Protective Life Corporation
Financial Statements and Notes
September 30, 2023

PROTECTIVE LIFE CORPORATION
FINANCIAL STATEMENTS AND NOTES
FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

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PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF (LOSS) INCOME
(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Revenues				
Gross premiums and policy fees	$ 1,059	$ 1,104	$ 3,358	$ 3,333
Reinsurance ceded	(205)	(310)	(946)	(1,019)
Net premiums and policy fees	854	794	2,412	2,314
Net investment income	843	827	2,505	2,416
Net realized losses	(156)	(6)	(467)	(233)
Other income	154	142	460	426
Total revenues	1,695	1,757	4,910	4,923
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three and nine months 2023 - $10 and $647; three and nine months 2022 - $288 and $946)	1,371	1,281	3,882	3,793
Amortization of deferred policy acquisition costs and value of business acquired	76	141	230	349
Other operating expenses, net of reinsurance ceded: (three and nine months 2023 - $54 and $158; three and nine months 2022 - $65 and $182)	269	260	807	756
Total benefits and expenses	1,716	1,682	4,919	4,898
(Loss) income before income tax	(21)	75	(9)	25
Income tax (benefit) expense	(3)	17	—	5
Net (loss) income	$ (18)	$ 58	$ (9)	$ 20

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Net (loss) income	$ (18)	$ 58	$ (9)	$ 20
Other comprehensive (loss) income:				
Change in net unrealized gains (losses) on investments, net of income tax: (three and nine months 2023 - $(329) and $(337); three and nine months 2022 - $(560) and $(2,253))	(1,237)	(2,106)	(1,266)	(8,475)
Reclassification adjustment for investment amounts included in net income (loss), net of income tax: (three and nine months 2023 - $7 and $45; three and nine months 2022 - $— and $—)	25	(2)	167	(2)
Change in net unrealized losses on fixed maturities with an allowance for credit losses, net of income tax: (three and nine months 2023 - $(4) and $(4); three and nine months 2022 - $— and $—)	(13)	(1)	(14)	(2)
Change in accumulated gain (loss) - derivatives, net of income tax: (three and nine months 2023 - $5 and $6; three and nine months 2022 - $— and $1)	22	3	24	7
Reclassification adjustment for derivative amounts included in net income (loss), net of income tax: (three and nine months 2023 - $(1) and $(1); three and nine months 2022 - $— and $—)	(3)	1	(5)	1
Change in postretirement benefits liability adjustment, net of income tax: (three and nine months 2023 - $— and $—; three and nine months 2022 - $— and $—)	—	—	—	1
Total other comprehensive loss	(1,206)	(2,105)	(1,094)	(8,470)
Total comprehensive loss	$ (1,224)	$ (2,047)	$ (1,103)	$ (8,450)

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

	As of	
	September 30, 2023	December 31, 2022
	(Unaudited)	
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2023 - $66,230; 2022 - $67,228; allowance for credit losses: 2023 - $95 ; 2022 - $10)	$ 54,771	$ 57,512
Equity securities, at fair value (cost: 2023 - $700; 2022 - $825)	562	714
Commercial mortgage loans, net of allowance for credit losses (2023 - $127; 2022 - $100)	11,843	11,696
Policy loans	1,464	1,485
Other long-term investments	3,766	2,942
Short-term investments	1,408	1,160
Total investments	73,814	75,509
Cash	371	401
Accrued investment income	742	721
Accounts and premiums receivable	214	187
Reinsurance receivables, net of allowance for credit losses (2023 - $94; 2022 - $79)	4,114	4,289
Deferred acquisition costs and value of business acquired	5,719	5,597
Goodwill	983	984
Other intangibles, net of accumulated amortization (2023 - $492; 2022 - $440)	712	757
Property and equipment, net of accumulated depreciation (2023 - $110; 2022 - $97)	204	213
Other assets	400	314
Deferred income taxes, net	829	470
Assets related to separate accounts:		
Variable annuity	10,853	11,040
Variable universal life	2,826	2,534
Reinsurance assumed	10,130	10,168
Total assets	$ 111,911	$ 113,184

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(continued)

	As of	
	September 30, 2023	December 31, 2022
	(Unaudited)	
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	$ 51,358	$ 51,772
Unearned premiums	1,421	1,417
Total policy liabilities and accruals	52,779	53,189
Stable value product account balances	11,957	10,007
Annuity account balances	13,808	15,111
Other policyholders’ funds	1,186	1,354
Other liabilities	4,472	3,844
Secured financing liabilities	181	1,128
Debt	1,995	1,982
Subordinated debt	606	606
Liabilities related to separate accounts:		
Variable annuity	10,853	11,040
Variable universal life	2,826	2,534
Reinsurance assumed	10,130	10,168
Total liabilities	110,793	110,963
Commitments and contingencies - Note 11		
Shareowner’s equity		
Common Stock, 2023 and 2022 - $0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	5,804	5,804
Retained earnings	1,962	1,971
Accumulated other comprehensive income (loss):		
Net unrealized losses on investments, net of income tax: (2023 - $(1,764); 2022 - $(1,472))	(6,636)	(5,537)
Net unrealized losses on investments with an allowance for credit losses, net of income tax: (2023 - $(6); 2022 - $(2))	(21)	(7)
Accumulated (loss) gain - derivatives, net of income tax: (2023 - $5; 2022 - $—)	20	1
Postretirement benefits liability adjustment, net of income tax: (2023 - $(3); 2022 - $(3))	(11)	(11)
Total shareowner’s equity	1,118	2,221
Total liabilities and shareowner’s equity	$ 111,911	$ 113,184

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNER'S EQUITY
(Unaudited)

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, June 30, 2023	$ —	$ 5,804	$ 1,980	$ (5,442)	$ 2,342
Net loss			(18)		(18)
Other comprehensive loss				(1,206)	(1,206)
Comprehensive loss					(1,224)
Balance, September 30, 2023	$ —	$ 5,804	$ 1,962	$ (6,648)	$ 1,118

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2022	$ —	$ 5,804	$ 1,971	$ (5,554)	$ 2,221
Net loss			(9)		(9)
Other comprehensive loss				(1,094)	(1,094)
Comprehensive loss					(1,103)
Balance, September 30, 2023	$ —	$ 5,804	$ 1,962	$ (6,648)	$ 1,118

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNER'S EQUITY
(Unaudited)
(continued)

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, June 30, 2022	$ —	$ 5,804	$ 1,863	$ (3,983)	$ 3,684
Net income			58		58
Other comprehensive loss				(2,105)	(2,105)
Comprehensive loss					(2,047)
Balance, September 30, 2022	$ —	$ 5,804	$ 1,921	$ (6,088)	$ 1,637

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2021	$ —	$ 5,804	$ 2,140	$ 2,382	$ 10,326
Net income			20		20
Other comprehensive loss				(8,470)	(8,470)
Comprehensive loss					(8,450)
Dividends to parent			(239)		(239)
Balance, September 30, 2022	$ —	$ 5,804	$ 1,921	$ (6,088)	$ 1,637

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For The Nine Months Ended September 30, 2023	2022
	(Dollars In Millions)	
Cash flows from operating activities		
Net (loss) income	$ (9)	$ 20
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Net realized losses	467	233
Amortization of deferred acquisition costs and value of business acquired	230	349
Capitalization of deferred acquisition costs	(475)	(452)
Depreciation and amortization expense	67	63
Deferred income tax	(67)	(10)
Accrued income tax	(32)	(26)
Interest credited to universal life and investment products	1,234	1,095
Trading securities purchases, sales, and maturities, net	145	10
Amortization of premiums and accretion of discounts on investments and commercial mortgage loans	143	135
Change in:		
Policy fees assessed on universal life and investment products	(1,434)	(1,394)
Reinsurance receivables	175	3
Accrued investment income and other receivables	(21)	(49)
Policy liabilities and other policyholders’ funds of traditional life and health	(859)	(650)
Other liabilities	(55)	174
Other, net	(69)	68
Net cash used in operating activities	$ (560)	$ (431)

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued)

	For The Nine Months Ended September 30,	
	2023	2022
	(Dollars In Millions)	
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	$ 1,835	$ 2,030
Sale of investments, available-for-sale	3,112	1,505
Cost of investments acquired, available-for-sale	(4,322)	(3,345)
Commercial mortgage loans:		
New loan originations	(940)	(1,926)
Repayments	735	970
Change in investment real estate, net	6	—
Change in policy loans, net	21	44
Change in other long-term investments, net	(471)	(402)
Change in short-term investments, net	(233)	(328)
Net unsettled security transactions	285	12
Purchase of property, equipment, and intangibles	(14)	(11)
Payment for business acquisition, net of cash acquired	—	(322)
Net cash provided by (used in) investing activities	14	(1,773)
Cash flows from financing activities		
Borrowings under line of credit arrangement, debt, and subordinated debt	3,805	1,302
Principal payments on line of credit arrangement, debt, and subordinated debt	(3,791)	(1,324)
Change in secured financing liabilities	(947)	(222)
Dividends to shareowner	(69)	(239)
Deposits to universal life and investment contracts	7,883	7,076
Withdrawals from universal life and investment contracts	(6,372)	(4,505)
Other financing activities, net	7	(8)
Net cash provided by financing activities	516	2,080
Change in cash	(30)	(124)
Cash at beginning of period	401	544
Cash at end of period	$ 371	$ 420

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Corporation (the “Company”) is a holding company with subsidiaries that provide financial services through the production, distribution, and administration of insurance and investment products. The Company principally markets individual life insurance, guaranteed investment contracts, guaranteed funding agreements, fixed and variable annuities, and extended service contracts throughout the United States. The Company also maintains a separate segment devoted to the acquisition of insurance policies from other companies. Founded in 1907, Protective Life Insurance Company (“PLICO”) is the Company’s largest operating subsidiary.

On February 1, 2015, The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaisha* organized under the laws of Japan (now known as Dai-ichi Life Holdings, Inc., “Dai-ichi Life”), acquired 100% of the Company’s outstanding shares of common stock through the merger of DL Investment (Delaware), Inc., a Delaware corporation and wholly owned subsidiary of Dai-ichi Life, with and into the Company, with the Company continuing as the surviving entity (the “Merger”). As a result of the Merger, the Company became a direct, wholly owned subsidiary of Dai-ichi Life. Effective January 1, 2023, the Company became a wholly owned subsidiary of Dai-ichi Life International Holding, LLC, a *godo kaisha* organized under the laws of Japan and subsidiary of Dai-ichi Life (“Dai-ichi Life International”), upon the transfer of all of the outstanding shares of the Company’s common stock from Dai-ichi Life to Dai-ichi Life International. Dai-ichi Life remains the ultimate controlling parent corporation of the Company.

These consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for the interim periods presented herein. In the opinion of management, the accompanying consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring items) necessary for a fair presentation of the results for the interim periods presented. Operating results for the three and nine months ended September 30, 2023, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2023. The year-end consolidated condensed financial data included herein was derived from audited financial statements but this report does not include all disclosures required by GAAP.

The operating results of companies in the insurance industry have historically been subject to significant fluctuations due to changing competition, economic conditions, interest rates, investment performance, insurance ratings, claims, persistency, and other factors.

During 2023, the Company identified $12 million and $38 million, respectively, of realized losses that were misclassified for the three and nine months ended September 30, 2022, resulting in an overstatement of *net investment income* and an overstatement of *net realized losses* within the statement of loss. The Company determined that the reclassifications were not material to the financial statements for any period. These amounts have been corrected in the statements of income (loss) for the three and nine months ended September 30, 2022.

The Company used its estimates of annual 2023 and 2022 pre-tax income in computing its effective income tax rates for the three and nine months ended September 30, 2023 and 2022. The effective tax rates for the three and nine months ended September 30, 2023 and 2022, were 12.6% and 22.5% and (4.5%) and 20.4%, respectively. The reduction of the effective tax rate for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022, was driven primarily by a decrease in book income (loss) before income tax.

Entities Included

The consolidated condensed financial statements in this report include the accounts of Protective Life Corporation and subsidiaries, wholly owned subsidiaries and affiliate companies in which the Company holds a majority voting or economic interest. Intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

For a full description of the Company’s significant accounting policies, refer to Note 2 in the Company’s consolidated financial statements for the year ended December 31, 2022. There were no significant changes to the Company’s accounting policies during the nine months ended September 30, 2023.

Accounting Pronouncements Adopted

Accounting Standards Update ("ASU") No. 2022-02 - Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this Update eliminate the classification and measurement guidance for Troubled Debt Restructurings ("TDRs") and require expanded disclosures for loan modifications to borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current year write-offs by origination year. The Update was effective for the Company's fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted the amendments on a prospective basis. The Update did not have a material impact on our operations and financial results.

Accounting Pronouncements Not Yet Adopted

ASU No. 2018-12 - Financial Services - Insurance (Topic 944): Targeted Improvements to Accounting for Long-Duration Contracts. The amendments in this Update are designed to make improvements to the existing recognition, measurement, presentation, and disclosure requirements for certain long-duration contracts issued by an insurance company. The new amendments require insurance entities to provide a more current measure of the liability for future policy benefits for traditional and limited-payment contracts by regularly refining the liability for actual past experience and updated future assumptions. This differs from current requirements where assumptions are locked-in at contract issuance for these contract types. In addition, the updated liability will be discounted using an upper-medium grade (low-credit-risk) fixed income instrument yield that reflects the characteristics of the liability which differs from currently used rates based on the invested assets supporting the liability. In addition, the amendments introduce new requirements to assess market-based insurance contract options and guarantees for Market Risk Benefits and measure them at fair value. This Update also requires insurance entities to amortize deferred acquisition costs on a constant-level basis over the expected life of the contract. Finally, this Update requires new disclosures including liability rollforwards and information about significant inputs, judgments, assumptions, and methods used in the measurement. In November 2020, FASB issued ASU No. 2020-11 - *Financial Services - Insurance (Topic 944); Effective Date and Early Application* which deferred the effective date until the year ending December 31, 2025. The Company is currently reviewing its policies, processes, and applicable systems to determine the impact this standard will have on its operations and financial results. The Company will adopt this Update on a modified retrospective method as allowed within the standard during the fourth quarter of 2025.

3. INVESTMENT OPERATIONS

Net realized gains (losses) are summarized as follows:

	For The Three Months Ended September 30, 2023	For The Three Months Ended September 30, 2022	For The Nine Months Ended September 30, 2023	For The Nine Months Ended September 30, 2022
	(Dollars In Millions)			
Fixed maturities	$ (31)	$ 2	$ (68)	$ 2
Equity securities	(13)	(17)	(47)	(147)
Modco trading portfolios	(93)	(149)	(75)	(618)
Change in net credit losses - fixed maturities(1)	(2)	—	(144)	—
Commercial mortgage loans	13	(15)	(52)	(1)
Corporate-owned life insurance	(3)	(8)	27	(47)
Other investments	(7)	(2)	(7)	—
Net realized losses - investments	(136)	(189)	(366)	(811)
Net realized gains (losses) - derivatives(2)	(20)	183	(101)	578
Net realized losses	$ (156)	$ (6)	$ (467)	$ (233)

(1) Includes $59 million of realized losses related securities that were impaired and sold during the nine months ended September 30, 2023.

(2) See Note 5, *Derivative Financial Instruments*

The chart below summarizes the sales proceeds and gains (losses) realized on securities classified as available-for-sale (“AFS”).

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Securities in an unrealized gain position:				
Sales proceeds	$ 535	$ 226	$ 944	$ 516
Realized gains	$ 22	$ 4	$ 29	$ 10
Securities in an unrealized loss position:				
Sales proceeds	$ 1,497	$ 198	$ 1,531	$ 353
Realized losses	$ (53)	$ (2)	$ (97)	$ (8)

The net losses from equity securities still held at period end were $(1) million and $(17) million for the three months ended September 30, 2023 and 2022, respectively, and $(27) million and $(149) million for the nine months ended September 30, 2023 and 2022, respectively. The Company recognized losses of $(12) million on disposals of equity securities for the three months ended September 30, 2023 and recognized losses of $(20) million on disposals of equity securities for the nine months ended September 30, 2023. The Company did not recognize material gains on disposals of equity securities for the three months ended September 30, 2022 and recognized gains of $2 million on disposals of equity securities sold for the nine months ended September 30, 2022.

The amortized cost, gross unrealized gains, gross unrealized losses, allowance for expected credit losses, and fair value of the Company’s investments classified as AFS are as follows:

As of September 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 7,606	$ —	$ (1,819)	$ —	$ 5,787
Commercial mortgage-backed securities	1,679	—	(209)	(6)	1,464
Other asset-backed securities	2,031	19	(43)	—	2,007
U.S. government-related securities	880	—	(181)	—	699
Other government-related securities	140	—	(23)	—	117
States, municipals, and political subdivisions	3,449	—	(527)	—	2,922
Corporate securities	48,170	10	(8,513)	(89)	39,578
Redeemable preferred stocks	297	1	(78)	—	220
	64,252	30	(11,393)	(95)	52,794
Short-term investments	1,317	—	—	—	1,317
	$ 65,569	$ 30	$ (11,393)	$ (95)	$ 54,111

As of December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,842	$ 1	$ (1,505)	$ —	$ 5,338
Commercial mortgage-backed securities	1,807	—	(172)	(6)	1,629
Other asset-backed securities	1,721	12	(73)	—	1,660
U.S. government-related securities	831	—	(164)	—	667
Other government-related securities	151	—	(13)	—	138
States, municipals, and political subdivisions	3,622	1	(448)	—	3,175
Corporate securities	49,760	41	(7,305)	(4)	42,492
Redeemable preferred stocks	297	1	(83)	—	215
	65,031	56	(9,763)	(10)	55,314
Short-term investments	1,083	—	—	—	1,083
	$ 66,114	$ 56	$ (9,763)	$ (10)	$ 56,397

The Company holds certain investments pursuant to certain modified coinsurance ("Modco") arrangements. The fixed maturities and short-term investments held as part of these arrangements are classified as trading securities. The fair value of the investments held pursuant to these Modco arrangements are as follows:

	As of	
	September 30, 2023	December 31, 2022
	(Dollars In Millions)	
Fixed maturities:		
Residential mortgage-backed securities	$ 95	$ 108
Commercial mortgage-backed securities	152	165
Other asset-backed securities	183	182
U.S. government-related securities	15	23
Other government-related securities	12	28
States, municipals, and political subdivisions	168	192
Corporate securities	1,346	1,494
Redeemable preferred stocks	6	6
	1,977	2,198
Equity securities	7	11
Short-term investments	91	77
	$ 2,075	$ 2,286

The amortized cost and fair value of AFS fixed maturities as of September 30, 2023, by expected maturity, are shown below. Expected maturities of securities without a single maturity date are allocated based on estimated rates of prepayment that may differ from actual rates of prepayment.

	Available-for-Sale	
	Amortized Cost	Fair Value
	(Dollars In Millions)	
Due in one year or less	$ 1,820	$ 1,775
Due after one year through five years	10,028	9,333
Due after five years through ten years	12,591	10,911
Due after ten years	39,813	30,775
	$ 64,252	$ 52,794

The following chart is a rollforward of the allowance for expected credit losses on fixed maturities classified as AFS:

	For The Three Months Ended September 30, 2023			For The Nine Months Ended September 30, 2023		
	Corporate Securities	CMBS	Total	Corporate Securities	CMBS	Total
	(Dollars In Millions)					
Beginning Balance	$ 87	$ 6	$ 93	$ 4	$ 6	$ 10
Additions for securities for which an allowance was not previously recorded	6	—	6	108	—	108
Adjustments on previously recorded allowances due to change in expected cash flows	(4)	—	(4)	(4)	—	(4)
Reductions on previously recorded allowances due to disposal of security in the current period	—	—	—	(19)	—	(19)
Write-offs of previously recorded allowances due to intent or requirement to sell	—	—	—	—	—	—
Ending Balance	$ 89	$ 6	$ 95	$ 89	$ 6	$ 95

	For The Three Months Ended September 30, 2022			For The Nine Months Ended September 30, 2022		
	Corporate Securities	CMBS	Total	Corporate Securities	CMBS	Total
	(Dollars In Millions)					
Beginning Balance	$ 1	$ —	$ 1	$ 1	$ —	$ 1
Additions for securities for which an allowance was not previously recorded	—	—	—	—	—	—
Adjustments on previously recorded allowances due to change in expected cash flows	—	—	—	—	—	—
Reductions on previously recorded allowances due to disposal of security in the current period	—	—	—	—	—	—
Write-offs of previously recorded allowances due to intent or requirement to sell	—	—	—	—	—	—
Ending Balance	$ 1	$ —	$ 1	$ 1	$ —	$ 1

The following table includes the gross unrealized losses and fair value of the Company's AFS fixed maturities for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2023:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	$ 1,111	$ (33)	$ 4,674	$ (1,786)	$ 5,785	$ (1,819)
Commercial mortgage-backed securities	10	—	1,454	(209)	1,464	(209)
Other asset-backed securities	288	(2)	991	(41)	1,279	(43)
U.S. government-related securities	43	(1)	511	(180)	554	(181)
Other government-related securities	24	(4)	93	(19)	117	(23)
States, municipals, and political subdivisions	108	(9)	2,758	(518)	2,866	(527)
Corporate securities	3,481	(238)	35,640	(8,275)	39,121	(8,513)
Redeemable preferred stocks	—	—	189	(78)	189	(78)
	$ 5,065	$ (287)	$ 46,310	$ (11,106)	$ 51,375	$ (11,393)

Residential mortgage-backed securities ("RMBS") had gross unrealized losses greater than twelve months of $1.8 billion as of September 30, 2023. Factors such as credit enhancements within the deal structures, the average lives of the securities, and the performance of the underlying collateral support the recoverability of these investments.

Corporate securities had gross unrealized losses greater than twelve months of $8.3 billion as of September 30, 2023, excluding losses of $89 million that were considered credit-related. These losses are deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuers, the continued access of the issuers to capital markets, interest rate movement, and other pertinent information.

As of September 30, 2023, the Company had a total of 5,045 positions that were in an unrealized loss position, including 13 positions for which an allowance for credit losses was established. For unrealized losses for which an allowance for credit losses was not established, the Company does not consider these unrealized loss positions to be credit-related. This is based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover. The Company does not intend to sell or expect to be required to sell the securities before recovering the Company's amortized cost of the securities.

The following table includes the gross unrealized losses and fair value of the Company's AFS fixed maturities, for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2022:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	$ 2,835	$ (678)	$ 2,426	$ (827)	$ 5,261	$ (1,505)
Commercial mortgage-backed securities	1,531	(157)	98	(15)	1,629	(172)
Other asset-backed securities	1,139	(61)	167	(12)	1,306	(73)
U.S. government-related securities	328	(18)	331	(146)	659	(164)
Other government-related securities	139	(13)	—	—	139	(13)
States, municipals, and political subdivisions	3,081	(439)	26	(9)	3,107	(448)
Corporate securities	38,120	(6,196)	3,458	(1,109)	41,578	(7,305)
Redeemable preferred stocks	182	(75)	12	(8)	194	(83)
	$ 47,355	$ (7,637)	$ 6,518	$ (2,126)	$ 53,873	$ (9,763)

As of September 30, 2023, the Company had securities in its AFS portfolio which were rated below investment grade of $1.5 billion and had an amortized cost of $1.9 billion. Included in the Company's trading portfolio, the Company held $77 million of securities which were rated below investment grade. Within the Company's AFS and trading portfolios, the Company had securities which were below investment grade and were not publicly traded of $565 million and had an amortized cost of $702 million.

The change in unrealized gains (losses), net of the allowance for expected credit losses and income taxes on fixed maturities, classified as AFS is summarized as follows:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Fixed maturities	$ (1,784)	$ (3,030)	$ (1,308)	$ (12,371)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair value of its financial instruments based on the fair value hierarchy established in FASB guidance referenced in the Fair Value Measurements and Disclosures Topic which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company has adopted the provisions from the FASB guidance that is referenced in the Fair Value Measurements and Disclosures Topic for non-financial assets and liabilities (such as property and equipment, goodwill, and other intangible assets) that are required to be measured at fair value on a periodic basis. The effect on the Company's periodic fair value measurements for non-financial assets and liabilities was not material.

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized as follows:

- **Level 1:** Unadjusted quoted prices for identical assets or liabilities in an active market.
- **Level 2:** Quoted prices in markets that are not active or significant inputs that are observable either directly or indirectly. Level 2 inputs include the following:
  - a) Quoted prices for similar assets or liabilities in active markets;
  - b) Quoted prices for identical or similar assets or liabilities in non-active markets;
  - c) Inputs other than quoted market prices that are observable; and
  - d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means.
- **Level 3:** Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own estimates about the assumptions a market participant would use in pricing the asset or liability.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2023:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturities - AFS					
Residential mortgage-backed securities	4	$ —	$ 5,787	$ —	$ 5,787
Commercial mortgage-backed securities	4	—	1,332	132	1,464
Other asset-backed securities	4	—	1,492	515	2,007
U.S. government-related securities	4	427	272	—	699
Other government-related securities	4	—	117	—	117
States, municipals, and political subdivisions	4	—	2,922	—	2,922
Corporate securities	4	—	38,103	1,475	39,578
Redeemable preferred stocks	4	220	—	—	220
Total fixed maturities - AFS		647	50,025	2,122	52,794
Fixed maturities - trading					
Residential mortgage-backed securities	3	—	95	—	95
Commercial mortgage-backed securities	3	—	152	—	152
Other asset-backed securities	3	—	85	98	183
U.S. government-related securities	3	11	4	—	15
Other government-related securities	3	—	12	—	12
States, municipals, and political subdivisions	3	—	168	—	168
Corporate securities	3	—	1,342	4	1,346
Redeemable preferred stocks	3	6	—	—	6
Total fixed maturities - trading		17	1,858	102	1,977
Total fixed maturities		664	51,883	2,224	54,771
Equity securities	3	326	37	199	562
Other long-term investments(1)	3 & 4	19	627	671	1,317
Short-term investments	3	1,226	182	—	1,408
Total investments		2,235	52,729	3,094	58,058
Cash	3	371	—	—	371
Other assets	3	46	—	—	46
Assets related to separate accounts					
Variable annuity	3	10,853	—	—	10,853
Variable universal life	3	2,826	—	—	2,826
Total assets measured at fair value on a recurring basis		$ 16,331	$ 52,729	$ 3,094	$ 72,154
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 44	$ 44
Other liabilities(1)	3 & 4	19	552	1,070	1,641
Total liabilities measured at fair value on a recurring basis		$ 19	$ 552	$ 1,114	$ 1,685

Measurement category 3 represents fair value through net income and 4 represents fair value through other comprehensive income (loss).

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturities - AFS					
Residential mortgage-backed securities	4	$ —	$ 5,338	$ —	$ 5,338
Commercial mortgage-backed securities	4	—	1,482	147	1,629
Other asset-backed securities	4	—	1,109	551	1,660
U.S. government-related securities	4	381	286	—	667
Other government-related securities	4	—	138	—	138
States, municipals, and political subdivisions	4	—	3,175	—	3,175
Corporate securities	4	—	41,046	1,446	42,492
Redeemable preferred stocks	4	215	—	—	215
Total fixed maturities - AFS		596	52,574	2,144	55,314
Fixed maturities - trading					
Residential mortgage-backed securities	3	—	108	—	108
Commercial mortgage-backed securities	3	—	165	—	165
Other asset-backed securities	3	—	86	96	182
U.S. government-related securities	3	18	5	—	23
Other government-related securities	3	—	18	10	28
States, municipals, and political subdivisions	3	—	192	—	192
Corporate securities	3	—	1,489	5	1,494
Redeemable preferred stocks	3	6	—	—	6
Total fixed maturities - trading		24	2,063	111	2,198
Total fixed maturities		620	54,637	2,255	57,512
Equity securities	3	484	47	183	714
Other long-term investments(1)	3&4	26	345	535	906
Short-term investments	3	998	162	—	1,160
Total investments		2,128	55,191	2,973	60,292
Cash	3	401	—	—	401
Other assets	3	41	—	—	41
Assets related to separate accounts					
Variable annuity	3	11,040	—	—	11,040
Variable universal life	3	2,534	—	—	2,534
Total assets measured at fair value on a recurring basis		$ 16,144	$ 55,191	$ 2,973	$ 74,308
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 56	$ 56
Other liabilities(1)	3&4	11	255	962	1,228
Total liabilities measured at fair value on a recurring basis		$ 11	$ 255	$ 1,018	$ 1,284

Measurement category 3 represents fair value through net income and 4 represents fair value through other comprehensive income (loss).

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

Determination of Fair Values

The valuation methodologies used to determine the fair values of assets and liabilities reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company's credit standing, liquidity, and where appropriate, risk margins on unobservable parameters.

For a full description of the Company's fair value calculations and accounting policies, refer to Note 5 in the Company's consolidated financial statements for the year ended December 31, 2022.

Valuation of Level 3 Financial Instruments

The following tables present the valuation method for material fixed maturities and embedded derivative financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments as of September 30, 2023 and December 31, 2022:

September 30, 2023		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Millions)			
Assets:					
Commercial mortgage-backed securities	$	132	Discounted cash flow	Spread over treasury	1.00% - 2.50% (2.06%)
Other asset-backed securities		369	Liquidation	Liquidation value	$99.31 - $100.00 ($99.61)
			Discounted cash flow	Liquidity premium	1.09% - 1.88% (1.31%)
				Paydown rate	16.44% - 19.42% (17.76%)
				Spread over treasury	0.95% - 6.00% (1.93%)
Corporate securities		1,264	Discounted cash flow	Spread over treasury	0.49% - 5.25% (2.00%)
Embedded derivatives - GLWB(2)	$	2	Actuarial cash flow model	Mortality	100% to 157% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment
				Lapse	PL-RBA Predictive Model
				Utilization	PL-RBA Predictive Model
				Nonperformance risk	0.41% - 1.56%
Liabilities:(1)					
Embedded derivative - FIA(2)		498	Actuarial cash flow model	Expenses	$254 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 73, RMD for ages 73+
					or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 73-88
				Mortality	100% to 157% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment on some products
				Lapse	0.2% - 50%, depending on duration/surrender charge period.
					Dynamically adjusted for WB
					moneyness and projected market rates vs credited rates.
				Nonperformance risk	0.41% - 1.56%
Embedded derivative - IUL		30	Actuarial cash flow model	Mortality	43% - 110% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2020 SOA HMI)
					94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
				Lapse	0.375% - 7.5%, depending on
					issue age and duration,
					smoking class, and level of funding
				Nonperformance risk	0.41% - 1.56%

(1) Excludes modified coinsurance arrangements.

(2) Fair value is presented as a net asset or net liability.

December 31, 2022		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Millions)			
Assets:					
Commercial mortgage-backed securities	$	147	Discounted cash flow	Spread over treasury	1.11% - 2.50% (2.30%)
Other asset-backed securities		393	Liquidation	Liquidation value	$91.00 - $100.00 ($96.67)
			Discounted cash flow	Liquidity premium	1.18% - 1.90% (1.50%)
				Paydown rate	15.52% - 18.62% (16.16%)
				Spread over treasury	0.76% - 4.60% (3.68%)
Corporate securities		1,300	Discounted cash flow	Spread over treasury	0.43% - 4.80% (2.17%)
Liabilities:(1)					
Embedded derivatives - GLWB(2)	$	57	Actuarial cash flow model	Mortality	88% to 100% of Ruark 2015 ALB table; mortality improvement
				Lapse	PL-RBA Predictive Model
				Utilization	PL-RBA Predictive Model
				Nonperformance risk	0.29% - 1.45%
Embedded derivative - FIA(2)		467	Actuarial cash flow model	Expenses	$226 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72 RMD for ages 70+ or WB withdrawal rate Assume underutilized RMD for non-WB policies ages 72-88
				Mortality	88% to 100% of Ruark 2015 ALB; mortality improvement on some products table
				Lapse	0.2% - 50.0%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
				Nonperformance risk	0.29% - 1.45%
Embedded derivative - IUL		13	Actuarial cash flow model	Mortality	43% - 110% of base table (90% of 2015 VBT Primary Tables 94% - 248% of duration 8 point in scale 2015 VBT primary tables, depending on type of business
				Lapse	0.375% - 7.5%, depending on duration/distribution channel and smoking class
				Nonperformance risk	0.29% - 1.45%

(1) Excludes modified coinsurance arrangements. See Note 5, *Derivatives*, for fair value of related embedded derivatives.

(2) The fair value is presented as a net liability. See. Note 5, *Derivatives*, for gross asset and liability positions.

The charts above exclude Level 3 financial instruments that are valued using broker quotes and those for which book value approximates fair value as described below.

The Company has considered all reasonably available quantitative inputs as of September 30, 2023 and December 31, 2022, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. As of September 30, 2023 and December 31, 2022, $470 million and $421 million of financial instruments classified as Level 3, respectively, were valued by brokers. Of these securities, $244 million and $254 million were classified as other asset-backed securities and $215 million and $151 million were classified as corporate securities, respectively. As of September 30, 2023 and December 31, 2022, $11 million and $6 million of equity securities were included in Level 3. As of September 30, 2023, no government securities were included in level 3. As of December 31, 2022, $10 million of government securities were included in Level 3.

In certain cases, the Company has determined that book value materially approximates fair value. As of September 30, 2023 and December 31, 2022, the Company held FHLB capital stock of $188 million and $177 million, respectively, for which book value approximates fair value.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2023, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 143	$ —	$ —	$ —	$ (10)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 132	$ —
Other asset-backed securities	532	—	2	—	(1)	2	(21)	—	—	—	1	515	—
Corporate securities	1,448	—	2	—	(38)	73	(35)	—	—	25	—	1,475	—
Total fixed maturities - AFS	2,123	—	4	—	(49)	75	(57)	—	—	25	1	2,122	—
Fixed maturities - trading													
Other asset-backed securities	97	—	2	—	—	—	(1)	—	—	—	—	98	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate securities	5	—	—	—	(1)	—	—	—	—	—	—	4	—
Total fixed maturities - trading	102	—	2	—	(1)	—	(1)	—	—	—	—	102	—
Total fixed maturities	2,225	—	6	—	(50)	75	(58)	—	—	25	1	2,224	—
Equity securities	196	—	—	—	—	9	(6)	—	—	—	—	199	—
Other long-term investments(1)	562	177	—	(68)	—	—	—	—	—	—	—	671	109
Total investments	2,983	177	6	(68)	(50)	84	(64)	—	—	25	1	3,094	109
Total assets measured at fair value on a recurring basis	$ 2,983	$ 177	$ 6	$ (68)	$ (50)	$ 84	$ (64)	$ —	$ —	$ 25	$ 1	$ 3,094	$ 109
Liabilities:													
Annuity account balances(2)	$ 47	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	44	$ —
Other liabilities(1)	1,077	56	—	(49)	—	—	—	—	—	—	—	1,070	7
Total liabilities measured at fair value on a recurring basis	$ 1,124	$ 56	$ —	$ (49)	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	$ 1,114	$ 7

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended September 30, 2023, $25 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were rated NAIC 1 in previous periods but have a credit rating of NAIC 2 as of September 30, 2023.

For the three months ended September 30, 2023, no securities were transferred into Level 2 from Level 3.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the nine months ended September 30, 2023, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 147	$ —	$ —	$ —	$ (13)	$ —	$ (2)	$ —	$ —	$ —	$ —	$ 132	$ —
Other asset-backed securities	551	—	9	—	(3)	2	(48)	—	—	—	4	515	—
Corporate securities	1,446	—	9	—	(36)	170	(137)	—	—	23	—	1,475	—
Total fixed maturities - AFS	2,144	—	18	—	(52)	172	(187)	—	—	23	4	2,122	—
Fixed maturities - trading													
Other asset-backed securities	96	—	3	—	—	—	(1)	—	—	—	—	98	—
Other government-related securities	10	—	—	—	—	—	(10)	—	—	—	—	—	—
Corporate securities	5	—	—	—	—	—	(1)	—	—	—	—	4	—
Total fixed maturities - trading	111	—	3	—	—	—	(12)	—	—	—	—	102	—
Total fixed maturities	2,255	—	21	—	(52)	172	(199)	—	—	23	4	2,224	—
Equity securities	183	—	—	—	—	60	(44)	—	—	—	—	199	—
Other long-term investments(1)	535	271	—	(135)	—	—	—	—	—	—	—	671	136
Total investments	2,973	271	21	(135)	(52)	232	(243)	—	—	23	4	3,094	136
Total assets measured at fair value on a recurring basis	$ 2,973	$ 271	$ 21	$ (135)	$ (52)	$ 232	$ (243)	$ —	$ —	$ 23	$ 4	$ 3,094	$ 136
Liabilities:													
Annuity account balances(2)	$ 56	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 13	$ —	$ —	$ 44	$ —
Other liabilities(1)	962	123	—	(231)	—	—	—	—	—	—	—	1,070	(108)
Total liabilities measured at fair value on a recurring basis	$ 1,018	$ 123	$ —	$ (232)	$ —	$ —	$ —	$ —	$ 13	$ —	$ —	$ 1,114	$ (108)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the nine months ended September 30, 2023, $33 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were rated NAIC 1 in previous periods but have a credit rating of NAIC 2 as of September 30, 2023.

For the nine months ended September 30, 2023, $10 million of securities were transferred into Level 2 from Level 3. These transfers resulted from securities that were rated NAIC 2 in previous periods but have a credit rating of NAIC 1 as of September 30, 2023.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2022, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 150	$ —	$ —	$ —	$ (10)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 139	$ —
Other asset-backed securities	528	—	1	—	(5)	15	(17)	—	—	(13)	2	511	—
Corporate securities	1,321	—	—	—	(63)	100	(13)	—	—	(14)	—	1,331	—
Total fixed maturities - AFS	1,999	—	1	—	(78)	115	(31)	—	—	(27)	2	1,981	—
Fixed maturities - trading													
Other asset-backed securities	99	—	—	—	(2)	4	(6)	—	—	—	—	95	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	6	—	—	—	—	—	(1)	—	—	—	—	5	—
Total fixed maturities - trading	121	—	—	—	(2)	4	(7)	—	—	—	—	116	—
Total fixed maturities	2,120	—	1	—	(80)	119	(38)	—	—	(27)	2	2,097	—
Equity securities	179	—	—	—	—	11	(8)	—	—	—	—	182	—
Other long-term investments(1)	360	257	—	(82)	—	—	—	—	—	—	—	535	175
Total investments	2,659	257	1	(82)	(80)	130	(46)	—	—	(27)	2	2,814	175
Total assets measured at fair value on a recurring basis	$ 2,659	$ 257	$ 1	$ (82)	$ (80)	$ 130	$ (46)	$ —	$ —	$ (27)	$ 2	$ 2,814	$ 175
Liabilities:													
Annuity account balances(2)	$ 60	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 58	$ —
Other liabilities(1)	1,242	224	—	(73)	—	—	—	—	—	—	—	1,091	151
Total liabilities measured at fair value on a recurring basis	$ 1,302	$ 224	$ —	$ (73)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 1,149	$ 151

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended September 30, 2022, $6 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods but were priced internally using significant unobservable inputs where market observable inputs were not available as of September 30, 2022.

For the three months ended September 30, 2022, $33 million of securities were transferred into Level 2 from Level 3. These transfers resulted from securities that were priced internally using significant unobservable inputs where market observable inputs were not available in previous periods but that were priced by independent pricing services or brokers as of September 30, 2022.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the nine months ended September 30, 2022, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Residential mortgage-backed securities	$ 40	$ —	$ —	$ —	$ (13)	$ —	$ —	$ —	$ —	$ (26)	$ (1)	$ —	$ —
Commercial mortgage-backed securities	180	—	—	—	(39)	—	(2)	—	—	—	—	139	—
Other asset-backed securities	515	—	2	—	(11)	115	(84)	—	—	(29)	3	511	—
Corporate securities	1,582	—	—	—	(238)	275	(244)	—	—	(43)	(1)	1,331	—
Total fixed maturities - AFS	2,317	—	2	—	(301)	390	(330)	—	—	(98)	1	1,981	—
Fixed maturities - trading													
Other asset-backed securities	93	—	—	—	(5)	14	(10)	—	—	3	—	95	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	8	—	—	—	(2)	—	—	—	—	(1)	—	5	—
Total fixed maturities - trading	117	—	—	—	(7)	14	(10)	—	—	2	—	116	—
Total fixed maturities	2,434	—	2	—	(308)	404	(340)	—	—	(96)	1	2,097	—
Equity securities	155	—	—	—	—	35	(8)	—	—	—	—	182	—
Other long-term investments[(1)]	243	473	—	(181)	—	—	—	—	—	—	—	535	292
Total investments	2,832	473	2	(181)	(308)	439	(348)	—	—	(96)	1	2,814	292
Total assets measured at fair value on a recurring basis	$ 2,832	$ 473	$ 2	$ (181)	$ (308)	$ 439	$ (348)	$ —	$ —	$ (96)	$ 1	$ 2,814	$ 292
Liabilities:													
Annuity account balances[(2)]	$ 63	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 5	$ —	$ —	58	$ —
Other liabilities[(1)]	1,907	1,008	—	(192)	—	—	—	—	—	—	—	1,091	816
Total liabilities measured at fair value on a recurring basis	$ 1,970	$ 1,008	$ —	$ (192)	$ —	$ —	$ —	$ —	$ 5	$ —	$ —	$ 1,149	$ 816

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the nine months ended September 30, 2022, $9 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods but were priced internally using significant unobservable inputs where market observable inputs were not available as of September 30, 2022.

For the nine months ended September 30, 2022, $105 million of securities were transferred into Level 2 from Level 3. These transfers resulted from securities that were priced internally using significant unobservable inputs where market observable inputs were not available in previous periods but that were priced by independent pricing services or brokers as of September 30, 2022.

Total realized and unrealized gains (losses) on Level 3 assets and liabilities are reported in either *net realized gains (losses)* within the consolidated condensed statements of income or other comprehensive income (loss) within shareowner's equity based on the appropriate accounting treatment for the item.

Purchases, sales, issuances, and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily relates to purchases and sales of fixed maturities and issuances and settlements of fixed indexed annuities.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. The asset transfers in the table(s) above primarily related to positions moved from Level 3 to Level 2 as the Company determined that certain inputs were observable.

The amount of total gains (losses) for assets and liabilities still held as of the reporting date primarily represents changes in fair value of trading securities and certain derivatives that exist as of the reporting date and the change in fair value of fixed indexed annuities.

Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments that are not reported at fair value as of the periods shown below are as follows:

		As of			
		September 30, 2023		December 31, 2022	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Millions)			
Assets:					
Commercial mortgage loans(1)	3	$ 11,843	$ 10,683	$ 11,696	$ 10,850
Policy loans	3	1,464	1,464	1,485	1,485
Other long-term investments (2)	2 & 3	1,902	1,764	1,879	1,753
Liabilities:					
Stable value product account balances	3	$ 11,957	$ 11,419	$ 10,007	$ 9,510
Future policy benefits and claims(3)	3	1,283	1,294	1,347	1,374
Other policyholders' funds(4)	3	90	91	100	101
Debt:(5)					
Bank borrowings(6)	3	$ 600	$ 600	$ 600	$ 600
Senior Notes	2	1,056	918	1,057	941
Subordinated debentures	2	496	430	496	462
Commercial paper	3	339	339	325	325
Subordinated funding obligations	3	110	78	110	83

Except as noted below, fair values were estimated using quoted market prices.

(1) The carrying amount is net of allowance for credit losses.

(2) Other long-term investments is comprised of a Modco receivable and the cash surrender value of the Company's COLI policy. The Modco receivable is related to invested assets such as fixed income and structured securities, which are legally owned by the ceding company, the fair value of which is predominately measured at Level 2. The fair value is determined in a manner consistent with other similar invested assets held by the Company. The fair value of the cash surrender value of the Company's COLI policy is measured at Level 3. COLI investments had a carrying and fair value of $692 million and $667 million as of September 30, 2023 and December 31, 2022, respectively.

(3) Single premium immediate annuity and structured annuities without life contingencies.

(4) Supplementary contracts without life contingencies.

(5) Excludes immaterial capital lease obligations.

(6) Includes the Term Loan Credit Agreement.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

The Company utilizes a risk management strategy that incorporates the use of derivative financial instruments to reduce exposure to certain risks, including but not limited to, interest rate risk, currency exchange risk, volatility risk, and equity market risk. These strategies are developed through the Company's analysis of data from financial simulation models and other internal and industry sources, and are then incorporated into the Company's risk management program.

Derivative instruments expose the Company to credit and market risk and could result in material changes from period to period. The Company attempts to minimize its credit risk in connection with its overall asset/liability management programs and risk management strategies. In addition, all derivative programs are monitored by our risk management department.

For a full description of the Company's derivative accounting policies, refer to Note 6 in the Company's consolidated financial statements for the year ended December 31, 2022.

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

- To hedge fixed rate notes denominated in foreign currencies, the Company entered into fixed-to-fixed foreign currency swaps. These swaps hedge the foreign currency exchange risk associated with the notes. The cash flows received on the swaps are identical to the cash flows paid on the corresponding notes.
- To hedge floating rate funding agreements and a floating rate term loan, the Company entered into interest rate swaps to exchange the floating rates on the funding agreements and term loan for fixed rates. These swaps hedge the interest rate risk associated with the funding agreements and term loan. The cash flows received on the swaps are identical to the cash flow variability paid on the funding agreements and term loan.

Derivative Instruments Not Designated and Not Qualifying as Hedging Instruments

The Company uses various other derivative instruments for risk management purposes that do not qualify for hedge accounting treatment. Changes in the fair value of these derivatives are recognized in *net realized gains (losses)* during the period of change.

The following table sets forth net realized gains (losses) - derivatives for the periods shown:

Net realized gains (losses) - derivative financial instruments

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Derivatives related to VA contracts:				
Interest rate forwards	$ (136)	$ (27)	$ (135)	$ (25)
Interest rate futures	(13)	24	(8)	55
Equity futures	2	(1)	12	(38)
Currency futures	6	12	6	31
Equity options	5	—	(53)	58
Interest rate swaps	1	(131)	1	(530)
Total return swaps	32	24	(6)	150
Embedded derivative - GLWB	37	213	58	394
Total derivatives related to VA contracts	(66)	114	(125)	95
Derivatives related to FIA contracts:				
Embedded derivative	(6)	25	(47)	187
Equity futures	(1)	(1)	4	(5)
Equity options	(14)	(29)	29	(141)
Other derivatives	2	2	(5)	5
Total derivatives related to FIA contracts	(19)	(3)	(19)	46
Derivatives related to IUL contracts:				
Embedded derivative	4	(12)	(11)	76
Equity options	(5)	(5)	10	(28)
Total derivatives related to IUL contracts	(1)	(17)	(1)	48
Embedded derivative - Modco reinsurance treaties	67	87	44	376
Other derivatives	(1)	2	—	13
Total net realized (losses) gains - derivatives	$ (20)	$ 183	$ (101)	$ 578

The following table presents the components of the gain or loss on derivatives that qualify as a cash flow hedging relationship.

Gain (Loss) on Derivatives in Cash Flow Hedging Relationship

	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)	(Ineffective Portion)
		Benefits and settlement expenses	Net realized losses
		(Dollars In Millions)	
For The Three Months Ended September 30, 2023			
Foreign currency swaps	$ 17	$ —	$ —
Interest rate swaps	11	4	—
Total	$ 28	$ 4	$ —
For The Three Months Ended September 30, 2022			
Foreign currency swaps	$ 3	$ (1)	$ —
Total	$ 3	$ (1)	$ —
For The Nine Months Ended September 30, 2023			
Foreign currency swaps	$ 2	$ —	$ —
Interest rate swaps	29	6	—
Total	$ 31	$ 6	$ —
For The Nine Months Ended September 30, 2022			
Foreign currency swaps	$ 8	$ (1)	$ —
Total	$ 8	$ (1)	$ —

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify $18 million out of accumulated other comprehensive income (loss) into *net realized losses* during the next twelve months.

The table below presents information about the nature and accounting treatment of the Company's primary derivative financial instruments and the location in and effect on the consolidated condensed financial statements for the periods presented below:

	As of			
	September 30, 2023		December 31, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Millions)			
Other long-term investments				
Cash flow hedges:				
Interest rate swaps	$ 1,625	$ 16	$ —	$ —
Foreign currency swaps	427	3	—	—
Derivatives not designated as hedging instruments:				
Interest rate forwards	—	—	117	1
Interest rate swaps	125	—	—	—
Total return swaps	659	27	225	6
Embedded derivative - Modco reinsurance treaties	2,290	351	2,427	291
Embedded derivative - GLWB	5,764	252	4,979	206
Embedded derivative - FIA	438	68	347	38
Interest rate futures	840	7	395	3
Equity futures	47	2	93	1
Currency futures	159	3	69	1
Equity options	8,221	588	7,846	359
	$ 20,595	$ 1,317	$ 16,498	$ 906
Other liabilities				
Cash flow hedges:				
Foreign currency swaps	$ 117	$ 23	$ 117	$ 15
Derivatives not designated as hedging instruments:				
Interest rate forwards	1,453	158	1,427	32
Total return swaps	10	—	280	3
Embedded derivative - Modco reinsurance treaties	1,259	138	1,260	125
Embedded derivative - GLWB	4,174	250	4,912	263
Embedded derivative - FIA	4,431	566	4,482	505
Embedded derivative - IUL	580	30	522	13
Interest rate futures	803	12	167	2
Equity futures	286	8	210	8
Currency futures	—	—	82	2
Equity options	6,548	370	6,776	204
Other	805	86	690	56
	$ 20,466	$ 1,641	$ 20,925	$ 1,228

6. OFFSETTING OF ASSETS AND LIABILITIES

Certain of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event either minimum thresholds, or in certain cases ratings levels, have been reached. Additionally, certain of the Company’s repurchase agreements provide for net settlement on termination of the agreement. Refer to Note 10, *Debt and Other Obligations* for details of the Company’s repurchase agreement programs.

Collateral received includes both cash and non-cash collateral. Cash collateral received by the Company is recorded on the consolidated condensed balance sheet as “cash”, with a corresponding amount recorded in “other liabilities” to represent the Company’s obligation to return the collateral. Non-cash collateral received by the Company is not recognized on the consolidated condensed balance sheet unless the Company exercises its right to sell or re-pledge the underlying asset. As of September 30, 2023, the fair value of non-cash collateral received was $25 million. As of December 31, 2022, there was $11 million fair value of non-cash collateral received. The tables below present the derivative instruments by assets and liabilities for the Company as of September 30, 2023:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Collateral Received	
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 646	$ —	$ 646	$ 437	$ 120	$ 89
Total derivatives, subject to a master netting arrangement or similar arrangement	646	—	646	437	120	89
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	351	—	351	—	—	351
Embedded derivative - GLWB	252	—	252	—	—	252
Embedded derivative - FIA	68	—	68	—	—	68
Total derivatives, not subject to a master netting arrangement or similar arrangement	671	—	671	—	—	671
Total derivatives	1,317	—	1,317	437	120	760
Total Assets	$ 1,317	$ —	$ 1,317	$ 437	$ 120	$ 760

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Collateral Posted	
			(Dollars In Millions)			
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 571	$ —	$ 571	$ 437	$ 134	$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	571	—	571	437	134	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	138	—	138	—	—	138
Embedded derivative - GLWB	250	—	250	—	—	250
Embedded derivative - FIA	566	—	566	—	—	566
Embedded derivative - IUL	30	—	30	—	—	30
Other	86	—	86	—	—	86
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,070	—	1,070	—	—	1,070
Total derivatives	1,641	—	1,641	437	134	1,070
Securities lending	181	—	181	—	—	181
Total Liabilities	$ 1,822	$ —	$ 1,822	$ 437	$ 134	$ 1,251

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2022:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Collateral Received	
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 371	$ —	$ 371	$ 232	$ 65	$ 74
Total derivatives, subject to a master netting arrangement or similar arrangement	371	—	371	232	65	74
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	291	—	291	—	—	291
Embedded derivative - GLWB	206	—	206	—	—	206
Other	38	—	38	—	—	38
Total derivatives, not subject to a master netting arrangement or similar arrangement	535	—	535	—	—	535
Total derivatives	906	—	906	232	65	609
Total Assets	$ 906	$ —	$ 906	$ 232	$ 65	$ 609

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	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Balance Sheets: Collateral Posted	Net Amount
	(Dollars In Millions)					
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 266	$ —	$ 266	$ 232	$ 34	$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	266	—	266	232	34	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	125	—	125	—	—	125
Embedded derivative - GLWB	263	—	263	—	—	263
Embedded derivative - FIA	505	—	505	—	—	505
Embedded derivative - IUL	13	—	13	—	—	13
Other	56	—	56	—	—	56
Total derivatives, not subject to a master netting arrangement or similar arrangement	962	—	962	—	—	962
Total derivatives	1,228	—	1,228	232	34	962
Repurchase program borrowings(1)	966	—	966	—	—	966
Securities lending	162	—	162	—	—	162
Total Liabilities	$ 2,356	$ —	$ 2,356	$ 232	$ 34	$ 2,090

(1) Borrowings under repurchase agreements are for a term less than 90 days.

7. COMMERCIAL MORTGAGE LOANS

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of September 30, 2023, the Company's commercial mortgage loan holdings were $12.0 billion, or $11.8 billion net of allowance for credit losses. As of December 31, 2022, the Company's commercial mortgage loan holdings were $11.8 billion, or $11.7 billion net of allowance for credit losses. The Company specializes in making commercial mortgage loans on credit-oriented commercial properties. The Company's underwriting procedures relative to its commercial mortgage loan portfolio are based, in the Company's view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (grocery anchored and credit tenant retail, industrial, multi-family, senior living, and credit tenant and medical office). The Company believes that these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company's commercial mortgage loans portfolio was underwritten by the Company. From time to time, the Company may acquire commercial mortgage loans in conjunction with an acquisition.

The Company's commercial mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of the allowance for credit losses. Interest income is accrued on the principal amount of the commercial mortgage loan based on the commercial mortgage loan's contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts and prepayment fees are reported in net investment income.

Certain of the commercial mortgage loans have call options that occur within the next 7 years. However, if interest rates were to significantly increase, the Company may be unable to exercise the call options on its existing commercial mortgage loans commensurate with the significantly increased market rates. As of September 30, 2023, assuming the commercial mortgage loans are called at their next call dates, $1 million of principal would become due for the remainder of 2023, $534 million in 2024 through 2028, and $1 million in 2029.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participation interest in the cash flows from the underlying real estate. As of September 30, 2023 and December 31, 2022, $792 million and $518 million, respectively, of the Company's total commercial mortgage loans principal balance have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. During the three and nine months ended September 30, 2023 and 2022, the Company recognized $9 million, $11 million, $26 million and $38 million of commercial mortgage loan participation interest income, respectively.

As of September 30, 2023, the Company had $58 million, or $25 million net of allowance for credit losses on commercial mortgage loans that were nonperforming, restructured or foreclosed and were converted to real estate properties. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. As of December 31, 2022, the Company did not have any commercial mortgage loans that were nonperforming, restructured or foreclosed and converted to real estate properties. The Company did not identify any commercial mortgage loans whose principal was permanently impaired during the three and nine months ended September 30, 2023 and 2022.

The Company closely monitors the performance of the commercial mortgage loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. For the three months ended September 30, 2023, there were no commercial mortgage loan modifications made to borrowers experiencing financial difficulty.

The Company did not have any commercial mortgage loans that had been previously modified due to experiencing financial difficulty with a payment in default as of September 30, 2023. There were no financing receivables that had a payment default during the three months ended September 30, 2023 or were modified in the twelve months before default to borrowers experiencing financial difficulty.

The amortized cost basis of the Company's commercial mortgage loan receivables by origination year, net of the allowance, for credit losses is as follows:

	Term Loans Amortized Cost Basis by Origination Year						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
				(Dollars In Millions)			
As of September 30, 2023							
Commercial mortgage loans:							
Performing	$ 723	$ 2,112	$ 1,999	$ 1,265	$ 1,701	$ 4,112	$ 11,912
Non-performing	—	—	—	—	—	58	58
Amortized cost	723	2,112	1,999	1,265	1,701	4,170	11,970
Allowance for credit losses	(3)	(14)	(15)	(13)	(14)	(68)	(127)
Total commercial mortgage loans	$ 720	$ 2,098	$ 1,984	$ 1,252	$ 1,687	$ 4,102	$ 11,843
Write-offs	$ —	$ —	$ —	$ —	$ —	$ 26	$ 26

	Term Loans Amortized Cost Basis by Origination Year						
	2022	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
				(Dollars In Millions)			
As of December 31, 2022							
Commercial mortgage loans:							
Performing	$ 1,969	$ 2,039	$ 1,342	$ 1,845	$ 1,297	$ 3,304	$ 11,796
Non-performing	—	—	—	—	—	—	—
Amortized cost	1,969	2,039	1,342	1,845	1,297	3,304	11,796
Allowance for credit losses	(10)	(12)	(10)	(18)	(12)	(38)	(100)
Total commercial mortgage loans	$ 1,959	$ 2,027	$ 1,332	$ 1,827	$ 1,285	$ 3,266	$ 11,696
Write-offs	$ —	$ —	$ —	$ —	$ —	$ 11	$ 11

The following tables provide a comparative view of the key credit quality indicators of the Loan-to-Value and Debt Service Coverage Ratio ("DSCR"):

	As of September 30, 2023			As of December 31, 2022		
	Amortized Cost (Dollars In Millions)	% of Total	DSCR (2)	Amortized Cost (Dollars In Millions)	% of Total	DSCR (2)
Loan-to-Value(1)						
Greater than 75%	$ 149	1 %	1.34	$ 163	1 %	1.39
50% - 75%	7,264	61 %	1.75	7,395	63 %	1.58
Less than 50%	4,557	38 %	1.86	4,238	36 %	1.99
Total commercial mortgage loans	$ 11,970	100 %		$ 11,796	100 %	

(1) The loan-to-value ratio compares the current unpaid principal of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio for September 30, 2023 and December 31, 2022 was 53% and 53%, respectively.

(2) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio for September 30, 2023 and December 31, 2022 was 1.78x and 1.73x, respectively.

The following provides a summary of the rollforward of the allowance for credit losses for funded commercial mortgage loans and unfunded commercial mortgage loan commitments for the periods indicated.

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Allowance for Funded Commercial Mortgage Loan Credit Losses				
Beginning balance	$ 167	$ 77	$ 100	$ 103
Write-offs	(26)	—	(26)	(10)
Recoveries	—	—	—	(1)
Provision	(14)	14	53	(1)
Ending balance	$ 127	$ 91	$ 127	$ 91
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses				
Beginning balance	$ 3	$ 7	$ 4	$ 5
Write-offs	—	—	—	—
Recoveries	—	—	—	—
Provision	1	1	—	3
Ending balance	$ 4	$ 8	$ 4	$ 8

As of September 30, 2023, the Company had two commercial mortgage loans of $58 million that were greater than 90 days delinquent. As of December 31, 2022, the Company did not have any commercial mortgage loans that were delinquent.

The Company's commercial mortgage loan portfolio consists of commercial mortgage loans that are collateralized by real estate. Due to the collateralized nature of the commercial mortgage loans, any assessment of impairment and ultimate loss given a default on the commercial mortgage loans is based upon a consideration of the estimated fair value of the real estate.

The Company limits accrued interest income on commercial mortgage loans to ninety days of interest. For commercial mortgage loans in nonaccrual status, interest income is recognized on a cash basis. As of September 30, 2023, the Company had two commercial mortgage loans in nonaccrual status, and $2 million of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy. As of December 31, 2022, the Company did not have any commercial mortgage loans in nonaccrual status.

8. MONY CLOSED BLOCK OF BUSINESS

In 1998, MONY Life Insurance Company ("MONY") converted from a mutual insurance company to a stock corporation ("demutualization"). In connection with its demutualization, an accounting mechanism known as a closed block (the "Closed Block") was established for certain individuals' participating policies in force as of the date of demutualization. Assets, liabilities, and earnings of the Closed Block are specifically identified to support its participating policyholders. The Company acquired the Closed Block in conjunction with the acquisition of MONY in 2013.

Assets allocated to the Closed Block inure solely to the benefit of the Closed Block's policyholders and will not revert to the benefit of MONY or the Company. No reallocation, transfer, borrowing or lending of assets can be made between the Closed Block and other portions of MONY's general account, any of MONY's separate accounts or any affiliate of MONY without the approval of the Superintendent of The New York State Department of Financial Services. Closed Block assets and liabilities are carried on the same basis as similar assets and liabilities held in the general account.

Summarized financial information for the Closed Block as of September 30, 2023, and December 31, 2022, is as follows:

	As of	
	September 30, 2023	December 31, 2022
	(Dollars In Millions)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	$ 5,012	$ 5,133
Policyholder dividend obligation	—	—
Other liabilities	27	10
Total closed block liabilities	5,039	5,143
Closed block assets		
Fixed maturities, available-for-sale, at fair value	3,202	3,386
Commercial mortgage loans	2	2
Policy loans	518	534
Cash and other invested assets	24	77
Other assets	283	246
Total closed block assets	4,029	4,245
Excess of reported closed block liabilities over closed block assets	1,010	898
Portion of above representing accumulated other comprehensive income (loss):		
Unrealized investment losses, before tax	(1,024)	(864)
Allocated to policyholder dividend obligation	62	68
Income tax	202	167
Unrealized investment losses - net of tax	(760)	(629)
Future earnings to be recognized from closed block assets and closed block liabilities	$ 250	$ 269

Reconciliation of the policyholder dividend obligation is as follows:

	For The Nine Months Ended September 30,	
	2023	2022
	(Dollars In Millions)	
Policyholder dividend obligation, beginning balance	$ —	$ 401
Applicable to net revenue (losses)	(6)	(8)
Change in net unrealized gains (losses) - allocated to the policyholder dividend obligation	6	(393)
Policyholder dividend obligation, ending balance	$ —	$ —

Closed Block revenues and expenses were as follows:

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Revenues				
Premiums and other income	$ 29	$ 34	$ 84	$ 96
Net investment income	46	46	140	139
Net realized gains (losses)	—	—	1	1
Total revenues	75	80	225	236
Benefits and other deductions				
Benefits and settlement expenses	67	76	203	233
Other operating expenses	—	—	1	1
Total benefits and other deductions	67	76	204	234
Net revenues before income taxes	8	4	21	2
Income tax expense	2	1	2	—
Net revenues	$ 6	$ 3	$ 19	$ 2

9. REINSURANCE

Reinsurance Assets and Liabilities

Reinsurance assets and liabilities related to agreements with funds withheld at interest where no net risk is retained by the Company are presented on a net basis. Reinsurance receivables were presented net of approximately $2.1 billion and $2.2 billion, respectively, in reinsurance liabilities as of September 30, 2023 and December 31, 2022.

Allowance for Credit Losses – Reinsurance Receivables

The Company establishes an allowance for current expected credit losses related to amounts receivable from reinsurers (the “Reinsurance ACL”). Changes in the Reinsurance ACL are recognized as a component of benefits and settlement expenses. The Reinsurance ACL is remeasured on a quarterly basis using an internally developed probability of default (“PD”) and loss given default (“LGD”) model. Key inputs to the calculation are a conditional probability of insurer liquidation by issuer credit rating and exposure at default derived from a runoff projection of ceded reserves by reinsurer to forecast future loss amounts. Management’s position is that the rate of return implicit in the financial asset (i.e. the ceded reserves) is associated with the discount rate used to value the underlying insurance reserves; that is, the rate of return on the asset portfolio(s) supporting the reserves. For reinsurance receivable exposures that do not share similar risk characteristics with other receivables, including those associated with counterparties that have experienced significant credit deterioration, the Company measures the allowance for credit losses individually, based on facts and circumstances associated with the specific reinsurer or transaction.

As of September 30, 2023 and December 31, 2022, the Reinsurance ACL was $94 million and $79 million, respectively. There were no write-offs or recoveries during the nine months ended September 30, 2023 and 2022.

The Company had total reinsurance receivables of $4.1 billion as of September 30, 2023, which includes both ceded policy benefit reserves and receivables for claims. Receivables for claims represented 9% of total reinsurance receivables as of September 30, 2023. Receivables for claims are short-term in nature, and generally carry minimal credit risk. Of reserves ceded as of September 30, 2023, 82% were receivables from reinsurers rated by A.M. Best Company. Of the total rated by A.M. Best Company, 42% were rated A+ or better, 33% were rated A, and 25% were rated A- or lower. The Company monitors the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers, on an ongoing basis. Certain of the Company’s reinsurance receivables are supported by letters of credit, funds held or trust agreements.

10. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt

Debt and subordinated debt are summarized as follows:

	As of			
	September 30, 2023		December 31, 2022	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	$ —	$ —	$ —	$ —
Term Loan Credit Agreement	600	600	600	600
Commercial paper	340	339	325	325
8.45% Senior Notes (2009), due 2039	181	260	181	262
4.30% Senior Notes (2018), due 2028	400	398	400	397
3.40% Senior Notes (2019), due 2030	400	398	400	398
	$ 1,921	$ 1,995	$ 1,906	$ 1,982
Subordinated debt (year of issue):				
5.35% Subordinated Debentures (2017), due 2052	$ 500	$ 496	$ 500	$ 496
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
	$ 610	$ 606	$ 610	$ 606

Under a revolving line of credit arrangement (the "Credit Facility"), the Company has the ability to borrow on an unsecured basis up to an aggregated principal amount of $1.5 billion. The Company also has the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $2.0 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the Company, (i) Adjusted Term SOFR Rate plus a spread based on the ratings of the Company's Senior Debt, or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's Prime Rate, (y) 0.50% above the Federal Funds Rate, or (z) the one-month Adjusted Term SOFR Rate plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt subject to adjustments based upon the achievement of certain environmental, social and governance metrics ("ESG Metrics") by the Company. The Credit Facility also provides for a facility fee at a rate that varies with the ratings of the Company's Senior Debt, subject to adjustments based upon the achievement of certain ESG Metrics by the Company. The facility fee is calculated based on the aggregate amount of commitments under the Credit Facility, whether used or unused. The maturity date of current borrowings under the Credit Facility is April 5, 2027, subject to certain extension options available to the Company. The Company is not aware of any non-compliance with the financial debt covenants of the Credit Facility as of September 30, 2023.

The Company maintains a commercial paper program under which the Company may issue unsecured commercial paper notes ("CP Notes") from time to time in an aggregate amount not to exceed $750 million outstanding at any time. The maturities of CP Notes can vary, but may not exceed 397 days from the date of issuance. CP Notes rank equal in right of payment with all of the Company's other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the Credit Facility in an amount at least equal to the amount of CP Notes outstanding at any time. The CP Notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of issuance. Commercial paper is used by the Company as a continuing source of short-term financing for general corporate purposes. As of September 30, 2023, the weighted-average interest rate was 5.57% on the $340 million of outstanding CP Notes.

Secured Financing Transactions

Repurchase Program Borrowings

While the Company anticipates that the cash flows of its operating subsidiaries will be sufficient to meet its investment commitments and operating cash needs in a normal credit market environment, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has established repurchase agreement programs for certain of its insurance subsidiaries to provide liquidity when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Under this program, the Company may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are typically for a term less than 90 days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. Cash received is invested in fixed maturity securities, and the agreements provide for net settlement in the event of default or on termination of the agreements. As of September 30, 2023, the company did not have a repurchase obligation and there were no securities pledged under the repurchase program. During the nine months ended September 30, 2023, the maximum balance outstanding at any one point in time related to these programs was $101 million. The average daily balance was $13 million (at an average borrowing rate of 553 basis points) during the nine months ended September 30, 2023. As of December 31, 2022, the fair value of securities pledged under the repurchase program was $1,012 million and the repurchase obligation of $966 million was included in the Company’s consolidated condensed balance sheets (at an average borrowing rate of 436 basis points). During 2022, the maximum balance outstanding at any one point in time related to these programs was $1,647 million. The average daily balance was $1,135 million (at an average borrowing rate of 151 basis points) during the year ended December 31, 2022.

Securities Lending

The Company participates in securities lending, primarily as an investment yield enhancement, whereby securities that are held as investments are loaned out to third parties for short periods of time. The Company requires collateral at least equal to 102% of the fair value of the loaned securities to be separately maintained. The loaned securities’ fair value is monitored on a daily basis and collateral is adjusted accordingly. The Company maintains ownership of the securities at all times and is entitled to receive from the borrower any payments for interest received on such securities during the loan term. Securities lending transactions are accounted for as secured borrowings. As of September 30, 2023 and December 31, 2022, securities with a fair value of $175 million and $156 million, respectively, were loaned under this program. As collateral for the loaned securities, the Company receives cash, which is primarily reinvested in short-term repurchase agreements, which are also collateralized by U.S. Government or U.S. Government Agency securities, and government money market funds. These investments are recorded in *short-term investments* with a corresponding liability recorded in *secured financing liabilities* to account for its obligation to return the collateral. As of September 30, 2023 and December 31, 2022, the fair value of the collateral related to this program was $181 million and $162 million, and the Company has an obligation to return collateral of $181 million and $162 million to the securities borrowers, respectively.

The following table provides the fair value of collateral pledged for repurchase agreements, grouped by asset class as of September 30, 2023 and December 31, 2022:

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions Accounted for as Secured Borrowings

	Remaining Contractual Maturity of the Agreements				
	As of September 30, 2023				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ —	$ —	$ —	$ —	$ —
Total repurchase agreements and repurchase-to-maturity transactions	—	—	—	—	—
Securities lending transactions					
Corporate securities	175	—	—	—	175
Total securities lending transactions	175	—	—	—	175
Total securities	$ 175	$ —	$ —	$ —	$ 175

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions Accounted for as Secured Borrowings

	Remaining Contractual Maturity of the Agreements				
	As of December 31, 2022				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ 974	$ 38	$ —	$ —	$ 1,012
Corporate securities	—	—	—	—	—
Total repurchase agreements and repurchase-to-maturity transactions	974	38	—	—	1,012
Securities lending transactions					
Corporate securities	156	—	—	—	156
Redeemable preferred stocks	—	—	—	—	—
Total securities lending transactions	156	—	—	—	156
Total securities	$ 1,130	$ 38	$ —	$ —	$ 1,168

Golden Gate Captive Insurance Company

Golden Gate Captive Insurance Company ("Golden Gate"), is a Vermont special purpose financial insurance company and was a wholly owned subsidiary of PLICO until September 30, 2023, after which it became a wholly owned subsidiary of the Company. Golden Gate is party to a transaction with a term of 20 years, that may be extended to a maximum of 25 years, that finances up to $5 billion of "XXX" and "AXXX" reserves related to the term life insurance business and universal life insurance with secondary guarantee business that is reinsured to Golden Gate by PLICO and West Coast Life Insurance Company, an indirect wholly owned subsidiary, pursuant to an Excess of Loss Reinsurance Agreement (the "XOL Agreement") with Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and RGA Reinsurance Company (Barbados) Ltd. (collectively, the "Retrocessionaires"). The transaction is "non-recourse" to the Company, WCL, and PLICO, meaning that none of these companies are liable to reimburse the Retrocessionaires for any XOL payments required to be made. As of September 30, 2023, the XOL Asset backing the difference in statutory and economic reserve liabilities was $3.7 billion.

11. COMMITMENTS AND CONTINGENCIES

The Company has entered into indemnity agreements with each of its current directors other than those that are employees of Dai-ichi Life that provide, among other things and subject to certain limitations, a contractual right to indemnification to the fullest extent permissible under the law. The Company has agreements with certain of its officers providing up to $10 million in indemnification. These obligations are in addition to the customary obligation to indemnify officers and directors contained in the Company's governance documents.

The Company leases administrative and marketing office space as well as various office equipment. Most leases have terms ranging from two years to twenty-five years. Leases with an initial term of 12 months or less are not recorded on the consolidated condensed balance sheet. The Company accounts for lease components separately from non-lease components (e.g., common area maintenance). Certain of the Company's lease agreements include options to renew at the Company's discretion. Management has concluded that the Company is not reasonably certain to elect any of these renewal options. The Company will use the interest rates received on its funding agreement backed notes as the collateralized discount rate when calculating the present value of remaining lease payments when the rate implicit in the lease is unavailable.

Under the insurance guaranty fund laws in most states, insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. From time to time, companies may be asked to contribute amounts beyond prescribed limits. It is possible that the Company could be assessed with respect to product lines not offered by the Company. In addition, legislation may be introduced in various states with respect to guaranty fund assessment laws related to insurance products, including long term care insurance and other specialty products, that increases the cost of future assessments or alters future premium tax offsets received in connection with guaranty fund assessments. The Company cannot predict the amount, nature or timing of any future assessments or legislation, any of which could have a material and adverse impact on the Company's financial condition or results of operations.

A number of civil jury verdicts have been returned against insurers, broker-dealers, and other providers of financial services involving sales, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, and other matters. Often these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very limited appellate review. In addition, in some class action and other lawsuits, companies have made material settlement payments. The financial services and insurance industries in particular are also sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some companies have been the subject of law enforcement or regulatory actions or other actions resulting from such investigations. The Company, in the ordinary course of business, is involved in such matters.

The Company establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company reviews relevant information with respect to litigation and regulatory matters on a quarterly and annual basis and updates its established liabilities, disclosures and estimates of reasonably possible losses or range of loss based on such reviews.

Worth Johnson v. Protective Life Insurance Company, Case No. 2:18-CV-01290 (previously styled as *Advance Trust & Life Escrow Services, LTA, as Securities Intermediary of Life Partners Position Holder Trust v. Protective Life Insurance Company*), is a putative class action that was filed on August 13, 2018 in the United States District Court for the Northern District of Alabama. Plaintiff seeks to represent all owners of universal life and variable universal life policies issued or administered by PLICO or its predecessors that provide that cost of insurance rates are to be determined based on expectations of future mortality experience. Plaintiff's complaint alleges PLICO breached those policies by failing to periodically adjust its COI rates based on improved expectations of future mortality, and Plaintiff seeks class certification, compensatory damages, pre-judgment and post-judgment interest, costs, and other unspecified relief. On August 8, 2022, the US District Court granted PLICO's Motion for Judgment on the Pleadings, concluding PLICO has no contractual duty to lower COI rates if expectations as to future mortality improve. This favorable decision was appealed by Plaintiff to the Eleventh Circuit Court of Appeals on August 26, 2022. The Company will continue to vigorously defend this matter and cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation.

PLICO is currently defending two putative class actions *Beverly Allen v. Protective Life Insurance Company*, Civil Action No. 1:20-cv-00530-JLT (E.D. Cal. filed Apr. 14, 2020), and *Janice Schmidt and Judy A. Vann-Eubanks v. Protective Life Insurance Company, et al.*, Civil Action No. 1:21cv-01784-SAB (E.D. Cal. filed Dec. 17, 2021) in which the plaintiffs claim that defendants' alleged failure to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies requires that these policies remain in force. The plaintiffs seek unspecified monetary damages and injunctive relief. No class has been certified in either putative class action. PLICO maintains various defenses to the merits of the plaintiffs' claims and to class certification. However, the Company cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation and will continue to vigorously defend these matters.

Scottish Re (U.S.), Inc. ("SRUS") was placed in rehabilitation on March 6, 2019 by the State of Delaware. Under the rehabilitation order, the Insurance Commissioner of the State of Delaware was appointed the receiver of SRUS (the "Receiver") and provided with authority to conduct and continue the business of SRUS in the interest of its cedents, creditors, and stockholder. The order was accompanied by an injunction requiring the continued payment of reinsurance premiums to SRUS and temporarily prohibiting cedents, including the Company, from offsetting premiums payable against receivables from SRUS. On June 20, 2019, the Delaware Court of Chancery (the "Court") entered an order approving a Revised Offset Plan, which allows cedents, including the Company, to offset premiums under certain circumstances.

A proposed Rehabilitation Plan ("Original Rehabilitation Plan") was filed by the Receiver on June 30, 2020. On March 16, 2021, the Receiver filed a draft Amended Rehabilitation Plan ("Amended Plan"). On June 30, 2022, the Receiver filed a proposed Modified Plan of Rehabilitation (the "Modified Plan"), along with a number of financial disclosure documents including a liquidation analysis. Much of the economic substance (including not paying claims in full) of the Original and Amended Rehabilitation Plan were included in the Modified Plan. On October 24, 2022, a number of interested parties filed objections to the Modified Plan. From then through early 2023, those parties engaged in dialogue with the Receiver about the type and scope of discovery that the Receiver would provide.

On July 13, 2023, the Receiver filed a motion to convert the rehabilitation of SRUS into a liquidation. In that motion, the Receiver reiterated the causes of SRUS's financial distress (listing Yearly Renewable Term ("YRT") underpricing as the primary cause) and indicated that SRUS is experiencing adverse mortality, attributable to factors such as COVID and lower lapse rates leading to worsened projected future losses. According to the Receiver, the 2022 Annual Financial Statement shows a negative capital and surplus, and implementing the Modified Plan will not return SRUS to solvency for another 10-15 years. Given this longer timeframe and other uncertainties, the Receiver recommended that SRUS be liquidated. The Board of SRUS has unanimously consented to the entry of a liquidation order.

The Receiver's motion for entry of a liquidation and injunction order ("Liquidation Order") was granted on July 18, 2023. Accordingly, after the effective date of the Liquidation Order, the Receiver will file a separate motion to establish policies and procedures that address, among other things, the proof of claim process for past due losses and for future losses. Additionally, ceding company agreements were terminated at 11:59 pm on September 30, 2023.

The Company continues to monitor SRUS and the actions of the Receiver through discussions with legal counsel and review of publicly available information. An allowance for credit losses related to SRUS is included in the overall reinsurance allowance for credit losses. As of the date of these financial statements, management does not believe that the ultimate outcome of the liquidation process will have a material impact on the Company's financial position or results of operations. The Company will reassess this opinion as it learns more about the liquidation process the Receiver intends to pursue and its financial impact on the Company's position.

Certain insurance companies for which the Company has coinsured blocks of life insurance and annuity policies are under audit for compliance with the unclaimed property laws of a number of states. The audits are being conducted on behalf of the treasury departments or unclaimed property administrators in such states. The focus of the audits is on whether there have been unreported deaths, maturities, or policies that have exceeded limiting age with respect to which death benefits or other payments under life insurance or annuity policies should be treated as unclaimed property that should be escheated to the state. The Company is presently unable to estimate the reasonably possible loss or range of loss that may result from the audits due to a number of factors, including the early stages of the audits being conducted, and uncertainty as to whether the Company or other companies are responsible for the liabilities, if any, arising in connection with certain co-insured policies. The Company will continue to monitor the matter for any developments that would make the loss contingency associated with the audits reasonably estimable.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in the accumulated balances for each component of accumulated other comprehensive income (loss) ("AOCI") as of and for the three and nine months ended September 30, 2023 and 2022.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Unrealized Gains and Losses on Investments[2]	Accumulated Gain and Loss on Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Millions, Net of Tax)			
Balance, June 30, 2023	$ (5,432)	$ 1	$ (11)	$ (5,442)
Other comprehensive (loss) income before reclassifications	(1,237)	22	—	(1,215)
Other comprehensive loss on investments for change in net expected credit losses	(13)	—	—	(13)
Amounts reclassified from accumulated other comprehensive income (loss)[1]	25	(3)	—	22
Balance, September 30, 2023	$ (6,657)	$ 20	$ (11)	$ (6,648)
Balance, December 31, 2022	$ (5,544)	$ 1	$ (11)	$ (5,554)
Other comprehensive (loss) income before reclassifications	(1,266)	24	—	(1,242)
Other comprehensive loss on investments for change in net expected credit losses	(14)	—	—	(14)
Amounts reclassified from accumulated other comprehensive income (loss)[1]	167	(5)	—	162
Balance, September 30, 2023	$ (6,657)	$ 20	$ (11)	$ (6,648)

	Unrealized Gains and Losses on Investments[2]	Accumulated Gain and Loss on Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Millions, Net of Tax)			
Balance, June 30, 2022	$ (3,957)	$ (3)	$ (23)	$ (3,983)
Other comprehensive (loss) income before reclassifications	(2,106)	3	—	(2,103)
Other comprehensive loss on investments for change in net expected credit losses	(1)	—	—	(1)
Amounts reclassified from accumulated other comprehensive (loss) income[1]	(2)	1	—	(1)
Balance, September 30, 2022	$ (6,066)	$ 1	$ (23)	$ (6,088)
Balance, December 31, 2021	$ 2,413	$ (7)	$ (24)	$ 2,382
Other comprehensive (loss) income before reclassifications	(8,475)	7	1	(8,467)
Other comprehensive loss on investments for change in net expected credit losses	(2)	—	—	(2)
Amounts reclassified from accumulated other comprehensive (loss) income[1]	(2)	1	—	(1)
Balance, September 30, 2022	$ (6,066)	$ 1	$ (23)	$ (6,088)

(1) See Reclassifications Out of Accumulated Other Comprehensive Income (Loss) table below for details.

(2) As of September 30, 2023 and December 31, 2022, net unrealized losses reported in AOCI were offset by $2.4 billion and $2.7 billion, respectively, due to the impact those net unrealized losses would have had on certain of the Company's insurance assets and liabilities if the net unrealized losses had been recognized in net income (loss).

The following tables summarize the reclassifications amounts out of AOCI for the three and nine months ended September 30, 2023 and 2022.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Gains/(losses) in net income (loss):	Affected Line Item in the Condensed Consolidated Financial Statements Statements of Income (Loss)	For The Three Months Ended September 30, 2023	For The Three Months Ended September 30, 2022	For The Nine Months Ended September 30, 2023	For The Nine Months Ended September 30, 2022
		(Dollars In Millions)			
Derivative instruments	Benefits and settlement expenses, net of reinsurance ceded(1)	$ 4	$ (1)	$ 6	$ (1)
	Tax (expense) benefit	(1)	—	(1)	—
		$ 3	$ (1)	$ 5	$ (1)
Unrealized gains and losses on available-for-sale securities	Net realized gains (losses) - investments	$ (31)	$ 2	$ (68)	$ 2
	Change in net expected credit losses - fixed maturities	(2)	—	(144)	—
	Tax (expense) benefit	7	—	44	—
		$ (26)	$ 2	$ (168)	$ 2
Postretirement benefits liability	Other operating expenses	$ —	$ —	$ —	$ —
	Amortization of net actuarial gain (loss)	—	—	—	(1)
	Tax (expense) benefit	—	—	—	—
		$ —	$ —	$ —	$ (1)

(1) See Note 5, *Derivative Financial Instruments* for additional information.

13. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to September 30, 2023, and through November 10, 2023, the date the Company’s financial statements were issued. All accounting and disclosure requirements related to subsequent events are included in the Company's consolidated condensed financial statements.

KPMG LLP
Suite 1800
420 20th Street North
Birmingham, AL 35203-3207

Independent Auditors' Review Report

The Board of Directors
Protective Life Corporation:

Results of Review of Consolidated Condensed Interim Financial Information

We have reviewed the accompanying consolidated condensed balance sheet of Protective Life Corporation (the Company) as of September 30, 2023, the related consolidated condensed statements of (loss) income, comprehensive loss, and shareowner's equity for the three-month and nine-month periods ended September 30, 2023 and 2022, and the related consolidated condensed statements of cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes (collectively referred to as the consolidated condensed interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated condensed interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of consolidated condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of consolidated condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. 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 reviews. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Consolidated Condensed Interim Financial Information

Management is responsible for the preparation and fair presentation of the consolidated condensed interim financial information in accordance with U.S. generally accepted accounting principles and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated condensed interim financial information that is free from material misstatement, whether due to fraud or error.

KPMG LLP

Birmingham, Alabama
November 10, 2023