material.

The Company's primary property and casualty insurance products include auto, homeowners, business protection, debt protection, and guaranteed asset protection ("GAP"). Except as specifically discussed by business line below, actuarial techniques for unpaid loss and loss adjustment expenses primarily include paid and reported development techniques, their corresponding Bornhuetter-Ferguson methods (a combination of the expected loss ratio and paid development or reported development method), and prior ultimate loss selections. Expected loss ratio inputs for an accident year are generally based on the most recent internal forecast, which considers historic loss experience and current trends.

IBNR reserves are based on the ultimate loss for each accident year. The Company reviews the ultimate losses and adjusts for the sum of paid losses to date and the case reserves on open claims. The Company records the net value as the IBNR reserves. Case reserves are established, based on available information, or are provided by the primary insurer for assumed reinsurance.

An exception to the general approach described above for determining unpaid loss and loss adjustment expense is in the calculation of reserves for catastrophe losses on assumed personal lines auto and homeowners policies. Such reserves are estimated by the primary insurer and the Company's default approach is to use these reserves directly without additional analysis. The Company assesses the reasonableness of these loss reserves by periodic discussions with the primary insurer and other techniques. In certain circumstances, the Company may rely on internal projections for personal lines catastrophe reserves. Circumstances that may result in reliance on the Company's own projections are large industry catastrophic events or late in the year catastrophes for which the primary insurer has not yet provided projections.

For the debt protection product, expected development on reported claims are calculated using continuance tables, which provide the probability that a claim, at a given age, will have additional payments. These tables are calculated using actual historic company experience for disability and worst case for unemployment coverage. Expected development on case reserves is combined with paid losses for use in actuarial techniques using reported losses.

For both the debt protection and GAP products, reserves for adjusting and other expenses ("AOE") are set as a percentage of the unpaid loss estimate, based on internal studies. Business protection AOE reserves are estimated annually using the Wendy Johnson method, a count-based technique.

Within any one line of business, the methods that are given more influence vary, based primarily on the maturity of the accident year, the mix of business and the particular internal and external influences impacting the claims experience or the methods.

Dividends Payable to Policyholders

Policyholder dividends are paid on certain policies, primarily individual life insurance. Dividends are approved by the Board of Directors, based on experience of the participating policies, and recorded on an accrual basis. Dividends are paid on policies representing 9.0% and 8.4% of the life and health policy benefit reserves as of December 31, 2023 and 2022, respectively.

The Company pays most of its dividends pursuant to a dividend protection mechanism ("DPM") agreement with the states of New York and Iowa. If the contribution to surplus of the participating policies subject to the DPM exceeds a threshold, the Company is required to pay dividends in excess of the amounts paid using current dividend scales.

Reinsurance

Reinsurance premiums, claims and benefits, commission expense reimbursements, and reserves related to reinsured business ceded are accounted for on a basis consistent with the accounting for the underlying direct policies that have been ceded and the terms of the reinsurance contracts. Premiums and insurance claims and benefits in the Consolidated Statements of Operations and Comprehensive Income (Loss) are reported net of the amounts ceded to other companies under such reinsurance contracts. Ceded insurance reserves and ceded benefits paid are included in reinsurance recoverables in the Consolidated Balance Sheets. A prepaid reinsurance asset is also recorded for the portion of unearned premiums related to ceded policies.

Benefit Plans

The Company recognizes costs for its defined benefit pension and postretirement benefit plans as employees perform services to earn the benefits. Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost and expected return on plan assets. Net periodic benefit cost also includes the applicable amortization of any prior service cost (credit) arising from changes in prior years' benefit costs due to plan amendments, as well as the applicable amortization of actuarial gains or losses arising from experience different than assumed or changes in actuarial assumptions. In 2023, 2022, and 2021, the components of net periodic benefit costs (income) other than the service cost component were $29,621, ($14,784), and ($18,213), respectively, and are reflected in operating and other expenses in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company recognizes the funded status of the benefit obligations for each of its plans on the Consolidated Balance Sheets. The actuarial gains or losses, prior service costs and credits that have not been included in net periodic benefit costs are charged, net of income tax, to AOCI. Each period, changes in funded status are charged or credited, net of income tax, to other comprehensive income (loss).

Calculations of benefit obligations for postretirement medical benefits reflect a reduction for subsidies expected from the federal government pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The cost of benefits provided to former or inactive employees after employment, but before retirement, is recognized during an employee's service years if certain requirements are met. Postretirement medical benefits are generally funded on a pay as you go basis.

Income Taxes

The Company recognizes taxes payable or refundable and deferred taxes for the tax consequences of differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured by applying the enacted tax rates to the difference between the financial statement and tax basis of assets and liabilities. Deferred income tax assets can be realized through future earnings, including but not limited to the generation of future income, reversal of existing temporary differences and available tax planning strategies. The Company records a valuation allowance for deferred tax assets if it determines it is more likely than not that the asset will not be realized. The Company clears any disproportionate tax effects in AOCI related to unrealized gains and losses of available for sale securities using the aggregate portfolio approach. Under the aggregate portfolio approach, disproportionate tax effects are cleared out of AOCI through net income by the Company when the securities giving rise to the disproportionate tax effects have all been disposed. See Note 5, Income Tax, for further discussion.

The Company is subject to tax-related audits. These audits may result in additional tax assets or liabilities. In establishing tax liabilities, the Company determines whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority. Tax positions that do not meet the more likely than not standard are not recognized. Tax positions that meet this standard are recognized in the consolidated financial statements within net deferred tax assets or liabilities or net federal income taxes recoverable or payable.

Foreign Exchange

The Company's consolidated financial statements are impacted by changes in foreign currency exchange rates related to foreign-based subsidiaries, branch operations and investment holdings denominated in foreign currencies.

The accounts of foreign based subsidiaries and branch operations are measured using the local currency as the functional currency. Revenues and expenses of these operations are translated into U.S. dollars at the average exchange rate for the period. Assets and liabilities of these operations are translated at the exchange rate as of the end of the reporting period. The resulting gains or losses from translating foreign currency are included in AOCI as a separate component of stockholder’s equity.

The foreign exchange impacts of investment holdings classified as available for sale are included in AOCI as a separate component of stockholder’s equity. Foreign exchange transaction gains (losses) are reflected in operating and other expenses in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss) and were ($454), ($10), and ($69) for the years ended December 31, 2023, 2022, and 2021, respectively.

Accounting Standards Updates Pending Adoption

Accounting Standards Update (“ASU”) No. 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (“ASU 2018-12”)

The effective date of ASU 2018-12 was originally January 1, 2024 but was extended to January 1, 2025 as the Company is not an SEC filer.

The new standard makes significant changes to accounting requirements for long-duration insurance contracts, including long-term care, traditional and limited payment life insurance, and annuities. These are core products to the Company. The significant provisions are shown below.

Under current guidance, the liability for future policy benefits for long-duration products is established based on assumptions set at issue which are not changed unless there is a premium deficiency. Under ASU 2018-12, these assumptions, which include mortality, morbidity, persistency, expenses, and the discount rate, must be reviewed for changes at least annually. The existing guidance is retained for participating policies. When assumptions other than the discount rate are changed, the liability is recomputed, and a cumulative catch-up adjustment is recorded in the current year income statement. The discount rate, which is based on the yield of an upper-medium-grade fixed income instrument, must be updated each reporting period; changes in the liability resulting from changes in the discount rate are recorded in other comprehensive income (loss).

The liability for future policy benefits for long-duration contracts can no longer include a provision for adverse deviation except for participating policies.

Because liability assumptions are updated periodically, the test for premium deficiency is no longer required for nonparticipating traditional and limited payment contracts.

ASU 2018-12 also introduces the concept of market risk benefits, which are contracts or contract features that provide protection to the policyholder from capital market risk and expose the Company to other-than-nominal capital market risk. Market risk benefits are measured at fair value. The periodic change in fair value is recognized in net income with the exception of the periodic change in fair value related to the Company’s nonperformance risk, which is recognized in other comprehensive income (loss).

Deferred acquisition costs will generally be amortized to expense on a constant level basis, either individually or grouped consistent with reserve cohorts, over the expected term of the contracts inforce. Amortization based on estimated gross profits or gross margins will be eliminated. The deferred policy acquisition costs asset does not need to be tested for impairment, no interest is accreted, and shadow adjustments are no longer required.

The Company plans to adopt ASU 2018-12 as of January 1, 2025 using the modified retrospective approach. Certain financial statement presentation changes are required as well as significant additional quantitative and qualitative disclosures.

The Company’s implementation project is in progress. Given the nature and extent of the required changes, the adoption impact on the consolidated financial statements is expected to be material.

ASU 2023-09, Improvements to Income Tax Disclosures

The new standard was issued on December 14, 2023 and requires disclosure of disaggregated information about the Company's effective tax rate reconciliation and income taxes paid. It applies to all entities subject to income taxes. As the Company is not a public business entity ("non-PBE"), the requirements will be effective for periods beginning after December 15, 2025.

($ in 000s)

Note 3: Investments

Debt Securities

The amortized cost, gross unrealized gains and losses, credit loss allowance, and estimated fair values of debt securities at December 31, 2023 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Estimated Fair Value
Available for sale securities					
U.S. government and agencies	$ 320,925	$ 283	$ (46,320)	$ -	$ 274,888
States and political subdivisions	1,523,878	13,276	(148,718)	-	1,388,436
Foreign government securities	493,323	1,369	(75,533)	-	419,159
Domestic corporate securities	12,547,504	63,306	(1,588,319)	(3,833)	11,018,658
Residential mortgage-backed securities	1,071,747	6,058	(118,083)	(336)	959,386
Commercial mortgage-backed securities	1,414,811	3,941	(168,322)	-	1,250,430
Other structured securities	3,138,651	9,129	(105,446)	(80)	3,042,254
Foreign corporate securities	4,220,147	28,746	(404,613)	(657)	3,843,623
Total available for sale securities	24,730,986	126,108	(2,655,354)	(4,906)	22,196,834
Trading securities[1]					
U.S. government and agencies	9,971	243	-	-	10,214
Domestic corporate securities	45,986	458	(2,005)	-	44,439
Foreign corporate securities	8,340	156	(79)	-	8,417
Total trading securities	64,297	857	(2,084)	-	63,070
Total debt securities	$ 24,795,283	$126,965	$ (2,657,438)	$ (4,906)	$ 22,259,904

[1] Changes in unrealized gains and losses on trading securities are included in net realized investment gains (losses) on the Consolidated Statements of Operations and Comprehensive Income (Loss).

($ in 000s)

The amortized cost, gross unrealized gains and losses, credit loss allowance, and estimated fair values of debt securities at December 31, 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Estimated Fair Value
Available for sale securities					
U.S. government and agencies	$ 298,003	$ 7	$ (50,121)	$ -	$ 247,889
States and political subdivisions	1,566,412	7,837	(200,421)	-	1,373,828
Foreign government securities	531,788	784	(101,830)	-	430,742
Domestic corporate securities	12,377,259	18,769	(2,045,707)	-	10,350,321
Residential mortgage-backed securities	960,300	4,572	(135,520)	(303)	829,049
Commercial mortgage-backed securities	1,345,939	295	(182,985)	-	1,163,249
Other structured securities	2,809,126	1,746	(197,279)	(124)	2,613,469
Foreign corporate securities	4,060,156	5,145	(573,230)	(1,900)	3,490,171
Total available for sale securities	23,948,983	39,155	(3,487,093)	(2,327)	20,498,718
Trading securities[1]					
Domestic corporate securities	37,661	23	(2,834)	-	34,850
Foreign corporate securities	4,911	12	(157)	-	4,766
Total trading securities	42,572	35	(2,991)	-	39,616
Total debt securities	$23,991,555	$ 39,190	$(3,490,084)	$ (2,327)	$20,538,334

[1] Changes in unrealized gains and losses on trading securities are included in net realized investment gains (losses) on the Consolidated Statements of Operations and Comprehensive Income (Loss).

The amortized cost and estimated fair values of investments in debt securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Because of the potential for prepayment on mortgage-backed and other structured securities, such securities have not been classified by expected maturity in the table below by contractual maturity.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 627,656	$ 617,612
Due after one year through five years	4,335,652	4,162,287
Due after five years through ten years	4,581,658	4,124,981
Due after ten years	9,625,108	8,102,954
Residential mortgage-backed securities	1,071,747	959,386
Commercial mortgage-backed securities	1,414,811	1,250,430
Other structured securities	3,138,651	3,042,254
Total debt securities	$ 24,795,283	$ 22,259,904

($ in 000s)

Equity Securities

The cost, gross unrealized gains and losses, and estimated fair values of equity securities which are carried at fair value at December 31 are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2023	$ 78,378	$ 10,104	$ (10,744)	$ 77,738
2022	214,103	21,512	(29,516)	206,099

The Company owns certain equity securities without readily determinable values for which the Company made an election to hold such securities at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Observable price changes resulting in upward or downward adjustments, as applicable, are obtained from the prices of newly issued securities or sales of existing securities. Impairments are based on the Company's internally developed fair value compared to book value.

The following table shows the changes in carrying value of equity securities without readily determinable fair values:

	2023	2022
Carrying value at January 1	$ 349,028	$ 296,415
Additional investments	50,727	51,333
Upward adjustments	8,905	14,604
Impairments	(78,128)	(7,778)
Downward adjustments	(21,266)	(2,546)
Sales and conversions	(5,774)	(3,000)
Carrying value at December 31	$ 303,492	$ 349,028

The cumulative upward adjustments, impairments, and downward adjustments for equity securities without readily determinable fair values held as of December 31, 2023 and 2022 were $153,208 and $165,569, respectively.

($ in 000s)

Mortgage Loans

At December 31, 2023, the commercial mortgage loan portfolio had an average remaining life of 6.1 years, with all principal due prior to 2054. The Company limits its concentrations of credit risk by diversifying its mortgage loan portfolio so that loans made in any one major metropolitan area are not greater than 20% of the aggregate mortgage loan portfolio balance. No loan to a single borrower represented more than 0.7% of the aggregate mortgage loan portfolio balance.

The Company's mortgage loans are located throughout the United States and Canada. The following table identifies states or provinces with greater than 5% of the commercial mortgage portfolio at December 31:

	2023	2022
California	21.7%	21.4%
Texas	9.2	8.3
New York	6.5	7.3
Wisconsin	5.5	5.3
Illinois	5.1	*
Ohio	*	5.1

The types of properties collateralizing the mortgage loans at December 31 are as follows:

	2023	2022
Industrial	33.5%	31.0%
Multi-Family	32.3	34.2
Retail	19.6	18.2
Office	10.8	12.2
Other	3.8	4.4
Total	100.0%	100.0%

There were no loan restructurings in 2023 or 2022 that were considered troubled debt restructurings. At December 31, 2023 and 2022, the Company had no commitments to lend additional funds to mortgagors whose existing mortgage terms have been restructured in a troubled debt restructuring. As of December 31, 2023 and 2022, 99.7% and 100%, respectively, of the mortgage loan portfolio was current. At December 31, 2023, the Company had one loan in a default status. At December 31, 2022, there were no loans in default status.

The Company's process for determining past due or delinquency status begins when a payment date is missed. The Company places loans on nonaccrual status when it is probable that income is uncollectible. There was one mortgage loan with a carrying value of $12,762 in nonaccrual status at December 31, 2023. There were no mortgage loans in nonaccrual status at December 31, 2022. Mortgage loans deemed uncollectible are written off against the allowance for credit losses. The allowance is also adjusted for any subsequent recoveries.

($ in 000s)

The following table shows the changes in allowance for credit losses on mortgage loans for the years ended December 31:

	2023	2022
Balance as of January 1	$ 17,409	$ 16,497
Net increase related to expected credit losses	848	912
Balance as of December 31	$ 18,257	$ 17,409

The Company measures and assesses the credit quality of mortgage loans by using loan to value and debt service coverage ratios. The loan to value ratio compares the principal amount of the loan to the fair value of the underlying property collateralizing the loan and is commonly expressed as a percentage. Loan to value ratios greater than 100% indicate that the principal amount is greater than the collateral value. Therefore, all else being equal, a lower loan to value ratio generally indicates a higher quality loan. The debt service coverage ratio compares a property's net operating income to its debt service payments. Debt service coverage ratios of less than 1.0 indicate that property operations do not generate enough income to cover its current debt payments. Therefore, a higher debt service coverage ratio generally indicates a higher quality loan. The loan to value and debt service coverage ratios were updated as of December 31, 2023 and 2022.

Loan to value and debt service coverage ratios were as follows at December 31:

	2023		2022	
Loan to Value	**Principal Amount**	**Average Debt Service Coverage Ratio**	**Principal Amount**	**Average Debt Service Coverage Ratio**
Less than 65%	$ 3,650,807	2.71	$ 3,402,181	2.61
65% to 74%	460,456	1.82	411,758	1.76
75% to 100%	136,587	1.51	116,136	1.74
Greater than 100%	13,262	0.41	-	-
Total mortgage loans	$ 4,261,112	2.62	$ 3,930,075	2.54

($ in 000s)

Loan to value and debt service coverage ratios by vintage year, based on outstanding principal, are as follows at December 31:

	2023								
Origination Year	Loan to Value Less than 65%	Debt-Service Coverage Ratio	Loan to Value 65% to 74%	Debt-Service Coverage Ratio	Loan to Value 75% to 100%	Debt-Service Coverage Ratio	Loan to Value Greater than 100%	Debt-Service Coverage Ratio	Total
2023	$ 537,904	1.80	$ 7,581	1.40	$ -	-	$ -	-	$ 545,485
2022	506,864	2.42	72,205	1.98	64,320	1.41	-	-	643,389
2021	566,864	3.82	159,566	2.01	14,433	1.60	-	-	740,863
2020	358,276	3.25	34,315	2.03	-	-	-	-	392,591
2019	323,889	2.68	98,727	1.68	43,468	1.91	-	-	466,084
Prior	1,357,009	2.44	88,063	1.79	14,366	1.19	13,262	0.41	1,472,700
Total	$3,650,806	2.71	$ 460,457	1.82	$ 136,587	1.51	$ 13,262	0.41	$4,261,112

Limited Partnerships

The carrying values of limited partnerships by type were as follows at December 31:

	2023	2022
Energy	$ 127,867	$ 140,782
Mezzanine	983,207	868,914
Private equity	1,415,868	1,191,150
Real estate	58,535	48,295
Socially responsible investments	27,037	16,966
Total limited partnerships	$ 2,612,514	$ 2,266,107

The Company made additional investments in limited partnerships of $487,214, $424,232, and $382,798 in 2023, 2022, and 2021, respectively. See Note 14, Commitments and Contingencies, for additional information regarding the Company’s funding commitments to limited partnerships.

The limited partnerships owned were designed to be liquidated after full funding, generally ten to twelve years from inception, at the discretion of the general partners, and investors do not have the option to redeem their interests. For the Company's investments in limited partnerships, the majority of liquidations are expected to occur between 2024 and 2036.

($ in 000s)

Other Invested Assets

Other invested assets are recorded at amortized cost, unless otherwise indicated in the table below. Other invested assets as of December 31 are as follows:

	2023	2022
LIHTC	$ 118,886	$ 106,206
FHLB restricted stock, at cost	63,724	61,929
Short-term investments (see Note 2)	123,718	55,369
Investments receivable, at cost	53,011	19,210
Margin deposits, at cost	17,551	38,556
Real estate less accumulated depreciation	1,742	3,319
Total other invested assets	$ 378,632	$ 284,589

The number of remaining years of unexpired tax credits related to LIHTC ranged from 5 to 13 years as of December 31, 2023. The Company expects to hold these investments until 2028 to 2036. The net amount of LIHTC, cost amortization and other tax benefits recognized during 2023, 2022, and 2021 was $7,492, $9,834, and $9,939, respectively; the full amount was recognized as a component of income tax expense in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2023, 2022, and 2021.

Net Investment Income

Sources of net investment income for the years ended December 31 are summarized as follows:

	2023	2022	2021
Debt securities, available for sale and trading	$ 903,732	$ 774,094	$ 636,353
Equity securities	7,382	9,265	9,944
Mortgage loans	152,239	151,681	145,130
Policy loans	8,364	7,171	7,707
Limited partnerships	140,421	238,176	566,644
Derivative financial instruments	7,404	5,589	2,029
Cash and cash equivalents	17,745	4,325	413
Other invested assets	10,391	7,054	8,158
Total gross investment income	1,247,678	1,197,355	1,376,378
Less: Investment expenses	(54,596)	(38,556)	(33,727)
Net investment income	$ 1,193,082	$1,158,799	$1,342,651

Limited partnerships generally carry their investments at fair value. Changes in fair value are a component of the results of operations reported by the partnerships and are therefore included in the Company’s recorded share of income.

($ in 000s)

Accrued Investment Income

The Company excludes accrued interest receivable from the amortized cost basis of debt securities and mortgage loans. Accrued investment income is written off through impairment losses at the time the debtor defaults or is expected to default on interest payments. Accordingly, there is no allowance for credit losses on accrued interest income. Sources of accrued investment income as of December 31 are shown in the table below.

	2023	2022
Debt securities, available for sale and trading	$ 221,409	$ 204,308
Equity securities	358	822
Mortgage loans	13,958	11,387
Other invested assets	11,287	10,203
Total accrued investment income	$ 247,012	$ 226,720

($ in 000s)

Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for the years ended December 31 are summarized as follows:

	2023	2022	2021
Debt securities, available for sale:			
Gross gains on sales and conversions	$ 27,410	$ 3,500	$ 21,168
Gross losses on sales	(29,998)	(89,747)	(8,948)
Change in unrealized gains (losses)	(744)	(4,942)	(12,260)
Other-than-temporary impairment losses	(15,466)	(610)	(2,421)
Debt securities, trading:			
Change in unrealized gains (losses)	1,728	(4,229)	(1,905)
Equity securities:			
Gross gains on sales	14,871	8,475	14,635
Gross losses on sales	(16,204)	(2,228)	(2,856)
Other	504	127	274
Impairment losses	(80,196)	(7,778)	(8,600)
Change in unrealized gains (losses)	(4,748)	(34,161)	135,261
Mortgage loans:			
Gross losses on sales	(28)	(1,724)	(2,127)
Impairment losses	(835)	(953)	(4,610)
Limited partnerships:			
Impairment losses	-	(18,080)	(2,030)
Derivative financial instruments	382,155	(570,602)	292,908
Derivative financial instruments - embedded	(453,981)	620,831	(357,485)
Other	4,540	(1,185)	2,126
Net realized investment gains (losses)	$ (170,992)	$ (103,306)	$ 63,130

Proceeds from the sale of debt securities were $242,086, $1,094,415 and $881,801 in 2023, 2022, and 2021, respectively. Proceeds from the sale of equity securities were $142,262, $71,864 and $126,167 in 2023, 2022, and 2021, respectively.

Impairments of Available for Sale Debt Securities

Investment securities are reviewed for impairment on an ongoing basis. The Company creates a watchlist of securities based primarily on the fair value of an investment security relative to its amortized cost basis. When the fair value drops below the Company’s amortized cost basis, the Company monitors the security for impairment. The determination of impairment requires significant judgment on the part of the Company and depends on several factors, including, but not limited to:

- The existence of any plans to sell the investment security.
- The underlying reason for the decline in fair value (credit concerns, interest rates, etc.).
- The financial condition and near-term prospects of the issuer/borrower, including the ability to meet contractual obligations, relevant industry trends and conditions and cash flow analysis.
- The Company’s intent and ability to retain the investment for a period of time sufficient to allow for an anticipated recovery in fair value.
- The Company’s ability to recover all amounts due according to the contractual terms of the agreements.
- The Company’s collateral position, in the case of bankruptcy or restructuring.

For available for sale debt securities, a security is considered impaired when the fair value is less than the amortized cost basis and its value is not expected to recover through the Company's anticipated holding period of the security. If a credit loss exists, but the Company does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, it is required to bifurcate the impairment into the loss that is attributable to credit and non-credit related loss. The credit portion of the impairment is the difference between the present value of the expected future cash flows and amortized cost and is limited to the difference between the fair value and amortized cost. Only the estimated credit loss amount is recognized as an allowance in net realized investment gains (losses), with the remainder of the loss amount recognized in other comprehensive income (loss). If the Company intends to sell the security or if it is more likely than not that the Company will be required to sell before anticipated recovery in value, the Company records a realized loss equal to the difference between the amortized cost and fair value. The fair value of the impaired security becomes its new cost basis.

For securitized debt securities, the Company considers factors including, but not limited to, commercial and residential property changes in value that vary by property type and location and average cumulative collateral loss rates that vary by vintage year. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries. In addition, projections of expected future debt security cash flows may change based upon new information regarding the performance of the issuer and/or underlying collateral.

For certain securitized financial assets with contractual cash flows, the Company is required to periodically update its best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, an impairment charge is recognized. The Company also considers its intent and ability to retain a temporarily impaired security until recovery. Estimating future cash flows involves judgment and includes both quantitative and qualitative factors. Such determinations incorporate various information and assessments regarding the future performance of the underlying collateral. In addition, projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral.

($ in 000s)

A rollforward of the allowance for credit losses by available for sale debt security type is presented in the following table:

	Domestic Corporate Securities	Residential Mortgage-Backed Securities	Other Structured Securities	Foreign Corporate Securities	Total
Balance as of January 1, 2021	$ 2,492	$ 252	$ 33	$ 742	$3,519
Net increase (decrease) related to expected credit losses	(2,492)	51	91	1,158	(1,192)
Balance at December 31, 2022	-	303	124	1,900	2,327
Net increase (decrease) related to expected credit losses	3,833	33	(44)	(1,243)	2,579
Balance at December 31, 2023	$ 3,833	$ 336	$ 80	$ 657	$4,906

The Company wrote off $10,979 of securities in 2023 and did not have any write-offs during 2022 or 2021.

A rollforward of the amount of the credit component of impairment recognized in AOCI related to available for sale debt securities is presented in the following table:

	2023	2022	2021
Beginning balance of credit losses on debt securities at January 1	$ (466)	$ (543)	$ (5,580)
Additions for credit impairments recognized on			
Securities not previously impaired	-	(200)	(423)
Securities previously impaired	-	(40)	(171)
Reductions for credit impairments previously recognized			
Securities that matured or were sold during the period	434	317	5,631
Securities with an increase in expected cash flows	32	-	-
Balance at December 31	$ -	$ (466)	$ (543)

Management believes it has made an appropriate provision for impaired securities owned at December 31, 2023. As a result of the subjective nature of these estimates, however, additional provisions may subsequently be determined to be necessary as new facts emerge and a greater understanding of economic trends develops. Consistent with the Company's past practices, additional impairment will be recorded as appropriate and as determined by the Company's regular monitoring procedures of additional facts. In light of the variables involved, such additional impairment charges could be significant.

($ in 000s)

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses) and shadow adjustments included in AOCI at December 31 were as follows:

	2023	2022	2021
Debt securities, available for sale	$ (2,529,246)	$ (3,447,938)	$ 791,767
Derivatives	29,692	57,707	29,838
Total net unrealized investment gains (losses) included in accumulated other comprehensive income (loss)	(2,499,554)	(3,390,231)	821,605
Deferred policy acquisition cost and VOBA adjustments	164,893	192,453	(69,867)
Unrealized shadow loss recognition	-	-	(41,506)
Unearned premium adjustment	(22,963)	(12,161)	2,528
Foreign exchange and other	(16,728)	(20,713)	(2,705)
Total shadow adjustments included in accumulated other comprehensive income (loss)	125,202	159,579	(111,550)
Current and deferred income taxes	507,806	692,809	(148,963)
Net unrealized investment gains (losses) and shadow adjustments in accumulated other comprehensive income (loss)	$ (1,866,546)	$ (2,537,843)	$ 561,092

($ in 000s)

Securities with unrealized losses at December 31, 2023 are presented below, segregated between those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve or more months.

	Months in Unrealized Loss Position					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities						
U.S. government and agencies	$ 14,217	$ (193)	$ 240,680	$ (46,127)	$ 254,897	$ (46,320)
States and political subdivisions	72,734	(221)	852,311	(148,497)	925,045	(148,718)
Foreign government securities	58,516	(5,941)	318,757	(69,592)	377,273	(75,533)
Domestic corporate securities	322,438	(33,424)	9,580,116	(1,558,728)	9,902,554	(1,592,152)
Residential mortgage-backed securities	67,202	(1,153)	733,688	(117,266)	800,890	(118,419)
Commercial mortgage-backed securities	152,622	(5,001)	1,045,918	(163,321)	1,198,540	(168,322)
Other structured securities	195,491	(748)	1,952,539	(104,778)	2,148,030	(105,526)
Foreign corporate securities	168,340	(12,600)	3,178,897	(392,670)	3,347,237	(405,270)
Total debt securities	$ 1,051,560	$ (59,281)	$17,902,906	$(2,600,979)	$18,954,466	$(2,660,260)

At December 31, 2023, the Company owned 8,654 debt securities with a fair value of $18,954,466 in an unrealized investment loss position. Of these, 8,252 debt securities with a fair value of $17,902,906 have been in an unrealized loss position for twelve or more months. The $2,600,979 unrealized loss for debt securities with a loss period twelve months or greater represents a 12.7% price impairment of amortized cost. The price impairment on the remaining 402 debt securities is 5.3% of amortized cost. The total fair value of debt securities with unrealized losses at December 31, 2023 and which are rated investment grade, is $18,384,025 or 97.0% of the total fair value of all debt securities in an unrealized loss position. The unrealized losses for the investment grade securities totaled $2,599,057 as of December 31, 2023. For these purposes, investment grade is defined by the Company to be securities rated BBB- or greater.

($ in 000s)

Securities with unrealized losses at December 31, 2022 are presented below, segregated between those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve or more months.

	Months in Unrealized Loss Position					
	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities						
U.S. government and agencies	$ 148,316	$ (21,730)	$ 95,844	$ (28,391)	$ 244,160	$ (50,121)
States and political subdivisions	720,170	(84,711)	293,349	(115,710)	1,013,519	(200,421)
Foreign government securities	402,998	(101,407)	1,496	(423)	404,494	(101,830)
Domestic corporate securities	5,752,553	(636,512)	4,187,108	(1,409,195)	9,939,661	(2,045,707)
Residential mortgage-backed securities	415,600	(47,564)	383,374	(88,259)	798,974	(135,823)
Commercial mortgage-backed securities	607,755	(50,339)	534,075	(132,646)	1,141,830	(182,985)
Other structured securities	1,234,330	(67,632)	1,188,300	(129,771)	2,422,630	(197,403)
Foreign corporate securities	2,572,976	(339,529)	763,871	(235,601)	3,336,847	(575,130)
Total debt securities	$ 11,854,698	$(1,349,424)	$ 7,447,417	$(2,139,996)	$19,302,115	$(3,489,420)

At December 31, 2022, the Company owned 9,188 debt securities with a fair value of $19,302,115 in an unrealized investment loss position. Of these, 4,346 debt securities, with a fair value of $7,447,417 have been in an unrealized loss position for twelve or more months. The $2,139,996 unrealized loss for debt securities with a loss period twelve months or greater represents a 22.3% price impairment of amortized cost. The price impairment on the remaining 4,842 debt securities is 10.4% of amortized cost. The total fair value of debt securities with unrealized losses at December 31, 2022 and which are rated investment grade, is $18,636,861 or 96.7% of the total fair value of all debt securities in an unrealized loss position. The unrealized losses for the investment grade securities totaled $3,391,413 as of December 31, 2022. For these purposes, investment grade is defined by the Company to be securities rated BBB- or greater.

Investment Credit Risk

The Company maintains a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established exposure limits, diversification standards, and review procedures to mitigate credit risk.

Derivative Financial Instruments

Consistent with its risk management strategy, the Company utilizes derivative financial instruments to help maximize risk-adjusted investment returns, reduce interest rate risks of long-term assets, manage exposure to various credit, currency and market risks, and manage exposure to various equity and fixed income market sectors. See related disclosures in Note 2, Summary of Significant Accounting Policies – Derivative Financial Instruments, and Note 4, Fair Value Measurement – Recurring Basis.

Futures contracts: Futures contracts are a commitment to purchase or deliver securities or currency in the future at a predetermined price or yield and are usually settled net in cash. At inception of a futures contract, a margin account is established with the broker based on the requirements of the futures exchange.

The Company utilizes short positions in foreign currency futures to manage the foreign currency fair value risk exposure to investments denominated in foreign currencies. Foreign currency futures designated as hedging the foreign currency risk of foreign currency denominated long-term bonds are classified as foreign currency fair value hedges. The Company assesses the effectiveness of foreign currency fair value hedges based on the changes in fair value attributable to changes in spot prices. The change in the fair value of the foreign currency futures related to the changes in the difference between the spot price and the futures price is excluded from the assessment of hedge effectiveness and recognized in net income. Ineffectiveness could be present in a hedging relationship even if the assessment of effectiveness demonstrates an effective relationship. The ineffectiveness in a fair value hedge is calculated as the portion of the change in the fair value of hedging instrument that does not offset the change in the fair value of the hedged item.

The Company utilizes short positions in foreign currency futures to hedge a portion of its net assets in its consolidated foreign subsidiary from the effects of fluctuations in currency exchange rates and designates these futures as net investment hedges. The Company assesses the effectiveness of foreign net investment hedges based on the changes in forward exchange rates. When deemed effective, changes in fair value of the foreign currency futures are recorded in AOCI. The amounts in AOCI are reclassified into net income in the same periods during which the hedged forecasted transactions affect net income (except for net investment hedges).

Foreign currency futures that are not designated to specific foreign currency risk are not accounted for using hedge accounting. All changes in the fair value of undesignated foreign currency futures are recorded in net realized investment gains (losses).

Cross currency swaps: Cross currency swaps represent the Company's agreement with other parties to exchange, at specified intervals, the difference between functional currency (U.S. Dollar) fixed or floating rate interest amounts and foreign currency fixed or floating rate interest amounts calculated by reference to agreed-upon notional principal amounts. Generally, exchanges of functional currency (U.S. Dollar) and foreign currency notional amounts are made at the initiation and maturity of the contract. The Company uses cross currency swaps to eliminate the variability in functional currency equivalent cash flows of foreign currency denominated debt instruments. The Company designates cross currency swaps as foreign currency cash flow hedges when the swap offsets the hedged transaction and is deemed highly effective. The changes in fair value of the cross currency swaps attributable to the hedged risk is recorded in AOCI to the extent it is effective. The amounts in AOCI will be reclassified into net income in the same periods during which the hedged forecasted transactions affect net income. If the cross-currency swaps were not deemed effective, the change in fair value of the cross-currency swaps would be recorded in net realized investment gains (losses).

Interest rate swaps: The Company uses interest rate swaps to reduce market risks from changes in interest rates and to properly align the risk characteristics of assets and liabilities. When using interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party. The individual interest rate swap contracts normally provide for a single net payment to be made by one counterparty at each due date.

Certain interest rate swaps are designated as cash flow hedges. The Company assesses the effectiveness of cash flow hedges based on a comparison of the change in fair value of the actual swap to the change in fair value of a "perfect" hypothetical swap which has terms that identically match the critical terms of the hedged items. Accordingly, the fair value of the actual swap is recorded at fair value on the Consolidated Balance Sheets which is adjusted to the lesser of the change in the actual swap's fair value or the hypothetical swap's fair value. If the amount in AOCI is limited to the hypothetical swap's fair value, the difference, representing ineffectiveness is recorded in net realized investment gains (losses). The amounts in AOCI will be reclassified into net income in the same periods during which the cash flows associated with the hedged forecasted transactions affect net income. If the hedges are not deemed highly effective, the change in fair value of the interest rate swaps is recorded in net realized investment gains (losses) with no offset from the hedged items. All changes in the fair value of undesignated interest rate swaps are recorded in net realized investment gains (losses).

Certain interest rate swaps are designated as fair value hedges. The Company assesses the effectiveness of fair value hedges based on the changes in fair value attributable to changes in the benchmark interest rate. If the hedges are not deemed highly effective, the change in fair value of the interest rate swaps are recorded in net realized investment gains (losses) with no offset from the hedged item.

Interest rate swaps that are not designated to specific interest rate risk are not accounted for using hedge accounting. All changes in the fair value of undesignated interest rate swaps are recorded in net realized investment gains (losses).

Options: Options are contracts that grant the buyer the right to buy or sell an underlying asset at a stated price within a specific period of time. As consideration, the option writer receives premiums at the time the option is written. The Company writes and sells covered calls against common stock that the Company already owns and receives premiums at the time of sale.

The Company purchases and writes over-the-counter call and put options to mitigate the risk related to equity-indexed annuities and the registered index annuities. These annuity contracts guarantee a return of principal to the customer and credit interest based on certain indices, primarily the S&P 500 Index. A portion of the deposit from each customer is invested primarily in fixed income securities. A portion of the deposit is used to purchase the call and put options to hedge the potential changes in interest credited to the customer as a direct result of the changes in the related indices.

($ in 000s)

The following table provides a summary of the fair value and notional amount of derivative financial instruments at December 31, 2023 and 2022.

	2023			2022		
	Notional	Estimated Fair Value		Notional	Estimated Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedging instruments:						
Futures contracts	$ 375,974	$ 3,072	$ (5,487)	$ 359,620	$ 205	$ (90)
Cross currency swaps	624,814	29,252	(11,060)	447,685	45,073	(1,480)
Interest rate swaps	120,000	3,968	(1,699)	135,000	5,345	(3,453)
Total derivatives designated as hedging instruments	1,120,788	36,292	(18,246)	942,305	50,623	(5,023)
Derivatives not designated as hedging instruments:						
Future contracts	135,863	481	(1,953)	3,321	2	(1)
Interest rate swaps	-	-	-	81,017	23	-
Purchased option contracts	10,454,799	1,130,413	-	10,159,636	503,361	-
Written option contracts	11,247,733	-	(645,550)	11,036,847	-	(491,398)
Total derivatives not designated as hedging instruments	21,838,395	1,130,893	(647,503)	21,280,821	503,386	(491,399)
Total derivative financial instruments	$ 22,959,183	$ 1,167,185	$ (665,749)	$ 22,223,126	$ 554,009	$ (496,422)

($ in 000s)

The following table provides the Consolidated Statements of Operations and Comprehensive Income (Loss) classification and impact of derivatives used in qualifying and non-qualifying hedge relationships, excluding embedded derivatives, and the offset of the hedged item in an effective hedge for the years ended December 31:

	2023	2022	2021
Net investment income, reclassified from accumulated other comprehensive income (loss):			
Interest rate swaps, cash flow hedge	$ 404	$ 491	$ -
Total reclassified to net investment income	404	491	-
Net realized investment gains (losses):			
Currency futures, fair value hedge	$ 5,198	$ 1,098	$ 1,131
Currency futures, ineffectiveness in hedge	(12)	311	9
Cross currency swaps, cash flow hedge	26	2	-
Currency futures, undesignated	(2,641)	(40)	(101)
Call options, undesignated	3,296	2,743	370
Interest rate swaps, fair value hedge	(861)	2,853	1,461
Interest rate swaps, undesignated	5	3,012	216
Equity futures, undesignated	26	-	-
Equity options, undesignated, single premium deferred modified guaranteed index annuity	100,256	(136,806)	38,499
Equity options, undesignated, single premium deferred index annuity	172,669	(293,682)	182,801
Equity options, undesignated, single premium deferred index-linked interest options annuity	37,294	(41,755)	4,776
Equity options, undesignated, flexible premium variable and index-linked deferred annuity	66,684	(107,546)	62,344
Equity options, undesignated	215	(792)	1,402
Total net realized investment gains (losses) on derivatives	382,155	(570,602)	292,908
Other comprehensive income (loss):			
Cross currency swaps, cash flow hedge	(25,540)	34,276	14,448
Interest rate swaps, cash flow hedge	(2,071)	(5,916)	(4,966)
Total other comprehensive income (loss) on derivatives	(27,611)	28,360	9,482
Total derivative impact	$ 354,948	$ (541,751)	$ 302,390

($ in 000s)

The following amounts were recorded on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of December 31:

	2023		2022	
	Amortized Cost of the Hedged Asset (Liabilities)	Cumulative Fair Value Hedging Adjustment Included in the Amortized Cost of the Hedged Asset (Liabilities)	Amortized Cost of the Hedged Asset (Liabilities)	Cumulative Fair Value Hedging Adjustment Included in the Amortized Cost of the Hedged Asset (Liabilities)
Debt securities, available for sale, at fair value	$ 53,388	$ (1,582)	$ 52,512	$ (2,443)

The following table presents the components of AOCI, before income tax, related to cash flow hedges:

	2023	2022	2021
Unrealized gains (losses) on derivatives included in accumulated other comprehensive income (loss) as of January 1	$ 57,707	$ 29,838	$ 20,667
Gains (losses) deferred in accumulated other comprehensive loss on the effective portion of cash flow hedges	(27,611)	28,360	9,482
Amounts reclassified to net investment income and net realized investment gains (losses)	(404)	(491)	(311)
Unrealized gains (losses) on derivatives included in accumulated other comprehensive income (loss) as of December 31	$ 29,692	$ 57,707	$ 29,838

The Company estimates that $393 will be reclassified in 2024 from other comprehensive income (loss) to net investment income as contractual cash flows on cross currency swaps are settled and from cash flows on interest rate swaps designated as cash flow hedges that were terminated in 2023 and prior years.

The Company is hedging its exposure to the variability in future cash flows for a maximum of 31 years on forecasted transactions excluding those transactions related to the payment of variable interest on existing instruments. None of these cash flow hedges were discontinued as a result of no longer being probable that the original forecasted transactions would occur by the end of the originally specified time period or within two months of that date.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its derivative instruments. The Company monitors the credit standing of the counterparties and has entered into cash collateral agreements based on the credit rating of the counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the contracts given their high credit ratings and collateral requirements. The futures contracts are traded on a regulated exchange and, in the opinion of management, have low counterparty risk.

($ in 000s)

Embedded Derivatives

The Company issues products that contain embedded derivatives. Such embedded derivatives are required to be separated from their host contracts and accounted for at fair value. The following table presents the fair value of embedded derivatives, which are reported as part of policyholder account balances in the Consolidated Balance Sheets, as of December 31:

	2023	2022
Single premium deferred index annuities	$ 814,879	$ 704,018
Flexible premium variable and index-linked deferred annuities	298,899	249,890
Single premium deferred modified guaranteed index annuities, including guarantees	273,209	136,666
Single premium deferred index-linked interest options annuities	318,154	101,080
Guarantees on variable annuities	10,154	7,248
Equity-indexed annuities	1,493	3,116
Total embedded derivatives	$ 1,716,788	$ 1,202,018

The increase (decrease) in fair value related to embedded derivatives was $453,981, ($620,831), and $354,652 for the years ended December 31, 2023, 2022, and 2021, respectively, and was recorded within net realized investment gains (losses).

Asset Restrictions

At December 31, 2023 and 2022, $5,144,514 and $4,722,758, respectively, of debt securities were restricted from corporate use related to the registered index annuities. The Company had mortgage loans, equity securities, short-term investments, and cash and cash equivalents of $1,564,296 and $1,332,620 that were restricted as of December 31, 2023 and 2022, respectively, also related to registered index annuities. The Company also had limited partnerships of $383,524 and $367,491 that were restricted as of December 31, 2023 and 2022, respectively, related to registered index annuities.

Assets on Deposit, Designated, and Pledged as Collateral

Prior to July 1, 2023, Iowa law required that assets equal to a life insurer's "legal reserve" must be designated for the Iowa Department of Commerce, Insurance Division ("Iowa Insurance Department"). The legal reserve was equal to the net present value of all outstanding policies and contracts involving life contingencies. After July 1, 2023, with the change in Iowa law, the legal reserve concept was removed, which includes the removal of the corresponding deposit requirement to equal the legal reserve. Iowa law continues to require the Company to designate assets to the Iowa Insurance Department. South Dakota law requires that life insurers deposit an amount not less than the required reserves on their outstanding policies, as defined, with the South Dakota Department of Labor and Division of Insurance ("South Dakota Insurance Department"). The Company designates assets for these Insurance Departments for the protection of all policyholders and for other regulatory jurisdictions who require cash and securities be deposited for the benefit of policyholders. The Company also has assets pledged to the FHLB and to the debtholders of the Company's collateralized fund obligations (see Note 12, Notes and Interest Payable).

($ in 000s)

The carrying value of assets on deposit, designated or pledged by designee as of December 31 are as follows:

	2023	2022
Iowa Insurance Department	$ 8,922,477	$ 9,691,272
South Dakota Insurance Department	4,262,802	3,747,498
Federal Home Loan Bank	2,029,229	1,582,458
Debtholders of collateralized fund obligations	576,924	610,892
Other and regulatory jurisdictions	420,131	51,661
Total assets on deposit, designated and pledged as collateral	$ 16,211,563	$ 15,683,781

The carrying value of assets designated for Iowa as of December 31 are as follows:

	2023	2022
Debt securities and short-term investments	$ 8,907,457	$ 8,074,676
Mortgage loans	-	1,397,017
Contract loans	-	111,086
Other invested assets	4,000	54,000
Cash	11,020	54,493
Total assets designated	$ 8,922,477	$ 9,691,272

The carrying value of assets designated for South Dakota as of December 31 are as follows:

	2023	2022
Debt securities and short-term investments	$ 3,451,903	$ 3,129,652
Equity securities	5,383	5,932
Mortgage loans	689,423	576,650
Limited partnerships	102,826	-
Other invested assets	-	29,448
Cash equivalents	13,267	5,816
Total assets designated	$ 4,262,802	$ 3,747,498

($ in 000s)

Securities Lending

Securities on loan from the Company are included within debt securities, available for sale, and equity securities on the Consolidated Balance Sheets. The following table identifies the types of securities on loan as of December 31, 2023 and 2022.

	2023 Amortized Cost	2023 Fair Value	2022 Amortized Cost	2022 Fair Value
Debt securities:				
U.S. government and agencies	$ -	$ -	$ 13,972	$ 8,503
Domestic corporate securities	519,331	472,226	532,835	451,905
Foreign corporate securities	77,714	70,520	86,301	75,685
Equity securities	-	-	6,170	5,748
Total securities on loan	$ 597,045	$ 542,746	$ 639,278	$ 541,841

The collateral liability by security type and remaining length of the securities lending agreements were as follows for the year ended December 31, 2023.

	Remaining Length of Securities Lending Agreements	
	Open[1]	Total
Cash and cash equivalents	$ 548,654	$ 548,654
U.S. government and agencies	16,595	16,595
Total collateral liability	$ 565,249	$ 565,249

[1] The related loaned security could be returned to the Company during the next business day, which would require the Company to immediately return the cash collateral.

The collateral liability by security type and remaining length of the securities lending agreements were as follows for the year ended December 31, 2022.

	Remaining Length of Securities Lending Agreements	
	Open[1]	Total
Cash and cash equivalents	$ 534,945	$ 534,945
U.S. government and agencies	30,413	30,413
Total collateral liability	$ 565,358	$ 565,358

[1] The related loaned security could be returned to the Company during the next business day, which would require the Company to immediately return the cash collateral.

At December 31, 2023 and 2022, the total collateral on deposit from counterparties was equal to the Company's obligation to return collateral on deposit from counterparties. The collateral on deposit is unrestricted.

($ in 000s)

The amortized cost of the reinvested cash collateral by security type and maturity date of the invested asset was as follows for the year ended December 31, 2023.

	Remaining Time Until Maturity				
	30 Days or Less	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Reverse repurchase agreements	$ 151,154	$ 92,500	$ 120,000	$ 185,000	$ 548,654

The amortized cost of the reinvested cash collateral by security type and maturity date of the invested asset was as follows for the year ended December 31, 2022.

	Remaining Time Until Maturity			
	30 Days or Less	31 to 60 Days	61 to 90 Days	Total
Reverse repurchase agreements	$ 175,945	$ 145,000	$ 214,000	$ 534,945

During 2023 and 2022, the Company had a maximum of $600,707 and $599,606, respectively, of securities on loan at fair value at any one time.

The Company earns income from the cash collateral or receives a fee from the borrower. Income related to the securities lending program was $1,672, $1,241 and $1,052 for the years ended December 31, 2023, 2022, and 2021, respectively, and is included in net investment income within the Consolidated Statements of Operations and Comprehensive Income (Loss).

Note 4: Fair Value

The Company uses fair value measurements to record fair value of certain assets and liabilities and to estimate fair value of financial instruments not recorded at fair value but required to be disclosed at fair value. Certain financial instruments, such as insurance policy liabilities other than investment-type contracts and investments accounted for using the equity method, are excluded from the fair value disclosure requirements.

Valuation Hierarchy

Fair value is defined as 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 hierarchy prioritizes the inputs to valuation techniques used to measure fair value of assets and liabilities into three broad levels. The Company has categorized its financial instruments, based on the degree of subjectivity inherent in the valuation technique, as follows:

- Level 1: Inputs are directly observable and represent quoted prices for identical assets or liabilities in active markets the Company has the ability to access at the measurement date.
- Level 2: All significant inputs are observable, either directly or indirectly, other than quoted prices included in Level 1, for the asset or liability. This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: One or more significant inputs are unobservable and reflect the Company's estimates of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

For purposes of determining the fair value of the Company's assets and liabilities, observable inputs are those inputs used by market participants in valuing financial instruments, which are developed based on market data obtained from independent sources. The Company uses prices and inputs that are current as of the measurement date. In some instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The hierarchy requires the use of market observable information when available for measuring fair value. The availability of observable inputs varies by investment.

Valuation Process

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to provide assurance that the Company's assets and liabilities are appropriately valued.

The Company has policies and guidelines that require the establishment of valuation methodologies and consistent application of such methodologies. These policies and guidelines govern the use of inputs and price source hierarchies and provide controls around the valuation processes. These controls include appropriate review and analysis of prices against market activity or indicators of reasonableness, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. The valuation policies and guidelines are reviewed and updated as appropriate.

Transfers Between Levels

There were seven transfers of debt securities totaling $40,351 into Level 2 from Level 3 during the year ended December 31, 2023. The transfers into Level 2 occurred due to a change from a model using one or more significant inputs that were unobservable to a model using all significant inputs that were observable. There were two transfers of debt securities totaling $8,200 into Level 3 from Level 2 during the year ended December 31, 2023. The transfers into Level 3 occurred due to a change to a model using one or more significant inputs that were unobservable from a model using all significant inputs that were observable. There were 22 transfers of debt securities totaling $171,013 into Level 2 from Level 3 during the year ended December 31, 2022. The transfers into Level 2 occurred due to a change from a model using one or more significant inputs that were unobservable to a model using all significant inputs that were observable. There were three transfers of debt securities totaling $14,796 into Level 3 from Level 2 during the year ended December 31, 2022. The transfers into Level 3 occurred due to a change to a model using one or more significant inputs that were unobservable from a model using all significant inputs that were observable.

($ in 000s)

Fair Value Measurement – Recurring Basis

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023.

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 357,041	$ -	$ -	$ 357,041
Debt securities				
U.S. government and agencies	-	285,102	-	285,102
States and political subdivisions	-	1,388,436	-	1,388,436
Foreign government securities	-	419,159	-	419,159
Domestic corporate securities	-	11,002,876	60,221	11,063,097
Residential mortgage-backed securities	-	919,223	40,163	959,386
Commercial mortgage-backed securities	-	1,226,499	23,931	1,250,430
Other structured securities	-	3,003,687	38,567	3,042,254
Foreign corporate securities	-	3,806,828	45,212	3,852,040
Total debt securities	-	22,051,810	208,094	22,259,904
Equity securities	7,330	58,671	11,737	77,738
Short-term investments	-	99,112	-	99,112
Derivative assets	3,553	1,163,632	-	1,167,185
Separate account assets	-	3,818,108	-	3,818,108
Total assets	$ 367,924	$ 27,191,333	$ 219,831	$ 27,779,088

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ 7,440	$ 658,309	$ -	$ 665,749
Derivatives embedded in annuity contracts	-	-	1,716,788	1,716,788
Total liabilities	$ 7,440	$ 658,309	$ 1,716,788	$ 2,382,537

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022.

($ in 000s)

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 220,063	$ -	$ -	$ 220,063
Debt securities				
U.S. government and agencies	-	247,889	-	247,889
States and political subdivisions	-	1,373,828	-	1,373,828
Foreign government securities	-	430,742	-	430,742
Domestic corporate securities	-	10,316,537	68,634	10,385,171
Residential mortgage-backed securities	-	778,965	50,084	829,049
Commercial mortgage-backed securities	-	1,139,710	23,539	1,163,249
Other structured securities	-	2,576,299	37,170	2,613,469
Foreign corporate securities	-	3,457,278	37,659	3,494,937
Total debt securities	-	20,321,248	217,086	20,538,334
Equity securities	132,529	61,260	12,310	206,099
Short-term investments	-	39,643	-	39,643
Derivative assets	355	553,654	-	554,009
Separate account assets	-	3,653,995	-	3,653,995
Total assets	$ 352,947	$ 24,629,800	$ 229,396	$ 25,212,143

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ 179	$ 496,243	$ -	$ 496,422
Derivatives embedded in annuity contracts	-	-	1,202,018	1,202,018
Liabilities, at fair value	$ 179	$ 496,243	$ 1,202,018	$ 1,698,440

Determination of Fair Values

The Company determines the estimated fair value of its investments using primarily the market approach and the income approach. The use of quoted prices and matrix pricing or similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. A summary of valuation techniques for classes of financial assets and liabilities by fair value hierarchy level are as follows:

<u>Level 1 Measurements</u>

Cash equivalents: Consists of money market funds; valuation is based on the closing price as of the balance sheet date.

Equity securities: Consists of U.S. and European exchange traded common stocks; valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Derivative assets and liabilities: Consists of exchange traded derivatives (primarily futures) that are actively traded.

Level 2 Measurements

For the majority of assets classified as Level 2 investments, the Company values the assets using third-party pricing sources, which generally rely on quoted prices for similar assets in markets that are active and observable market data. A portion of the domestic and foreign corporate securities' fair value is determined using matrix pricing.

U.S. government and agencies: U.S. Treasury securities and debentures issued by agencies of the U.S. government are valued based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

States and political subdivisions: Consists of municipal general obligation and revenue bonds for which pricing is determined based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and comparable trades in the municipal bond markets.

Foreign government securities: Consists primarily of Canadian and Australian sovereign and provincial debentures. Valued based on observable inputs such as the applicable market yield curve, market indicated spreads by security rating, and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Domestic corporate securities: Valued based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Mortgage-backed securities (residential and commercial): Valuation is principally based on observable inputs including quoted prices for similar assets in markets that are active and observable market data such as trades, bid price or spread, two-sided markets, benchmark curves, discount rates, derivative indices and loan level information.

Other structured securities: Valued based on observable inputs including quoted prices for identical or similar assets in markets that are not active.

Foreign corporate securities: Valued based on observable inputs such as the applicable, country-specific market yield curve, market indicated spreads by security rating and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Equity securities: Consists of U.S. and Bermuda preferred stocks and bond exchange traded funds; valuation is based on observable inputs such as quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Short-term investments: U.S. Treasury securities issued by agencies of the U.S. government are valued based on observable inputs such as the U.S. Treasury yield curve, market indicated spreads and quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

Derivative assets and liabilities: Consists of derivatives such as interest-rate swaps, options, and other over-the-counter derivatives. Valuation inputs having a significant effect on fair value include market quoted interest rates, market-implied volatility and other observable inputs regularly used by industry participants in the over-the-counter derivatives markets.

Separate account assets: Consists of mutual funds and unit investment trusts in which the contract holder could redeem its investment at NAV per share at the measurement date with the investee.

($ in 000s)

Level 3 Measurements

Most of the Company's financial instruments classified as Level 3 include less liquid securities such as mortgage-backed securities, other structured securities, certain domestic and foreign corporate securities and other equity securities and derivatives embedded in annuity contracts.

Domestic corporate securities and foreign corporate securities: For the majority of domestic corporate and foreign corporate securities, valuations are obtained from an independent third-party broker without adjustment. The types of inputs third parties may use would likely be similar to those used to price securities for which inputs are available to the Company, and therefore may include, but not be limited to, loss severity rates, constant default rates and credit spreads. For one domestic corporate security, the Company used a credit spread of 3.65% as of December 31, 2023. For certain domestic corporate and foreign corporate securities, the Company used credit spreads of 4.75% to 5.75% as of December 31, 2022. The credit spreads were obtained from an independent third-party broker and used without adjustment to develop the fair value using an internal model.

Mortgage-backed securities (residential and commercial): Valuation is based on internal models, which include unobservable inputs such as market spreads and prepayment speeds.

Other structured securities: For other structured securities, valuations are based on internal models, which include unobservable inputs such as market spreads and prepayment speeds.

Also, other structured securities consist of valuations and/or spreads that are obtained from an independent, third-party broker without adjustment. The types of inputs third parties may use would likely be similar to those used to price securities for which inputs are available to the Company, and therefore may include, but not be limited to, loss severity rates, constant default rates and credit spreads.

The following table presents information about significant unobservable inputs used in Level 3 for mortgage-backed securities and other structured securities measured at fair value developed by internal models as of December 31, 2023 and 2022:

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2023	2022
Mortgage-backed and other structured securities			
Discounted cash flow	Market spreads	1.4% to 4.9%	1.5% to 5.0%

Equity securities: Consists primarily of private equity investments that are valued using internal appraisals that rely on unadjusted information obtained from the investment's management.

Derivatives embedded in annuity contracts: Valuation is determined using internal models. The Company formerly offered certain variable annuity products with guaranteed minimum benefit riders. The riders included guaranteed minimum withdrawal benefit ("GMWB") riders and guaranteed minimum accumulation benefit ("GMAB") riders. GMWB and GMAB riders are embedded derivatives, which are measured at fair value separately from the host variable annuity contract. Equity-indexed annuities and the registered index annuities also contain embedded derivatives; the option is related to the performance of a stock index.

The fair value of GMWB and GMAB embedded derivatives is estimated using the present value of future benefits minus the present value of future fees using actuarial and capital market assumptions related to the projected cash flows over the expected lives of the contracts. The Company projects cash flows from the derivatives under multiple capital market scenarios using observable risk-free rates, then includes an adjustment for the Company's own credit and risk margins for non-capital market inputs.

In estimating the fair value of the embedded derivatives of the equity-indexed annuities and the registered index annuities, the Company attributes a present value to the embedded derivative equal to the discounted sum of the excess cash flows of the index related fund value over the minimum guaranteed fund value. The current year portion of the embedded derivative is adjusted for known market conditions. The discount factor at which the embedded derivative is valued contains an adjustment for the Company's own credit and risk margins for unobservable non-capital market inputs.

The Company's own credit adjustment is determined taking into consideration publicly available information relating to the Company's debt as well as its claims paying ability.

These derivatives may be more costly than expected in volatile or declining equity markets. Changes in market conditions include, but are not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates. Changes in fair value may be impacted by changes in the Company's own credit standing. Lastly, changes in actuarial assumptions regarding policyholder behavior and risk margins related to non-capital market inputs may result in significant fluctuations in the fair value of the derivatives that could materially affect net income.

($ in 000s)

The following table presents information about significant unobservable inputs used in Level 3 embedded derivative liabilities measured at fair value developed by internal models as of December 31, 2023 and 2022:

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2023	2022
Guarantees on variable annuities			
Stochastic modeling	Lapse rates, including risk margin	1.8% to 18%. Weighted average is 9.69%.	1.8% to 18%. Weighted average is 11.07%.
	Company's own credit margin	162-197 basis points add on to discount rate. Weighted average is 182 basis points.	108-174 basis points add on to discount rate. Weighted average is 150 basis points.
Equity-indexed annuities			
Discounted cash flow	Lapse rates	1.0% to 4.5% with an excess lapse rate up to 100% at the end of the index period. Weighted average is 45.69%.	1.0% to 4.5% with an excess lapse rate up to 100% at the end of the index period. Weighted average is 50.34%.
	Company's own credit and risk margin	122-157 basis points add on to discount rate. Weighted average is 139 basis points.	68-134 basis points add on to discount rate. Weighted average is 102 basis points.
Single premium deferred annuities			
Discounted cash flow	Lapse rates	1.5% to 25.0% with an excess lapse rate at the end of the index period of 50% - 100%. Weighted average is 13.30%.	0.5% to 17.5% with an excess lapse rate at the end of the index period of 50% - 100%. Weighted average is 9.81%.
	Company's own credit and risk margin	132-167 basis points add on to discount rate. Weighted average is 149 basis points.	78-144 basis points add on to discount rate. Weighted average is 114 basis points.
Flexible premium deferred annuities			
Discounted cash flow	Lapse rates	1.0% to 11.0% with an excess lapse rate at the end of the index period of 5%-30%. Weighted average is 8.32%.	1.0% to 10% with an excess lapse rate at the end of the index period of 5%-22.5%. Weighted average is 5.97%.
	Company's own credit and risk margin	122-157 basis points add on to discount rate. Weighted average is 139 basis points.	68-134 basis points add on to discount rate. Weighted average is 63 basis points.

($ in 000s)

The following table is a continuation of information about significant unobservable inputs used in Level 3 embedded derivative liabilities measured at fair value developed by internal models as of December 31, 2023 and 2022:

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2023	2022
Single premium deferred modified guaranteed annuities			
Discounted cash flow	Lapse rates	0.5% to 13.0% with an excess lapse rate at the end of the surrender charge period of 9-16%. Weighted average is 0.98%.	0.5% to 13% with an excess lapse rate at the end of the surrender charge period of 9-16%. Weighted average is 0.93%.
	Company's own credit and risk margin	102-137 basis points add on to discount rate. Weighted average is 122 basis points.	38-104 basis points add on to discount rate. Weighted average is 75 basis points.
Single premium deferred index-linked interest options annuities			
Discounted cash flow	Lapse rates	0.5% to 15.0% with an excess lapse rate at the end of the surrender charge period of 37.5%. Weighted average is 0.64%.	0.5% to 15% with an excess lapse rate at the end of the surrender charge period of 37.5%. Weighted average is 0.56%.
	Company's own credit and risk margin	102-137 basis points add on to discount rate. Weighted average is 121 basis points.	68-134 basis points add on to discount rate. Weighted average is 112 basis points.

($ in 000s)

Changes in Level 3 Fair Value Measurement

The following table sets forth the fair values of assets and liabilities classified as Level 3 within the fair value hierarchy at December 31, 2023:

		Total Realized/Unrealized Gain (Loss) Included in:				
	Balance January 1, 2023	Earnings[1]	Other Comprehensive Income (Loss)	Net Purchases, Sales and Maturities	Transfer into (out of) Level 3	Balance December 31, 2023[2]
Debt securities						
Domestic corporate securities	$ 68,634	$ 233	$ 3,974	$ (8,569)	$ (4,051)	$ 60,221
Residential mortgage-backed securities	50,084	(22)	1,441	(965)	(10,375)	40,163
Commercial mortgage-backed securities	23,539	(91)	600	(117)	-	23,931
Other structured securities	37,170	9	1,034	18,079	(17,725)	38,567
Foreign corporate securities	37,659	(1,674)	4,003	5,224	-	45,212
Total debt securities	217,086	(1,545)	11,052	13,652	(32,151)	208,094
Equity securities	12,310	457	(421)	(609)	-	11,737
Total assets	$ 229,396	$ (1,088)	$ 10,631	$ 13,043	$ (32,151)	$ 219,831
Derivatives embedded in annuity contracts	$ 1,202,018	$ 453,981	$ -	$ 60,789	$ -	$ 1,716,788
Total liabilities	$ 1,202,018	$ 453,981	$ -	$ 60,789	$ -	$ 1,716,788

[1] Included in earnings is amortization of premium/discount, impairments, net realized gains and losses and lapses associated with embedded derivatives.
[2] There were no significant unrealized gains (losses) for the period included in net income attributable to the fair value relating to assets and liabilities classified as Level 3 that are still held at December 31, 2023.

($ in 000s)

The following table provides the components of the items included in Level 3 net purchases, sales and maturities for 2023:

	Purchases	Sales	Maturities	Net Purchases, Sales and Maturities
Debt securities				
Domestic corporate securities	$ 23,710	$ (18,500)	$ (13,779)	$ (8,569)
Residential mortgage-backed securities	-	(965)	-	(965)
Commercial mortgage-backed securities	-	(117)	-	(117)
Other structured securities	19,880	(1,801)	-	18,079
Foreign corporate securities	18,183	(12,179)	(780)	5,224
Total debt securities	61,773	(33,562)	(14,559)	13,652
Equity securities	-	(609)	-	(609)
Total assets	$ 61,773	$ (34,171)	$ (14,559)	$ 13,043
Derivatives embedded in annuity contracts	$ 232,431	$ -	$ (171,642)	$ 60,789
Total liabilities	$ 232,431	$ -	$ (171,642)	$ 60,789

($ in 000s)

The following table sets forth the fair values of assets and liabilities classified as Level 3 within the fair value hierarchy at December 31, 2022:

		Total Realized/Unrealized Gain (Loss) Included in:				
	Balance January 1, 2022	Earnings[1]	Other Comprehensive Income (Loss)	Net Purchases, Sales and Maturities	Transfer into (out of) Level 3	Balance December 31, 2022[2]
Debt securities						
Domestic corporate securities	$ 98,457	$ (1,236)	$ (6,997)	$ 7,901	$ (29,491)	$ 68,634
Residential mortgage-backed securities	39,786	(86)	(8,294)	18,678	-	50,084
Commercial mortgage-backed securities	32,330	(169)	(2,724)	(14,621)	8,723	23,539
Other structured securities	128,234	(7)	(6,045)	13,451	(98,463)	37,170
Foreign corporate securities	79,229	76	(1,645)	(3,015)	(36,986)	37,659
Total debt securities	378,036	(1,422)	(25,705)	22,394	(156,217)	217,086
Equity securities	13,649	655	(150)	(1,844)	-	12,310
Total assets	$ 391,685	$ (767)	$ (25,855)	$ 20,550	$ (156,217)	$ 229,396
Derivatives embedded in annuity contracts	$ 1,718,005	$ (620,831)	$ -	$ 104,844	$ -	$ 1,202,018
Total liabilities	$ 1,718,005	$ (620,831)	$ -	$ 104,844	$ -	$ 1,202,018

[1] Included in earnings is amortization of premium/discount, impairments, net realized gains and losses and lapses associated with embedded derivatives.

[2] There were no significant unrealized gains (losses) for the period included in net income attributable to the fair value relating to assets and liabilities classified as Level 3 that are still held at December 31, 2022.

($ in 000s)

The following table provides the components of the items included in Level 3 net purchases, sales and maturities for 2022:

	Purchases	Sales	Maturities	Net Purchases, Sales and Maturities
Debt securities				
Domestic corporate securities	$ 11,003	$ (2,483)	$ (619)	$ 7,901
Residential mortgage-backed securities	19,618	-	(940)	18,678
Commercial mortgage-backed securities	-	(14,621)	-	(14,621)
Other structured securities	19,486	-	(6,035)	13,451
Foreign corporate securities	770	-	(3,785)	(3,015)
Total debt securities	50,877	(17,104)	(11,379)	22,394
Equity securities	-	(1,844)	-	(1,844)
Total assets	$ 50,877	$ (18,948)	$ (11,379)	$ 20,550
Derivatives embedded in annuity contracts	$ 222,723	$ -	$ (117,879)	$ 104,844
Total liabilities	$ 222,723	$ -	$ (117,879)	$ 104,844

Equity Securities Without a Readily Determinable Fair Value Remeasured During Reporting Period

The following presents information for the Company’s equity securities which were remeasured due to the availability of an observable price of an identical or similar investment of the same issuer during the reporting periods. Securities for which there were no impairments or price adjustments during the periods are not reflected. The Company holds these equity securities at cost minus cumulative impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The carrying value of Level 2 securities after remeasurement to fair value at various dates during the reporting periods were $19,066 and $30,275 as of December 31, 2023 and 2022, respectively.

See Note 3, Investments - Equity Securities, for information about all equity securities without readily determinable fair values.

The Level 2 fair values were based on prices of newly issued securities or sales of existing securities.

($ in 000s)

Fair Value Measurements for Financial Instruments Not Reported at Fair Value

Accounting standards require disclosure of fair value information about certain on and off-balance sheet financial instruments which are not recorded at fair value on a recurring basis.

The carrying amounts and estimated fair values of the Company's financial instruments that are not measured at fair value on a recurring basis at December 31 are as follows:

	2023		2022	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial instruments recorded as assets:				
Mortgage loans	$ 4,270,389	$ 3,843,757	$ 3,945,218	$ 3,452,823
Policy loans	132,866	172,154	125,448	160,049
FHLB restricted stock	63,724	63,724	61,929	61,929
LIHTC	118,886	118,886	106,206	106,206
COLI	90,524	90,524	87,752	87,752
Cash	96,276	96,276	151,464	151,464
Short-term investments	24,606	24,606	15,726	15,726
Assets on deposit	1,060,426	1,060,426	709,714	709,714
Securities lending assets	565,249	565,249	565,358	565,358
Financial instruments recorded as liabilities:				
Investment-type contracts[1]	13,380,027	13,016,841	13,357,418	11,917,435
Notes and interest payable	1,169,442	1,251,714	1,518,602	1,605,469
Payables for securities lending	565,249	565,249	565,358	565,358
Separate account liabilities	3,818,108	3,818,108	3,653,995	3,653,995

[1] The carrying amount and estimated fair value excludes the related embedded derivative for certain products which is held at fair value.

The carrying amounts for accrued net investment income, certain receivables and payables approximate their fair values due to their short-term nature and have been excluded from the fair value tables above.

Note 5: Income Tax

The Company and certain of its domestic subsidiaries are included in the consolidated federal income tax return filed by CMHC, the Company's parent. The Company has entered into a tax sharing agreement with certain of its subsidiaries. The agreement provides for the allocation of tax expense based on each subsidiary's contribution to the consolidated federal income tax liability. Pursuant to the agreement, subsidiaries that have incurred losses are reimbursed regardless of the utilization of the loss in the current year.

Prior to their acquisition by the Company, AMLIC and USIC were included in the consolidated federal income tax return of Assurant. After their acquisition, AMLIC and USIC file stand-alone federal income tax returns since they are subject to a five-year waiting period and are not eligible to be included in CMHC's consolidated federal income tax return until January 1, 2027.

($ in 000s)

Income Tax Expense

Income tax expense attributable to income for the years ended December 31 is as follows:

	2023	2022	2021
Current tax expense	$ 360	$ 189,736	$ 113,053
Deferred tax expense (benefit)	(8,317)	(136,510)	1,198
LIHTC amortization	18,175	15,024	10,462
Total income tax expense	$ 10,218	$ 68,250	$ 124,713

Reconciliation to U.S. Tax Rate

Income tax expense differs from the amount computed by applying the U.S. federal corporate income tax rate to income before income taxes and equity of unconsolidated affiliates due to the items listed in the following reconciliation for the years ended December 31:

	2023	2022	2021
Tax expense computed at federal corporate tax rate	$ 31,486	$ 86,434	$ 156,870
Tax-exempt investment income	(4,643)	(4,654)	(4,544)
Income tax benefit related to prior years	(5,176)	(3,932)	(16,257)
Dividends-received deduction	(2,984)	(1,099)	(1,964)
Meals and entertainment	432	388	273
Foreign operations	(1,028)	(219)	(33)
COLI	(1,107)	1,188	(128)
LIHTC credits and benefits (net of amortization of cost)	(7,492)	(9,815)	(9,939)
Other, net	730	(41)	435
Total income tax expense (benefit)	$ 10,218	$ 68,250	$ 124,713

($ in 000s)

Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets		
Policy liabilities and reserves	$ 581,156	$ 591,566
Pension and other employee benefits	52,965	49,986
Deferred policy acquisition costs	6,256	4,361
Unearned revenue	76,879	55,527
Loss reserve discounting	22,324	17,333
Accrued expenses	46,186	46,924
Dividends payable to policyholders	8,724	5,183
Loss carryforwards	22,992	16,235
Undistributed net income of unconsolidated affiliates	10,629	322
Intangible assets	16,195	18,084
Investments	277	-
Unrealized investment losses	456,609	620,322
Foreign tax credit carryforward	2,702	-
Other	5,667	5,283
Gross deferred tax assets	1,309,561	1,431,126
Less valuation allowance	(18,227)	(14,114)
Gross deferred tax assets less valuation allowance	1,291,334	1,417,012
Deferred tax liabilities		
Unrealized investment gains	1,637	1,162
Investments	235,502	243,511
Deferred policy acquisition costs	209,321	166,269
Unearned revenue	1,069	1,136
Deferred and uncollected premium	9,329	9,089
Fixed assets and real estate	4,275	11,024
Intangible assets	60,355	63,180
Prepaid expenses	5,001	4,814
Accrued income	25,696	25,459
Other	3,777	3,176
Gross deferred tax liabilities	555,962	528,820
Net deferred tax asset (liability)	$ 735,372	$ 888,192

($ in 000s)

Valuation Allowance

The Company records a valuation allowance for deferred tax assets if it determines it is more likely than not the assets will not be realized. In evaluating the need for a valuation allowance, the Company considered the fact that certain of its subsidiaries have incurred cumulative tax losses in various state jurisdictions. Based on its evaluation, the Company determined the state deferred tax assets are not more likely than not to be realized. As a result, the Company recorded a valuation allowance of $18,227 and $14,114 as of December 31, 2023 and 2022, respectively, against the state deferred tax assets including deferred tax assets related to state net operating loss carryforwards. The valuation allowance increased $4,113 in 2023 primarily due to additional state operating losses incurred in 2023.

Other Tax Items

As of December 31, 2023 and 2022, the Company had federal operating loss carryforwards of $25,315 and $11,704, respectively; the related tax benefits are $5,316 and $2,458, respectively. Federal operating loss carryforwards of $6,609 expire in years 2037 through 2038, with the remaining $18,706 carrying forward indefinitely. The Company has federal foreign tax credit carryforwards of $2,701 as of December 31, 2023. These credit carryforwards expire in years 2028-2033. The Company did not have federal foreign tax credit carryforwards as of December 31, 2022. The Company had no federal capital loss carryforwards and no state tax credit carryforwards as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Company had state operating loss carryforwards of $303,273 and $237,838, respectively; the related tax benefits are $17,676 and $13,777, respectively. These carryforwards expire in various years through 2043.

The Company generally does not provide for U.S. deferred taxes or foreign withholding taxes on the undistributed earnings of its non-U.S. affiliates and associated companies. This is because the undistributed foreign earnings have previously been subject to U.S. income tax and generally will not be subject to additional U.S. income tax upon repatriation. Therefore, no deferred tax has been recorded on the Company's undistributed foreign earnings as of December 31, 2023 and 2022.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2023	2022
Balance at January 1	$ 22,753	$ 18,992
Additions based on tax positions related to the current year	3,726	1,158
Additions for prior year's tax positions	711	2,944
Reduction for prior year's tax positions	(5,033)	-
Reductions for settlements	-	(341)
Balance at December 31	$ 22,157	$ 22,753

Included in the balance of unrecognized tax benefits at December 31, 2023 and 2022 are $1,741 and $238, respectively, of unrecognized tax benefits that, if recognized would affect the effective income tax rate in future periods. Management does not anticipate a material change to the Company's uncertain tax positions during 2024.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense in the Consolidated Statements of Operations and Comprehensive Income (Loss). During the years ended December 31, 2023, 2022, and 2021, the Company recognized an increase of $906, an increase of $287, and a decrease of $5,986 in interest and penalties, respectively. The Company had accrued $3,513 and $2,607 for the payment of interest and penalties at December 31, 2023 and 2022, respectively.

The Company is included in a consolidated U.S. federal income tax return filed by CMHC. The Company also files income tax returns in various states and foreign jurisdictions. For the major jurisdictions where it operates, the Company is generally no longer subject to income tax examination by tax authorities for the years ended before 2020. A carryback refund claim filed for tax year 2020 is currently under review.

($ in 000s)

Note 6: Reinsurance

The Company enters into reinsurance agreements to reduce overall risk, including exposure to large losses and catastrophic events. The Company retains the risk of loss in the event that a reinsurer is unable to meet the obligations assumed under the reinsurance agreements. The Company also assumes insurance risk that was directly written by other insurance entities. The effects of reinsurance on premiums and on claims, benefits, and losses incurred for the years ended December 31 are as follows:

	2023		2022		2021	
	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance
Premiums						
Direct - written	$ 2,521,253	$ 834,262	$ 2,395,052	$ 723,385	$ 2,093,548	$ 666,074
Direct - change in unearned	3,962	(37,434)	8,869	(31,491)	2,352	(71,898)
Direct - earned	2,525,215	796,828	2,403,921	691,894	2,095,900	594,176
Assumed - written	2,927	477,983	2,599	478,393	(3,918)	426,296
Assumed - change in unearned	(3)	(3,748)	(3)	(44,719)	21	(25,237)
Assumed - earned	2,924	474,235	2,596	433,674	(3,897)	401,059
Ceded - written	(130,809)	(45,038)	(137,048)	(34,250)	(68,235)	(22,574)
Ceded - change in unearned	(1,054)	3,603	(1,617)	1,995	(547)	2,714
Ceded - earned	(131,863)	(41,435)	(138,665)	(32,255)	(68,782)	(19,860)
Premiums - written, net	2,393,371	1,267,207	2,260,603	1,167,528	2,021,395	1,069,796
Premiums - change in unearned, net	2,905	(37,579)	7,255	(74,215)	1,826	(94,421)
Premiums - earned, net	$ 2,396,276	$ 1,229,628	$ 2,267,858	$ 1,093,313	$ 2,023,221	$ 975,375
Claims, benefits, and losses and loss adjustment expenses incurred						
Direct	$ 2,247,973	$ 485,049	$ 2,749,455	$ 356,955	$ 1,972,206	$ 323,730
Assumed	10,831	349,529	10,356	302,808	(25,656)	249,896
Ceded	(403,817)	(14,026)	(992,097)	(8,079)	(311,321)	(10,250)
Claims, benefits, and losses and loss adjustment expenses, net	$ 1,854,987	$ 820,552	$ 1,767,714	$ 651,684	$ 1,635,229	$ 563,376

($ in 000s)

Reinsurance recoverables at December 31, 2023 and 2022 was $3,167,833 and $3,232,501, respectively. These balances are subject to uncertainties similar to the estimates of the gross reserves for claims and policy benefits and loss and loss adjustment expenses. The collection of the balances is also subject to risks. The Company evaluates the risks of collection of in determining the need to establish an allowance for uncollectible reinsurance recoverable. In making this determination, the Company considers, among other factors, the credit rating of the reinsurers, collateral held, its past collection experience, the aging of balances, and any known credit concerns or disputes over contract interpretations. The aggregate recoverable balance of the largest reinsurer was $2,210,892 or 70% and $2,249,835 or 70% of the total reinsurance recoverable at December 31, 2023 and 2022, respectively. The aggregate recoverable balance of the second largest reinsurer was $311,012 or 10% and $362,340 or 11% of the total reinsurance recoverable at December 31, 2023 and 2022, respectively. No other reinsurer accounts for more than 10% of the balance at December 31, 2023 or 2022.

Note 7: Deferred Policy Acquisition Costs

A summary of the deferred policy acquisition costs (“DAC”) deferred and amortized as of and for the year ended December 31, 2023 and 2022 is shown in the following table:

	2023		2022	
	Life and Health Insurance	**Property and Casualty Insurance**	**Life and Health Insurance**	**Property and Casualty Insurance**
Balance at beginning of year	$ 1,324,863	$ 91,521	$ 822,312	$ 78,919
Policy acquisition costs deferred	541,954	176,361	512,619	157,194
Policy acquisition costs amortized and adjustments for changes in life and health gross profit assumptions	(273,691)	(169,455)	(254,645)	(144,592)
Foreign exchange effect on DAC	1,682	-	(2,334)	-
DAC effect of change in net unrealized (gains) losses on securities available for sale	(53,380)	-	246,911	-
Balance at end of year	$ 1,541,428	$ 98,427	$ 1,324,863	$ 91,521

The Company pays credit unions for production of new and renewal business sold for the Company. These costs primarily relate to credit life and credit disability policies as well as accidental death and dismemberment and certain term and whole life products sold to credit union members, products of other insurers sold on a brokered basis and certain investment products. Such costs totaled $399,598, $385,484, and $394,556 for the years ended December 31, 2023, 2022, and 2021, respectively. These costs are also deferred unless the expenses are associated with non-insurance products or brokered business.

($ in 000s)

Note 8: Value of Business Acquired

The following table provides a summary of VOBA related to AMLIC, USIC and TLOC:

	2023	2022
Balance as of January 1	$ 180,772	$ 185,609
Changes due to measurement period adjustments	-	(21,447)
Effect of change in net unrealized (gains) losses on securities available for sale	25,820	15,409
Foreign currency impact	3,082	(7,312)
Amortization	(13,697)	(1,360)
Other additions	-	9,873
Balance as of December 31	$ 195,977	$ 180,772

The following table provides estimated future VOBA amortization, net of interest, for the years ended December 31:

	Estimated Future VOBA Amortization
2024	$ 27,504
2025	22,346
2026	16,653
2027	14,104
2028	12,158

($ in 000s)

Note 9: Liability for Unpaid Claims and Claim Adjustment Expenses

The following tables present activity relating to unpaid loss and loss adjustment expense reserves for property and casualty, certain accident and health, and certain life insurance policies. The Company records the liability for unpaid claims for life and accident and health policies in claims and policy benefit reserves – life and health and the liability for unpaid claims for property and casualty policies in loss and loss adjustment expense reserves – property and casualty on the Consolidated Balance Sheets.

	2023		2022	
	Life, Accident and Health Insurance	Property and Casualty Insurance	Life, Accident and Health Insurance	Property and Casualty Insurance
Balance as of January 1	$ 1,411,729	$ 545,220	$ 1,417,188	$ 457,137
Less experience refunds liability	65,809	37,664	63,725	23,735
Less reinsurance recoverables	868,349	19,335	902,307	14,225
Net balance as of January 1	477,571	488,221	451,156	419,177
Incurred, net of reinsurance recoverables and experience refunds, related to				
Current year	817,268	849,460	837,080	680,091
Prior year	(30,411)	(28,908)	7,623	(28,407)
Total incurred	786,857	820,552	844,703	651,684
Paid, net of reinsurance recoverables and experience refunds, related to				
Current year	576,280	485,748	575,077	388,888
Prior year	229,112	224,513	243,211	193,752
Total paid	805,392	710,261	818,288	582,640
Net balance at December 31	459,036	598,512	477,571	488,221
Plus experience refunds liability	67,772	39,097	65,809	37,664
Plus reinsurance recoverables	865,164	29,547	868,349	19,335
Balance at December 31	$ 1,391,972	$ 667,156	$ 1,411,729	$ 545,220

For life products, the 2023 decrease in prior year incurred losses primarily relates to favorable development from traditional life products primarily related to lower reported losses compared to the accrual for expected losses. For life products, the 2022 increase in prior year incurred losses primarily relates to unfavorable development from traditional life products primarily related to higher reported losses compared to the accrual for expected losses.

For accident and health products, the 2023 decrease in prior year incurred losses relates to favorable development for credit disability, accidental death and dismemberment and long-term care; this aggregate favorable development is primarily related to fewer reported losses than expected. For accident and health products, the 2022 decrease in prior year incurred losses primarily relates to favorable development for credit disability primarily related to fewer reported losses than expected, partially offset by unfavorable development for long-term care driven by strengthening of reserves and accidental death and dismemberment primarily driven by larger than typical amount of claims paid in the beginning of 2022 related to prior year accidents.

For property and casualty products, the 2023 decrease in incurred losses for prior years primarily relates to fidelity, GAP, management liability, and homeowners; as fidelity and GAP experienced fewer reported losses than expected, while management liability claims and homeowners catastrophe losses settled more favorably than expected. For property and casualty products, the 2022 decrease in incurred losses for prior years primarily relates to fidelity, management liability, and GAP as fidelity and GAP experienced fewer reported losses than expected, while management liability claims settled more favorably than expected.

The following presents information about incurred and paid loss and loss adjustment expense development as of December 31, 2023, net of reinsurance, as well as the cumulative number of reported claims and the total of IBNR reserves plus expected development on reported claims included in the net incurred claims amounts recorded for lending, consumer – auto, consumer – homeowners, business protection, workers' compensation, and other short-duration lines of business. See Note 2, Summary of Significant Accounting Policies, for the accounting policy and methodology for determining reserves for loss and loss adjustment expense, including both reported and IBNR claims. The cumulative number of reported claims is identified by coverage and excludes reported claims for industry pools and facilities where information is not available. The information about incurred and paid loss and loss adjustment expense development for the years 2014 to 2023, and the average annual percentage payout of incurred claims by age as of December 31, 2023, is presented as required supplementary information.

($ in 000s)

Lending Insurance

The Company's lending products primarily protect credit unions and members from losses related to death, disability, involuntary unemployment and insufficient loan collateral.

Cumulative net incurred loss and allocated loss adjustment expenses are shown in the following table:

	For the year ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	As of December 31, 2023	
2014	$ 366,360	$ 351,743	$ 342,061	$ 339,869	$ 338,567	$ 338,691	$ 338,767	$ 338,029	$ 337,497	$ 337,035	$ 1,439	159,491
2015	-	390,188	370,531	365,117	361,264	360,975	360,699	360,328	360,093	359,548	1,975	167,423
2016	-	-	424,253	404,818	398,946	396,553	396,351	395,520	395,094	394,385	2,697	180,526
2017	-	-	-	450,204	429,462	426,256	424,026	421,939	421,080	420,320	3,643	190,712
2018	-	-	-	-	452,937	434,626	427,970	424,070	422,653	421,395	5,256	198,472
2019	-	-	-	-	-	452,716	444,700	434,117	431,165	428,734	9,347	207,911
2020	-	-	-	-	-	-	465,719	456,389	451,321	451,330	15,349	219,439
2021	-	-	-	-	-	-	-	427,244	423,949	421,631	23,488	185,474
2022	-	-	-	-	-	-	-	-	411,498	396,538	42,349	174,913
2023	-	-	-	-	-	-	-	-	-	449,817	136,314	163,711
										$4,080,733	$ 241,857	

Cumulative net paid loss and allocated loss adjustment expenses are shown in the following table:

	For the year ended December 31,									
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
2014	$ 202,174	$ 280,496	$ 305,234	$ 319,910	$ 328,240	$ 332,133	$ 333,831	$ 334,664	$ 335,215	$ 335,595
2015	-	218,779	302,293	327,253	342,320	350,794	354,690	356,251	357,065	357,573
2016	-	-	249,947	338,892	363,776	378,322	386,140	389,725	391,072	391,688
2017	-	-	-	271,105	364,279	389,752	403,901	411,604	415,096	416,677
2018	-	-	-	-	278,560	369,671	392,715	405,800	412,846	416,139
2019	-	-	-	-	-	288,513	379,110	400,913	412,833	419,388
2020	-	-	-	-	-	-	312,499	403,475	424,262	435,981
2021	-	-	-	-	-	-	-	295,500	379,643	398,139
2022	-	-	-	-	-	-	-	-	270,904	354,178
2023	-	-	-	-	-	-	-	-	-	308,359
Total										3,833,717
All outstanding liabilities before 2014, net of reinsurance										2,800
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 249,816

($ in 000s)

Consumer – Auto Insurance

Cumulative net incurred loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	As of December 31, 2023	
2014	$ 157,850	$ 152,507	$ 150,510	$ 150,339	$ 151,189	$ 150,992	$ 150,909	$ 150,924	$ 150,983	$ 150,959	$ 57	338,860
2015	-	161,143	158,097	159,356	161,490	161,762	160,896	160,813	160,921	161,097	99	342,518
2016	-	-	173,437	173,314	176,574	178,041	177,869	177,893	177,900	177,741	143	349,217
2017	-	-	-	183,014	177,526	176,814	176,920	176,550	177,275	177,302	288	330,016
2018	-	-	-	-	179,836	175,292	171,593	170,215	173,311	173,852	544	306,168
2019	-	-	-	-	-	172,589	166,284	160,062	162,103	160,891	1,510	262,012
2020	-	-	-	-	-	-	149,502	128,334	125,048	125,144	4,280	187,829
2021	-	-	-	-	-	-	-	153,317	150,459	149,800	10,632	191,672
2022	-	-	-	-	-	-	-	-	182,634	181,899	24,207	195,125
2023	-	-	-	-	-	-	-	-	-	198,814	61,847	159,389
										$1,657,499	$ 103,607	

Cumulative net paid loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,									
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
2014	$ 88,434	$ 117,064	$ 133,021	$ 141,601	$ 147,243	$ 149,002	$ 149,804	$ 150,385	$ 150,622	$ 150,689
2015	-	93,041	125,636	141,364	151,619	157,594	159,003	159,986	160,327	160,662
2016	-	-	101,381	137,344	155,177	166,365	171,734	174,639	176,250	177,020
2017	-	-	-	102,031	136,409	154,437	164,863	170,857	174,335	175,537
2018	-	-	-	-	96,578	130,796	148,186	158,291	165,989	169,045
2019	-	-	-	-	-	94,037	122,555	139,044	149,307	155,400
2020	-	-	-	-	-	-	71,525	94,904	107,103	114,607
2021	-	-	-	-	-	-	-	83,444	114,580	128,785
2022	-	-	-	-	-	-	-	-	99,372	139,210
2023	-	-	-	-	-	-	-	-	-	110,631
Total	-	-	-	-	-	-	-	-	-	1,481,586
All outstanding liabilities before 2014, net of reinsurance										444
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 176,357

($ in 000s)

Consumer – Homeowners Insurance

Cumulative net incurred loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	As of December 31, 2023	
2014	$ 59,129	$ 56,058	$ 54,269	$ 54,005	$ 53,652	$ 53,319	$ 53,259	$ 53,290	$ 53,265	$ 53,355	$ 1	31,050
2015	-	62,034	57,876	57,884	57,577	57,332	57,247	57,244	57,360	57,259	3	32,236
2016	-	-	62,932	58,940	57,817	58,068	58,011	57,960	57,919	57,945	26	33,771
2017	-	-	-	68,182	65,217	64,351	63,588	63,727	63,672	63,693	522	36,767
2018	-	-	-	-	61,433	63,189	62,500	63,170	62,333	61,744	86	33,761
2019	-	-	-	-	-	60,049	54,713	54,612	54,370	54,230	115	28,452
2020	-	-	-	-	-	-	72,816	69,416	70,418	69,404	430	27,521
2021	-	-	-	-	-	-	-	74,488	73,812	69,063	738	25,158
2022	-	-	-	-	-	-	-	-	57,860	55,555	2,066	18,553
2023	-	-	-	-	-	-	-	-	-	75,096	18,948	16,989
										$ 617,344	$ 22,935	

Cumulative net paid loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,									
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
2014	$ 41,926	$ 51,361	$ 52,163	$ 52,598	$ 53,214	$ 53,196	$ 53,228	$ 53,237	$ 53,246	$ 53,251
2015	-	44,769	54,040	55,922	56,572	56,716	56,848	56,895	57,046	57,195
2016	-	-	44,531	54,228	56,432	57,070	57,573	57,620	57,755	57,803
2017	-	-	-	46,643	60,108	61,306	62,181	62,435	62,737	62,771
2018	-	-	-	-	44,152	57,840	59,967	60,838	61,228	61,273
2019	-	-	-	-	-	39,350	49,728	51,347	52,560	53,583
2020	-	-	-	-	-	-	46,240	62,164	66,438	68,060
2021	-	-	-	-	-	-	-	49,481	65,234	67,612
2022	-	-	-	-	-	-	-	-	34,544	50,298
2023	-	-	-	-	-	-	-	-	-	46,309
Total										578,155
All outstanding liabilities before 2014, net of reinsurance										59
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 39,248

($ in 000s)

Business Protection

The Company's business protection products help to protect credit unions from a wide range of risks. Products offered include fidelity bond, business auto, cyber and security incident coverage, management and professional liability coverage, plastic card coverage, and property and business liability coverage. Through an arrangement with a third party, collateral protection is assumed. The Company's business protection product also includes non-credit union business which provides a variety of coverage offerings including (but not limited to) earthquake coverage, construction general liability coverage for residential and commercial construction firms and contractors, and lawyer's professional liability along with other commercial property and liability offerings.

Cumulative net incurred loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	As of December 31, 2023	
2014	$ 107,964	$ 104,126	$ 95,661	$ 91,347	$ 89,526	$ 88,552	$ 88,275	$ 87,557	$ 89,127	$ 89,146	$ 685	9,694
2015	-	97,708	87,192	81,681	72,364	72,475	72,941	72,384	72,026	71,855	(436)	9,719
2016	-	-	104,464	91,041	77,392	74,448	74,619	77,154	75,039	74,976	(823)	9,987
2017	-	-	-	112,626	96,858	90,498	92,853	93,620	91,546	91,270	(46)	10,820
2018	-	-	-	-	118,074	115,293	109,538	104,325	101,748	100,980	(454)	10,206
2019	-	-	-	-	-	90,919	87,771	79,879	79,185	79,546	985	9,804
2020	-	-	-	-	-	-	97,975	97,775	93,559	92,050	4,136	8,758
2021	-	-	-	-	-	-	-	129,539	128,134	125,817	23,622	9,139
2022	-	-	-	-	-	-	-	-	166,671	164,350	48,248	10,807
2023	-	-	-	-	-	-	-	-	-	237,318	118,356	11,218
										$1,127,308	$ 194,273	

Cumulative net paid loss and allocated loss adjustment expenses are shown in the following table:

	For the years ended December 31,									
Accident Year	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
2014	$ 37,553	$ 61,949	$ 82,530	$ 84,911	$ 86,642	$ 88,028	$ 88,263	$ 88,087	$ 88,288	$ 88,328
2015	-	34,520	55,409	65,560	68,631	70,991	72,079	72,471	72,432	72,286
2016	-	-	38,543	56,616	66,603	69,627	71,576	71,978	75,823	75,697
2017	-	-	-	37,226	67,305	80,692	85,886	90,813	91,413	91,178
2018	-	-	-	-	35,203	73,148	84,506	95,852	97,298	98,948
2019	-	-	-	-	-	30,542	52,381	64,389	70,339	75,857
2020	-	-	-	-	-	-	37,643	60,843	73,678	82,103
2021	-	-	-	-	-	-	-	46,681	77,315	92,160
2022	-	-	-	-	-	-	-	-	49,484	92,901
2023	-	-	-	-	-	-	-	-	-	68,799
Total										838,257
All outstanding liabilities before 2014, net of reinsurance										(3,254)
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 285,797

($ in 000s)

Workers' Compensation

Cumulative net incurred loss and allocated loss adjustment expenses are shown in the following table:

Accident Year	For the years ended December 31, 2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	Total of IBNR Liabilities Plus Expected Development on Reported Claims (As of December 31, 2023)	Cumulative Number of Incurred Claim Counts (As of December 31, 2023)
2014	$ 1,822	$ 1,081	$ 835	$ 669	$ 624	$ 473	$ 444	$ 444	$ 444	$ 444	$ -	168
2015	-	320	-	-	40	50	40	-	-	-	-	-
2016	-	-	320	-	60	60	50	30	-	-	-	-
2017	-	-	-	320	80	60	55	40	30	-	-	-
2018	-	-	-	-	80	56	60	50	40	30	30	-
2019	-	-	-	-	-	80	70	65	50	40	40	-
2020	-	-	-	-	-	-	80	75	65	50	50	-
2021	-	-	-	-	-	-	-	80	75	65	65	-
2022	-	-	-	-	-	-	-	-	80	75	75	-
2023	-	-	-	-	-	-	-	-	-	80	80	-
										$ 784	$ 340	

Cumulative net paid loss and allocated loss adjustment expenses are shown in the following table:

Accident Year	For the years ended December 31, 2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
2014	$ 209	$ 340	$ 388	$ 416	$ 444	$ 443	$ 444	$ 444	$ 444	$ 444
2015	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
Total										444
All outstanding liabilities before 2014, net of reinsurance										5,115
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 5,455

Claim frequency is measured per individual claimant. All reported claims are included in the claim frequency statistic, whether or not they resulted in a liability. The average percentage payout of net incurred claims by product line is shown in the following unaudited table:

(unaudited)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Consumer - auto	56.8%	19.7%	10.0%	6.1%	3.7%	1.5%	0.7%	0.3%	0.2%	0.0%
Consumer - homeowners	71.3	20.8	3.3	1.5	0.9	0.2	0.1	0.1	0.1	0.0
Lending	65.8	21.7	5.8	3.4	2.0	1.0	0.4	0.2	0.2	0.1
Business protection	39.3	28.3	14.7	6.4	3.6	1.2	1.4	-0.1	0.0	0.0
Workers' compensation	47.1	29.4	10.8	6.4	6.2	0.0	0.0	0.0	0.0	0.0

($ in 000s)

The reconciliation of the net incurred and paid loss development tables to life and health claim reserves and loss and loss adjustment expense reserves – property and casualty, net of reinsurance, is shown in the table below:

		December 31, 2023
Net outstanding liabilities		
Lending	$	249,816
Consumer - auto		176,357
Consumer - homeowners		39,248
Business protection		285,797
Workers' compensation		5,455
Long term care		98,184
Accidental death and dismemberment		63,485
Life - long duration		95,785
Other lines of business		43,421
Life and health claim reserves and loss and loss adjustment expense reserves – property and casualty, net of reinsurance		1,057,548
Reinsurance recoverable on unpaid claims		
Consumer - auto		26
Consumer - homeowners		942
Business protection		25,146
Workers' compensation		3,388
Long term care		843,817
Life - long duration		21,347
Other lines of business		45
Total reinsurance recoverable on unpaid losses		894,711
Unallocated claims adjustment expenses		16,286
Impact of discounting		(3,651)
Experience refunds		106,869
Other		(12,635)
Total gross life and health claim reserves and loss and loss adjustment expense reserves – property and casualty	$	2,059,128

($ in 000s)

Note 10: Benefit Plans

The Company has noncontributory defined benefit pension plans that cover most full-time employees. Certain employees and directors are also eligible for non-qualified defined benefit plans. Retirement benefits for the qualified plans are provided using a cash balance formula for all employees; employees who were hired prior to certain dates, depending on the plan, have frozen grandfathered benefits determined using a traditional formula. Benefits vest according to plan schedules. The Company’s policy is to fund pension costs as required to meet the minimum funding requirements under the Employee Retirement Income Security Act of 1974.

The Company has postretirement benefit plans that provide certain medical and life insurance benefits to eligible participants and dependents. The cost of postretirement benefits is recognized over the period the employees perform services to earn the benefits.

The measurement date for all benefit plans is December 31.

The following table provides aggregated information for amounts recognized in AOCI related to pension and other postretirement benefit plans as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Net prior service costs (benefit)	$ -	$ -	$ 845	$ 1,011
Net actuarial (gain) loss	296,123	317,619	(21,354)	(25,016)
Total recognized in AOCI, before tax	296,123	317,619	(20,509)	(24,005)
Tax expense (benefit)	(62,186)	(66,701)	4,307	5,041
Total recognized in AOCI, net of tax	$ 233,937	$ 250,918	$ (16,202)	$ (18,964)

The following table provides aggregated information for plans with plan assets exceeding benefit obligations as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Projected benefit obligation	$ (184,941)	$ (180,112)	$ -	$ -
Accumulated benefit obligation	(182,537)	(177,483)	-	-
Fair value of plan assets	197,718	191,419	-	-

($ in 000s)

The following table provides aggregated information for plans not included in the previous table as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Projected benefit obligation	$ (667,167)	$ (634,446)	$ -	$ -
Accumulated benefit obligation	(642,587)	(612,266)	(68,753)	(64,507)
Fair value of plan assets	602,585	559,799	-	-

The following table provides information for the plans for the years ended December 31:

	Pension Benefits			Other Postretirement Benefits		
	2023	2022	2021	2023	2022	2021
Employer contributions	$ 31,216	$ 17,566	$ 2,427	$ 1,897	$ 2,375	$ 1,648
Benefit payments	47,648	72,234	66,122	1,897	2,375	1,648
Net periodic benefit cost (income)	41,719	(3,328)	(6,707)	3,142	5,428	4,839

Actuarial Assumptions

The Company’s actuarial assumptions used to develop pension and other postretirement benefit obligations for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	5.3%	5.6%	5.3%	5.5%
Assumed rate of annual compensation increase	5.1	5.1	5.3	5.3

The assumed health care cost trend rates for pre-Medicare and Medicare expected medical costs used in measuring the accumulated postretirement benefit obligation are 6.8% through 6.6%, respectively, for 2023, both reducing to 3.7% by 2073.

($ in 000s)

The Company's actuarial assumptions used to develop pension and other postretirement benefit expenses for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2023	2022	2021	2023	2022	2021
Discount rate	5.6%	3.0%	2.8%	5.5%	3.1%	2.9%
Assumed rate of annual compensation increase	5.1	5.1	4.3	5.3	5.3	4.3
Expected long-term rate of return on plan assets	6.6	7.1	7.1	N/A	N/A	N/A
Interest credited rate for cash balance plan	4.1	1.6	0.9	N/A	N/A	N/A

In determining the discount rate for the years ended December 31, 2023, 2022, and 2021, the Company used a hypothetical bond portfolio of actual AA-rated securities matching the expected monthly benefits in the plans. In determining the expected long-term rate of return on plan assets, the Company used the current investment allocation applied to a long-term historical indexed rate of return for the appropriate asset classes.

Estimated Future Benefit Payments

Estimated future benefit payments for the years ended December 31 are as follows:

	Pension Benefits	Other Postretirement Benefits Including Medicare Subsidy
Estimated future benefit payments		
2024	$ 54,991	$ 2,791
2025	56,635	3,491
2026	58,061	4,007
2027	59,406	4,377
2028	60,328	4,581
2029-2033	315,841	23,618

The Company anticipates making a minimum contribution to the pension plans of approximately $10,000 in 2024 with future amounts to be determined based on asset performance and liabilities. For other postretirement benefits, the employer contribution will be equivalent to the estimated 2024 benefit payments.

Pension Plan Assets

The Company's current investment targets are 75 percent debt, 15 percent equity, 8 percent limited partnerships and 2 percent cash, achieved primarily by investments in domestic large-cap and mid-cap equity mutual funds and investment grade corporate bond mutual funds. The Company limits its concentrations of risk by diversifying its plan assets through investment in funds rather than individual holdings. The Company has established certain exposure limits, diversification standards, and review procedures to mitigate risk.

($ in 000s)

The Company's pension plan asset allocation at December 31, by asset category, as a percentage of plan assets, and the target allocation, is shown below:

	2023	2022	2024 Target Allocation
Mutual funds with debt securities	68.6%	58.7%	75.0%
Mutual funds with equity securities and equity securities	17.8	24.3	15.0
Limited partnerships	11.5	12.0	8.0
Cash equivalents	2.1	5.0	2.0
Total	100.0%	100.0%	100.0%

The investment strategy is intended to match market asset movements with discount rate related liability changes as closely as possible. This strategy is intended to limit the range of contributions needed by the Company to maintain the plan at minimum funding levels.

The Company invests the pension plans' assets with the goal of meeting short- and long-term obligations, employing optimization techniques to achieve the highest expected return under a target level of portfolio risk. The portfolio risk target is based on the pension plans' funded status, payout features, and participants' characteristics. This methodology considers asset class correlations to assure appropriate portfolio diversification. Asset class allocations are allowed to approximate target with a small tolerance to changes in overall portfolio risk.

The expected rates of return and variance for each asset class are derived using statistical techniques based on long-term historical data. Returns and correlations are adjusted slightly to reflect trends and portfolio manager expectations.

The fair value of the Company's pension plan assets by asset category at December 31, 2023 is presented in the following table.

Plan Assets, at Fair Value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 16,437	$ -	$ -	$ 16,437
Mutual funds with debt securities	548,986	-	-	548,986
Mutual funds with equity securities	117,605	-	-	117,605
Equity securities	-	25,061	-	25,061
Limited partnerships	-	-	92,214	92,214
Total plan assets	$ 683,028	$ 25,061	$ 92,214	$ 800,303

($ in 000s)

The fair value of the Company's pension plan assets by asset category at December 31, 2022 is presented in the following table.

Plan Assets, at Fair Value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 37,317	$ -	$ -	$ 37,317
Mutual funds with debt securities	510,871	-	-	510,871
Mutual funds with equity securities	112,520	-	-	112,520
Limited partnerships	-	-	90,510	90,510
Total plan assets	$660,708	$ -	$90,510	$ 751,218

There were no transfers between levels during the years ended December 31, 2023 or 2022.

A summary of valuation techniques for classes of pension plan assets by fair value hierarchy level are as follows:

<u>Level 1 Measurements</u>

Cash equivalents: Consists of money market mutual funds that have daily quoted NAVs at which the Company could transact.

Mutual funds with debt securities and mutual funds with equity securities: Consists of actively traded mutual funds that have daily quoted NAVs at which the Company could transact.

<u>Level 2 Measurements</u>

Equity securities: Consists of bond exchange traded funds; valuation is based on observable inputs such as quoted prices for identical assets in markets that are not active and/or similar assets in markets that are active.

<u>Level 3 Measurements</u>

Limited partnerships: Valuation of limited partnerships is based on the fair value of the partnership as determined by the general partner based on the underlying holdings.

Level 3 purchases totaled $11,313 and $16,244 for the years ended December 31, 2023 or 2022.

Other Post-Employment Benefits

The Company has a plan to provide severance pay and continuation of certain life and health benefits during the severance period to qualifying inactive or former employees. The Company also provides certain life and health benefits to employees in disability status. The liability for these other post-employment benefits was $9,927 and $7,874 at December 31, 2023 and 2022, respectively, and is included in accounts payable and other liabilities in the Consolidated Balance Sheets.

Defined Contribution Plans

The Company sponsors thrift and savings plans, which cover substantially all regular full-time employees and agents who meet certain eligibility requirements. Under the plans, the Company may make contributions based on certain criteria. The Company's contributions for the years ended December 31, 2023, 2022, and 2021 were $23,978, $23,608, and $21,292, respectively.

($ in 000s)

Other Deferred Compensation Plans

The Company also has a variety of deferred compensation plans for key executives and directors. The accrued liability for these plans was $131,546 and $111,536 as of December 31, 2023 and 2022, respectively, and is included in accounts payable and other liabilities in the Consolidated Balance Sheets.

Note 11: Statutory Financial Data and Dividend Restrictions

TruStage's wholly-owned direct subsidary, CMFG Life Insurance Company ("CMFG Life"), files statutory basis financial statements with the Iowa Insurance Department; Iowa is the subsidiary's state of domicile. Statutory capital and surplus as of December 31, 2023 and 2022 and statutory basis net income for the years ended 2023, 2022, and 2021 for CMFG Life is presented in the table below.

	Statutory Capital and Surplus		Statutory Basis Net Income		
	2023	2022	2023	2022	2021
CMFG Life	$ 2,952,771	$ 3,058,467	$ 117,364	$ 254,306	$ 156,073

CMFG Life follows a statutory accounting practice as prescribed by the Insurance Department. For statutory purposes, CMFG Life holds debt securities in its separate account for its registered indexed annuities. Insurance entities are required to report assets allocated to the separate account at fair value. As a result of the prescribed practice, the Company reports debt securities allocated to this separate account for its registered index annuities at amortized cost, or for those investments with a National Association of Insurance Commissioners ("NAIC") designation of 6, the lower of amortized cost or fair value. Statutory basis net income is not affected by this prescribed practice.

CMFG Life is subject to statutory regulations as to the payment of dividends. Based on statutory regulations, CMFG Life could pay dividends to its parent company of up to $295,277 during 2024, without prior approval of the Insurance Department. Dividends in excess of this amount are classified as extraordinary dividends under Iowa law and require approval by the Insurance Department prior to payment.

Risk-based capital ("RBC") requirements promulgated by the NAIC require U.S. insurers to maintain minimum capitalization levels that are determined based on formulas incorporating credit risk, insurance risk, interest rate risk, and general business risk. At December 31, 2023, CMFG Life and its insurance subsidiaries' adjusted surplus exceeded the RBC minimum requirements, as required by the NAIC.

Life Insurance Capital Adequacy Testing requirements determined by the Office of the Superintendent of Financial Institutions ("OSFI") require Canadian life insurers to maintain minimum solvency ratios that are calculated based on risks to which the insurer is subject both in its products and investments. At December 31, 2023, TLOC was in compliance with minimum solvency requirements, as required by the OSFI.

($ in 000s)

Note 12: Notes and Interest Payable

The following table provides the details of notes and interest payable at December 31:

	2023	2022
CMFG Life Insurance Company		
Surplus notes (net of deferred debt acquisition costs 2023 - $269; 2022 - $341)	$ 55,737	$ 63,667
FHLB borrowings	-	300,153
TruStage Financial Group, Inc.		
Term loan - PNC Bank (net of deferred debt acquisition costs 2023 - $123; 2022 - $335)	399,877	403,335
Senior notes (net of deferred debt acquisition costs 2023 - $4,908; 2022 - $5,503)	597,369	596,341
MCA Fund III Holding LLC		
Collateralized fund obligations - MCA Fund III LP (net of deferred debt acquisition costs 2023 - $2,444; 2022 - $3,040)	108,715	145,887
Total notes and interest payable, net of deferred debt acquisition costs	$ 1,161,698	$ 1,509,383

CMFG Life Insurance Company – Surplus Notes

The 8.5% surplus notes were issued in 2010 and the interest on the notes is payable semi-annually. The surplus notes are subordinated, unsecured obligations of CMFG Life, ranking subordinate to the claims of policyholders and all other creditors. CMFG Life may not pay any principal, interest or make whole amounts (fees paid on prepayment of principal) unless it has given notice to the applicable insurance regulatory authority and received approval to make any such payment. On July 21, 2023 and 2022, annually scheduled principal payments were paid after receiving the aforementioned regulatory approval. Annually scheduled principal payments will be made until July 2030, subject to regulatory approval. CMFG Life is required to comply with certain financial covenants including maintenance of a minimum statutory RBC ratio and minimum total adjusted statutory capital level. At December 31, 2023, CMFG Life was in compliance with these covenants.

Borrowings – Federal Home Loan Bank

CMFG Life, CUMIS Insurance Society, Inc. ("CUMIS"), and AMLIC have borrowing capacity as a result of contractual arrangements with the FHLB as evidenced by Advances, Collateral Pledge, and Security Agreements. These agreements provide that CMFG Life, CUMIS, and AMLIC are entitled to borrow from the FHLB if it purchases FHLB restricted stock and provides securities as collateral for such borrowings. As of December 31, 2023 and 2022, CMFG Life, CUMIS, or AMLIC must hold FHLB membership stock equal to 0.06% and 0.12%, respectively, of total assets, with an overall limitation of $10,000 at each entity. As of December 31, 2023 and 2022, CMFG Life, CUMIS, and AMLIC must also hold activity stock of 4.5% and 4.0%, respectively, of the amount of outstanding advances. Interest on borrowings were calculated daily at floating rates that ranged from 4.53% to 5.60% in 2023, 0.28% to 4.60% in 2022, and 0.28% to 0.36% in 2021. All borrowings were short-term in nature with maturity dates less than 90 days. Payments are due on the borrowings at various dates through 2023 with options of renewal available.

($ in 000s)

TruStage Financial Group, Inc. – Term Loan

On May 20, 2021, TruStage, as borrower, PNC Bank, National Association as administrative agent, and other lenders entered into a delayed draw term loan agreement ("Term Agreement"). Per the terms of the Term Agreement, TruStage could draw on a $600,000 364-day term loan and a $400,000 three-year term loan. TruStage drew the maximum amounts in July 2021. The 364-day term loan was paid off in March 2022. The maturity date of the three-year loan is three years after the loan is funded. Interest amounts on the 364-day term loan were calculated based on certain benchmark interest rates plus a spread that ranges from 0.00% to 1.25% based on the benchmark interest rate and TruStage's debt rating. Interest amounts on the three-year term loan are calculated based on certain benchmark interest rates plus a spread that ranged from 0.00% to 1.375% based on the benchmark interest rate and TruStage's debt rating. TruStage is required to comply with financial covenants including a maximum ratio of total debt to capital, a minimum consolidated net worth and minimum RBC ratios for CMFG Life and CUMIS. TruStage was in compliance with these covenants at December 31, 2023.

TruStage Financial Group, Inc. – Senior Notes

In March 2022, TruStage Financial Group, Inc. ("TruStage") issued $600,000 of senior notes (the "Notes"). The Notes are senior unsecured obligations of TruStage, and mature April 15, 2032. The Notes may be redeemed (i) in whole or in part, at any time on or after January 15, 2032, at the principal amount plus accrued and unpaid interest to the date of redemption, and (ii) at any time prior to January 15, 2032, at the principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price. Interest on the Notes is payable semi-annually at the stated fixed annual rate of 4.625%.

TruStage Financial Group, Inc. – Credit Agreement – Wells Fargo Bank

In July 2022, TruStage, CMFG Life, CUMIS, AMLIC, and CUNA Mutual Investment Corporation entered into an $800,000 five-year unsecured revolving credit agreement with Wells Fargo Bank, National Association and other lenders. The agreement matures in July 2027. The agreement has an unused fee assessed at 0.15% and 0.15% on the unused principal at December 31, 2023 and 2022, respectively. Under the agreement, interest amounts are calculated based on certain benchmark interest rates plus a spread that ranges from 0.00% to 1.625% based on TruStage, Inc.'s debt rating. TruStage is required to comply with financial covenants including a maximum ratio of total debt to capital and a minimum consolidated net worth. TruStage was in compliance with its covenants at December 31, 2023 and 2022. As of December 31, 2023 and 2022, there were no outstanding borrowings under the facility and accordingly, as of December 31, 2023, the entire facility was available for general corporate purposes.

MCA Fund III Holding LLC – Collateralized Fund Obligations – MCA Fund III LP

On October 28, 2020, MCA Fund III Holding LLC ("MCA III Holding"), a consolidated subsidiary of the Company, issued $402,200 of notes ("MCA Fund III Notes") due November 2035, as follows:

	Initial Principal Amount		
Class	**Affiliated**	**Unaffiliated**	**Note Rate**
Class A notes	$ 67,800	$ 162,000	3.25%
Class B notes	62,600	38,000	4.25
Class C deferrable notes	71,800	-	6.00
Total collateralized notes	$ 202,200	$ 200,000	

($ in 000s)

For the years ended December 31, the issued collateralized notes had the following amount of principal and interest outstanding:

	Principal and Interest Outstanding at December 31, 2023		2022		
Class	Affiliated	Unaffiliated	Affiliated	Unaffiliated	Note Rate
Class A notes	$ 37,675	$ 90,020	$ 50,471	$ 120,594	3.25%
Class B notes	34,823	21,138	46,675	28,333	4.25
Class C deferrable notes	72,339	-	72,339	-	6.00
Total collateralized notes	$ 144,837	$ 111,158	$ 169,485	$ 148,927	

The MCA Fund III Notes are secured by a pledge of MCA III Holding's limited partnership interest in MCA Fund III LP. Payment of principal and interest on the Notes is made quarterly. Unless redeemed or repaid earlier, each class of MCA Fund III Notes will mature and be payable November 15, 2035. Prior to November 2035, the indenture under which the MCA Fund III Notes were issued provides that cash proceeds from investments will be used, subject to certain limitations and conditions, to pay Company expenses, principal and interest of the notes and make payments to holders of the MCA Fund III Holding LLC limited liability company interests. The indenture also provides for optional redemption of the MCA Fund III Notes by MCA III Holding in whole, but not in part, at any time on or after October 28, 2021 or following designated tax events. The affiliated intercompany portion of the MCA Fund III Notes has been eliminated within the consolidated financial statements.

CMFG Life Insurance Company – Funding Agreements – Federal Home Loan Bank

As of December 31, 2023, $275,000 in outstanding funding agreements used a fixed rate and $825,000 used a variable rate. Fixed interest on agreements range from 0.6% to 5.0% with original maturities ranging from three to five years. Variable interest on agreements is calculated daily at floating rates that range from 4.1% to 6.3% in 2023, 0.5% to 5.6% in 2022 and 0.4% to 0.7% in 2021. The original maturities of the agreements range from four to seven years. Recognized liabilities, including accrued interest, of $1,106,780 and $804,556, as of December 31, 2023 and 2022, respectively, are included in policyholder account balances in the Consolidated Balance Sheets, and are matched to specific assets so that liabilities and assets are aligned. The funding agreements are subject to prepayment penalties equal to the net present value of future interest cash flows lost due to the prepayment, if any, plus any cost of terminating or offsetting any related hedging transactions.

($ in 000s)

Federal Home Loan Bank Information

The FHLB restricted stock owned, borrowing capacity, collateral pledged, aggregate borrowing and policyholder account balances for the line of credit and funding agreements are shown in the following table. The table also discloses the line item where certain balances are included on the Consolidated Balance Sheets:

	2023	2022
Membership stock	$ 14,224	$ 17,929
Activity stock	49,500	44,000
Total FHLB restricted stock	$ 63,724	$ 61,929
Estimated borrowing capacity	$ 1,100,000	$ 1,100,000
Collateral pledged as of reporting date:		
Carrying value (included in debt securities, available for sale, and mortgage loans)	$ 1,968,174	$ 1,582,458
FHLB discounted value	1,100,000	1,100,000
Borrowing as of reporting date (included in notes and interest payable)	$ -	$ 300,000
Borrowing at time of maximum collateral	1,100,000	1,010,000
Maximum borrowing during reporting period	1,375,000	1,280,000
Funding agreements (included in policyholder account balances)	1,106,780	804,556

($ in 000s)

Note 13: Accumulated Other Comprehensive Income (Loss)

The components of AOCI are as follows:

	Foreign Currency Translation Gains (Losses)	Unrealized Investment Gains (Losses)	Pension and Other Postretirement Benefits	Shadow Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2022	$ (18,118)	$ 649,077	$ (214,515)	$ (87,985)	$ 328,459
Change in foreign currency translation, net of tax - $249	(1,666)	-	-	-	(1,666)
Change in unrealized holding gains (losses), net of tax - ($902,720)	-	(3,327,124)	-	-	(3,327,124)
Change in pension and other postretirement benefits, net of tax - ($4,636)	-	-	(17,439)	-	(17,439)
Change in shadow reserves, net of tax - $60,948	-	-	-	228,189	228,189
Balance, December 31, 2022	(19,784)	(2,678,047)	(231,954)	140,204	(2,789,581)
Change in foreign currency translation, net of tax - ($841)	(626)	-	-	-	(626)
Change in unrealized holding gains (losses), net of tax - $192,946	-	701,716	-	-	701,716
Change in pension and other postretirement benefits, net of tax - $3,780	-	-	14,219	-	14,219
Change in shadow reserves, net of tax - ($7,943)	-	-	-	(30,419)	(30,419)
Balance, December 31, 2023	$ (20,410)	$ (1,976,331)	$ (217,735)	$ 109,785	$ (2,104,691)

($ in 000s)

Reclassification Adjustments

AOCI includes amounts related to net unrealized investment gains (losses), which were reclassified to net income. Reclassifications from AOCI for the years ended December 31, 2023, 2022, and 2021 are included in the following table:

	2023	2022	2021
Net unrealized gains (losses) on available-for-sale securities included in net realized investment gains (losses)	$ 16,361	$ (41,258)	$ (70,923)
Tax expense (benefit)	3,436	(8,664)	(14,894)
Net reclassifications of gains (losses) from accumulated other comprehensive income (loss)	$ 12,925	$ (32,594)	$ (56,029)

Note 14: Commitments and Contingencies

Commitments

The Company has the following commitments outstanding at December 31:

	2023	2022
Limited partnerships		
Energy	$ 24,511	$ 27,929
Mezzanine	729,729	724,660
Private equity	970,311	914,414
Real estate	40,801	51,030
Socially responsible investments	21,767	26,950
LIHTC	96,758	101,676
Private placement debt securities	51,010	68,122
Other	-	5,582
Total commitments	$ 1,934,887	$ 1,920,363

Leases

The Company has entered into long-term operating leases for office space and equipment; the leases have remaining lease terms of up to seven years, some of which include options to extend the leases. An analysis of all economic and non-economic factors associated with leases containing certain options, including factors such as the existence of cancellation penalties, leasehold improvements made to the underlying assets and location of the underlying assets, is conducted to determine whether those leases are reasonably certain to renew, and hence, should be included in the lease term that is used to establish the ROU assets and lease liabilities for those arrangements.

($ in 000s)

The Company does not have residual guarantees associated with its lessee arrangements, nor are there any significant restrictions or covenants associated with its lease arrangements.

ROU assets and lease liabilities are included within other assets and receivables and accounts payable and other liabilities in the Consolidated Balance Sheets, respectively. ROU assets are $4,431 and $8,261 and lease liabilities are $4,982 and $8,741, respectively, as of December 31, 2023 and 2022. The weighted average remaining lease term is 4.7 years and 4.4 years as of December 31, 2023 and 2022, respectively, and the weighted average discount rate is 3.3% and 3.3% as of December 31, 2023 and 2022, respectively.

Lease payment obligations as of December 31 are as follows:

	2023
2023	$ 1,528
2024	1,263
2025	931
2026	641
2027	290
Thereafter	202
Total lease liability	$ 4,855

Rental expense included in the Consolidated Statements of Operations and Comprehensive Income (Loss) amounted to $7,579, $5,582, and $4,690 for the years ended 2023, 2022, and 2021, respectively.

Legal Matters

Various legal and regulatory actions, including state market conduct exams and federal tax audits, are currently pending that involve the Company and specific aspects of its conduct of business. The Company is routinely involved in a number of lawsuits and other types of proceedings, some of which may involve claims for substantial or indeterminate amounts. These actions are based on a variety of issues and involve a range of the Company's practices. The ultimate outcome of these disputes is unpredictable.

These matters in some cases raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including but not limited to, the underlying facts of each matter; novel legal issues; variations between jurisdictions in which matters are being litigated, heard or investigated; differences in applicable laws and judicial interpretations; the length of time before many of these matters might be resolved by settlement, through litigation or otherwise and, in some cases, the timing of their resolutions relative to other similar matters involving other companies. In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding. In the opinion of management, the ultimate liability, if any, resulting from all such pending actions will not materially affect the consolidated financial statements of the Company.

Note 15: Acquisitions

Integrated Lending Technologies, LLC

On March 28, 2022, the Company acquired 100 percent of the issued and outstanding equity of Integrated Lending Technologies, LLC, ("ILT") for $14,583 in cash consideration. ILT specializes in cloud-based lending solutions for financial institutions, focused predominantly on auto loans. The Company determined the fair values of the assets and liabilities acquired with the difference between purchase price and the fair values of the identified net assets recorded as goodwill. As a result of this process, $14,125 was assigned to intangible assets and goodwill as follows:

- $4,400 Technology (amortized over ten years on a straight line basis)
- $750 Customer relationships (amortized 100% in 2022)
- $8,975 Goodwill (indefinite-lived asset and not amortized)

The fair values of the tangible assets and liabilities of ILT acquired were not material.

Preneed Holdings and ALOC Holdings

On July 31, 2021, the Company acquired the preplanning solutions business of Assurant. The Company acquired 100 percent of the equity interest of Preneed Holdings and ALOC Holdings for $1,342,941 in cash consideration. The Company incurred $37,274 of acquisition-related costs recorded in operating and other expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

In 2022, the Company finalized its measurement period provisional estimates; details are shown in the table below. The measurement period adjustments reflect additional information about facts and circumstances that existed as of the acquisition date related to actuarial assumptions and inputs. There were no changes to the purchase price or consideration transferred. The related impact to net income that would have been recognized in previous periods if the adjustments were recognized as of the acquisition date was not material to the consolidated financial statements.

($ in 000s)

The following represents the fair values of the assets and liabilities of Preneed Holdings and ALOC Holdings acquired along with the measurement period of adjustments:

	Assets Acquired and Liabilities Assumed as Reported at December 31, 2021	2022 Measurement Period Adjustments	Final Values
Assets			
Debt securities, available for sale, at fair value	$ 6,798,069	$ -	$ 6,798,069
Equity securities	89,080	-	89,080
Mortgage loans	651,254	-	651,254
Policy loans	14,819	-	14,819
Other invested assets	182	-	182
Cash and cash equivalents	85,672	-	85,672
Accrued investment income	66,932	-	66,932
Reinsurance recoverable	3,017,654	-	3,017,654
Premiums receivable	1,829	-	1,829
Net deferred tax asset	119,515	(49)	119,466
Value of business acquired	177,952	(21,447)	156,505
Office properties, equipment and computer software	6,000	-	6,000
Net federal income taxes recoverable	(13)	1,423	1,410
Assets on deposit	217,527	-	217,527
Goodwill	445,234	9,014	454,248
Intangible assets, net	64,900	-	64,900
Other assets and receivables	5,196	582	5,778
Separate account assets	2,322,139	-	2,322,139
Total assets	14,083,941	(10,477)	14,073,464
Liabilities			
Policyholder account balances	6,793,594	(6,956)	6,786,638
Claim and policy benefit reserves - life and health	3,543,645	(2,329)	3,541,316
Unearned premiums	13,013	-	13,013
Reinsurance payable	5,155	-	5,155
Net deferred tax liability	18,310	(1,192)	17,118
Accounts payable and other liabilities	45,144	-	45,144
Separate account liabilities	2,322,139	-	2,322,139
Total liabilities	12,741,000	(10,477)	12,730,523
Fair value of Preneed Holdings and ALOC Holdings	$ 1,342,941	$ -	$ 1,342,941

Measurement period adjustments for the preneed acquisition concluded in 2022.

Note 16: Subsequent Events

The Company evaluated subsequent events through March 6, 2024, the date the financial statements were available for issuance. During this period, there were no subsequent events that required adjustment to or disclosure in the accompanying consolidated financial statements.