CUNA Mutual Holding Company and Subsidiaries

Consolidated Financial Statements as of December 31, 2022 and 2021 and for each of the Three Years in the Period Ended December 31, 2022 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 of
CUNA Mutual Holding Company
Madison, Wisconsin

Opinion

We have audited the consolidated financial statements of CUNA Mutual Holding Company and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, policyholders' surplus, and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 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 8, 2023

Assets		2022	2021
Cash and investments			
Debt securities, available for sale, at fair value			
(amortized cost 2022 - $23,948,983; 2021 - $23,390,773)			
(credit loss allowance 2022 - $2,327; 2021 - $3,519)	$	20,498,718	$ 24,179,020
Debt securities, trading, at fair value			
(amortized cost 2022 - $42,572; 2021 - $38,880)		39,616	40,154
Equity securities (cost 2022 - $397,811; 2021 - $400,120)		555,127	591,641
Mortgage loans			
(credit loss allowance 2022 - $17,409; 2021 - $16,497)		3,945,218	3,698,370
Policy loans		125,448	121,007
Limited partnerships (includes 2022 - $2,238,911; 2021 - $1,987,443			
relating to variable interest entities)		2,266,107	1,992,505
Securities lending assets		565,358	579,340
Derivative assets, at fair value		554,009	952,075
Other invested assets		284,589	203,040
Total investments		28,834,190	32,357,152
Cash and cash equivalents (includes 2022 - $35,896; 2021 - $81,134			
relating to variable interest entities)		371,527	320,438
Total cash and investments		29,205,717	32,677,590
Accrued investment income		226,720	203,926
Premiums receivable, net			
(credit loss allowance 2022 - $3,269; 2021 - $3,139)		355,893	323,060
Reinsurance recoverables, net			
(credit loss allowance 2022 - $3,292; 2021 - $3,120)		3,232,501	3,254,222
Net federal income taxes recoverable		28,640	120,553
Deferred policy acquisition costs		1,416,384	901,231
Value of business acquired		180,772	185,609
Office properties, equipment and computer software at cost, net		275,530	256,043
Net deferred tax asset		888,192	152,082
Goodwill, net		601,512	591,723
Intangible assets, net		92,278	97,764
Assets on deposit		709,714	412,988
Other assets and receivables		471,898	412,502
Separate account assets		3,653,995	4,755,709
Total assets	$	41,339,746	$ 44,345,002

CUNA MUTUAL HOLDING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets, continued
December 31, 2022 and 2021
($ in 000s)

Liabilities and Policyholders' Surplus	2022	2021
Liabilities		
Policyholder account balances	$ 19,844,428	$ 19,352,469
Claim and policy benefit reserves - life and health	10,718,259	10,184,424
Loss and loss adjustment expense reserves - property and casualty	545,220	457,137
Unearned premiums	882,483	732,991
Notes and interest payable (includes 2022 - $145,887; 2021 - $185,034 relating to variable interest entities)	1,509,383	1,397,553
Dividends payable to policyholders	12,996	12,062
Reinsurance payable	115,180	99,549
Net deferred tax liability	-	169,789
Net federal income taxes payable	1,365	-
Accrued pension and postretirement benefit liability	139,154	139,513
Payable for securities lending	565,358	579,340
Derivative liabilities, at fair value	496,422	617,233
Accounts payable and other liabilities (includes 2022 - $344; 2021 - $549 relating to variable interest entities)	811,705	1,028,737
Separate account liabilities	3,653,995	4,755,709
Total liabilities	39,295,948	39,526,506
Policyholders' surplus		
Retained earnings	4,833,379	4,490,037
Accumulated other comprehensive income (loss), net of tax expense (benefit) (2022 - ($753,558); 2021 - $92,601)	(2,789,581)	328,459
Total policyholders' surplus	2,043,798	4,818,496
Total liabilities and policyholders' surplus	$ 41,339,746	$ 44,345,002

CUNA MUTUAL HOLDING COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
Years Ended December 31, 2022, 2021, and 2020
($ in 000s)

	2022	2021	2020
Revenues			
Life and health premiums, net	$ 2,267,858	$ 2,023,221	$ 2,013,959
Contract charges	287,631	161,658	66,800
Property and casualty premiums, net	1,093,313	975,375	922,089
Net investment income	1,158,799	1,342,651	703,585
Net realized investment gains (losses)			
Total impairments	(27,421)	(17,661)	(6,204)
Sales and other realized investment gains (losses)	(75,885)	80,791	(58,082)
Total net realized investment gains (losses)	(103,306)	63,130	(64,286)
Commission and fee income	427,001	433,498	367,787
Other income	70,990	49,945	39,323
Total revenues	5,202,286	5,049,478	4,049,257
Benefits and expenses			
Life and health insurance claims and benefits, net	1,767,714	1,635,229	1,557,990
Property and casualty insurance loss and loss adjustment expenses, net	651,684	563,376	589,284
Interest credited to policyholder account balances	386,507	287,681	196,734
Policyholder dividends	27,508	26,340	42,257
Operating and other expenses	1,957,281	1,789,850	1,549,160
Total benefits and expenses	4,790,694	4,302,476	3,935,425
Income from continuing operations before income taxes and equity of unconsolidated affiliates	411,592	747,002	113,832
Income tax expense (benefit)	68,250	124,713	(35,542)
Income from continuing operations before equity of unconsolidated affiliates	343,342	622,289	149,374
Equity in income (loss) of unconsolidated affiliates, net of tax (benefit) (2020 - ($1,029))	-	-	(3,873)
Net income	343,342	622,289	145,501

CUNA MUTUAL HOLDING COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income, continued
Years Ended December 31, 2022, 2021, and 2020
($ in 000s)

	2022	2021	2020
Net income	343,342	622,289	145,501
Foreign currency translation adjustment, net of tax expense (benefit) - (2022 - $249; 2021 - $668; 2020 - $15)	(1,666)	1,303	(5,706)
Change in unrealized gains (losses), net of tax expense (benefit) - (2022 - ($894,056); 2021 - ($134,253); 2020 - $168,325)	(3,294,530)	(505,385)	649,791
Reclassification adjustment for (gains) included in net income, net of tax (benefit) - (2022 - ($8,664); 2021 - ($14,894); 2020 - ($8,599))	(32,594)	(56,029)	(32,350)
Change in pension liability, net of tax expense (benefit) - (2022 - ($4,636); 2021 - $769; 2020 - ($15,284))	(17,439)	2,895	(57,495)
Change in shadow adjustments, net of tax expense (benefit) - (2022 - $60,948); 2021 - $22,784; 2020 - ($30,466))	228,189	86,025	(114,611)
Other comprehensive income (loss)	(3,118,040)	(471,191)	439,629
Total comprehensive income (loss)	$(2,774,698)	$ 151,098	$ 585,130

See accompanying notes to the consolidated financial statements.

CUNA MUTUAL HOLDING COMPANY AND SUBSIDIARIES
Consolidated Statements of Policyholders' Surplus
Years Ended December 31, 2022, 2021, and 2020
($ in 000s)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Policyholders' Surplus
Balance, January 1, 2020	**$ 3,733,343**	**$ 360,021**	**$ 4,093,364**
Net income	145,501	-	145,501
Cumulative effect of change in accounting for current expected credit losses, net of tax	(11,096)	-	(11,096)
Other comprehensive income	-	439,629	439,629
Balance, December 31, 2020	**3,867,748**	**799,650**	**4,667,398**
Net income	622,289	-	622,289
Other comprehensive (loss)	-	(471,191)	(471,191)
Balance, December 31, 2021	**4,490,037**	**328,459**	**4,818,496**
Net income	343,342	-	343,342
Other comprehensive (loss)	-	(3,118,040)	(3,118,040)
Balance, December 31, 2022	**$ 4,833,379**	**$ (2,789,581)**	**$ 2,043,798**

See accompanying notes to the consolidated financial statements.

($ in 000s)

	2022	2021	2020
Cash flows from operating activities			
Net income	$ 343,342	$ 622,289	$ 145,501
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Undistributed (income) loss of limited partnerships	(45,933)	(339,512)	60,075
Net realized investment (gains) losses	103,306	(63,130)	64,286
Undistributed losses of unconsolidated subsidiaries	-	-	3,873
Amortization of value of business acquired	1,360	14,040	-
Policy acquisition costs deferred	(669,813)	(552,438)	(401,081)
Amortization of deferred policy acquisition costs	399,237	319,048	320,268
Depreciation of office properties, equipment, computer software and real estate	45,246	43,345	46,535
Amortization of intangible assets	9,237	6,128	6,023
Amortization of premium and discount on investments and low income housing tax credits	106,870	33,568	20,827
Deferred income tax expense	(136,510)	1,198	4,224
Policyholder charges on investment-type contracts	(323,604)	(135,631)	(35,091)
Interest credited to policyholder account balances	386,507	287,681	196,734
Impairment of intangible assets	1,399	-	8,117
Impairment of office properties, equipment and computer software	14,048	1,685	744
Changes in other assets and liabilities			
Purchases of debt securities, trading	(7,653)	-	-
Sales of debt securities, trading	4,000	6,024	-
Accrued investment income	(23,745)	1,014	(2,038)
Premiums receivable	(32,790)	(5,311)	(6,859)
Reinsurance recoverables	18,392	(31,611)	(56,822)
Net federal income taxes	169,778	39,564	(173,325)
Other assets and receivables	(48,924)	(42,554)	6,190
Insurance reserves	665,843	615,929	739,314
Unearned premiums	134,756	107,732	42,347
Reinsurance payable	15,628	9,004	523
Accounts payable and other liabilities	74,578	59,834	32,096
Net cash provided by operating activities	1,204,555	997,896	1,022,461

($ in 000s)

	2022	2021	2020
Cash flows from investing activities			
Purchases of investments			
Debt securities, available for sale	$ (2,929,179)	$ (4,020,133)	$ (3,204,123)
Equity securities	(78,312)	(162,490)	(97,456)
Mortgage loans	(703,141)	(834,242)	(498,016)
Limited partnerships	(418,992)	(367,104)	(281,023)
Derivative financial instruments	(1,262,440)	(1,900,949)	(869,942)
Company-owned life insurance	-	-	(95,748)
Other invested assets	(2,825,275)	(961,792)	(1,991,565)
Proceeds on sale or maturity of investments			
Debt securities, available for sale	2,073,292	2,924,759	1,650,938
Equity securities	85,205	140,249	46,049
Mortgage loans	443,123	471,033	278,787
Limited partnerships	173,243	209,590	89,190
Derivative financial instruments	998,665	2,162,592	921,700
Other invested assets	2,442,965	1,057,783	1,925,666
Purchases of office properties, equipment, and computer software	(97,193)	(99,208)	(55,216)
Net change in collateral under securities lending	23,459	(33,401)	6,614
Net change in payable for collateral under securities lending	(23,459)	33,401	(6,614)
Cash paid for acquisitions, net of cash acquired	(14,253)	(1,257,269)	(50,642)
Change in policy loans	(4,695)	2,141	1,246
Net cash used in investing activities	(2,116,987)	(2,635,040)	(2,230,155)

($ in 000s)

	2022	2021	2020
Cash flows from financing activities			
Policyholder account deposits	$ 3,488,688	$ 2,996,497	$ 2,842,870
Policyholder account withdrawals	(2,331,146)	(1,971,802)	(1,595,121)
Assets on deposit - deposits	(306,080)	(150,674)	(50,666)
Assets on deposit - withdrawals	10,313	3,183	-
Notes payable - borrowings	6,510,985	3,855,000	6,245,000
Notes payable - repayments	(6,402,331)	(3,103,192)	(6,058,995)
Change in bank overdrafts	1,917	-	(9,277)
Capital lease payments	-	-	(573)
Payment of debt financing costs	(5,462)	1,199	(3,859)
Net cash provided by financing activities	966,884	1,630,211	1,369,379
Change in cash and cash equivalents	54,452	(6,933)	161,685
Effect of foreign exchange rate on cash	(3,363)	(21,218)	(5,319)
Cash and cash equivalents at beginning of year	320,438	348,589	192,223
Cash and cash equivalents at end of year	$ 371,527	$ 320,438	$ 348,589
Supplemental disclosure of cash and non-cash information			
Cash paid for interest	$ 13,462	$ 12,254	$ 11,476
Cash paid for income taxes, net of refunds	19,962	73,538	117,709
Non-cash exchanges of debt securities	164,978	152,338	181,378
Non-cash exchanges of equity securities	1,846	25,052	36,836
Non-cash receipt (return) of debt securities from securities lending, net	9,476	19,447	(7,133)
Non-cash purchase of limited partnerships	5,240	15,694	15,333
Non-cash distribution from limited partnerships	5,240	15,694	15,333
Non-cash decrease in reinsurance recoverable	3,351	12,689	-
Non-cash decrease in assets on deposit	6,548	5,256	-
Non-cash decrease in policyholder account balances	9,899	17,945	-

Note 1: Nature of Business

CUNA Mutual Holding Company ("CMHC" or, with its subsidiaries, the "Company") is a mutual insurance 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. 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 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.

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") is 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, 2022, 2021, and 2020.

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 ("AOCI") as a separate component of policyholders' surplus 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, 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.

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.

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.
- Investments receivable 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, 2022 and 2021. 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, 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
December 31, 2021				
Assets:				
Limited partnerships	$ 637,650	$ 1,349,793	$ -	$ 1,987,443
Cash and cash equivalents	69,883	11,251	-	81,134
Total assets	$ 707,533	$ 1,361,044	$ -	$ 2,068,577
Liabilities:				
Notes and interest payable	$ 380,440	$ -	$ (195,406)	$ 185,034
Accounts payable and other liabilities	331	218	-	549
Total liabilities	$ 380,771	$ 218	$ (195,406)	$ 185,583

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.

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 $1,680,516 and $1,278,364 as of December 31, 2022 and 2021, respectively. The off-balance sheet exposure is included within total commitments disclosed in Note 14, Commitments and Contingencies.

($ in 000s)

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:

	2022		2021	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Equity securities	$ 101,168	$ 101,168	$ 99,668	$ 99,668
Debt securities, available for sale	4,123	4,123	3,856	3,856
Limited partnerships	27,196	91,663	5,062	6,382
LIHTC	106,206	207,882	110,297	183,204
Total assets	$ 238,693	$ 404,836	$ 218,883	$ 293,110

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 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, 2022 and 2021.

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, 2021	$ 530	$ 1,529	$ 774	$ 2,833
Net increase (decrease) related to credit losses	62	388	(144)	306
Balance as of December 31, 2021	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

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, 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:

	2022	2021	2020
Brokered automobile and homeowner insurance	$ 112,949	$ 74,681	$ 71,305
Annuities and broker-dealer	139,845	183,293	147,365
Retirement solutions	77,687	89,082	77,734
Lending	84,498	75,096	60,759
Other commission and fee income	12,022	11,346	10,624
Total commission and fee income	$ 427,001	$ 433,498	$ 367,787

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, 2021	$ 120,319	$ 55,637
Increase	2,805	791
Balance as of December 31, 2021	123,124	56,428
Increase	11,764	1,306
Balance as of December 31, 2022	$ 134,888	$ 57,734

Annuities and broker-dealer: The Company's annuities and broker-dealer commission revenue and fee income, prior to an agreement with LPL Financial LLC ("LPL"), was derived primarily based on contracts with mutual fund companies, insurance companies, and other product providers. After the relationship with LPL became effective, 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. LPL then pays CBSI a portion of these revenues.

For broker-dealer commission revenue, the Company has a single performance obligation to market and sell products offered by LPL and product sponsors, primarily mutual funds offered by other investment advisors prior to May 2022. Commissions are collected bimonthly. Consequently, up-front commissions based on a percentage of the amount purchased are recognized as revenue on the trade date. When applicable, an estimate of chargebacks is accrued. Renewal and trailing commissions 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, renewal and trailing commission revenue is recorded when the account values become fixed and determinable and is generally collected on a monthly or quarterly basis in arrears.

Beginning in May 2022, fee income mainly consists of managed account program fees for marketing and advisory services and mutual fund 12b-1 fees (distribution fees). The Company has concluded that it has a single performance obligation for managed account advisory services which is performed over time. Such fees are based on a percentage of assets under management and are typically collected on a monthly or quarterly basis in arrears and are recognized as revenue when the service has been performed.

Prior to the LPL agreement becoming effective, the Company sponsored its own managed account program; however, that program was terminated and the customers were transferred to LPL starting in May 2022. Prior to the termination of the program, fee income mainly consisted of managed account marketing fees and 12b-1 fees, and the Company's single performance obligation was to market the product. Both managed account marketing fees and 12b-1 fees are based on a percentage of assets under management. The Company has concluded that the estimate of these fees is constrained because the amount may vary widely based on customer behavior and the value of the underlying investments, among other factors. Therefore, the fee revenue is recorded when the account values become fixed and determinable.

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 fees, 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 sheet. 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.

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:

	2022	2021
Office properties	$ 296,651	$ 271,801
Office equipment	78,224	73,552
Computer software	321,383	312,920
Total cost of office properties, equipment and computer software	696,258	658,273
Accumulated depreciation	(420,728)	(402,230)
Office properties, equipment and computer software at cost, less accumulated depreciation	$ 275,530	$ 256,043

Depreciation expense totaled $45,103, $43,783, and $46,371 in 2022, 2021 and 2020, 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 2021 and 2020.

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.

($ in 000s)

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

	Goodwill	Intangible Assets
Gross balance at January 1, 2020	$ 88,827	$ 67,574
Accumulated amortization at January 1, 2020	-	(21,073)
Balance, net, at January 1, 2020	88,827	46,501
Acquisition of subsidiaries	57,621	6,630
Impairment	-	(8,117)
Amortization	-	(6,022)
Balance, net, at December 31, 2020	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
Add: Accumulated amortization at December 31, 2022	-	26,723
Gross balance at December 31, 2022	$ 601,512	$ 119,001

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. The fair value of the insurance licenses was estimated using the replacement cost method at the time of acquisition and totaled $16,000 at December 31, 2022 and 2021.

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 $76,278 and $81,764 at December 31, 2022 and 2021, respectively. The weighted average amortization period of definite-lived assets was 14 years in 2022 and 11 years in 2021 and 2020.

($ in 000s)

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
2023	$	8,225
2024		7,584
2025		7,584
2026		7,584
2027		7,584
Thereafter		37,717
Total estimated amortization expense	$	76,278

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 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. 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 $5,285 and $1,170 as of December 31, 2022 and 2021, 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 56% and 55% 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, 2022 and 2021, 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.

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 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 6.5% in 2022 and 1.2% to 3.2% in 2021 and 2020. Future minimum guaranteed interest rates during the life of the contracts vary from 0.1% to 4.5%. The funding agreements with the FHLB have floating interest rates that range from 0.5% to 5.6% in 2022, 0.4% to 0.7% in 2021 and 0.4% to 2.3% in 2020.

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 $186,202 and $206,281 on certain claims, principally those resulting from a disability, are discounted at rates between 0.64% and 0.99% as of December 31, 2022 and 0.95% and 0.99% as of December 31, 2021. The aggregate discount deducted from gross reserves was $3,960 and $4,426 as of December 31, 2022 and 2021, respectively. Interest accretion, a result of unwinding the prior year discount, of $2,678, $3,188, and $2,723 was recorded in life and health insurance claims and benefits within the Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, 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 2.0% to 7.5% as of December 31, 2022 and 2021, respectively. 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 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. 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 cost of 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. The long-term care reserves held as of December 31, 2021 represent 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 2020 GPV analysis on long-term care insurance showed that there was a premium deficiency of $100,730, of which an estimated $58,476 is recoverable from reinsurers, resulting in an increase of $42,254 to life and health insurance claims and benefits, net in the Consolidated Statements of Operations and Comprehensive Income. The long-term care reserves held as of December 31, 2020 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 recognition reserves in accumulated other comprehensive income as of December 31, 2021, related to unrealized investment gains on invested assets attributed to long-term care which led to lower expected future investment income. The Company recognized $130,849 of shadow loss recognition reserves in accumulated other comprehensive income as of December 31, 2020 related to unrealized investment gains on invested assets attributed to long-term care, immediate annuities and payout annuities, which led to lower expected future investment income. There was no shadow loss recognition in 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 9.2% as of December 31, 2022 and 2021.

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 $16,607 and $17,315 at December 31, 2022 and 2021, 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 8.4% and 14.0% of the life and health policy benefit reserves as of December 31, 2022 and 2021, respectively.

The Company pays 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 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 2022, 2021 and 2020, the components of net periodic benefit costs other than the service cost component were ($14,784), ($18,213), ($12,938), respectively, and are reflected in operating and other expenses in the Company's Consolidated Statements of Operations and Comprehensive Income.

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 policyholders' surplus.

The foreign exchange impacts of investment holdings classified as available for sale are included in AOCI as a separate component of policyholders' surplus. Foreign exchange transaction gains (losses) are reflected in operating and other expenses in the Company's Consolidated Statements of Operations and Comprehensive Income and were ($10), ($69), and $3,890 for the years ended December 31, 2022, 2021, and 2020, respectively.

Accounting Standards Updates Pending Adoption

In August 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts* (“ASU 2018-12”). A subsequently issued ASU extended the effective date to 2023 for entities which meet the definition of a SEC filer and are not classified as a smaller reporting company by the SEC. Other entities are required to adopt in 2025. Early adoption is permitted. The Company plans to adopt ASU 2018-12 as of January 1, 2025.

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 as follows:

- 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. 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, with resulting changes in the liability recorded in other comprehensive income.
- The liability for future policy benefits can no longer include a provision for adverse deviation, except for participating policies.
- Since liability assumptions are updated periodically, the test for premium deficiency is no longer required for nonparticipating traditional and limited payment contracts.
- ASU 2018-12 introduces the concept of market risk benefits for product features that protect the contract holder from capital market risk, which must be accounted for at fair value.
- 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 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.
- Certain financial statement presentation changes are required as well as significant additional quantitative and qualitative disclosures.

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

($ 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, 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.

($ in 000s)

The amortized cost, gross unrealized gains and losses, credit loss allowance, and estimated fair values of debt securities at December 31, 2021 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	$ 288,752	$ 14,541	$ (3,073)	$ -	$ 300,220
States and political subdivisions	1,540,483	134,016	(5,738)	-	1,668,761
Foreign government securities	672,201	1,060	(4,714)	-	668,547
Domestic corporate securities	12,318,335	628,560	(126,266)	(2,492)	12,818,137
Residential mortgage-backed securities	966,290	21,906	(9,670)	(252)	978,274
Commercial mortgage-backed securities	1,332,114	25,850	(10,521)	-	1,347,443
Other structured securities	2,346,665	13,970	(9,805)	(33)	2,350,797
Foreign corporate securities	3,925,932	150,207	(28,556)	(742)	4,046,841
Total available for sale securities	23,390,772	990,110	(198,343)	(3,519)	24,179,020
Trading securities[1]					
Domestic corporate securities	34,887	1,428	(367)	-	35,948
Foreign corporate securities	3,993	213	-	-	4,206
Total trading securities	38,880	1,641	(367)	-	40,154
Total debt securities	$23,429,652	$ 991,751	$ (198,710)	$ (3,519)	$ 24,219,174

[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.

($ in 000s)

The amortized cost and estimated fair values of investments in debt securities at December 31, 2022, 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	$ 294,857	$ 286,857
Due after one year through five years	3,961,514	3,732,812
Due after five years through ten years	5,126,626	4,417,487
Due after ten years	9,493,193	7,495,411
Residential mortgage-backed securities	960,300	829,049
Commercial mortgage-backed securities	1,345,939	1,163,249
Other structured securities	2,809,126	2,613,469
Total debt securities	$ 23,991,555	$ 20,538,334

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:

		Gross Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
2022	$ 214,103	$ 21,512	$ (29,516)	$ 206,099
2021	256,967	44,759	(6,500)	295,226

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.

($ in 000s)

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

	2022	2021
Carrying value at January 1	$ 296,415	$ 138,379
Add: Additional investments	51,333	66,014
Add: Upward adjustments	14,604	108,594
Less: Impairments	(7,778)	(8,600)
Less: Downward adjustments	(2,546)	(3,000)
Less: Sales and conversions	(3,000)	(4,972)
Carrying value at December 31	$ 349,028	$ 296,415

The cumulative upward adjustments, impairments, and downward adjustments for equity securities without readily determinable fair values were $165,569, $136,839 and $47,669 for 2022, 2021 and 2020, respectively.

Mortgage Loans

At December 31, 2022, the commercial mortgage loan portfolio had an average remaining life of 6.6 years, with all principal due prior to 2053. 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 0.8% 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:

	2022	2021
California	21.4%	21.1%
Texas	8.3	6.7
New York	7.3	7.2
Wisconsin	5.3	6.0
Ohio	5.1	5.0
Illinois	*	5.1

($ in 000s)

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

	2022	2021
Multi-Family	34.2%	33.3%
Industrial	31.0	27.6
Retail	18.2	20.8
Office	12.2	13.6
Other	4.4	4.7
Total	100.0%	100.0%

There were no loan restructurings in 2022 or 2021 that were considered troubled debt restructurings. At December 31, 2022 and 2021, the Company had no commitments to lend additional funds to mortgagors whose existing mortgage terms have been restructured in a troubled debt restructuring. The mortgage loan portfolio is current at December 31, 2022 and 2021. At December 31, 2022 and 2021, 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 were no mortgage loans in nonaccrual status at December 31, 2022 or 2021. Mortgage loans deemed uncollectible are written off against the allowance for credit losses. The allowance is also adjusted for any subsequent recoveries.

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

	2022	2021
Balance as of January 1	$ 16,497	$ 11,890
Net increase related to expected credit losses	912	4,607
Balance as of December 31	$ 17,409	$ 16,497

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, 2022 and 2021.

($ in 000s)

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

	2022		2021	
Loan to Value	**Principal Amount**	**Average Debt Service Coverage Ratio**	**Principal Amount**	**Average Debt Service Coverage Ratio**
Less than 65%	$ 3,402,181	2.61	$ 3,103,624	2.56
65% to 74%	411,758	1.76	396,341	1.71
75% to 100%	116,136	1.74	173,528	1.37
Total mortgage loans	$ 3,930,075	2.54	$ 3,673,493	2.46

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

	2022						
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**	**Total**
2022	$ 654,637	2.00	$ -	-	$ -	-	$ 654,637
2021	586,790	3.58	145,938	1.99	23,122	1.29	755,850
2020	353,762	3.25	51,956	1.74	11,880	1.32	417,598
2019	372,483	2.57	76,654	1.70	28,273	1.72	477,410
2018	278,793	2.60	76,925	1.53	24,375	3.76	380,093
Prior	1,155,716	2.17	60,285	2.10	28,486	1.88	1,244,487
Total	$ 3,402,181	2.61	$ 411,758	1.76	$ 116,136	1.74	$ 3,930,075

($ in 000s)

Limited Partnerships

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

	2022	2021
Energy	$ 140,782	$ 144,023
Mezzanine	868,914	799,479
Private equity	1,191,150	1,004,794
Real estate	48,295	40,044
Socially responsible investments	16,966	4,165
Total limited partnerships	$ 2,266,107	$ 1,992,505

The Company made additional investments in limited partnerships of $424,232, $382,798, and $296,356 in 2022, 2021, and 2020, 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 2023 and 2035.

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:

	2022	2021
LIHTC	$ 106,206	$ 110,297
FHLB restricted stock, at cost	61,929	50,321
Investments receivable, at cost	19,210	31,181
Short-term investments (see Note 2)	55,369	2,726
Margin deposits, at cost	38,556	5,595
Real estate less accumulated depreciation	3,319	2,920
Total other invested assets	$ 284,589	$ 203,040

The number of remaining years of unexpired tax credits related to LIHTC ranged from 6 to 13 years as of December 31, 2022. The Company expects to hold these investments until 2028 to 2035. The net amount of LIHTC, cost amortization and other tax benefits recognized during 2022, 2021, and 2020 was $9,834, $9,939, and $4,532, respectively; the full amount was recognized as a component of income tax expense in the Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021, and 2020.

($ in 000s)

Net Investment Income

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

	2022	2021	2020
Debt securities, available for sale and trading	$ 774,094	$ 636,353	$539,638
Equity securities	9,265	9,944	9,925
Mortgage loans	151,681	145,130	116,567
Policy loans	7,171	7,707	7,613
Limited partnerships	238,176	566,644	49,530
Derivative financial instruments	5,589	2,029	1,315
Other invested assets	11,379	8,571	10,116
Total gross investment income	1,197,355	1,376,378	734,704
Less: Investment expenses	(38,556)	(33,727)	(31,119)
Net investment income	$ 1,158,799	$1,342,651	$703,585

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.

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.

	2022	2021
Debt securities, available for sale and trading	$ 204,308	$ 182,550
Equity securities	822	1,018
Mortgage loans	11,387	10,502
Other invested assets	10,203	9,856
Total accrued investment income	$ 226,720	$ 203,926

($ in 000s)

Net Realized Investment Gains (Losses)

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

	2022	2021	2020
Debt securities, available for sale:			
Gross gains on sales	$ 3,500	$ 21,168	$ 28,222
Gross losses on sales	(89,747)	(8,948)	(3,889)
Change in unrealized gains (losses)	(4,942)	(12,260)	1,637
Other-than-temporary impairment losses	(610)	(2,421)	(5,015)
Debt securities, trading:			
Change in unrealized gains (losses)	(4,229)	(1,905)	1,295
Equity securities:			
Gross gains on sales	8,475	14,635	6,860
Gross losses on sales	(2,228)	(2,856)	(2,464)
Other	127	274	6,718
Impairment losses	(7,778)	(8,600)	(3,400)
Change in unrealized gains (losses)	(34,161)	135,261	24,604
Mortgage loans:			
Gross losses on sales	(1,724)	(2,127)	-
Impairment losses	(953)	(4,610)	(892)
Equity in unconsolidated affiliates:			
Gross gains on sales	-	-	91
Limited partnerships:			
Impairment losses	(18,080)	(2,030)	(2,867)
Derivative financial instruments	(570,602)	292,908	105,319
Derivative financial instruments embedded	620,831	(357,485)	(220,277)
Other	(1,185)	2,126	(228)
Net realized investment gains (losses)	$ (103,306)	$ 63,130	$ (64,286)

Proceeds from the sale of debt securities were $1,094,415, $881,801 and $452,354 in 2022, 2021 and 2020, respectively. Proceeds from the sale of equity securities were $71,864, $126,167 and $43,787 in 2022, 2021 and 2020, 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:

	Foreign Corporate Securities	Domestic Corporate Securities	Residential Mortgage-Backed Securities	Other Structured Securities	Total
Balance as of January 1, 2021	$ 2,146	$ 2,492	$ 258	$ 183	$5,079
Net decrease related to expected credit losses	(1,404)	-	(6)	(150)	(1,560)
Balance at December 31, 2021	742	2,492	252	33	3,519
Net increase (decrease) related to expected credit losses	1,158	(2,492)	51	91	(1,192)
Balance at December 31, 2022	$ 1,900	$ -	$ 303	$ 124	$2,327

The Company did not have any write-offs of securities during 2022, 2021 or 2020.

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:

	2022	2021	2020
Beginning balance of credit losses on debt securities at January 1	$ (543)	$ (5,580)	$(13,123)
Additions for credit impairments recognized on			
Securities not previously impaired	(200)	(423)	(4,332)
Securities previously impaired	(40)	(171)	(68)
Reductions for credit impairments previously recognized			
Securities that matured or were sold during the period	317	5,631	11,931
Securities with an increase in expected cash flows	-	-	12
Balance at December 31	$ (466)	$ (543)	$ (5,580)

Management believes it has made an appropriate provision for impaired securities owned at December 31, 2022. 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:

	2022	2021	2020
Debt securities, available for sale	$ (3,447,938)	$ 791,767	$ 1,511,494
Derivatives	57,707	29,838	20,667
Total net unrealized investment gains (losses) included in accumulated other comprehensive income (loss)	(3,390,231)	821,605	1,532,161
Deferred policy acquisition cost and VOBA adjustments	192,453	(69,867)	(86,899)
Unrealized shadow loss recognition	-	(41,506)	(130,849)
Unearned premium adjustment	(12,161)	2,528	94
Foreign exchange and other	(20,713)	(2,705)	(2,701)
Total shadow adjustments included in accumulated other comprehensive income (loss)	159,579	(111,550)	(220,355)
Current and deferred income taxes	692,809	(148,963)	(275,325)
Net unrealized investment gains (losses) and shadow adjustments in accumulated other comprehensive income (loss)	$ (2,537,843)	$ 561,092	$ 1,036,481

($ 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.

($ in 000s)

Securities with unrealized losses at December 31, 2021, is 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	$ 32,349	$ (394)	$ 54,970	$ (2,679)	$ 87,319	$ (3,073)
States and political subdivisions	388,498	(4,959)	17,967	(779)	406,465	(5,738)
Foreign government securities	628,968	(4,700)	1,197	(14)	630,165	(4,714)
Domestic corporate securities	4,489,794	(106,261)	364,845	(22,497)	4,854,639	(128,758)
Residential mortgage-backed	529,742	(9,772)	4,160	(150)	533,902	(9,922)
Commercial mortgage-backed	515,436	(8,805)	59,756	(1,716)	575,192	(10,521)
Other structured securities	1,283,701	(8,506)	141,339	(1,332)	1,425,040	(9,838)
Foreign corporate securities	1,634,081	(20,588)	117,292	(8,710)	1,751,373	(29,298)
Total debt securities	$ 9,502,569	$ (163,985)	$ 761,526	$ (37,877)	$10,264,095	$ (201,862)

At December 31, 2021, the Company owned 4,889 debt securities with a fair value of $10,264,095 in an unrealized investment loss position. Of these, 330 debt securities, with a fair value of $761,526 have been in an unrealized loss position for twelve or more months. The $37,877 unrealized loss for debt securities with a loss period twelve months or greater represents a 4.7% price impairment of amortized cost. The price impairment on the remaining 4,559 debt securities is 1.6% of amortized cost. The total fair value of debt securities with unrealized losses at December 31, 2021 and which are rated investment grade, is $9,314,084 or 90.7% of the total fair value of all debt securities in an unrealized loss position. The unrealized losses for the investment grade securities totaled $163,712 as of December 31, 2021. 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 Fair Value Measurement – Recurring Basis in Note 4.

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, 2022 and 2021.

	2022			2021		
	Notional	Estimated Fair Value		Notional	Estimated Fair Value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedging instruments:						
Futures contracts	$ 359,620	$ 205	$ (90)	$ 236,314	$ 18	$ (87)
Cross currency swaps	447,685	45,073	(1,480)	302,265	10,927	(1,610)
Interest rate swaps	135,000	5,345	(3,453)	95,000	11,262	(1,092)
Total derivatives designated as hedging instruments	942,305	50,623	(5,023)	633,579	22,207	(2,789)
Derivatives not designated as hedging instruments:						
Future contracts	3,321	2	(1)	-	-	-
Interest rate swaps	81,017	23	-	100,751	310	-
Purchased option contracts	10,159,636	503,361	-	9,163,457	929,558	-
Written option contracts	11,036,847	-	(491,398)	9,991,393	-	(614,444)
Total derivatives not designated as hedging instruments	21,280,821	503,386	(491,399)	19,255,601	929,868	(614,444)
Total derivative financial instruments	$ 22,223,126	$ 554,009	$ (496,422)	$ 19,889,180	$ 952,075	$(617,233)

($ in 000s)

The following table provides the Consolidated Statement of Operations and Comprehensive Income 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:

	2022	2021	2020
Net investment income, reclassified from accumulated other comprehensive income (loss)			
Interest rate swaps, cash flow hedge	$ 491	$ -	$ -
Total reclassified to net investment income	491	-	-
Net realized investment gains (losses)			
Currency futures, fair value hedge	$ 1,098	$ 1,131	$ 382
Currency futures, ineffectiveness in hedge	311	9	29
Cross currency swaps, cash flow hedge	2	-	-
Currency futures, undesignated	(40)	(101)	54
Call options, undesignated	2,743	370	1,014
Interest rate swaps, fair value hedge	2,853	1,461	(2,201)
Interest rate swaps, undesignated	3,012	216	-
Equity futures, undesignated	-	-	(56,143)
Equity options, undesignated, single premium deferred modified guaranteed index annuity	(136,806)	38,499	10,629
Equity options, undesignated, single premium deferred index annuity	(293,682)	182,801	119,430
Equity options, undesignated, single premium deferred index-linked interest options annuity	(41,755)	4,776	-
Equity options, undesignated, flexible premium variable and index-linked deferred annuity	(107,546)	62,344	30,874
Equity options, undesignated	(792)	1,402	1,251
Total net realized investment gains (losses) on derivatives	(570,602)	292,908	105,319
Other comprehensive income (loss)			
Cross currency swaps, cash flow hedge	34,276	14,448	(6,646)
Interest rate swaps, cash flow hedge	(5,916)	(4,966)	11,632
Total other comprehensive income (loss) on derivatives	28,360	9,482	4,986
Total derivative impact	$ (541,751)	$ 302,390	$ 110,305

($ 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:

	2022		2021	
	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	$ 52,512	$ (2,443)	$ 55,350	$ 410

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

	2022	2021	2020
Unrealized gains (losses) on derivatives included in accumulated other comprehensive income (loss) as of January 1	$ 29,838	$ 20,667	$ 15,681
Gains deferred in accumulated other comprehensive income (loss) on the effective portion of cash flow hedges	28,360	9,482	4,986
Amounts reclassified to net investment income and net realized investment gains (losses)	(491)	(311)	-
Unrealized gains (losses) on derivatives included in accumulated other comprehensive income (loss) as of December 31	$ 57,707	$ 29,838	$ 20,667

The Company estimates that $491 will be reclassified in 2023 from other comprehensive income 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 2022 and prior years.

The Company is hedging its exposure to the variability in future cash flows for a maximum of 35 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:

	2022	2021
Single premium deferred index annuities	$ 704,018	$ 1,109,921
Flexible premium variable and index-linked deferred annuities	249,890	347,114
Single premium deferred modified guaranteed index annuities, including guarantees	136,666	204,517
Single premium deferred index-linked interest options annuities	101,080	33,457
Guarantees on variable annuities	7,248	14,390
Equity-indexed annuities	3,116	8,606
Total embedded derivatives	$ 1,202,018	$ 1,718,005

The increase (decrease) in fair value related to embedded derivatives was ($620,831), $354,652, and $218,933 for the years ended December 31, 2022, 2021, and 2020, respectively, and was recorded within net realized investment gains (losses).

Asset Restrictions

At December 31, 2022 and 2021, $4,722,758 and $5,511,861, 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 $1,332,620 and $1,133,895 that were restricted as of December 31, 2022 and 2021, respectively, also related to registered index annuities.

Assets on Deposit, Designated, and Pledged as Collateral

Iowa law require 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 is equal to the net present value of all outstanding policies and contracts involving life contingencies. 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:

	2022	2021
Iowa Insurance Department	$ 9,691,272	$ 10,308,734
South Dakota Insurance Department	3,747,498	4,033,611
Federal Home Loan Bank	1,582,458	1,211,089
Debtholders of collateralized fund obligations	610,892	233,771
Other regulatory jurisdictions	51,661	52,093
Total assets on deposit, designated and pledged as collateral	$ 15,683,781	$ 15,839,298

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

	2022	2021
Debt securities and short-term investments	$ 8,074,676	$ 8,784,719
Mortgage loans	1,397,017	1,418,238
Contract loans	111,086	105,777
Other invested assets	54,000	-
Cash	54,493	-
Total assets designated	$ 9,691,272	$ 10,308,734

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

	2022	2021
Debt securities and short-term investments	$ 3,129,652	$ 4,025,310
Equity securities	5,932	3,183
Mortgage loans	576,650	-
Other invested assets	29,448	-
Cash equivalents	5,816	5,118
Total assets designated	$ 3,747,498	$ 4,033,611

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, 2022 and 2021.

($ in 000s)

	2022 Amortized Cost	2022 Fair Value	2021 Amortized Cost	2021 Fair Value
Debt securities				
U.S. government and agencies	$ 13,972	$ 8,503	$ 11,076	$ 12,011
Domestic corporate securities	532,835	451,905	427,653	452,130
Foreign corporate securities	86,301	75,685	86,000	89,911
Equity securities	6,170	5,748	3,987	4,594
Total securities on loan	$ 639,278	$ 541,841	$ 528,716	$ 558,646

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.

The collateral liability by security type and remaining length of the securities lending agreements were as follows for the year ended December 31, 2021.

	Remaining Length of Securities Lending Agreements	
	Open[1]	Total
Cash and cash equivalents	$ 558,403	$ 558,403
U.S. government and agencies	20,937	20,937
Total collateral liability	$ 579,340	$ 579,340

[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, 2022 and 2021, 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, 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

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, 2021.

	Remaining Time Until Maturity			
	30 Days or Less	31 to 60 Days	61 to 90 Days	Total
Reverse repurchase agreements	$ 182,903	$ 77,500	$ 298,000	$ 558,403

During 2022 and 2021, the Company had a maximum of $599,606 and $601,455, respectively, of securities on loan 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 $1,241, $1,052 and $1,054 for the years ended December 31, 2022, 2021 and 2020, respectively, and is included in net investment income within the Consolidated Statements of Operations and Comprehensive Income.

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.

($ in 000s)

Transfers Between Levels

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 3 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. There were 237 transfers of debt securities totaling $1,612,440 into Level 2 from Level 3 during the year ended December 31, 2021. 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.

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, 2022.

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
Total liabilities	$ 179	$ 496,243	$ 1,202,018	$ 1,698,440

($ in 000s)

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2021.

Assets, at fair value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 245,969	$ 180	$ -	$ 246,149
Debt securities				
U.S. government and agencies	-	300,220	-	300,220
States and political subdivisions	-	1,668,761	-	1,668,761
Foreign government securities	-	668,547	-	668,547
Domestic corporate securities	-	12,755,628	98,457	12,854,085
Residential mortgage-backed securities	-	938,488	39,786	978,274
Commercial mortgage-backed securities	-	1,315,113	32,330	1,347,443
Other structured securities	-	2,222,563	128,234	2,350,797
Foreign corporate securities	-	3,971,818	79,229	4,051,047
Total debt securities	-	23,841,138	378,036	24,219,174
Equity securities	158,594	122,983	13,649	295,226
Derivative assets	-	952,075	-	952,075
Separate account assets	-	4,755,709	-	4,755,709
Total assets	$ 404,563	$ 29,672,085	$ 391,685	$ 30,468,333

Liabilities, at fair value	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ -	$ 617,233	$ -	$ 617,233
Derivatives embedded in annuity contracts	-	-	1,718,005	1,718,005
Liabilities, at fair value	$ -	$ 617,233	$ 1,718,005	$ 2,335,238

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:

Level 1 Measurements

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 certain domestic corporate and foreign corporate securities, the Company used credit spreads of 4.75% to 5.75% and 1.80% to 3.80% for the years ended December 31, 2022 and 2021, respectively, 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, 2022 and 2021:

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2022	2021
Mortgage-backed and other structured securities			
Discounted cash flow	Market spreads	1.50% to 5.0%	1.15% to 4.50%

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, 2022 and 2021:

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2022	2021
Guarantees on variable annuities			
Stochastic modeling	Lapse rates, including risk margin	1.8% to 18%. Weighted average is 11.07%.	2% to 35%. Weighted average is 11.36%.
	Company's own credit margin	108-174 basis points add on to discount rate. Weighted average is 150 basis points.	96-115 basis points add on to discount rate. Weighted average is 101 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 50.34%.	1.0% to 4.5% with an excess lapse rate up to 98% at the end of the index period. Weighted average is 54.04%.
	Company's own credit and risk margin	68-134 basis points add on to discount rate. Weighted average is 102 basis points.	56-75 basis points add on to discount rate. Weighted average is 65 basis points.
Single premium deferred annuities			
Discounted cash flow	Lapse rates	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%.	0.5% to 15% with an excess lapse rate at the end of the index period of 50% or 75%. Weighted average is 7.04%.
	Company's own credit and risk margin	78-144 basis points add on to discount rate. Weighted average is 114 basis points.	56-75 basis points add on to discount rate. Weighted average is 63 basis points.
Flexible premium deferred annuities			
Discounted cash flow	Lapse rates	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%.	1.0% to 10% with an excess lapse rate at the end of the index period of 5%-20%. Weighted average is 4.06%.
	Company's own credit and risk margin	68-134 basis points add on to discount rate. Weighted average is 63 basis points.	56-75 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, 2022 and 2021***:***

Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Input 2022	2021
Single premium deferred modified guaranteed annuities			
Discounted cash flow	Lapse rates	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%.	0.5% to 13% with an excess lapse rate at the end of the surrender charge period of 10%. Weighted average is 4.06%.
	Company's own credit and risk margin	38-104 basis points add on to discount rate. Weighted average is 75 basis points.	46-65 basis points add on to discount rate. Weighted average is 52 basis points.
Single premium deferred index-linked interest options annuities			
Discounted cash flow	Lapse rates	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%.	0.5% to 15% with an excess lapse rate at the end of the surrender charge period of 37.5%. Weighted average is 0.5%.
	Company's own credit and risk margin	68-134 basis points add on to discount rate. Weighted average is 112 basis points.	46-65 basis points add on to discount rate. Weighted average is 63 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, 2022:

	Balance January 1, 2022	Total Realized/Unrealized Gain (Loss) Included in: 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

($ 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, 2021:

	Balance January 1, 2021	Total Realized/Unrealized Gain (Loss) Included in: Earnings[1]	Other Comprehensive Income (Loss)	Net Purchases, Sales and Maturities	Transfer into (out of) Level 3	Balance December 31, 2021[2]
Debt securities						
Domestic corporate securities	$ 164,927	$ (3,752)	$ (1,620)	$ (4,568)	$ (56,530)	$ 98,457
Residential mortgage-backed securities	-	(17)	(603)	40,406	-	39,786
Commercial mortgage-backed securities	23,271	-	141	8,918	-	32,330
Other structured securities	1,281,733	4,191	2,700	327,473	(1,487,863)	128,234
Foreign corporate securities	164,763	(421)	5,413	(22,479)	(68,047)	79,229
Total debt securities	1,634,694	1	6,031	349,750	(1,612,440)	378,036
Equity securities	7,790	-	5,859	-	-	13,649
Total assets	$ 1,642,484	$ 1	$ 11,890	$ 349,750	$ (1,612,440)	$ 391,685
Derivatives embedded in annuity contracts	$ 1,300,363	$ 354,652	$ -	$ 62,990	$ -	$ 1,718,005
Total liabilities	$ 1,300,363	$ 354,652	$ -	$ 62,990	$ -	$ 1,718,005

[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, 2021.

($ in 000s)

The following table provides the components of the items included in Level 3 net purchases, sales and maturities for 2021:

	Purchases	Sales	Maturities	Net Purchases, Sales and Maturities
Debt securities				
Domestic corporate securities	$ 22,669	$ (10,505)	$ (16,732)	$ (4,568)
Residential mortgage-backed securities	40,564	-	(158)	40,406
Commercial mortgage-backed securities	17,629	(6,200)	(2,511)	8,918
Other structured securities	1,036,883	(19,953)	(689,457)	327,473
Foreign corporate securities	6,668	-	(29,147)	(22,479)
Total debt securities	1,124,413	(36,658)	(738,005)	349,750
Total assets	$ 1,124,413	$ (36,658)	$ (738,005)	$ 349,750
Derivatives embedded in annuity contracts	$ 192,597	$ -	$ (129,607)	$ 62,990
Total liabilities	$ 192,597	$ -	$ (129,607)	$ 62,990

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 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 impairment, 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 were $30,275 and $175,021 as of December 31, 2022 and 2021, respectively. The net realized and unrealized gains related to remeasurement for which there were no impairments or price adjustments were $4,729, $104,119, and $23,924 for the years ended December 31, 2022, 2021, and 2020, respectively.

The securities were remeasured primarily because there was an observable price on an identical or similar investment and to a lesser extent because there was evidence of impairment. The fair values reported in the table were established at various dates within the periods presented and do not represent the fair value as of the end of the reporting period. These values are adjusted if there is an impairment or an observable price (as described above). 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:

	2022		2021	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial instruments recorded as assets				
Mortgage loans	$ 3,945,218	$ 3,452,823	$ 3,714,867	$ 4,058,087
Policy loans	125,448	160,049	121,007	210,438
FHLB restricted stock	61,929	61,929	50,321	50,321
LIHTC	106,206	106,206	110,297	110,297
COLI	87,752	87,752	95,215	95,215
Cash	151,464	151,464	74,289	74,289
Short-term investments	15,726	15,726	2,726	2,726
Assets on deposit	709,714	709,714	412,988	412,988
Securities lending assets	565,358	565,358	579,340	579,340
Financial instruments recorded as liabilities				
Investment-type contracts[1]	13,357,418	11,917,435	10,932,813	12,140,529
Notes and interest payable	1,518,602	1,605,469	1,402,557	1,417,216
Payables for securities lending	565,358	565,358	579,340	579,340
Separate account liabilities	3,653,995	3,653,995	4,755,709	4,755,709

[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 file a consolidated federal income tax return. 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 (Benefit)

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

	2022	2021	2020
Current tax expense (benefit)	$189,736	$113,053	$ (55,627)
Deferred tax expense (benefit)	(136,510)	1,198	4,224
LIHTC amortization	15,024	10,462	15,861
Total income tax expense (benefit)	$ 68,250	$124,713	$ (35,542)

Reconciliation to U.S. Tax Rate

Income tax expense (benefit) 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:

	2022	2021	2020
Tax expense computed at federal corporate tax rate	$ 86,434	$156,870	$ 23,905
Tax-exempt investment income	(4,654)	(4,544)	(4,639)
Income tax expense (benefit) related to prior years	(3,932)	(16,257)	(433)
Dividends-received deduction	(1,099)	(1,964)	(978)
Meals and entertainment	388	273	558
Foreign operations	(219)	(33)	(1,725)
COLI	1,188	(128)	581
Other comprehensive income adjustment	-	-	3,400
Income tax benefit of net operating loss carryback	-	-	(52,836)
LIHTC credits and benefits (net of amortization of cost)	(9,815)	(9,939)	(4,532)
Nondeductible penalties	-	-	(30)
Other, net	(41)	435	1,187
Total income tax expense (benefit)	$ 68,250	$124,713	$ (35,542)

($ 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, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets		
Policy liabilities and reserves	$ 591,566	$ 473,459
Pension and other employee benefits	49,986	50,642
Deferred policy acquisition costs	4,361	7,403
Unearned revenue	55,527	52,020
Loss reserve discounting	17,333	12,593
Accrued expenses	46,924	47,558
Dividends payable to policyholders	5,183	4,875
Loss carryforwards	16,235	16,518
Undistributed net income of unconsolidated affiliates	322	319
Intangible assets	18,084	19,611
Unrealized investment losses	620,322	18,175
Other	5,283	6,951
Gross deferred tax assets	1,431,126	710,124
Less valuation allowance	(14,114)	(11,539)
Gross deferred tax assets less valuation allowance	1,417,012	698,585
Deferred tax liabilities		
Unrealized investment gains	1,162	169,650
Investments	243,511	264,156
Deferred policy acquisition costs	166,269	127,822
Unearned revenue	1,136	1,168
Deferred and uncollected premium	9,089	8,975
Fixed assets and real estate	11,024	13,929
Intangible assets	63,180	71,222
Prepaid expenses	4,814	5,331
Tax accounting method changes	-	27,557
Accrued income	25,459	24,743
Other	3,176	1,739
Gross deferred tax liabilities	528,820	716,292
Net deferred tax asset (liability)	$ 888,192	$ (17,707)

($ 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 $14,114 and $11,539 as of December 31, 2022 and 2021, respectively, against the state deferred tax assets including deferred tax assets related to state net operating loss carryforwards. The valuation allowance increased $2,575 in 2022 primarily due to additional state operating losses incurred in 2022.

Other Tax Items

As of December 31, 2022 and 2021, the Company had federal operating loss carryforwards of $11,704 and $24,699, respectively; the related tax benefits are $2,458 and $5,187, respectively. Federal operating loss carryforwards of $7,401 expire in years 2037 through 2038, with the remaining $4,303 carrying forward indefinitely. The Company had no federal capital loss carryforwards and no federal or state tax credit carryforwards as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Company had state operating loss carryforwards of $237,838 and $195,256, respectively; the related tax benefits are $13,777 and $11,331, respectively. These carryforwards expire in various years through 2042.

The Company generally does not provide U.S. deferred taxes or foreign withholding taxes on the undistributed earnings of its non-U.S. affiliates and associated companies since the earnings are intended to be reinvested indefinitely. In addition, the undistributed earnings have previously been subject to U.S. income tax and are generally no longer subject to U.S. income tax upon repatriation. Therefore, no deferred tax has been provided on the undistributed earnings as of December 31, 2022 and 2021.

Unrecognized Tax Benefits

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

	2022	**2021**
Balance at January 1	$ 18,992	$ 35,607
Additions based on tax positions related to the current year	1,158	392
Reductions for settlements	(341)	(7,358)
Reduction for expiration of statutes	-	(2,454)
Additions for prior years' tax positions	2,944	14
Reductions for prior years' tax positions	-	(7,209)
Balance at December 31	$ 22,753	$ 18,992

Included in the balance of unrecognized tax benefits at December 31, 2022 and 2021 are $238 and $580, 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 2023.

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. During the years ended December 31, 2022, 2021 and 2020, the Company recognized an increase of $287 and a decrease of $5,986 and $695 in interest and penalties, respectively. The Company had accrued $2,607 and $2,320 for the payment of interest and penalties at December 31, 2022 and 2021, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state 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 2019. An amended refund claim filed for tax year 2016 is currently under examination.

($ 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:

	2022		2021		2020	
	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance	Life & Health Insurance	Property & Casualty Insurance
Premiums						
Direct - written	$ 2,395,052	$ 723,385	$ 2,093,548	$ 666,074	$ 2,018,752	$ 585,145
Direct - change in unearned	8,869	(31,491)	2,352	(71,898)	3,132	(40,361)
Direct - earned	2,403,921	691,894	2,095,900	594,176	2,021,884	544,784
Assumed - written	2,599	478,393	(3,918)	426,296	1,578	397,969
Assumed - change in unearned	(3)	(44,719)	21	(25,237)	-	(5,363)
Assumed - earned	2,596	433,674	(3,897)	401,059	1,578	392,606
Ceded - written	(137,048)	(34,250)	(68,235)	(22,574)	(9,482)	(15,307)
Ceded - change in unearned	(1,617)	1,995	(547)	2,714	(21)	7
Ceded - earned	(138,665)	(32,255)	(68,782)	(19,860)	(9,503)	(15,300)
Premiums - written, net	2,260,603	1,167,528	2,021,395	1,069,796	2,010,848	967,807
Premiums - change in unearned, net	7,255	(74,215)	1,826	(94,421)	3,111	(45,718)
Premiums - earned, net	$ 2,267,858	$ 1,093,313	$ 2,023,221	$ 975,375	$ 2,013,959	$ 922,089
Claims, benefits, and losses and loss adjustment expenses incurred						
Direct	$ 2,749,455	$ 356,955	$ 1,972,206	$ 323,730	$ 1,631,581	$ 336,553
Assumed	10,356	302,808	(25,656)	249,896	(3,389)	252,793
Ceded	(992,097)	(8,079)	(311,321)	(10,250)	(70,202)	(62)
Claims, benefits, and losses and loss adjustment expenses, net	$ 1,767,714	$ 651,684	$ 1,635,229	$ 563,376	$ 1,557,990	$ 589,284

($ in 000s)

Reinsurance recoverables at December 31, 2022 and 2021 was $3,232,501 and $3,254,222, 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 $2,249,835 or 70% and $2,229,560 or 69% of the total reinsurance recoverable at December 31, 2022 and 2021, respectively. The aggregate recoverable balance of the second largest reinsurer was $362,340 or 11% and $414,553 or 13% of the total reinsurance recoverable at December 31, 2022 and 2021, respectively. No other reinsurer accounts for more than 10% of the balance at December 31, 2022 or 2021.

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, 2022 and 2021 is shown in the following table:

	2022		2021	
	Life and Health Insurance	Property and Casualty Insurance	Life and Health Insurance	Property and Casualty Insurance
Balance at beginning of year	$ 822,312	$ 78,919	$ 610,273	$ 65,030
Policy acquisition costs deferred	512,619	157,194	423,367	129,071
Policy acquisition costs amortized and adjustments for changes in life and health gross profit assumptions	(254,645)	(144,592)	(203,866)	(115,182)
Foreign exchange effect on DAC	(2,334)	-	(3,723)	-
DAC effect of change in net unrealized (gains) losses on securities available for sale	246,911	-	(3,739)	-
Balance at end of year	$ 1,324,863	$ 91,521	$ 822,312	$ 78,919

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 $385,484, $394,556, and $349,637 for the years ended December 31, 2022, 2021, and 2020, 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 the Company's acquisition of AMLIC, USIC and TLOC:

	2022	2021
Balance as of January 1	$ 185,609	$ -
Additions due to acquisition and measurement period adjustments	(21,447)	177,952
Effect of change in net unrealized (gains) losses on securities available for sale	15,409	20,751
Foreign currency impact	(7,312)	945
Amortization	(1,360)	(14,039)
Other additions	9,873	-
Balance as of December 31	$ 180,772	$ 185,609

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

	Estimated Future VOBA Amortization
2023	$ 29,327
2024	24,310
2025	18,939
2026	14,220
2027	11,998

($ 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.

	2022			2021		
	Life Insurance	Accident and Health Insurance	Property and Casualty Insurance	Life Insurance	Accident and Health Insurance	Property and Casualty Insurance
Balance as of January 1	$ 411,243	$ 1,005,945	$ 457,137	$ 76,071	$ 327,557	$ 457,470
Less experience refunds liability	8,883	54,842	23,735	15,219	52,675	19,220
Less reinsurance recoverables	305,006	597,301	14,225	415	20,018	8,325
Net balance as of January 1	97,354	353,802	419,177	60,437	254,864	429,925
Acquired balance on August 1	-	-	-	359,389	564,049	-
Less reinsurance recoverables	-	-	-	341,323	562,160	-
Net acquired balance on August 1	-	-	-	18,066	1,889	-
Incurred, net of reinsurance recoverables and experience refunds, related to						
Current year	595,697	241,383	680,091	578,404	320,811	621,046
Prior years[1]	20,591	(12,968)	(28,407)	(25,381)	(2,671)	(57,670)
Total incurred	616,288	228,415	651,684	553,023	318,140	563,376
Paid, net of reinsurance recoverables and experience refunds, related to						
Current year	489,658	85,419	388,888	495,261	85,780	384,940
Prior years[1]	97,991	145,220	193,752	38,911	135,311	189,184
Total paid	587,649	230,639	582,640	534,172	221,091	574,124
Net balance at December 31	125,993	351,578	488,221	97,354	353,802	419,177
Plus experience refunds liability	10,258	55,551	37,664	8,883	54,842	23,735
Plus reinsurance recoverables	273,818	594,531	19,335	305,006	597,301	14,225
Balance at December 31	$ 410,069	$ 1,001,660	$ 545,220	$ 411,243	$ 1,005,945	$ 457,137

1 - The prior year incurred and paid activity includes resolution of claims that were incurred prior to August 1, 2021 for the August 1 acquired balance.

($ in 000s)

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 and the 2021 decrease in prior year incurred losses primarily relates to positive development driven from large universal life and variable universal life claims. 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, and the 2021 decrease in prior year incurred losses primarily relates to favorable development across all products driven by fewer reported losses than expected. For property and casualty products, the 2022 decrease in incurred losses for prior years primarily relates to fidelity, management liability, and guaranteed asset protection as fidelity and guaranteed asset protection experienced fewer reported losses than expected, while management liability claims settled more favorably than expected, and the 2021 decrease in incurred losses for prior years primarily relates to fidelity, debt protection, and personal auto and homeowners as fidelity, debt protection, personal auto and homeowners experienced fewer reported losses than expected.

The following presents information about incurred and paid loss and loss adjustment expense development as of December 31, 2022, 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 2013 to 2022, and the average annual percentage payout of incurred claims by age as of December 31, 2022, is presented as required supplementary information.

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	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022	As of December 31, 2022	
2013	$ 342,325	$ 330,638	$ 324,175	$ 322,881	$ 323,288	$ 323,664	$ 323,303	$ 323,699	$ 322,856	$ 321,982	$ 1,201	151,225
2014	-	366,360	351,743	342,061	339,869	338,567	338,691	338,767	338,029	337,497	2,282	159,477
2015	-	-	390,188	370,531	365,117	361,264	360,975	360,699	360,328	360,093	3,027	167,408
2016	-	-	-	424,253	404,818	398,946	396,553	396,351	395,520	395,094	4,022	180,493
2017	-	-	-	-	450,204	429,462	426,256	424,026	421,939	421,080	5,985	190,677
2018	-	-	-	-	-	452,937	434,626	427,970	424,070	422,653	9,806	198,408
2019	-	-	-	-	-	-	452,716	444,700	434,117	431,165	18,331	207,763
2020	-	-	-	-	-	-	-	465,719	456,389	451,321	27,056	218,977
2021	-	-	-	-	-	-	-	-	427,244	423,949	44,298	184,207
2022	-	-	-	-	-	-	-	-	-	411,498	137,367	152,279
										$3,976,332	$ 253,375	

($ in 000s)

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

	For the year ended December 31,									
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022
2013	$ 184,966	$ 262,155	$ 287,382	$ 303,118	$ 312,106	$ 316,414	$ 318,380	$ 319,536	$ 320,266	$ 320,781
2014	-	202,174	280,496	305,234	319,910	328,240	332,133	333,831	334,664	335,215
2015	-	-	218,779	302,293	327,253	342,320	350,794	354,690	356,251	357,065
2016	-	-	-	249,947	338,892	363,776	378,322	386,140	389,725	391,072
2017	-	-	-	-	271,105	364,279	389,752	403,901	411,604	415,096
2018	-	-	-	-	-	278,560	369,671	392,715	405,800	412,846
2019	-	-	-	-	-	-	288,513	379,110	400,913	412,833
2020	-	-	-	-	-	-	-	312,499	403,475	424,262
2021	-	-	-	-	-	-	-	-	295,500	379,643
2022	-	-	-	-	-	-	-	-	-	270,904
Total										3,719,717
All outstanding liabilities before 2013, net of reinsurance										2,896
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 259,511

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	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022	As of December 31, 2022	
2013	$ 133,523	$ 138,477	$ 135,505	$ 135,794	$ 135,736	$ 136,142	$ 136,346	$ 136,317	$ 136,315	$ 136,265	$ 56	319,423
2014	-	157,850	152,507	150,510	150,339	151,189	150,992	150,909	150,924	150,983	77	338,853
2015	-	-	161,143	158,097	159,356	161,490	161,762	160,896	160,813	160,921	140	342,504
2016	-	-	-	173,437	173,314	176,574	178,041	177,869	177,893	177,900	506	349,192
2017	-	-	-	-	183,014	177,526	176,814	176,920	176,550	177,275	576	329,956
2018	-	-	-	-	-	179,836	175,292	171,593	170,215	173,311	1,981	306,043
2019	-	-	-	-	-	-	172,589	166,284	160,062	162,103	6,010	261,765
2020	-	-	-	-	-	-	-	149,502	128,334	125,048	8,546	187,439
2021	-	-	-	-	-	-	-	-	153,317	150,459	20,818	190,471
2022	-	-	-	-	-	-	-	-	-	182,634	60,399	164,178
										$1,596,899	$ 99,109	

($ in 000s)

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

	For the years ended December 31,									
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022
2013	$ 80,215	$ 106,179	$ 118,338	$ 127,220	$ 132,282	$ 134,445	$ 135,497	$ 135,817	$ 135,946	$ 136,010
2014	-	88,434	117,064	133,021	141,601	147,243	149,002	149,804	150,385	150,622
2015	-	-	93,041	125,636	141,364	151,619	157,594	159,003	159,986	160,327
2016	-	-	-	101,381	137,344	155,177	166,365	171,734	174,639	176,250
2017	-	-	-	-	102,031	136,409	154,437	164,863	170,857	174,335
2018	-	-	-	-	-	96,578	130,796	148,186	158,291	165,989
2019	-	-	-	-	-	-	94,037	122,555	139,044	149,307
2020	-	-	-	-	-	-	-	71,525	94,904	107,103
2021	-	-	-	-	-	-	-	-	83,444	114,580
2022	-	-	-	-	-	-	-	-	-	99,372
Total	-	-	-	-	-	-	-	-	-	1,433,895
All outstanding liabilities before 2013, net of reinsurance										296
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 163,300

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	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022	As of December 31, 2022	
2013	$ 52,695	$ 50,279	$ 49,197	$ 47,559	$ 47,585	$ 47,560	$ 47,413	$ 47,447	$ 47,454	$ 47,453	$ -	27,997
2014	-	59,129	56,058	54,269	54,005	53,652	53,319	53,259	53,290	53,265	(2)	31,049
2015	-	-	62,034	57,876	57,884	57,577	57,332	57,247	57,244	57,360	-	32,235
2016	-	-	-	62,932	58,940	57,817	58,068	58,011	57,960	57,919	10	33,767
2017	-	-	-	-	68,182	65,217	64,351	63,588	63,727	63,672	577	36,755
2018	-	-	-	-	-	61,433	63,189	62,500	63,170	62,333	643	33,749
2019	-	-	-	-	-	-	60,049	54,713	54,612	54,370	851	28,420
2020	-	-	-	-	-	-	-	72,816	69,416	70,418	1,967	27,453
2021	-	-	-	-	-	-	-	-	74,488	73,812	5,452	25,034
2022	-	-	-	-	-	-	-	-	-	57,860	17,017	15,360
										$ 598,462	$ 26,515	

($ in 000s)

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

Accident Year	For the years ended December 31, 2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022
2013	$ 37,576	$ 45,369	$ 46,768	$ 46,764	$ 47,056	$ 47,267	$ 47,371	$ 47,393	$ 47,447	$ 47,445
2014	-	41,926	51,361	52,163	52,598	53,214	53,196	53,228	53,237	53,246
2015	-	-	44,769	54,040	55,922	56,572	56,716	56,848	56,895	57,046
2016	-	-	-	44,531	54,228	56,432	57,070	57,573	57,620	57,755
2017	-	-	-	-	46,643	60,108	61,306	62,181	62,435	62,737
2018	-	-	-	-	-	44,152	57,840	59,967	60,838	61,228
2019	-	-	-	-	-	-	39,350	49,728	51,347	52,560
2020	-	-	-	-	-	-	-	46,240	62,164	66,438
2021	-	-	-	-	-	-	-	-	49,481	65,234
2022	-	-	-	-	-	-	-	-	-	34,544
Total										558,233
All outstanding liabilities before 2013, net of reinsurance										51
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 40,280

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.

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

Accident Year	For the years ended December 31, 2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022	Total of IBNR Liabilities Plus Expected Development on Reported Claims As of December 31, 2022	Cumulative Number of Incurred Claim Counts As of December 31, 2022
2013	$ 106,367	$ 91,346	$ 83,374	$ 80,665	$ 79,744	$ 82,880	$ 83,321	$ 83,238	$ 82,292	$ 82,118	$ (530)	9,590
2014	-	107,964	104,126	95,661	91,347	89,526	88,552	88,275	87,557	89,127	526	9,694
2015	-	-	97,708	87,192	81,681	72,364	72,475	72,941	72,384	72,026	(437)	9,719
2016	-	-	-	104,464	91,041	77,392	74,448	74,619	77,154	75,039	(935)	9,987
2017	-	-	-	-	112,626	96,858	90,498	92,853	93,620	91,546	(310)	10,820
2018	-	-	-	-	-	118,074	115,293	109,538	104,325	101,748	638	10,196
2019	-	-	-	-	-	-	90,919	87,771	79,879	79,185	3,304	9,791
2020	-	-	-	-	-	-	-	97,975	97,775	93,559	7,972	8,716
2021	-	-	-	-	-	-	-	-	129,539	128,134	32,791	9,046
2022	-	-	-	-	-	-	-	-	-	166,671	78,310	9,630
										$ 979,153	$ 121,329	

($ in 000s)

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

Accident Year	For the years ended December 31, 2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022
2013	$ 34,696	$ 59,476	$ 71,165	$ 75,937	$ 77,748	$ 79,893	$ 82,210	$ 82,427	$ 82,491	$ 82,444
2014	-	37,553	61,949	82,530	84,911	86,642	88,028	88,263	88,087	88,288
2015	-	-	34,520	55,409	65,560	68,631	70,991	72,079	72,471	72,432
2016	-	-	-	38,543	56,616	66,603	69,627	71,576	71,978	75,823
2017	-	-	-	-	37,226	67,305	80,692	85,886	90,813	91,413
2018	-	-	-	-	-	35,203	73,148	84,506	95,852	97,298
2019	-	-	-	-	-	-	30,542	52,381	64,389	70,339
2020	-	-	-	-	-	-	-	37,643	60,843	73,678
2021	-	-	-	-	-	-	-	-	46,681	77,315
2022	-	-	-	-	-	-	-	-	-	49,484
Total										778,514
All outstanding liabilities before 2013, net of reinsurance										(3,247)
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 197,392

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, 2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022	Total of IBNR Liabilities Plus Expected Development on Reported Claims As of December 31, 2022	Cumulative Number of Incurred Claim Counts As of December 31, 2022
2013	$ 6,213	$ 6,851	$ 6,801	$ 6,456	$ 6,187	$ 6,047	$ 5,949	$ 5,767	$ 5,767	$ 5,575	$ 829	1,036
2014	-	1,822	1,081	835	669	624	473	444	444	444	-	168
2015	-	-	320	-	-	40	50	40	-	-	-	-
2016	-	-	-	320	-	60	60	50	30	-	-	-
2017	-	-	-	-	320	80	60	55	40	30	30	-
2018	-	-	-	-	-	80	56	60	50	40	40	-
2019	-	-	-	-	-	-	80	70	65	50	50	-
2020	-	-	-	-	-	-	-	80	75	65	65	-
2021	-	-	-	-	-	-	-	-	80	75	75	-
2022	-	-	-	-	-	-	-	-	-	80	80	-
										$ 6,359	$ 1,169	

($ in 000s)

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

Accident Year	For the years ended December 31, 2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022
2013	$ 1,065	$ 2,532	$ 3,264	$ 3,853	$ 4,198	$ 4,312	$ 4,472	$ 4,588	$ 4,618	$ 4,630
2014	-	209	340	388	416	444	443	444	444	444
2015	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
Total										5,074
All outstanding liabilities before 2013, net of reinsurance										4,475
Liabilities for loss and loss adjustment expenses, net of reinsurance										$ 5,760

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	57.1%	19.4%	9.9%	6.1%	3.7%	1.4%	0.7%	0.3%	0.1%	0.0%
Consumer - homeowners	72.2	19.2	3.2	1.1	0.7	0.2	0.1	0.1	0.1	0.0
Lending	64.3	22.0	6.2	3.8	2.2	1.1	0.5	0.3	0.2	0.2
Business protection	40.4	28.6	14.9	5.9	2.8	1.4	2.2	0	0.2	-0.1
Workers' compensation	33.1	27.9	12.0	8.5	6.2	2.0	1.5	1.1	0.3	0.2

($ in 000s)

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

		December 31, 2022
Net outstanding liabilities		
Lending	$	259,511
Consumer - auto		163,300
Consumer - homeowners		40,280
Business protection		197,392
Workers' compensation		5,760
Long term care		90,363
Accidental death and dismemberment		63,868
Life - long duration		92,940
Other lines of business		52,378
Life and health claim reserves and loss and loss adjustment expense reserves – property and casualty, net of reinsurance		965,792
Reinsurance recoverable on unpaid claims		
Consumer - auto		12
Consumer - homeowners		517
Business protection		13,640
Workers' compensation		5,121
Long term care		594,531
Life - long duration		273,818
Other lines of business		45
Total reinsurance recoverable on unpaid losses		887,684
Unallocated claims adjustment expenses		17,173
Impact of discounting		(3,960)
Experience refunds		103,473
Other		(13,213)
Total gross life and health claim reserves and loss and loss adjustment expense reserves – property and casualty	$	1,956,949

($ 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	
	2022	2021	2022	2021
Net prior service costs (benefit)	$ -	$ -	$ 1,011	$ 1,104
Net actuarial (gain) loss	317,619	267,099	(25,016)	3,337
Total recognized in AOCI, before tax	317,619	267,099	(24,005)	4,441
Tax expense (benefit)	(66,701)	(56,091)	5,041	(934)
Total recognized in AOCI, net of tax	$ 250,918	$ 211,008	$ (18,964)	$ 3,507

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

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
Projected benefit obligation	$ (180,112)	$ (991,897)	$ -	$ -
Accumulated benefit obligation	(177,483)	(962,166)	-	-
Fair value of plan assets	191,419	1,007,400	-	-

($ 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	
	2022	2021	2022	2021
Projected benefit obligation	$ (634,446)	$ (49,657)	$ -	$ -
Accumulated benefit obligation	(612,266)	(44,694)	(64,507)	(89,856)
Fair value of plan assets	559,799	-	-	-

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

	Pension Benefits			Other Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
Employer contributions	$ 17,566	$ 2,427	$ 2,548	$ 2,375	$ 1,648	$ 2,124
Benefit payments	72,234	66,122	48,929	2,375	1,648	2,124
Net periodic benefit cost	(3,328)	(6,707)	(4,204)	5,428	4,839	4,901

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	
	2022	2021	2022	2021
Discount rate	5.6%	3.0%	5.5%	3.1%
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 6.3% through 6.4%, respectively, for 2022, 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		
	2022	2021	2020	2022	2021	2020
Discount rate	3.0%	2.8%	3.9%	3.1%	2.9%	3.9%
Assumed rate of annual compensation increase	5.1	4.3	4.3	5.3	4.3	4.3
Expected long-term rate of return on plan assets	7.1	7.1	7.1	N/A	N/A	N/A
Interest credited rate for cash balance plan	1.6	0.9	1.7	N/A	N/A	N/A

In determining the discount rate for the years ended December 31, 2022, 2021, and 2020, 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		
2023	$ 52,652	$ 2,642
2024	54,298	3,049
2025	55,631	3,649
2026	57,056	4,049
2027	58,354	4,376
2028-2032	305,949	22,754

The Company anticipates making a minimum contribution to the pension plans of approximately $10,000 in 2023 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 2023 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:

	2022	2021	2023 Target Allocation
Mutual funds with debt securities	58.7%	70.7%	75.0%
Mutual funds with equity securities	24.3	17.6	15.0
Limited partnerships	12.0	8.5	8.0
Cash equivalents	5.0	3.2	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, 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

($ in 000s)

The fair value of the Company's pension plan assets by asset category at December 31, 2021 is presented in the following table.

Plan Assets, at Fair Value	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 31,831	$ -	$ -	$ 31,831
Mutual funds with debt securities	711,838	-	-	711,838
Mutual funds with equity securities	177,788	-	-	177,788
Limited partnerships	-	-	85,943	85,943
Total plan assets	$921,457	$ -	$85,943	$ 1,007,400

There were no transfers between levels during the years ended December 31, 2022 or 2021.

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

Level 1 Measurements

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.

Equity securities: Consists of actively traded hedge funds that have daily quoted NAVs and public equity securities for which valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Level 3 Measurements

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 $16,244 and $13,899 for the years ended December 31, 2022 or 2021.

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 $7,874 and $8,965 at December 31, 2022 and 2021, 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, 2022, 2021, and 2020 were $23,608, $21,292, and $19,913, 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 $111,536 and $119,186 as of December 31, 2022 and 2021, respectively, and is included in accounts payable and other liabilities in the Consolidated Balance Sheets.

Note 11: Statutory Financial Data and Dividend Restrictions

CMHC's subsidiary, 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, 2022 and 2021 and statutory basis net income for the years ended 2022, 2021, and 2020 for CMFG Life is presented in the table below.

	Statutory Capital and Surplus		Statutory Basis Net Income		
	2022	2021	2022	2021	2020
CMFG Life	$ 3,058,467	$ 2,824,137	$ 254,306	$ 156,073	$ 162,818

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 $305,847 during 2023, 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, 2022, 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, 2022, 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:

	2022	2021
CMFG Life Insurance Company		
Surplus notes (net of deferred debt acquisition costs 2022 - $341; 2021 - $420)	$ 63,667	$ 71,590
FHLB borrowings	300,153	140,000
TruStage Financial Group, Inc.		
Term loan - PNC Bank (net of deferred debt acquisition costs 2022 - $335; 2021 - $917)	403,335	1,000,929
Senior notes (net of deferred debt acquisition costs 2022 - $5,503)	596,341	-
MCA Fund III Holding LLC		
Collateralized fund obligations - MCA Fund III LP (net of deferred debt acquisition costs 2022 - $3,040; 2021 - $3,667)	145,887	185,034
Total notes and interest payable, net of deferred debt acquisition costs	$ 1,509,383	$ 1,397,553

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, 2022 and 2021, 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, 2022, 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. The Company must hold FHLB membership stock equal to 0.12% of the Company’s total assets, with an overall limitation of $10,000. The Company must also hold activity stock of 4% of the amount of outstanding advances. Interest on borrowings were calculated daily at floating rates that ranged from 0.28% to 4.60% in 2022, 0.28% to 0.36% in 2021, and 0.28% to 1.85% in 2020. 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.

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. – 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, 2022.

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 and replaces the $400,000 facility entered into in November 2019. The current and prior agreement have an unused fee assessed at 0.15% and 0.23% on the unused principal at December 31, 2022 and 2021, respectively. Interest amounts are calculated based on certain benchmark interest rates plus a spread that ranges from 1.125% to 1.225% based on TruStage's debt to capital ratio. Under the current 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, 2022 and 2021. In the prior agreement, CMFG Life and CUMIS were required to comply with minimum statutory RBC ratios. As of December 31, 2022 and 2021, there were no outstanding borrowings under the facility and accordingly, as of December 31, 2022, the entire facility was available for general corporate purposes.

($ in 000s)

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	

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,				
	2022		2021		
Class	Affiliated	Unaffiliated	Affiliated	Unaffiliated	Note Rate
Class A notes	$ 50,471	$ 120,594	$ 63,958	$ 152,820	3.25%
Class B notes	46,675	28,333	59,110	35,881	4.25
Class C deferrable notes	72,339	-	72,339	-	6.00
Total collateralized notes	$169,485	$ 148,927	$195,407	$ 188,701	

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.

($ in 000s)

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

The Company issued $57,000 in funding agreements to the FHLB in 2021. As of December 31, 2022, $110,000 in outstanding funding agreements used a fixed rate and $690,000 used a variable rate. Fixed interest on agreements range from 0.6% to 1.0% with original maturities ranging from three to five years. Variable interest on agreements is calculated daily at floating rates that range from 0.5% and 5.6% in 2022, 0.4% and 0.7% in 2021 and 0.4% to 2.3% in 2020. The original maturities of the agreements range from four to seven years. Recognized liabilities, including accrued interest, of $804,556 and $800,547, as of December 31, 2022 and 2021, 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.

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:

	2022	2021
Membership stock	$ 17,929	$ 12,721
Activity stock	44,000	37,600
Total FHLB	$ 61,929	$ 50,321
Estimated borrowing capacity	$ 1,100,000	$ 940,000
Collateral pledged as of reporting date:		
Carrying value (included in debt securities, available for sale, and mortgage loans)	$ 1,582,458	$ 1,211,089
FHLB discounted value	1,100,000	940,000
Borrowing as of reporting date (included in notes and interest payable)	$ 300,000	$ 140,000
Borrowing at time of maximum collateral	1,010,000	1,110,000
Maximum borrowing during reporting period	1,280,000	1,200,000
Funding agreements (included in policyholder account balances)	804,556	800,547

($ in 000s)

Note 13: Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income 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, 2021	$ (19,421)	$ 1,210,491	$ (217,410)	$ (174,010)	$ 799,650
Change in foreign currency translation, net of tax - $668	1,303	-	-	-	1,303
Change in unrealized holding gains (losses), net of tax - ($149,147)	-	(561,414)	-	-	(561,414)
Change in pension and other postretirement benefits, net of tax - $769	-	-	2,895	-	2,895
Change in shadow reserves, net of tax - $22,784	-	-	-	86,025	86,025
Balance, December 31, 2021	(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)

($ 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, 2022, 2021, and 2020 are included in the following table:

	2022	2021	2020
Reclassifications from accumulated other comprehensive income (loss):			
Net unrealized gains (losses) on available-for-sale securities included in net realized investment gains (losses)	$ (41,258)	$ (70,923)	$ (40,949)
Tax benefit	(8,664)	(14,894)	(8,599)
Net reclassifications of gains from accumulated other comprehensive income (loss)	$ (32,594)	$ (56,029)	$ (32,350)

Note 14: Commitments and Contingencies

Commitments

The Company has the following commitments outstanding at December 31:

	2022	2021
Limited partnerships		
Energy	$ 27,929	$ 32,504
Mezzanine	724,660	588,305
Private equity	914,414	608,008
Real estate	51,030	50,867
Socially responsible investments	26,950	30,244
LIHTC	101,676	72,907
Mortgage loans	-	17,000
Private placement debt securities	68,122	84,496
Other	5,582	18,820
Total commitments	$ 1,920,363	$ 1,503,151

($ in 000s)

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.

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 $8,261 and $9,030 and lease liabilities are $8,741 and $9,467, respectively, as of December 31, 2022 and 2021. The weighted average remaining lease term is 4.4 years and 5.6 years as of December 31, 2022 and 2021, respectively, and the weighted average discount rate is 3.3% and 3.2% as of December 31, 2022 and 2021, respectively.

Lease payment obligations as of December 31 are as follows:

	2022
2023	$ 4,932
2024	1,983
2025	1,572
2026	1,333
2027	534
Thereafter	310
Total lease liability	$ 10,664

Rental expense included in the Consolidated Statements of Operations and Comprehensive Income amounted to $5,582, $4,690, and $4,499 for the years ended 2022, 2021, and 2020, 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 acquisition date), 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, LLC 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, LLC (“Preneed Holdings”) and ALOC Holdings from Assurant for $1,342,941 in cash consideration. AMLIC and USIC were wholly-owned subsidiaries of Preneed Holdings. TLOC was a wholly-owned subsidiary of ALOC Holdings. Preneed Holdings was dissolved subsequent to the acquisition. AMLIC, USIC and TLOC are life insurance companies that provide preneed insurance, final expense products and other life insurance products to consumers. The acquisition of Preneed Holdings and ALOC Holdings will enhance the Company’s ability to help ensure consumers have access to solutions that help build financial stability.

The Company incurred $37,274 of acquisition-related costs recorded in operating and other expenses in the Consolidated Statements of Operations and Comprehensive Income.

The Company determined the fair values of the assets acquired and liabilities assumed, with the difference between the purchase price and the fair values of the identified net assets recorded as goodwill. Goodwill is primarily attributable to expected synergies and future growth opportunities. As a result of this process $510,134 was assigned to intangible assets and goodwill as follows:

- $20,000 Contract Relationships (amortized over 24 years on straight-line basis)
- $28,900 Technology (amortized between 2 to 14 years on straight-line basis)
- $16,000 State Insurance Licenses (indefinite-lived asset and not amortized)
- $445,234 Goodwill (indefinite-lived asset and not amortized).

None of the goodwill recognized is expected to be deductible for income tax purposes.

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 TLOC 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 TLOC Holdings	$ 1,342,941	$ -	$ 1,342,941

($ in 000s)

VOBA is an intangible asset that represents the excess of recorded reserves over the estimated fair value of acquired insurance, annuity, and investment-type contract liabilities in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. The fair value of such liabilities was calculated using the Actuarial Appraisal Method, consistent with the income approach, for U.S. business and the direct approach for Canadian business. The methodology considers the present value of distributable earnings, discounted at the cost of capital on the acquisition date, after tax adjustments. See Note 8 for a further discussion of VOBA.

The Company's net income for the year ended December 31, 2021, includes $194,408 of total revenue and $21,613 of net income associated with the results of operations of Preplanning Solutions from August 1, 2021 to December 31, 2021. The unaudited pro forma financial information in the table below summarizes the combined results of operations and the operations of the Company, Preneed Holdings, and TLOC Holdings, on a pro forma basis, as though the companies had been combined as of January 1, 2021 and 2020. The unaudited pro forma financial information is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented nor is it an indication of trends in future results. Such information is based on the historical financial statements of the Company, Preneed Holdings, and TLOC Holdings. The pro forma information does not reflect any synergies or operating cost reductions that may be achieved from the combined operations.

	Unaudited	
	Revenue	Net Income
Supplemental pro forma for the year ended December 31, 2021	$ 5,355,677	$ 678,407
Supplemental pro forma for the year ended December 31, 2020	4,548,557	139,909

The pro forma information primarily reflects the following pro forma adjustments:

- Additional amortization on intangible assets,
- Additional interest expense associated with notes payable used to partially fund the acquisition,
- Elimination of transaction related costs from 2021 but added back to 2020; and
- Tax effects of the adjustments noted above.

Cunexus Solutions, Inc.

The Company has been an investor in Cunexus Solutions Inc. (“Cunexus”) since 2016. Cunexus provides an end to-end digital lending solution that offers financial institutions the ability to offer pre-approved loans to consumers. Prior to October 14, 2020, the Company owned approximately 20.9% of the Cunexus equity valued at $8,000 immediately prior to the acquisition and recorded the investment in equity securities on the Consolidated Balance Sheets 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. On October 14, 2020, the Company acquired the remaining 79.1% of the equity for a net cash payment of $52,986, resulting in Cunexus becoming a wholly-owned subsidiary of the Company in the consolidated financial statements. The Company incurred $1,460 of acquisition-related costs recorded in operating and other expenses in the Consolidated Statements of Operations and Comprehensive Income.

Note 16: Subsequent Events

The Company evaluated subsequent events through March 8, 2023, 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.