Protective Life Corporation
Financial Statements and Notes
March 31, 2025

PROTECTIVE LIFE CORPORATION
FINANCIAL STATEMENTS AND NOTES
FOR THE THREE MONTHS ENDED MARCH 31, 2025

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PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	For The Three Months Ended March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Revenues		
Gross premiums and policy fees	$ 1,313	$ 1,140
Reinsurance ceded	(258)	(270)
Net premiums and policy fees	1,055	870
Net investment income	931	897
Net realized losses	(73)	(9)
Other income	204	163
Total revenues	2,117	1,921
Benefits and expenses		
Benefits and settlement expenses, net of reinsurance ceded: (2025 - $221; 2024 - $197)	1,591	1,391
Amortization of deferred policy acquisition costs and value of business acquired	124	80
Other operating expenses, net of reinsurance ceded: (2025 - $46; 2024 - $55)	300	281
Total benefits and expenses	2,015	1,752
Income before income tax	102	169
Income tax expense	14	32
Net income	$ 88	$ 137

See Notes to Consolidated Condensed Financial Statements

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

	For The Three Months Ended March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Net income	$ 88	$ 137
Other comprehensive income (loss):		
Change in net unrealized gains (losses) on investments, net of income tax: (2025 - $103; 2024 - $(79))	385	(298)
Reclassification adjustment for investment amounts included in net income, net of income tax: (2025 - $2; 2024 - $2)	6	7
Change in net unrealized losses on fixed maturities with an allowance for credit losses, net of income tax: (2025 - $(2); 2024 - $2)	(6)	8
Change in accumulated gain (loss) - derivatives, net of income tax: (2025 - $(4); 2024 - $4)	(13)	15
Reclassification adjustment for derivative amounts included in net income, net of income tax: (2025 - $—; 2024 - $(1))	(1)	(4)
Total other comprehensive income (loss)	371	(272)
Total comprehensive income (loss)	$ 459	$ (135)

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

	As of	
	March 31, 2025	December 31, 2024
	(Unaudited)	
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2025 - $67,876; 2024 - $67,987; allowance for credit losses: 2025 - $76; 2024 - $67)	$ 60,222	$ 59,686
Equity securities, at fair value (cost: 2025 - $659; 2024 - $666)	569	582
Commercial mortgage loans, net of allowance for credit losses (2025 - $100; 2024 - $101)	12,561	12,510
Policy loans	1,433	1,444
Other long-term investments	3,120	3,663
Short-term investments	2,369	1,679
Total investments	80,274	79,564
Cash	404	353
Accrued investment income	761	740
Accounts and premiums receivable	291	365
Reinsurance receivables, net of allowance for credit losses (2025 - $105; 2024 - $104)	4,624	4,432
Deferred acquisition costs and value of business acquired	5,605	5,640
Goodwill	1,197	1,197
Other intangibles, net of accumulated amortization (2025 - $606; 2024 - $582)	949	971
Property and equipment, net of accumulated depreciation (2025 - $126; 2024 - $121)	198	201
Other assets	355	455
Deferred income taxes, net	303	382
Assets related to separate accounts:		
Variable annuity	12,289	12,543
Variable universal life	6,665	6,532
Reinsurance assumed	10,855	11,148
Total assets	$ 124,770	$ 124,523

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(continued)

	As of	
	March 31, 2025	December 31, 2024
	(Unaudited)	
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	$ 51,422	$ 51,187
Unearned premiums	1,577	1,522
Total policy liabilities and accruals	52,999	52,709
Stable value product account balances	13,354	13,150
Annuity account balances	16,161	15,914
Other policyholders’ funds	900	965
Other liabilities	4,053	4,924
Secured financing liabilities	832	393
Debt	2,034	1,895
Subordinated debt	606	606
Liabilities related to separate accounts:		
Variable annuity	12,289	12,543
Variable universal life	6,665	6,532
Reinsurance assumed	10,855	11,148
Total liabilities	120,748	120,779
Commitments and contingencies - Note 11		
Shareowner’s equity		
Common Stock, 2025 and 2024 - $0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	6,046	6,046
Retained earnings	2,383	2,476
Accumulated other comprehensive income (loss):		
Net unrealized losses on investments, net of income tax: (2025 - $(1,167); 2024 - $(1,272))	(4,393)	(4,784)
Net unrealized losses on investments with an allowance for credit losses, net of income tax: (2025 - $(2); 2024 - $0)	(8)	(2)
Accumulated loss - derivatives, net of income tax: (2025 - $(5); 2024 - $(1))	(17)	(3)
Postretirement benefits liability adjustment, net of income tax: (2025 - $3; 2024 - $3)	11	11
Total shareowner’s equity	4,022	3,744
Total liabilities and shareowner’s equity	$ 124,770	$ 124,523

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 Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2024	$ —	$ 6,046	$ 2,476	$ (4,778)	$ 3,744
Net income			88		88
Other comprehensive income				371	371
Comprehensive income					459
Dividend to parent			(181)		(181)
Balance March 31, 2025	$ —	$ 6,046	$ 2,383	$ (4,407)	$ 4,022

	Common Stock	Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2023	$ —	$ 5,804	$ 2,087	$ (4,577)	$ 3,314
Net income			137		137
Other comprehensive loss				(272)	(272)
Comprehensive loss					(135)
Balance March 31, 2024	$ —	$ 5,804	$ 2,224	$ (4,849)	$ 3,179

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

	For The Three Months Ended March 31,	
	2025	2024
	(Dollars In Millions)	
Cash flows from operating activities		
Net income	$ 88	$ 137
Adjustments to reconcile net income to net cash used in operating activities:		
Net realized losses	73	9
Amortization of deferred acquisition costs and value of business acquired	124	80
Capitalization of deferred acquisition costs	(155)	(197)
Interest credited to universal life and investment products	504	459
Trading securities purchases, sales, and maturities, net	59	66
Amortization of premiums and accretion of discounts on investments and commercial mortgage	34	35
Change in:		
Policy fees assessed on universal life and investment products	(523)	(486)
Policy liabilities and other policyholders' funds of traditional life and health products	(141)	(299)
Derivatives, net	21	(59)
Other, net	(514)	(205)
Net cash used in operating activities	(430)	(460)
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	1,047	1,786
Sale of investments, available-for-sale	350	321
Cost of investments acquired, available-for-sale	(1,327)	(4,485)
Commercial mortgage loans:		
New loan originations	(356)	(509)
Repayments	303	344
Change in policy loans, net	11	(7)
Change in other long-term investments, net	76	45
Change in short-term investments, net	(713)	1,361
Net unsettled security transactions	(18)	74
Purchase of property, equipment, and other intangibles	(4)	(12)
Net cash used in investing activities	(631)	(1,082)
Cash flows from financing activities		
Borrowings under line of credit arrangement, debt, and subordinated debt	893	1,485
Principal payments on line of credit arrangement, debt, and subordinated debt	(753)	(1,486)
Change in secured financing liabilities	439	786
Dividends to shareowner	(181)	—
Deposits to universal life and investment contracts	3,482	3,496
Withdrawals from universal life and investment contracts	(2,770)	(2,859)
Other financing activities, net	2	2
Net cash provided by financing activities	1,112	1,424
Change in cash	51	(118)
Cash at beginning of period	353	446
Cash at end of period	$ 404	$ 328

See Notes to Consolidated Condensed Financial Statements

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Corporation, a Delaware 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, extended service contracts, medical gap, and paid family and medical leave throughout the United States and disability benefits law ("DBL") and paid family leave in New York. The Company also maintains a separate segment devoted to the acquisition of insurance policies from other companies. Founded in 1907, Protective Life Insurance Company, a Nebraska domiciled 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 months ended March 31, 2025, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2025. 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.

The consolidated condensed financial statements in this report include the accounts of Protective Life Corporation and its 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, 2024. There were no significant changes to the Company's accounting policies during the three months ended March 31, 2025.

Accounting Pronouncements Not Yet Adopted

Accounting Standards Update ("ASU" or "Update") 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, the Financial Accounting Standards Board ("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 will apply the modified retrospective transition approach for the liability for future policy benefits, which requires that the impact of the changes in discount rate assumptions are to be recorded as adjustments to accumulated other comprehensive income (loss) as of the transition date, while all other impacts are recorded as an adjustment to retained earnings. The Company will apply the retrospective transition approach for Market Risk Benefits, under which remeasurement of market risk benefits are recorded as adjustments to retained earnings except for changes in fair value due to instrument-specific credit risk, which are recorded in accumulated other comprehensive income (loss). The Company's implementation efforts and the evaluation of the impacts of the guidance continue to progress, and the Company expects that the Update will have a material impact on its financial position as of the transition date of January 1, 2024.

3. RECENT TRANSACTIONS

ShelterPoint

On November 1, 2024, PLICO completed the acquisition of ShelterPoint Group, Inc. ("ShelterPoint"), a leading provider of paid family and medical leave, DBL, as well as medical gap insurance products, among others. ShelterPoint Group, Inc., a New York corporation, is the holding company of ShelterPoint Life Insurance Company, a New York corporation, and its wholly owned subsidiary ShelterPoint Insurance Company, a Florida corporation. The consideration paid at closing was approximately $751 million, net of cash acquired, and is subject to post closing adjustments as defined in the purchase agreement. ShelterPoint is part of a newly formed reporting unit, Employee Benefits.

As of the purchase date, the Company recorded an estimate in the amount of $24 million related to contingent consideration, which represents the Company's best estimate of the present value of future payments required if certain triggering events relating to the passing of disability benefits legislation occur. The final purchase price will be adjusted based on any changes from the estimated contingent consideration to the actual consideration paid. These amounts are accrued within other liabilities in the Company's consolidated condensed balance sheets.

	Fair Value as of November 1, 2024
	(Dollars In Millions)
ASSETS	
Fixed maturities	$ 310
Equity securities	1
Short-term investments	125
Total investments	436
Cash	24
Accrued investment income	3
Accounts and premiums receivable	58
VOBA	16
Goodwill	214
Other intangibles	332
Property and equipment	5
Other assets	14
Total assets	1,102
LIABILITIES	
Future policy benefits and claims	$ 119
Unearned premiums	93
Total policy liabilities and accruals	212
Other policyholders' funds	7
Other liabilities	37
Deferred taxes	70
Total liabilities	326
NET ASSETS ACQUIRED	$ 776

The amount of revenue and income (loss) before income tax of ShelterPoint included in the consolidated condensed statements of income for the three months ended March 31, 2025, amounted to $191 million and $(5) million, respectively.

Intangible assets recognized by the Company included the following (excluding goodwill):

	Estimated Fair Value on Acquisition Date	Estimated Useful Life
	(Dollars In Millions)	(in Years)
Distribution relationships	$ 270	17
Trade name	46	8
Technology	7	4
License	9	
Total intangible assets	$ 332	

4. INVESTMENT OPERATIONS

Net realized gains (losses) are summarized as follows:

	For The Three Months Ended March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Fixed maturities	$ 1	$ 1
Equity securities	(6)	20
Modco trading portfolios	20	(13)
Change in net credit losses - fixed maturities	(9)	(9)
Commercial mortgage loans	(3)	(3)
Corporate-owned life insurance	(12)	20
Other investments	(2)	1
Net realized gains (losses) - investments	(11)	17
Net realized losses - derivatives[1]	(62)	(26)
Net realized losses	$ (73)	$ (9)

(1) See Note 6, *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 March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Securities in an unrealized gain position:		
Sales proceeds	$ 397	$ 77
Realized gains	$ 1	$ 1
Securities in an unrealized loss position:		
Sales proceeds	$ 153	$ 19
Realized losses	$ —	$ —

The Company recognized net realized gains (losses) of $(6) million and $21 million on equity securities still held at the end of the period for the three months ended March 31, 2025 and 2024, respectively. The Company recognized immaterial gains on disposals of equity securities for the three months ended March 31, 2025 and recognized losses of $1 million on disposals of equity securities sold for the three months ended March 31, 2024.

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 March 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 10,521	$ 43	$ (1,391)	$ —	$ 9,173
Commercial mortgage-backed securities	1,570	1	(90)	(5)	1,476
Other asset-backed securities	3,119	21	(19)	—	3,121
U.S. government-related securities	813	1	(120)	—	694
Other government-related securities	249	1	(24)	—	226
States, municipals, and political subdivisions	2,704	1	(329)	—	2,376
Corporate securities	46,780	98	(5,698)	(71)	41,109
Redeemable preferred stocks	308	1	(74)	—	235
	66,064	167	(7,745)	(76)	58,410
Short-term investments	2,339	—	—	—	2,339
	$ 68,403	$ 167	$ (7,745)	$ (76)	$ 60,749

As of December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 10,367	$ 20	$ (1,523)	$ —	$ 8,864
Commercial mortgage-backed securities	1,652	1	(112)	(3)	1,538
Other asset-backed securities	3,313	40	(22)	—	3,331
U.S. government-related securities	863	—	(151)	—	712
Other government-related securities	244	—	(27)	—	217
States, municipals, and political subdivisions	2,818	1	(382)	—	2,437
Corporate securities	46,596	81	(6,094)	(64)	40,519
Redeemable preferred stocks	307	1	(67)	—	241
	66,160	144	(8,378)	(67)	57,859
Short-term investments	1,627	—	—	—	1,627
	$ 67,787	$ 144	$ (8,378)	$ (67)	$ 59,486

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 values of the investments held pursuant to these Modco arrangements are as follows:

	As of	
	March 31, 2025	December 31, 2024
	(Dollars In Millions)	
Fixed maturities:		
Residential mortgage-backed securities	$ 92	$ 89
Commercial mortgage-backed securities	150	148
Other asset-backed securities	143	153
U.S. government-related securities	43	48
Other government-related securities	12	12
States, municipals, and political subdivisions	145	144
Corporate securities	1,222	1,227
Redeemable preferred stocks	5	6
	1,812	1,827
Equity securities	7	7
Short-term investments	30	52
	$ 1,849	$ 1,886

The amortized cost and fair value of AFS fixed maturities as of March 31, 2025, 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	$ 1,557	$ 1,534
Due after one year through five years	7,916	7,769
Due after five years through ten years	11,833	11,074
Due after ten years	44,758	38,033
	$ 66,064	$ 58,410

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

	For The Three Months Ended March 31, 2025		
	Corporate Securities	CMBS	Total
	(Dollars In Millions)		
Beginning Balance	$ 64	$ 3	$ 67
Additions for securities for which an allowance was not previously recorded	5	3	8
Adjustments on previously recorded allowances due to change in expected cash flows	2	(1)	1
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	$ 71	$ 5	$ 76

	For The Three Months Ended March 31, 2024		
	Corporate Securities	CMBS	Total
	(Dollars In Millions)		
Beginning Balance	$ 95	$ 8	$ 103
Additions for securities for which an allowance was not previously recorded	—	5	5
Adjustments on previously recorded allowances due to change in expected cash flows	4	—	4
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	$ 99	$ 13	$ 112

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 March 31, 2025:

	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	954	$ (25)	$ 4,981	$ (1,366)	$ 5,935	$ (1,391)
Commercial mortgage-backed securities	123	(2)	1,236	(88)	1,359	(90)
Other asset-backed securities	191	(1)	490	(18)	681	(19)
U.S. government-related securities	72	—	466	(120)	538	(120)
Other government-related securities	61	(3)	145	(21)	206	(24)
States, municipals, and political subdivisions	2	—	2,327	(329)	2,329	(329)
Corporate securities	6,528	(390)	30,923	(5,308)	37,451	(5,698)
Redeemable preferred stocks	—	—	193	(74)	193	(74)
	$ 7,931	$ (421)	$ 40,761	$ (7,324)	$ 48,692	$ (7,745)

Residential mortgage-backed securities ("RMBS") had gross unrealized losses greater than twelve months of $1.4 billion as of March 31, 2025. 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.

Commercial mortgage-backed securities ("CMBS") had gross unrealized losses greater than twelve months of $88 million as of March 31, 2025, excluding losses of $5 million that were considered credit-related. 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.

U.S. government-related securities had gross unrealized losses greater than twelve months of $120 million as of March 31, 2025. These declines were related to changes in interest rates.

States, municipals, and political subdivisions had gross unrealized losses greater than twelve months of $329 million as of March 31, 2025. 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.

Corporate securities had gross unrealized losses greater than twelve months of $5.3 billion as of March 31, 2025, excluding losses of $71 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 March 31, 2025, the Company had a total of 4,197 positions that were in an unrealized loss position, including 10 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, 2024:

	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	$ 2,192	$ (45)	$ 4,735	$ (1,478)	$ 6,927	$ (1,523)
Commercial mortgage-backed securities	132	(3)	1,285	(109)	1,417	(112)
Other asset-backed securities	193	(4)	245	(18)	438	(22)
U.S. government-related securities	88	(1)	489	(150)	577	(151)
Other government-related securities	101	(8)	111	(19)	212	(27)
States, municipals, and political subdivisions	47	(1)	2,350	(381)	2,397	(382)
Corporate securities	7,953	(475)	29,584	(5,619)	37,537	(6,094)
Redeemable preferred stocks	10	—	200	(67)	210	(67)
	$ 10,716	$ (537)	$ 38,999	$ (7,841)	$ 49,715	$ (8,378)

As of March 31, 2025, the Company had securities in its AFS portfolio which were rated below investment grade of $2.2 billion and had an amortized cost of $2.4 billion. Included in the Company's trading portfolio, the Company held $86 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 $1.3 billion and had an amortized cost of $1.5 billion.

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 March 31,	
	2025	2024
	(Dollars In Millions)	
Fixed maturities	$ 518	$ (373)

5. 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 condensed 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 March 31, 2025:

	Measurement Category	Level 1	Level 2	Level 3	Total
		(Dollars In Millions)			
Assets:					
Fixed maturities - AFS					
Residential mortgage-backed securities	4	$ —	$ 9,158	$ 15	$ 9,173
Commercial mortgage-backed securities	4	—	1,340	136	1,476
Other asset-backed securities	4	—	2,457	664	3,121
U.S. government-related securities	4	464	230	—	694
Other government-related securities	4	—	226	—	226
States, municipals, and political subdivisions	4	—	2,376	—	2,376
Corporate securities	4	—	38,719	2,390	41,109
Redeemable preferred stocks	4	235	—	—	235
Total fixed maturities - AFS		699	54,506	3,205	58,410
Fixed maturities - trading					
Residential mortgage-backed securities	3	—	92	—	92
Commercial mortgage-backed securities	3	—	150	—	150
Other asset-backed securities	3	—	70	73	143
U.S. government-related securities	3	40	3	—	43
Other government-related securities	3	—	12	—	12
States, municipals, and political subdivisions	3	—	145	—	145
Corporate securities	3	—	1,217	5	1,222
Redeemable preferred stocks	3	5	—	—	5
Total fixed maturities - trading		45	1,689	78	1,812
Total fixed maturities		744	56,195	3,283	60,222
Equity securities	3	307	37	225	569
Other long-term investments(1)	3 & 4	28	493	623	1,144
Short-term investments	3	1,603	766	—	2,369
Total investments		2,682	57,491	4,131	64,304
Cash	3	404	—	—	404
Other assets	3	59	—	—	59
Assets related to separate accounts					
Variable annuity	3	12,289	—	—	12,289
Variable universal life	3	6,665	—	—	6,665
Total assets measured at fair value on a recurring basis		$ 22,099	$ 57,491	$ 4,131	$ 83,721
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 34	$ 34
Other liabilities(1)	3 & 4	13	276	1,210	1,499
Total liabilities measured at fair value on a recurring basis		$ 13	$ 276	$ 1,244	$ 1,533

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, 2024:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturities - AFS					
Residential mortgage-backed securities	4	$ —	$ 8,864	$ —	$ 8,864
Commercial mortgage-backed securities	4	—	1,405	133	1,538
Other asset-backed securities	4	—	2,652	679	3,331
U.S. government-related securities	4	417	295	—	712
Other government-related securities	4	—	217	—	217
States, municipals, and political subdivisions	4	—	2,437	—	2,437
Corporate securities	4	—	38,309	2,210	40,519
Redeemable preferred stocks	4	241	—	—	241
Total fixed maturities - AFS		658	54,179	3,022	57,859
Fixed maturities - trading					
Residential mortgage-backed securities	3	—	89	—	89
Commercial mortgage-backed securities	3	—	148	—	148
Other asset-backed securities	3	—	76	77	153
U.S. government-related securities	3	44	4	—	48
Other government-related securities	3	—	12	—	12
States, municipals, and political subdivisions	3	—	144	—	144
Corporate securities	3	—	1,219	8	1,227
Redeemable preferred stocks	3	6	—	—	6
Total fixed maturities - trading		50	1,692	85	1,827
Total fixed maturities		708	55,871	3,107	59,686
Equity securities	3	315	38	229	582
Other long-term investments(1)	3&4	17	894	679	1,590
Short-term investments	3	1,398	281	—	1,679
Total investments		2,438	57,084	4,015	63,537
Cash	3	353	—	—	353
Other assets	3	63	—	—	63
Assets related to separate accounts					
Variable annuity	3	12,543	—	—	12,543
Variable universal life	3	6,532	—	—	6,532
Total assets measured at fair value on a recurring basis		$ 21,929	$ 57,084	$ 4,015	$ 83,028
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 35	$ 35
Other liabilities(1)	3&4	11	724	1,194	1,929
Total liabilities measured at fair value on a recurring basis		$ 11	$ 724	$ 1,229	$ 1,964

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, 2024.

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 March 31, 2025 and December 31, 2024:

March 31, 2025	Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)
(Dollars In Millions)					
Assets:					
Residential mortgage-backed securities	$	15	Discounted cash flow	Spread over treasury	2.20% - 7.50% (2.53%)
Commercial mortgage-backed securities		136	Discounted cash flow	Spread over treasury	1.00% - 2.50% (2.05%)
Other asset-backed securities		277	Liquidation	Liquidation value	$95.75 - $100.00 ($97.06)
			Discounted cash flow	Liquidity premium	-0.47% - 1.64% (0.64%)
				Paydown rate	2.03% - 18.80% (10.51%)
Corporate securities		1,196	Discounted cash flow	Spread over treasury	0.49% - 5.75% (1.74%)
Liabilities:(1)					
Embedded derivatives - GLWB(2)	$	21	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	0.23% - 1.12%
				Risk margin	0.30%
Embedded derivative - FIA(2)		552	Actuarial cash flow model	Expenses	$267.22 per policy
				Withdrawal rate	0.4% - 1.5% prior to age 73, RMD for ages 73+ or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 73-86
				Mortality	99% to 149% of 2012 IAM ALB Basic table + Protective COVID adjustment and Mortality Improvement adjustment on some products
				Lapse	0.5% - 50%, depending on duration/surrender charge period.
					Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
				Nonperformance risk	0.23% - 1.12%
				Risk margin	0.10%
Embedded derivative - IUL		30	Actuarial cash flow model	Mortality	50.4% - 107.7% of base table (90% of 2015 VBT Primary Tables adjusted for 8.5 years of 2023 SOA HMI)
					94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
				Lapse	0.08% - 29.03%, depending on issue age and duration, smoking class, level of funding, and face band
				Nonperformance risk	0.23% - 1.12%

(1) Excludes modified coinsurance arrangements.

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

December 31, 2024	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
(Dollars In Millions)				
Assets:				
Commercial mortgage-backed securities	$ 133	Discounted cash flow	Spread over treasury	1.00% - 2.50% (2.05%)
Other asset-backed securities	319	Liquidation	Liquidation value	$92.50 - $100.00 ($95.16)
		Discounted cash flow	Liquidity premium	-0.47% - 1.72% (0.63%)
			Paydown rate	5.90% - 20.23% (13.36%)
			Spread over treasury	1.16% - 7.00% (1.98%)
Corporate securities	1,185	Discounted cash flow	Spread over treasury	0.47% - 5.50% (1.62%)
Embedded derivatives - GLWB[2]	92	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	0.22% - 1.09%
			Risk margin	0.30%
Liabilities:[1]				
Embedded derivative - FIA[2]	566	Actuarial cash flow model	Expenses	$267.22 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 73-86
			Mortality	99% to 149% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment on some products
			Lapse	0.5% - 50%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
			Nonperformance risk	0.22% - 1.09%
			Risk margin	0.10%
Embedded derivative - IUL	48	Actuarial cash flow model	Mortality	50.4% - 107.7% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2023 SOA AMI). 94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
			Lapse	0.08% - 29.03%, depending on issue age and duration, smoking class, and level of funding, and face band
			Nonperformance risk	0.22% - 1.09%

(1) Excludes modified coinsurance arrangements.

(2) The fair value is presented as a net asset.

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 March 31, 2025 and December 31, 2024, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. As of March 31, 2025 and December 31, 2024, $1.7 billion and $1.5 billion of financial instruments classified as Level 3, respectively, were valued by brokers. Of these securities, $460 million and $437 million were classified as other asset-backed securities and $1.2 billion and $1.0 billion were classified as corporate securities, respectively. As of March 31, 2025 and December 31, 2024, $11 million and $12 million of equity securities, respectively, were included in Level 3.

In certain cases, the Company has determined that book value materially approximates fair value. As of March 31, 2025 and December 31, 2024, the Company held FHLB capital stock of $214 million and $217 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 March 31, 2025, 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	$ —	$ —	$ —	$ —	$ —	$ 15	$ —	$ —	$ —	$ —	$ —	$ 15	$ —
Commercial mortgage-backed securities	133	—	4	—	—	—	(1)	—	—	—	—	136	$ —
Other asset-backed securities	679	—	6	—	(14)	25	(27)	—	—	(5)	—	664	—
Corporate securities	2,210	—	28	—	(2)	336	(183)	—	—	—	1	2,390	—
Total fixed maturities - AFS	3,022	—	38	—	(16)	376	(211)	—	—	(5)	1	3,205	—
Fixed maturities - trading													
Other asset-backed securities	77	—	—	—	—	—	(4)	—	—	—	—	73	—
Corporate securities	8	—	—	—	—	—	—	—	—	(4)	1	5	—
Total fixed maturities - trading	85	—	—	—	—	—	(4)	—	—	(4)	1	78	—
Total fixed maturities	3,107	—	38	—	(16)	376	(215)	—	—	(9)	2	3,283	—
Equity securities	229	—	—	—	—	31	(35)	—	—	—	—	225	—
Other long-term investments(1)	679	18	—	(74)	—	—	—	—	—	—	—	623	(56)
Total investments	4,015	18	38	(74)	(16)	407	(250)	—	—	(9)	2	4,131	(56)
Total assets measured at fair value on a recurring basis	$ 4,015	$ 18	$ 38	$ (74)	$ (16)	$ 407	$ (250)	$ —	$ —	$ (9)	$ 2	$ 4,131	$ (56)
Liabilities:													
Annuity account balances(2)	$ 35	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	34	$ —
Other liabilities(1)	1,194	68	—	(84)	—	—	—	—	—	—	—	1,210	(16)
Total liabilities measured at fair value on a recurring basis	$ 1,229	$ 68	$ —	$ (84)	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ 1,244	$ (16)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended March 31, 2025, no securities were transferred into Level 3 from Level 2.

For the three months ended March 31, 2025, $9 million of securities were transferred into Level 2 from Level 3. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended March 31, 2024, 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	$ 140	$ —	$ —	$ —	$ (3)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 136	$ —
Other asset-backed securities	559	—	1	—	(8)	41	(25)	—	—	—	—	568	—
Corporate securities	1,628	—	3	—	(12)	154	(80)	—	—	(11)	—	1,682	—
Total fixed maturities - AFS	2,327	—	4	—	(23)	195	(106)	—	—	(11)	—	2,386	—
Fixed maturities - trading													
Other asset-backed securities	95	—	1	—	—	—	(12)	—	—	—	—	84	—
Corporate securities	7	—	—	—	—	—	—	—	—	(2)	—	5	—
Total fixed maturities - trading	102	—	1	—	—	—	(12)	—	—	(2)	—	89	—
Total fixed maturities	2,429	—	5	—	(23)	195	(118)	—	—	(13)	—	2,475	—
Equity securities	230	—	—	—	—	34	(22)	—	—	—	—	242	—
Other long-term investments[1]	533	74	—	(10)	—	—	—	—	—	—	—	597	64
Total investments	3,192	74	5	(10)	(23)	229	(140)	—	—	(13)	—	3,314	64
Total assets measured at fair value on a recurring basis	$ 3,192	$ 74	$ 5	$ (10)	$ (23)	$ 229	$ (140)	$ —	$ —	$ (13)	$ —	$ 3,314	$ 64
Liabilities:													
Annuity account balances[2]	$ 42	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 40	$ —
Other liabilities[1]	1,231	73	—	(66)	—	—	—	—	—	—	—	1,224	7
Total liabilities measured at fair value on a recurring basis	$ 1,273	$ 73	$ —	$ (66)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 1,264	$ 7

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended March 31, 2024, no securities were transferred into Level 3 from Level 2.

For the three months ended March 31, 2024, $13 million securities were transferred into Level 2 from Level 3. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

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			
		March 31, 2025		December 31, 2024	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Millions)			
Assets:					
Commercial mortgage loans(1)	3	$ 12,561	$ 11,859	$ 12,510	$ 11,611
Policy loans	3	1,433	1,433	1,444	1,444
Other long-term investments (2)	2 & 3	1,829	1,744	1,878	1,782
Liabilities:					
Stable value product account balances	3	$ 13,354	$ 13,341	$ 13,150	$ 12,983
Future policy benefits and claims(3)	3	1,230	1,190	1,208	1,219
Other policyholders' funds(4)	3	79	77	82	82
Debt:(5)					
Bank borrowings(6)	3	$ 600	$ 600	$ 600	$ 600
Senior Notes	2	1,030	978	1,030	961
Subordinated debentures	2	496	496	496	467
Commercial paper	2	404	404	265	265
Subordinated funding obligations	3	110	88	110	84
Repurchase program borrowings	2	66	66	112	112
Securities lending	2	766	766	281	281

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 maturities 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 $766 million and $779 million as of March 31, 2025 and December 31, 2024, 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.

6. 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 the Company's 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, 2024.

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.

- To hedge bond investments 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 bond income. For each hedging relationship, the swap and the bond investments have closely matching terms, and so are tested quantitatively for hedge effectiveness both prospectively and retrospectively no less frequently than quarterly. The Company has performed and documented the initial prospective effectiveness assessment for each hedging relationship and concluded that each relationship was highly effective at inception. Additionally, the Company performed and documented quantitative prospective and retrospective hedge effectiveness testing for the current quarter-end, and concluded that each hedging relationship is highly effective.

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 March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Derivatives related to VA contracts:		
Interest rate forwards	$ 43	$ (55)
Interest rate futures	(1)	1
Equity futures	(4)	(5)
Currency futures	(7)	5
Equity options	14	(27)
Interest rate swaptions	(1)	—
Interest rate swaps	(1)	2
Total return swaps	30	(55)
Embedded derivative - GLWB	(113)	104
Total derivatives related to VA contracts	(40)	(30)
Derivatives related to FIA contracts:		
Embedded derivative	(1)	(28)
Equity futures	(1)	2
Equity options	(19)	26
Other derivatives	4	(4)
Total derivatives related to FIA contracts	(17)	(4)
Derivatives related to IUL contracts:		
Embedded derivative	12	(11)
Equity options	(12)	9
Total derivatives related to IUL contracts	—	(2)
Embedded derivative - Modco reinsurance treaties	(9)	5
Other derivatives	4	5
Total net realized losses - derivatives	$ (62)	$ (26)

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 March 31, 2025						
Foreign currency swaps	$	(14)	$	—	$	—
Interest rate swaps		(3)		1		—
Total	$	(17)	$	1	$	—
For The Three Months Ended March 31, 2024						
Foreign currency swaps	$	—	$	—	$	—
Interest rate swaps		19		5		—
Total	$	19	$	5	$	—

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify $2 million out of accumulated other comprehensive income (loss) into *net realized gains (losses)* during the next twelve months.

The following table 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 as of the dates presented below:

	As of			
	March 31, 2025		December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Millions)			
Other long-term investments				
Cash flow hedges:				
Interest rate swaps	$ 300	$ 1	$ 725	$ 2
Foreign currency swaps	487	26	538	17
Derivatives not designated as hedging instruments:				
Interest rate forwards	584	14	29	—
Interest rate swaps	850	—	725	—
Total return swaps	344	10	716	6
Embedded derivative - Modco reinsurance treaties	1,928	205	1,973	224
Embedded derivative - GLWB	5,924	319	6,555	355
Embedded derivative - FIA	472	99	473	100
Interest rate futures	517	3	491	3
Equity futures	51	1	18	—
Currency futures	189	1	171	3
Interest rate floors	100	1	100	1
Equity options	9,150	464	8,635	878
Interest rate swaptions	100	—	130	1
	$ 20,996	$ 1,144	$ 21,279	$ 1,590
Other liabilities				
Cash flow hedges:				
Interest rate swaps	$ 900	$ 5	$ 900	$ 3
Foreign currency swaps	484	32	433	40
Derivatives not designated as hedging instruments:				
Interest rate forwards	986	15	1,506	71
Interest rate swaps	125	—	—	—
Total return swaps	426	2	—	—
Embedded derivative - Modco reinsurance treaties	1,115	82	1,152	93
Embedded derivative - GLWB	4,391	340	3,673	263
Embedded derivative - FIA	4,144	651	4,217	666
Embedded derivative - IUL	772	30	741	48
Interest rate futures	604	6	575	6
Equity futures	438	7	254	6
Equity options	7,093	222	7,002	609
Other	832	107	846	124
	$ 22,310	$ 1,499	$ 21,299	$ 1,929

7. 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 sheets 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 sheets unless the Company exercises its right to sell or re-pledge the underlying asset. As of March 31, 2025 and December 31, 2024, there was $44 million and $41 million, respectively, fair value of non-cash collateral received.

The tables below present the derivative instruments by assets and liabilities for the Company as of March 31, 2025:

	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		
				Financial Instruments	Collateral Received	Net Amount
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 521	$ —	$ 521	$ 248	$ 144	$ 129
Total derivatives, subject to a master netting arrangement or similar arrangement	521	—	521	248	144	129
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	205	—	205	—	—	205
Embedded derivative - GLWB	319	—	319	—	—	319
Embedded derivative - FIA	99	—	99	—	—	99
Total derivatives, not subject to a master netting arrangement or similar arrangement	623	—	623	—	—	623
Total derivatives	1,144	—	1,144	248	144	752
Total Assets	$ 1,144	$ —	$ 1,144	$ 248	$ 144	$ 752

	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	$ 289	$ —	$ 289	$ 248	$ 41	$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	289	—	289	248	41	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	82	—	82	—	—	82
Embedded derivative - GLWB	340	—	340	—	—	340
Embedded derivative - FIA	651	—	651	—	—	651
Embedded derivative - IUL	30	—	30	—	—	30
Other	107	—	107	—	—	107
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,210	—	1,210	—	—	1,210
Total derivatives	1,499	—	1,499	248	41	1,210
Repurchase program borrowings[(1)]	66	—	66	—	—	66
Securities lending	766	—	766	—	—	766
Total Liabilities	$ 2,331	$ —	$ 2,331	$ 248	$ 41	$ 2,042

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

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2024:

	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		
				Financial Instruments	Collateral Received	Net Amount
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 911	$ —	$ 911	$ 663	$ 88	$ 160
Total derivatives, subject to a master netting arrangement or similar arrangement	911	—	911	663	88	160
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	224	—	224	—	—	224
Embedded derivative - GLWB	355	—	355	—	—	355
Other	100	—	100	—	—	100
Total derivatives, not subject to a master netting arrangement or similar arrangement	679	—	679	—	—	679
Total derivatives	1,590	—	1,590	663	88	839
Total Assets	$ 1,590	$ —	$ 1,590	$ 663	$ 88	$ 839

	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	Collateral Posted	Net Amount
			(Dollars In Millions)			
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 735	$ —	$ 735	$ 663	$ 68	$ 4
Total derivatives, subject to a master netting arrangement or similar arrangement	735	—	735	663	68	4
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	93	—	93	—	—	93
Embedded derivative - GLWB	263	—	263	—	—	263
Embedded derivative - FIA	666	—	666	—	—	666
Embedded derivative - IUL	48	—	48	—	—	48
Other	124	—	124	—	—	124
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,194	—	1,194	—	—	1,194
Total derivatives	1,929	—	1,929	663	68	1,198
Repurchase program borrowings[1]	112	—	112	—	—	112
Securities lending	281	—	281	—	—	281
Total Liabilities	$ 2,322	$ —	$ 2,322	$ 663	$ 68	$ 1,591

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

8. COMMERCIAL MORTGAGE LOANS

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of March 31, 2025, the Company's commercial mortgage loan holdings were $12.7 billion, or $12.6 billion net of allowance for credit losses. As of December 31, 2024, the Company's commercial mortgage loan holdings were $12.6 billion, or $12.5 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 6 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 March 31, 2025, assuming the commercial mortgage loans are called at their next call dates, $201 million of principal would become due for the remainder of 2025 and $985 million in 2026 through 2030.

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 March 31, 2025 and December 31, 2024, $1.3 billion and $1.2 billion, 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 in *net investment income* as interest income. During the three months ended March 31, 2025 and 2024, the Company recognized $5 million and $7 million of commercial mortgage loan participation interest income, respectively.

As of March 31, 2025, the Company had $21 million, or $11 million net of allowance for credit losses on commercial mortgage loans that were nonperforming, restructured or foreclosed and 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 March 31, 2025, the Company had three 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 months ended March 31, 2025 and 2024.

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. The Company may grant loan modifications to borrowers experiencing financial difficulties. These loan modifications may be in the form of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension or some combination thereof. During the three months ended March 31, 2025, one commercial mortgage loan with an amortized cost of $5 million was granted payment forbearance with a borrower experiencing financial difficulties.

During the twelve months ended March 31, 2025, three commercial mortgage loan modifications were made to borrowers experiencing financial difficulties for $31 million, or $23 million net of allowance for credit losses. The Company had two commercial mortgage loans of $24 million that were current and one commercial mortgage loan in which the Company is a participant in a syndication of $7 million that was greater than 90 days delinquent.

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						
	2025	2024	2023	2022	2021	Prior	Total
				(Dollars In Millions)			
As of March 31, 2025							
Commercial mortgage loans:							
Performing	$ 218	$ 1,663	$ 1,212	$ 2,198	$ 1,789	$ 5,564	$ 12,644
Non-performing	—	—	—	—	—	17	17
Amortized cost	218	1,663	1,212	2,198	1,789	5,581	12,661
Allowance for credit losses	(1)	(10)	(10)	(18)	(12)	(49)	(100)
Total commercial mortgage loans	$ 217	$ 1,653	$ 1,202	$ 2,180	$ 1,777	$ 5,532	$ 12,561
Write-offs	$ —	$ —	$ —	$ —	$ —	$ 3	$ 3

	Term Loans Amortized Cost Basis by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
				(Dollars In Millions)			
As of December 31, 2024							
Commercial mortgage loans:							
Performing	$ 1,609	$ 1,183	$ 2,221	$ 1,857	$ 1,033	$ 4,653	$ 12,556
Non-performing	—	—	—	1	13	41	55
Amortized cost	1,609	1,183	2,221	1,858	1,046	4,694	12,611
Allowance for credit losses	(9)	(9)	(17)	(13)	(11)	(42)	(101)
Total commercial mortgage loans	$ 1,600	$ 1,174	$ 2,204	$ 1,845	$ 1,035	$ 4,652	$ 12,510
Write-offs	$ —	$ —	$ —	$ —	$ —	$ 41	$ 41

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 March 31, 2025			As of December 31, 2024		
	Amortized Cost	% of Total	DSCR [(2)]	Amortized Cost	% of Total	DSCR [(2)]
	(Dollars In Millions)			(Dollars In Millions)		
Loan-to-Value[(1)]						
Greater than 75%	$ 99	1 %	1.39	$ 110	1 %	1.38
50% - 75%	7,524	59 %	1.58	7,521	60 %	1.59
Less than 50%	5,038	40 %	2.10	4,980	39 %	2.14
Total commercial mortgage loans	$ 12,661	100 %		$ 12,611	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 March 31, 2025 and December 31, 2024 was 51% and 52%, 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 March 31, 2025 and December 31, 2024 was 1.78x and 1.81x, 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 March 31, 2025	For The Three Months Ended March 31, 2024
	(Dollars In Millions)	
Allowance for Funded Commercial Mortgage Loan Credit Losses		
Beginning balance	$ 101	$ 122
Write-offs	(3)	(36)
Recoveries	—	—
Provision	2	4
Ending balance	$ 100	$ 90
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses		
Beginning balance	$ 4	$ 6
Write-offs	—	—
Recoveries	—	—
Provision	1	(1)
Ending balance	$ 5	$ 5

As of March 31, 2025, the Company had one commercial mortgage loan of $6 million that was 30-59 days delinquent, nine commercial mortgage loans of $38 million that were 60-89 days delinquent, and two commercial mortgage loans of $17 million that were greater than 90 days delinquent. As of December 31, 2024, the Company had four commercial mortgage loans of $31 million that were greater than 90 days 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 March 31, 2025, the Company had two commercial mortgage loans in nonaccrual status, and $0.5 million of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy. As of December 31, 2024, the Company had four commercial mortgage loans in nonaccrual status, and $1 million of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy.

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 $1.8 billion in reinsurance liabilities as of March 31, 2025 and December 31, 2024.

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 March 31, 2025 and December 31, 2024, the Reinsurance ACL was $105 million and $104 million, respectively. There were no write-offs or recoveries during the three months ended March 31, 2025 and 2024.

The Company had total reinsurance receivables of $4.6 billion as of March 31, 2025, which includes both ceded policy benefit reserves and receivables for claims. Receivables for claims represented 9% of total reinsurance receivables as of March 31, 2025. Receivables for claims are short-term in nature, and generally carry minimal credit risk. Of reserves ceded as of March 31, 2025, 89% were receivables from reinsurers rated by A.M. Best Company. Of the total rated by A.M. Best Company, 76% were rated A+ or better, 17% were rated A, and 7% 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.

Scottish Re Liquidation

Certain of the Company’s subsidiaries have ceded business to Scottish Re (U.S.), Inc. (“SRUS”), which 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.

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 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 of Rehabilitation (the “Modified Plan”) will not return SRUS to solvency for another 10 to 15 years, at the earliest. Given this longer timeframe and other uncertainties, the Receiver recommended that SRUS be liquidated. The Board of SRUS unanimously consented to liquidation.

The Delaware Court of Chancery (“Court”) entered an order granting the Receiver’s motion to convert the rehabilitation to a liquidation on July 18, 2023 (the “Liquidation Order”). Under the Liquidation Order, all active ceding company agreements were terminated at 11:59 p.m. Eastern Time on September 30, 2023. The Receiver filed a motion to approve procedures for claims on March 25, 2024, a motion to approve dispute resolution procedures on April 17, 2024, and a motion to approve final determination procedures on June 17, 2024. Various objections were filed in response to those motions, and the parties submitted supplemental briefing on the outstanding objections. A hearing with the Court is scheduled for July 21, 2025.

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.

10. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt

Debt and subordinated debt are summarized as follows:

	As of			
	March 31, 2025		December 31, 2024	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	$ —	$ —	$ —	$ —
Commercial paper	405	404	265	265
Term Loan Credit Agreement (2021), due 2026[1]	600	600	600	600
8.45% Senior Notes (2009), due 2039	165	233	165	233
4.30% Senior Notes (2018), due 2028	400	398	400	398
3.40% Senior Notes (2019), due 2030	400	399	400	399
	$ 1,970	$ 2,034	$ 1,830	$ 1,895
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

(1) The Term Loan Credit Agreement pays interest at the Adjusted Term SOFR Rate plus 85 bps. The rate as of March 31, 2025 and December 31, 2024 was 5.29% and 5.55%, respectively.

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 March 31, 2025.

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 March 31, 2025, the weighted-average interest rate was 4.61% on the $405 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 March 31, 2025, the fair value of securities pledged under the repurchase program was $71 million and the repurchase obligation of $66 million was included in the Company's consolidated balance sheets (at an average borrowing rate of 454 basis points). During the three months ended March 31, 2025, the maximum balance outstanding at any one point in time related to these programs was $682 million. The average daily balance was $127 million (at an average borrowing rate of 451 basis points) during the three months ended March 31, 2025. As of December 31, 2024, the fair value of securities pledged under the repurchase program was $121 million and the repurchase obligation of $112 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 451 basis points). During 2024, the maximum balance outstanding at any one point in time related to these programs was $1.3 billion. The average daily balance was $438 million (at an average borrowing rate of 541 basis points) during the year ended December 31, 2024.

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 March 31, 2025 and December 31, 2024, securities with a fair value of $762 million and $270 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 March 31, 2025 and December 31, 2024, the fair value of the collateral related to this program was $766 million and $281 million, and the Company has an obligation to return collateral of $766 million and $281 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 March 31, 2025 and December 31, 2024:

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

	Remaining Contractual Maturity of the Agreements				
	As of March 31, 2025				
	(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	$ 71	$ —	$ —	$ —	$ 71
Total repurchase agreements and repurchase-to-maturity transactions	71	—	—	—	71
Securities lending transactions					
Corporate securities	737	—	—	—	737
Other government-related securities	25	—	—	—	25
Total securities lending transactions	762	—	—	—	762
Total securities	$ 833	$ —	$ —	$ —	$ 833

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, 2024				
	(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	$ 121	$ —	$ —	$ —	$ 121
Total repurchase agreements and repurchase-to-maturity transactions	121	—	—	—	121
Securities lending transactions					
Fixed maturities	268	—	—	—	268
Redeemable preferred stocks	2	—	—	—	2
Total securities lending transactions	270	—	—	—	270
Total securities	$ 391	$ —	$ —	$ —	$ 391

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. On October 1, 2020, Golden Gate entered into 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 ("WCL"), an indirect wholly owned subsidiary of the Company and a direct wholly owned subsidiary of PLICO, 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 March 31, 2025, the XOL Asset backing the difference in statutory and economic reserve liabilities was $3.3 billion.

11. COMMITMENTS AND CONTINGENCIES

Guarantees

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.

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.

Litigation and Regulatory Matters

A number of judgments have been returned against insurers, broker-dealers, and other providers of financial services involving, among other things, sales, underwriting practices, product design, product disclosure, administration, denial or delay of benefits, benefit payment methods, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, payment of sales and other contingent commissions, 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 legal proceeding. Arbitration awards are subject to very limited appellate review. In addition, in some legal proceedings, companies have made material settlement payments. In some instances, substantial judgments may be the result of a party's perceived ability to satisfy such judgments as opposed to the facts and circumstances regarding the claims made.

At any given time, a number of financial, market conduct, or other examinations or audits of the Company's subsidiaries, as well as other insurance companies from whom the Company's subsidiaries have coinsured blocks of life insurance and annuity policies, may be ongoing. It is possible that any examination or audit may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures, or restrictions on business activities, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company monitors these matters for any developments that may make a loss contingency associated with any such audit or exam reasonably estimable.

The Company and its subsidiaries, like other insurance companies, in the ordinary course of business, is involved in legal proceedings. The Company cannot predict the outcome of any legal proceeding, nor can it provide an estimate of the possible loss, or range of loss, that may result from such legal proceeding. Unless otherwise specifically disclosed herein, the Company does not expect the ultimate liability from any such legal proceeding, if any, will be material to its financial condition.

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 that PLICO breached those policies by failing to periodically adjust its cost of insurance ("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 United States Court of Appeals for the Eleventh Circuit (the "Eleventh Circuit") on August 26, 2022. On March 1, 2024, the Eleventh Circuit ruled in favor of PLICO on Plaintiff's primary claims – holding that PLICO has no continuing duty to periodically reassess and redetermine COI rates. The Eleventh Circuit remanded the case to the District Court for further proceedings on Plaintiff's alternative theory that PLICO breached the contract if it has in fact redetermined COI rates within the limitations period and did so without taking into account its expectations of future mortality. On March 22, 2024, Plaintiff filed a Petition for Panel Rehearing, asking the three judge panel to reconsider its March 1 ruling. On April 5, 2024, the Petition for Panel Rehearing was denied. PLICO will continue to vigorously defend this matter. However, PLICO 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 three putative class actions 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: *Beverly Allen v. Protective Life Insurance Company*, Civil Action No. 1:20-cv-00530-JLT; *Janice Schmidt and Judy A. Vann-Eubanks v. Protective Life Insurance Company, et al.,* Civil Action No. 1:21cv-01784-SAB; and *Cristin Morneau, et al. v. Protective Life Insurance Company* (Civil Action No. 3:22-cv-01861-AHG). The plaintiffs seek unspecified monetary damages and injunctive relief. PLICO maintains various defenses to the merits of the plaintiffs' claims and to class certification. PLICO recently entered into a settlement agreement in the *Morneau* matter. As of March 31, 2025, PLICO has accrued for the net estimated cost of the impact of the settlement. The settlement is subject to approval of the federal court and, if approved, would resolve the other two California class action matters.

Leases and Commercial Mortgage Loan Commitments

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.

Commitments to Purchase Investments

The Company periodically enters into commitments to purchase investments in fixed maturity securities and other investments. The Company had $204 million of such commitments as of March 31, 2025 and $168 million of such commitments as of December 31, 2024.

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 months ended March 31, 2025 and 2024.

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, December 31, 2024	$ (4,786)	$ (3)	$ 11	$ (4,778)
Other comprehensive income (loss) before reclassifications	385	(13)	—	372
Other comprehensive loss on investments for change in net expected credit losses	(6)	—	—	(6)
Amounts reclassified from accumulated other comprehensive income (loss)[1]	6	(1)	—	5
Balance, March 31, 2025	$ (4,401)	$ (17)	$ 11	$ (4,407)

	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, December 31, 2023	$ (4,571)	$ 3	$ (9)	(4,577)
Other comprehensive income (loss) before reclassifications	(298)	15	—	(283)
Other comprehensive gain on investments for change in net expected credit losses	8	—	—	8
Amounts reclassified from accumulated other comprehensive income (loss)[1]	7	(4)	—	3
Balance, March 31, 2024	$ (4,854)	$ 14	$ (9)	$ (4,849)

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

(2) As of March 31, 2025 and December 31, 2024, net unrealized losses reported in AOCI were offset by $1.6 billion and $1.8 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.

The following tables summarize the reclassifications amounts out of AOCI for the three months ended March 31, 2025 and 2024.

Reclassification Out of Accumulated Other Comprehensive Income (Loss)

Gains/(losses) in net income:	Affected Line Item in the Consolidated Condensed Financial Statements Statements of Income	For The Three Months Ended March 31, 2025	For The Three Months Ended March 31, 2024
		(Dollars In Millions)	
Derivative instruments	Benefits and settlement expenses, net of reinsurance ceded	$ 1	$ 5
	Income tax expense (benefit)	—	(1)
		$ 1	$ 4
Unrealized gains and losses on available-for-sale securities	Net realized gains (losses) - investments	$ 1	$ 1
	Net impairment losses recognized in earnings	(9)	(9)
	Income tax expense (benefit)	2	1
		$ (6)	$ (7)

13. SUBSEQUENT EVENTS

On March 6, 2025, PLICO and WCL entered into a strategic reinsurance transaction with Resolution Re (Bermuda) Ltd. Under this agreement, PLICO and WCL will cede approximately $9.7 billion of structured settlements and secondary guaranteed universal life policies currently in runoff. A portion of this transaction was completed on April 8, 2025, with completion of the remaining portion expected by third quarter 2025, subject to closing conditions and regulatory approval requirements.

The Company has evaluated the effects of events subsequent to March 31, 2025, and through May 14, 2025, 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.

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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 March 31, 2025, and the related consolidated condensed statements of income, comprehensive income (loss), shareowner's equity, and cash flows for the three-month periods ended March 31, 2025 and 2024, 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
May 14, 2025