Protective Life Corporation
Financial Statements and Notes
March 31, 2022

PROTECTIVE LIFE CORPORATION
FINANCIAL STATEMENTS AND NOTES
FOR QUARTERLY PERIOD ENDED MARCH 31, 2022

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CONSOLIDATED CONDENSED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	For The Three Months Ended March 31, 2022	For The Three Months Ended March 31, 2021
	(Dollars In Millions)	
Revenues		
Gross premiums and policy fees	$ 1,131	$ 1,128
Reinsurance ceded	(346)	(327)
Net premiums and policy fees	785	801
Net investment income	794	768
Net realized gains (losses)	(79)	105
Other income	144	133
Total revenues	1,644	1,807
Benefits and expenses		
Benefits and settlement expenses, net of reinsurance ceded: (2022 - $358 ; 2021 - $366)	1,341	1,321
Amortization of deferred policy acquisition costs and value of business acquired	108	108
Other operating expenses, net of reinsurance ceded: (2022 - $61 ; 2021 - $56)	232	251
Total benefits and expenses	1,681	1,680
Income (loss) before income tax	(37)	127
Income tax (benefit) expense	(8)	19
Net income (loss)	$ (29)	$ 108

See Notes to Consolidated Condensed Financial Statements

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

	For The Three Months Ended March 31,	
	2022	2021
	(Dollars In Millions)	
Net income (loss)	$ (29)	$ 108
Other comprehensive income (loss):		
Change in net unrealized gains (losses) on investments, net of income tax: (2022 - $(858); 2021 - $(471))	(3,226)	(1,772)
Reclassification adjustment for investment amounts included in net income (loss), net of income tax: (2022 - $(1); 2021 - $(7))	(4)	(27)
Change in net expected credit losses, net of income tax: (2022 - $—; 2021 - $1)	1	5
Change in accumulated gain (loss) - derivatives, net of income tax: (2022 - $—; 2021 - $1)	1	2
Change in postretirement benefits liability adjustment, net of income tax: (2022 - $—; 2021 - $—)	—	1
Total other comprehensive loss	(3,228)	(1,791)
Total comprehensive loss	$ (3,257)	$ (1,683)

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

	As of	
	March 31, 2022	December 31, 2021
	(Unaudited)	
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2022 - $68,159; 2021 - $68,207; allowance for credit losses: 2022 - $1; 2021 - $1)	$ 66,858	$ 73,205
Equity securities, at fair value (cost: 2022 - $821; 2021 - $844)	776	868
Commercial mortgage loans, net of allowance for credit losses (2022 - $80; 2021 - $103)	11,009	10,863
Policy loans	1,498	1,527
Other long-term investments	3,071	3,595
Short-term investments	872	971
Total investments	84,084	91,029
Cash	426	544
Accrued investment income	734	705
Accounts and premiums receivable	163	136
Reinsurance receivables, net of allowance for credit losses (2022 - $96; 2021 - $97)	4,215	4,208
Deferred acquisition costs and value of business acquired	4,560	3,906
Goodwill	760	752
Other intangibles, net of accumulated amortization (2022 - $386; 2021 - $374)	552	564
Property and equipment, net of accumulated depreciation (2022 - $92; 2021 - $87)	216	217
Other assets	292	344
Assets related to separate accounts:		
Variable annuity	12,630	13,648
Variable universal life	2,490	1,982
Reinsurance assumed	13,227	13,883
Total assets	$ 124,349	$ 131,918

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(continued)

	As of	
	March 31, 2022	December 31, 2021
	(Unaudited)	
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	$ 53,049	$ 54,067
Unearned premiums	1,110	1,102
Total policy liabilities and accruals	54,159	55,169
Stable value product account balances	9,503	8,526
Annuity account balances	15,746	15,846
Other policyholders' funds	1,436	1,820
Other liabilities	4,159	5,074
Deferred income taxes, net	674	1,531
Secured financing liabilities	954	1,572
Debt	1,935	1,935
Subordinated debt	606	606
Liabilities related to separate accounts:		
Variable annuity	12,630	13,648
Variable universal life	2,490	1,982
Reinsurance assumed	13,227	13,883
Total liabilities	117,519	121,592
Commitments and contingencies - Note 11		
Shareowner's equity		
Common Stock, 2022 and 2021 - $0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	5,804	5,804
Retained earnings	1,872	2,140
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2022 - $(216); 2021 - $642)	(814)	2,416
Net unrealized gains (losses) on investments with an allowance for credit losses, net of income tax: (2022 - $(1) ; 2021 - $(1))	(2)	(3)
Accumulated loss - derivatives, net of income tax: (2022 - $(2); 2021 - $(2))	(6)	(7)
Postretirement benefits liability adjustment, net of income tax: (2022 - $(6); 2021 - $(6))	(24)	(24)
Total shareowner's equity	6,830	10,326
Total liabilities and shareowner's equity	$ 124,349	$ 131,918

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, 2021	$ —	$ 5,804	$ 2,140	$ 2,382	$ 10,326
Net loss			(29)		(29)
Other comprehensive loss				(3,228)	(3,228)
Comprehensive loss					(3,257)
Dividends to parent			(239)		(239)
Balance, March 31, 2022	$ —	$ 5,804	$ 1,872	$ (846)	$ 6,830

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2020	$ —	$ 5,804	$ 2,044	$ 3,508	$ 11,356
Net income			108		108
Other comprehensive loss				(1,791)	(1,791)
Comprehensive loss					(1,683)
Dividends to parent			(181)		(181)
Balance, March 31, 2021	$ —	$ 5,804	$ 1,971	$ 1,717	$ 9,492

See Notes to Consolidated Condensed Financial Statements

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

	For The Three Months Ended March 31, 2022	For The Three Months Ended March 31, 2021
	(Dollars In Millions)	
Cash flows from operating activities		
Net income (loss)	$ (29)	$ 108
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net realized (gains) losses	79	(105)
Amortization of deferred acquisition costs and value of business acquired	108	108
Capitalization of deferred acquisition costs	(148)	(143)
Depreciation and amortization expense	17	22
Deferred income tax	(6)	(22)
Accrued income tax	(1)	41
Interest credited to universal life and investment products	354	368
Trading securities purchases, sales, and maturities, net	3	(8)
Other	(13)	—
Change in:		
Policy fees assessed on universal life and investment products	(468)	(453)
Reinsurance receivables	(7)	(52)
Accrued investment income and other receivables	(53)	(58)
Policy liabilities and other policyholders' funds of traditional life and health products	(192)	(169)
Amortization of premiums and accretion of discounts on investments and commercial mortgage loans	55	68
Other liabilities	(271)	(68)
Other, net	81	156
Net cash used in operating activities	$ (491)	$ (207)

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

	For The Three Months Ended March 31, 2022	2021
	(Dollars In Millions)	
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	$ 759	$ 2,197
Sale of investments, available-for-sale	394	1,513
Cost of investments acquired, available-for-sale	(1,364)	(4,650)
Commercial mortgage loans:		
New loan originations	(437)	(358)
Repayments	307	268
Change in policy loans, net	29	17
Change in other long-term investments, net	17	(224)
Change in short-term investments, net	92	(265)
Net unsettled security transactions	61	100
Purchase of property, equipment, and intangibles	(3)	(13)
Payment for business acquisition, net of cash acquired	—	24
Net cash used in investing activities	(145)	(1,391)
Cash flows from financing activities		
Borrowings under line of credit arrangement, debt, and subordinated debt	$ 90	$ 275
Principal payments on line of credit arrangement, debt, and subordinated debt	(90)	(80)
Change in secured financing liabilities	(618)	491
Dividends to shareowner	(239)	(181)
Deposits to universal life and investment contracts	2,639	1,865
Withdrawals from universal life and investment contracts	(1,261)	(821)
Other financing activities, net	(3)	(2)
Net cash provided by financing activities	518	1,547
Change in cash	(118)	(51)
Cash at beginning of period	544	751
Cash at end of period	$ 426	$ 700

See Notes to Consolidated Condensed Financial Statements

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

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Corporation (the "Company") is a wholly owned subsidiary of Dai-ichi Life Holdings, Inc., a *kabushiki kaisha* organized under the laws of Japan ("Dai-ichi Life"). 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 markets individual life insurance, guaranteed investment contracts, guaranteed funding agreements, fixed and variable annuities, and extended service contracts throughout the United States. The Company also maintains a separate segment devoted to the acquisition of insurance policies from other companies. Founded in 1907, Protective Life Insurance Company ("PLICO") is the Company's largest operating subsidiary.

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, 2022, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2022. The year-end consolidated condensed financial data included herein was derived from audited financial statements but this report does not include all disclosures required by GAAP.

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

During 2022, the Company identified $22 million of certain cash flows that were misclassified between the *interest credited to universal life and investment products* and *withdrawals from universal life and investment contracts* lines in operating and financing activities, respectively, within the statement of cash flows. The Company determined that the reclassifications were not material to the financial statements for any period. These amounts have been corrected in the statements of cash flows for the three months ended March 31, 2021.

Beginning in the first quarter of 2020, the outbreak of COVID-19 created significant economic and social disruption and impacted various operational and financial aspects of the Company's business. The pandemic may continue to impact the Company's earnings based on, amongst other factors, the volume and severity of claims related to COVID-19 and the financial disruption caused by the pandemic, which could impact the Company's investment portfolio.

Entities Included

The consolidated condensed financial statements in this report include the accounts of Protective Life Corporation and subsidiaries and its wholly owned subsidiaries and its 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, 2021. There were no significant changes to the Company's accounting policies during the three months ended March 31, 2022.

Accounting Pronouncements Not Yet Adopted

Accounting Standards Update ("ASU") No. 2022-22 - Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this Update eliminate the classification and measurement guidance for Troubled Debt Restructurings ("TDRs") and require expanded disclosures for loan modifications to borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current year write-offs by origination year. The Update is effective for the Company's fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Update provides for the prospective adoption of all amendments. For changes in the recognition and measurement of TDRs, an entity also has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The Company is currently assessing the impact this standard will have on its operations and financial results.

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

3. INVESTMENT OPERATIONS

Net realized gains (losses) are summarized as follows:

	For The Three Months Ended March 31,	
	2022	2021
	(Dollars In Millions)	
Fixed maturities	$ 5	$ 30
Equity securities	(67)	(8)
Modco trading portfolios	(239)	(137)
Change in net expected credit losses - fixed maturities	—	5
Commercial mortgage loans	20	56
Corporate-owned life insurance[1]	(23)	—
Other investments	(3)	(1)
Net realized gains (losses) - investments	(307)	(55)
Net realized gains (losses) - derivatives[2]	228	160
Net realized gains (losses)	$ (79)	$ 105

(1) In Q1 2022, the Company began recording the change in fair value of COLI, exclusive of the long-term expected return of the underlying assets, to realized gains and losses which were previously recorded in net investment income.

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

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

	For The Three Months Ended March 31, 2022	For The Three Months Ended March 31, 2021
	(Dollars In Millions)	
Securities in an unrealized gain position:		
Sales proceeds	$ 184	$ 1,090
Realized gains	$ 5	$ 31
Securities in an unrealized loss position:		
Sales proceeds	$ —	$ 8
Realized losses	$ —	$ (1)

The net gains (losses) from equity securities still held at period end, was $(69) million and $(8) million for the three months ended March 31, 2022 and 2021, respectively. The Company recognized gains of $2 million on equity securities sold during the period for the three months ended March 31, 2022 and immaterial gains (losses) on equity securities sold during the three months ended March 31, 2021.

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, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,922	$ 4	$ (616)	$ —	$ 6,310
Commercial mortgage-backed securities	2,137	6	(43)	—	2,100
Other asset-backed securities	1,491	18	(12)	—	1,497
U.S. government-related securities	851	3	(75)	—	779
Other government-related securities	420	14	(11)	—	423
States, municipals, and political subdivisions	3,725	92	(38)	—	3,779
Corporate securities	49,756	1,045	(1,657)	(1)	49,143
Redeemable preferred stocks	298	—	(30)	—	268
	65,600	1,182	(2,482)	(1)	64,299
Short-term investments	797	—	—	—	797
	$ 66,397	$ 1,182	$ (2,482)	$ (1)	$ 65,096

As of December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,876	$ 31	$ (102)	$ —	$ 6,805
Commercial mortgage-backed securities	2,239	75	(7)	—	2,307
Other asset-backed securities	1,391	31	(2)	—	1,420
U.S. government-related securities	826	12	(25)	—	813
Other government-related securities	685	75	(2)	—	758
States, municipals, and political subdivisions	3,750	410	(1)	—	4,159
Corporate securities	49,350	4,651	(157)	(1)	53,843
Redeemable preferred stocks	297	10	—	—	307
	65,414	5,295	(296)	(1)	70,412
Short-term investments	889	—	—	—	889
	$ 66,303	$ 5,295	$ (296)	$ (1)	$ 71,301

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

	As of	
	March 31, 2022	December 31, 2021
	(Dollars In Millions)	
Fixed maturities:		
Residential mortgage-backed securities	$ 112	$ 133
Commercial mortgage-backed securities	198	209
Other asset-backed securities	187	185
U.S. government-related securities	32	33
Other government-related securities	51	64
States, municipals, and political subdivisions	234	286
Corporate securities	1,738	1,875
Redeemable preferred stocks	7	8
	2,559	2,793
Equity securities	13	13
Short-term investments	75	82
	$ 2,647	$ 2,888

The amortized cost and fair value of AFS fixed maturities as of March 31, 2022, 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	$ 1,914	$ 1,917
Due after one year through five years	10,425	10,373
Due after five years through ten years	15,234	14,759
Due after ten years	38,027	37,250
	$ 65,600	$ 64,299

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

	For The Three Months Ended March 31, 2021			
	Corporate Securities	CMBS	ABS	Total
	(Dollars In Millions)			
Beginning Balance	$ 18	$ 4	$ 1	$ 23
Additions for securities for which an allowance was not previously recorded	—	—	—	—
Adjustments on previously recorded allowances due to change in expected cash flows	(1)	(2)	—	(3)
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	(16)	—	—	(16)
Ending Balance	$ 1	$ 2	$ 1	$ 4

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, 2022:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	$ 4,745	$ (493)	$ 1,046	$ (123)	$ 5,791	$ (616)
Commercial mortgage-backed securities	1,558	(37)	77	(6)	1,635	(43)
Other asset-backed securities	769	(11)	50	(1)	819	(12)
U.S. government-related securities	325	(13)	352	(62)	677	(75)
Other government-related securities	126	(10)	10	(1)	136	(11)
States, municipals, and political subdivisions	1,326	(38)	2	—	1,328	(38)
Corporate securities	23,044	(1,398)	1,607	(259)	24,651	(1,657)
Redeemable preferred stocks	227	(30)	—	—	227	(30)
	$ 32,120	$ (2,030)	$ 3,144	$ (452)	$ 35,264	$ (2,482)

Residential mortgage-backed securities ("RMBS") had gross unrealized losses greater than twelve months of $123 million as of March 31, 2022. Factors such as credit enhancements within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

The U.S. government-related securities had gross unrealized losses greater than twelve months of $62 million as of March 31, 2022. These declines were related to changes in interest rates.

The corporate securities category had gross unrealized losses greater than twelve months of $259 million as of March 31, 2022, excluding losses of $1 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 issuer, the continued access of the issuer to capital markets, interest rate movement, and other pertinent information.

As of March 31, 2022, the Company had a total of 2,913 positions that were in an unrealized loss position, including 4 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, 2021:

	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	$ 4,614	$ (102)	$ 15	$ —	$ 4,629	$ (102)
Commercial mortgage-backed securities	129	(1)	88	(6)	217	(7)
Other asset-backed securities	249	(1)	47	(1)	296	(2)
U.S. government-related securities	307	(14)	158	(11)	465	(25)
Other government-related securities	78	(2)	—	—	78	(2)
States, municipals, and political subdivisions	39	(1)	4	—	43	(1)
Corporate securities	4,895	(120)	515	(37)	5,410	(157)
Redeemable preferred stocks	20	—	—	—	20	—
	$ 10,331	$ (241)	$ 827	$ (55)	$ 11,158	$ (296)

As of March 31, 2022, the Company had securities in its available-for-sale portfolio which were rated below investment grade of $2.0 billion and had an amortized cost of $2.1 billion. In addition, included in the Company's trading portfolio, the Company held $107 million of securities which were rated below investment grade. The Company held $534 million of below investment grade securities that were not publicly traded.

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

	For The Three Months Ended March 31,	
	2022	2021
	(Dollars In Millions)	
Fixed maturities	$ (4,976)	$ (2,714)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturity securities - AFS					
Residential mortgage-backed securities	4	$ —	$ 6,310	$ —	$ 6,310
Commercial mortgage-backed securities	4	—	1,933	167	2,100
Other asset-backed securities	4	—	964	533	1,497
U.S. government-related securities	4	422	357	—	779
Other government-related securities	4	—	423	—	423
States, municipals, and political subdivisions	4	—	3,779	—	3,779
Corporate securities	4	—	47,687	1,456	49,143
Redeemable preferred stocks	4	268	—	—	268
Total fixed maturity securities - AFS		690	61,453	2,156	64,299
Fixed maturity securities - trading					
Residential mortgage-backed securities	3	—	112	—	112
Commercial mortgage-backed securities	3	—	198	—	198
Other asset-backed securities	3	—	94	93	187
U.S. government-related securities	3	27	5	—	32
Other government-related securities	3	—	35	16	51
States, municipals, and political subdivisions	3	—	234	—	234
Corporate securities	3	—	1,731	7	1,738
Redeemable preferred stocks	3	7	—	—	7
Total fixed maturity securities - trading		34	2,409	116	2,559
Total fixed maturity securities		724	63,862	2,272	66,858
Equity securities	3	587	34	155	776
Other long-term investments(1)	3 & 4	89	618	203	910
Short-term investments	3	687	185	—	872
Total investments		2,087	64,699	2,630	69,416
Cash	3	426	—	—	426
Other assets	3	44	—	—	44
Assets related to separate accounts					
Variable annuity	3	12,630	—	—	12,630
Variable universal life	3	2,490	—	—	2,490
Total assets measured at fair value on a recurring basis		$ 17,677	$ 64,699	$ 2,630	$ 85,006
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 62	$ 62
Other liabilities(1)	3 & 4	12	386	1,474	1,872
Total liabilities measured at fair value on a recurring basis		$ 12	$ 386	$ 1,536	$ 1,934

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, 2021:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturity securities - AFS					
Residential mortgage-backed securities	4	$ —	$ 6,765	$ 40	$ 6,805
Commercial mortgage-backed securities	4	—	2,127	180	2,307
Other asset-backed securities	4	—	905	515	1,420
U.S. government-related securities	4	416	397	—	813
Other government-related securities	4	—	758	—	758
State, municipals, and political subdivisions	4	—	4,159	—	4,159
Corporate securities	4	—	52,261	1,582	53,843
Redeemable preferred stocks	4	307	—	—	307
Total fixed maturity securities - AFS		723	67,372	2,317	70,412
Fixed maturity securities - trading					
Residential mortgage-backed securities	3	—	133	—	133
Commercial mortgage-backed securities	3	—	209	—	209
Other asset-backed securities	3	—	92	93	185
U.S. government-related securities	3	27	6	—	33
Other government-related securities	3	—	48	16	64
State, municipals, and political subdivisions	3	—	286	—	286
Corporate securities	3	—	1,867	8	1,875
Redeemable preferred stocks	3	8	—	—	8
Total fixed maturity securities - trading		35	2,641	117	2,793
Total fixed maturity securities		758	70,013	2,434	73,205
Equity securities	3	673	40	155	868
Other long-term investments(1)	3&4	59	1,093	243	1,395
Short-term investments	3	792	179	—	971
Total investments		2,282	71,325	2,832	76,439
Cash	3	544	—	—	544
Other assets	3	46	—	—	46
Assets related to separate accounts					
Variable annuity	3	13,648	—	—	13,648
Variable universal life	3	1,982	—	—	1,982
Total assets measured at fair value on a recurring basis		$ 18,502	$ 71,325	$ 2,832	$ 92,659
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 63	$ 63
Other liabilities(1)	3&4	20	810	1,907	2,737
Total liabilities measured at fair value on a recurring basis		$ 20	$ 810	$ 1,970	$ 2,800

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, 2021.

Valuation of Level 3 Financial Instruments

The following tables present the valuation method for material fixed maturity securities 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, 2022 and December 31, 2021:

March 31, 2022		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Millions)			
Assets:					
Commercial mortgage-backed securities	$	122	Discounted cash flow	Spread over treasury	2.03% - 2.53% (2.43%)
Other asset-backed securities		434	Liquidation	Liquidation value	$98.63 - $100.00 ($99.29)
			Discounted cash flow	Liquidity premium	0.48% - 2.08% (1.44%)
				Paydown rate	12.26% - 14.19% (12.96%)
Corporate securities		1,404	Discounted cash flow	Spread over treasury	0.25% - 5.50% (1.86%)
Liabilities:(1)					
Embedded derivatives - GLWB(2)	$	339	Actuarial cash flow model	Mortality	88% to 100% of Ruark 2015 ALB table
				Lapse	PL-RBA Predictive Model
				Utilization	PL-RBA Predictive Model
				Nonperformance risk	0.29% - 1.00%
Embedded derivative - FIA		595	Actuarial cash flow model	Expenses	$214 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72, RMD for ages 70+ or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 72-88
				Mortality	88% to 100% of Ruark 2015 ALB table
				Lapse	0.2% - 50%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
				Nonperformance risk	0.29% - 1.00%
Embedded derivative - IUL		228	Actuarial cash flow model	Mortality	43% - 110% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2020 SOA HMI)
					94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
				Lapse	0.375% - 7.5%, depending on issue age and duration, smoking class, and level of funding
				Nonperformance risk	0.29% - 1.00%

(1) Excludes modified coinsurance arrangements.

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

December 31, 2021		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Millions)			
Assets:					
Residential mortgage-backed securities	$	40	Trade Price	Spread	1.03% - 1.10% (1.07%)
Commercial mortgage-backed securities		180	Discounted cash flow	Spread over treasury	1.04% - 2.47% (1.30%)
Other asset-backed securities		436	Liquidation	Liquidation value	$98.63 - $99.75 ($99.07)
			Discounted cash flow	Liquidity premium	0.11% - 2.14% (1.54%)
				Paydown rate	11.20% - 13.41% (12.30%)
Corporate securities		1,588	Discounted cash flow	Spread over treasury	0.00% - 4.00% (1.50%)
Liabilities:(1)					
Embedded derivatives - GLWB(2)	$	475	Actuarial cash flow model	Mortality	88% to 100% of Ruark 2015 ALB table
				Lapse	PL-RBA Predictive Model
				Utilization	PL-RBA Predictive Model
				Nonperformance risk	0.19% - 0.82%
Embedded derivative - FIA		647	Actuarial cash flow model	Expenses	$214 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72 RMD for ages 70+ or WB withdrawal rate Assume underutilized RMD for non-WB policies ages 72-88
				Mortality	88% to 100% of Ruark 2015 ALB table
				Lapse	0.2% - 50.0%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
				Nonperformance risk	0.19% - 0.82%
Embedded derivative - IUL		269	Actuarial cash flow model	Mortality	43% - 110% of base table (90% of 2015 VBT Primary Tables 94% - 248% of duration 8 point in scale 2015 VBT primary tables, depending on type of business
				Lapse	0.375% - 7.5%, depending on duration/distribution channel and smoking class
				Nonperformance risk	0.19% - 0.82%

(1) Excludes modified coinsurance arrangements.

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

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

The Company has considered all reasonably available quantitative inputs as of March 31, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, this resulted in financial instruments totaling $319 million and $197 million, respectively, which were classified as Level 3. Of these securities, $192 million and $172 million, respectively, were classified as other asset-backed securities, and $60 million and $3 million, respectively, were classified as corporate securities. Included in Level 3 as of March 31, 2022 and December 31, 2021 were equity securities totaling $6 million and $6 million, respectively, and government securities totaling $16 million and $16 million, respectively. Included in Level 3 as of March 31, 2022 were commercial mortgage-backed securities totaling $45 million.

In certain cases, the Company has determined that book value materially approximates fair value. As of March 31, 2022 and December 31, 2021, the Company held financial instruments consisting of FHLB capital stock totaling $148 million and $148 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, 2022, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturity securities AFS													
Residential mortgage-backed securities	$ 40	$ —	$ —	$ —	$ (6)	$ —	$ —	$ —	$ —	$ (34)	$ —	$ —	$ —
Commercial mortgage-backed securities	180	—	—	—	(12)	—	(1)	—	—		—	167	—
Other asset-backed securities	515	—	1	—	(2)	54	(18)	—	—	(17)	—	533	—
Corporate securities	1,582	—	—	—	(101)	67	(60)	—	—	(32)	—	1,456	—
Total fixed maturity securities - AFS	2,317	—	1	—	(121)	121	(79)	—	—	(83)	—	2,156	—
Fixed maturity securities - trading													
Other asset-backed securities	93	—	—	—	(1)	4	(6)	—	—	3	—	93	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	8	—	—	—	(1)	—	—	—	—	—	—	7	—
Total fixed maturity securities - trading	117	—	—	—	(2)	4	(6)	—	—	3	—	116	—
Total fixed maturity securities	2,434	—	1	—	(123)	125	(85)	—	—	(80)	—	2,272	—
Equity securities	155	—	—	—	—	—	—	—	—	—	—	155	—
Other long-term investments(1)	243	35	—	(75)	—	—	—	—	—	—	—	203	(40)
Total investments	2,832	35	1	(75)	(123)	125	(85)	—	—	(80)	—	2,630	(40)
Total assets measured at fair value on a recurring basis	$ 2,832	$ 35	$ 1	$ (75)	$ (123)	$ 125	$ (85)	$ —	$ —	$ (80)	$ —	$ 2,630	$ (40)
Liabilities:													
Annuity account balances(2)	$ 63	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 62	$ —
Other liabilities(1)	1,907	464	—	(31)	—	—	—	—	—	—	—	1,474	433
Total liabilities measured at fair value on a recurring basis	$ 1,970	$ 464	$ —	$ (30)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 1,534	$ 433

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended March 31, 2022, securities totaling $3 million were transferred into Level 3 from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods but were priced internally using significant unobservable inputs where market observable inputs were not available as of March 31, 2022.

For the three months ended March 31, 2022, securities totaling $83 million were transferred into Level 2 from Level 3.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended March 31, 2021, 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 maturity securities AFS													
Commercial mortgage-backed securities	$ 32	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 32	$ —
Other asset-backed securities	435	—	5	—	—	—	—	—	—	—	—	440	—
Corporate securities	1,432	—	1	—	(46)	10	(32)	—	—	41	—	1,406	—
Total fixed maturity securities - AFS	1,899	—	6	—	(46)	10	(32)	—	—	41	—	1,878	—
Fixed maturity securities - trading													
Other asset-backed securities	71	2	—	(1)	—	9	—	—	—	20	—	101	1
Other government-related securities	—	—	—	—	—	—	—	—	—	16	—	16	—
Corporate securities	18	—	—	(1)	—	—	(1)	—	—	(5)	—	11	—
Total fixed maturity securities - trading	89	2	—	(2)	—	9	(1)	—	—	31	—	128	1
Total fixed maturity securities	1,988	2	6	(2)	(46)	19	(33)	—	—	72	—	2,006	1
Equity securities	101	—	—	—	—	33	(6)	—	—	(5)	—	123	—
Other long-term investments(1)	245	37	—	(45)	—	—	—	—	—	—	—	237	(8)
Total investments	2,334	39	6	(47)	(46)	52	(39)	—	—	67	—	2,366	(7)
Total assets measured at fair value on a recurring basis	$ 2,334	$ 39	$ 6	$ (47)	$ (46)	$ 52	$ (39)	$ —	$ —	$ 67	$ —	$ 2,366	$ (7)
Liabilities:													
Annuity account balances(2)	$ 67	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 66	$ —
Other liabilities(1)	2,190	546	—	(18)	—	—	—	—	—	—	—	1,662	528
Total liabilities measured at fair value on a recurring basis	$ 2,257	$ 546	$ —	$ (19)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 1,728	$ 528

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended March 31, 2021, securities totaling $79 million were transferred into Level 3 from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods but were priced internally using significant unobservable inputs where market observable inputs were not available as of March 31, 2021.

For the three months ended March 31, 2021, securities totaling $12 million were transferred into Level 2 from Level 3.

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 maturity securities and issuances and settlements of fixed indexed annuities.

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 as of the periods shown below are as follows:

		As of			
		March 31, 2022		December 31, 2021	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Millions)			
Assets:					
Commercial mortgage loans[1]	3	$ 11,009	$ 10,824	$ 10,863	$ 11,386
Policy loans	3	1,498	1,498	1,527	1,527
Other long-term investments [2]	2 & 3	1,911	1,886	1,930	1,990
Liabilities:					
Stable value product account balances	3	$ 9,503	$ 9,232	$ 8,526	$ 8,598
Future policy benefits and claims[3]	3	1,429	1,650	1,457	1,504
Other policyholders' funds[4]	3	103	107	102	108
Debt:[5]					
Bank borrowings[6]	3	$ 875	$ 875	$ 875	$ 875
Senior Notes	2	1,060	1,068	1,060	1,163
Subordinated debentures	2	496	504	496	509
Subordinated funding obligations	3	110	104	110	116

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

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

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

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

(4) Supplementary contracts without life contingencies.

(5) Excludes immaterial capital lease obligations.

(6) Includes the Term Loan Credit Agreement.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

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

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

For a full description of the Company's derivative accounting policies, refer to Note 6 in the Company's consolidated financial statements for the year ended December 31, 2021.

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

- To hedge a fixed rate note denominated in a foreign currency, the Company entered into a fixed-to-fixed foreign currency swap in order to hedge the foreign currency exchange risk associated with the note. The cash flows received on the swap are identical to the cash flows paid on the note.

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,	
	2022	2021
	(Dollars In Millions)	
Derivatives related to VA contracts:		
Interest rate futures	$ 23	$ 9
Equity futures	(3)	(8)
Currency futures	7	6
Equity options	7	(46)
Interest rate swaps	(213)	(297)
Total return swaps	42	(69)
Embedded derivative - GLWB	137	405
Total derivatives related to VA contracts	—	—
Derivatives related to FIA contracts:		
Embedded derivative	53	6
Equity futures	—	1
Equity options	(15)	23
Other derivatives	—	(1)
Total derivatives related to FIA contracts	38	29
Derivatives related to IUL contracts:		
Embedded derivative	42	21
Equity options	(3)	3
Total derivatives related to IUL contracts	39	24
Embedded derivative - Modco reinsurance treaties	144	100
Other derivatives	7	7
Total net realized gains (losses) - derivatives	$ 228	$ 160

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify $1 million out of accumulated other comprehensive income (loss) into *net realized gains (losses)* during the next twelve months.

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

	As of			
	March 31, 2022		December 31, 2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Millions)			
Other long-term investments				
Derivatives not designated as hedging instruments:				
Interest rate swaps	$ 1,283	$ 31	$ 1,478	$ 72
Total return swaps	290	6	239	8
Embedded derivative - Modco reinsurance treaties	363	23	1,268	62
Embedded derivative - GLWB	3,413	168	3,066	169
Embedded derivative - FIA	175	12	159	12
Interest rate futures	877	20	561	5
Equity futures	351	24	312	6
Currency futures	27	1	27	—
Equity options	8,970	625	8,852	1,061
	$ 15,749	$ 910	$ 15,962	$ 1,395
Other liabilities				
Cash flow hedges:				
Foreign currency swaps	$ 117	$ 10	$ 117	$ 13
Derivatives not designated as hedging instruments:				
Interest rate swaps	1,549	—	1,354	—
Total return swaps	806	12	1,168	39
Embedded derivative - Modco reinsurance treaties	3,364	62	2,465	248
Embedded derivative - GLWB	6,450	507	6,833	644
Embedded derivative - FIA	4,420	607	4,372	659
Embedded derivative - IUL	481	228	459	269
Interest rate futures	196	7	729	4
Equity futures	53	3	42	1
Currency futures	145	—	158	2
Equity options	7,156	366	7,044	771
Other	497	70	448	87
	$ 25,234	$ 1,872	$ 25,189	$ 2,737

6. OFFSETTING OF ASSETS AND LIABILITIES

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

Collateral received includes both cash and non-cash collateral. Cash collateral received by the Company is recorded on the consolidated condensed balance sheet as "cash", with a corresponding amount recorded in "other liabilities" to represent the Company's obligation to return the collateral. Non-cash collateral received by the Company is not recognized on the consolidated condensed balance sheet unless the Company exercises its right to sell or re-pledge the underlying asset. There was no fair value of non-cash collateral received as of March 31, 2022 and December 31, 2021.

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

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		
				Financial Instruments	Collateral Received	Net Amount
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 707	$ —	$ 707	$ 384	$ 142	$ 181
Total derivatives, subject to a master netting arrangement or similar arrangement	707	—	707	384	142	181
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	23	—	23	—	—	23
Embedded derivative - GLWB	168	—	168	—	—	168
Embedded derivative - FIA	12	—	12	—	—	12
Total derivatives, not subject to a master netting arrangement or similar arrangement	203	—	203	—	—	203
Total derivatives	910	—	910	384	142	384
Total Assets	$ 910	$ —	$ 910	$ 384	$ 142	$ 384

	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	$ 398	$ —	$ 398	$ 384	$ 12	$ 2
Total derivatives, subject to a master netting arrangement or similar arrangement	398	—	398	384	12	2
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	62	—	62	—	—	62
Embedded derivative - GLWB	507	—	507	—	—	507
Embedded derivative - FIA	607	—	607	—	—	607
Embedded derivative - IUL	228	—	228	—	—	228
Other	70	—	70	—	—	70
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,474	—	1,474	—	—	1,474
Total derivatives	1,872	—	1,872	384	12	1,476
Repurchase agreements[1]	769	—	769	—	—	769
Total Liabilities	$ 2,641	$ —	$ 2,641	$ 384	$ 12	$ 2,245

(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, 2021:

	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	$ 1,152	$ —	$ 1,152	$ 806	$ 178	$ 168
Total derivatives, subject to a master netting arrangement or similar arrangement	1,152	—	1,152	806	178	168
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	62	—	62	—	—	62
Embedded derivative - GLWB	169	—	169	—	—	169
Other	12	—	12	—	—	12
Total derivatives, not subject to a master netting arrangement or similar arrangement	243	—	243	—	—	243
Total derivatives	1,395	—	1,395	806	178	411
Total Assets	$ 1,395	$ —	$ 1,395	$ 806	$ 178	$ 411

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Collateral Posted	
			(Dollars In Millions)			
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 830	$ —	$ 830	$ 806	$ 22	$ 2
Total derivatives, subject to a master netting arrangement or similar arrangement	830	—	830	806	22	2
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	248	—	248	—	—	248
Embedded derivative - GLWB	644	—	644	—	—	644
Embedded derivative - FIA	659	—	659	—	—	659
Embedded derivative - IUL	269	—	269	—	—	269
Other	87	—	87	—	—	87
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,907	—	1,907	—	—	1,907
Total derivatives	2,737	—	2,737	806	22	1,909
Repurchase agreements[(1)]	1,393		1,393	—	—	1,393
Total Liabilities	$ 4,130	$ —	$ 4,130	$ 806	$ 22	$ 3,302

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

7. COMMERCIAL MORTGAGE LOANS

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of March 31, 2022, the Company’s commercial mortgage loan holdings were $11.1 billion, or $11 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 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 loan based on the 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 8 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, 2022, assuming the loans are called at their next call dates, $84 million of principal would become due for the remainder of 2022, $454 million in 2023 through 2027 and $6 million in 2028 through 2029.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participation interest in the cash flows from the underlying real estate. As of March 31, 2022 and December 31, 2021, $624 million and $600 million, respectively, of the Company's total commercial mortgage loans principal balance have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. During the three months ended March 31, 2022 and 2021, the Company recognized $1 million and $7 million, respectively, of participation commercial mortgage loan income.

As of March 31, 2022 and December 31, 2021, the Company did not have any 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. For all commercial mortgage loans, the impact of troubled debt restructurings is reflected in our investment balance and in the allowance for commercial mortgage loan credit losses.

During the three months ended March 31, 2022 and 2021, the Company did not recognize any troubled debt restructuring transactions as a result of granting a concession to a borrower which included loan terms unavailable from other lenders. The Company did not identify any loans whose principal was permanently impaired during the three months ended March 31, 2022, or during the three months ended March 31, 2021.

The Company provided certain relief under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act") under its COVID-19 Commercial Mortgage Loan Program (the "Loan Modification Program"). As of March 31, 2022, one commercial mortgage loan for $3 million is still included in the Loan Modification Program. This modification is not considered a troubled debt restructuring, and the Company expects this commercial mortgage loan to resume scheduled payments in accordance with the agreed upon terms.

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						
	2022	2021	2020	2019	2018	Prior	Total
	(Dollars In Millions)						
As of March 31, 2022							
Commercial mortgage loans:							
Performing	$ 391	$ 2,087	$ 1,411	$ 1,985	$ 1,347	$ 3,868	$ 11,089
Non-performing	—	—	—	—	—	—	—
Amortized cost	391	2,087	1,411	1,985	1,347	3,868	11,089
Allowance for credit losses	(2)	(10)	(9)	(15)	(10)	(34)	(80)
Total commercial mortgage loans	$ 389	$ 2,077	$ 1,402	$ 1,970	$ 1,337	$ 3,834	$ 11,009

	Term Loans Amortized Cost Basis by Origination Year						
	2021	2020	2019	2018	2017	Prior	Total
	(Dollars In Millions)						
As of December 31, 2021							
Commercial mortgage loans:							
Performing	$ 2,063	$ 1,439	$ 2,034	$ 1,404	$ 1,224	$ 2,802	$ 10,966
Non-performing	—	—	—	—	—	—	—
Amortized cost	2,063	1,439	2,034	1,404	1,224	2,802	10,966
Allowance for credit losses	(12)	(10)	(21)	(18)	(12)	(30)	(103)
Total commercial mortgage loans	$ 2,051	$ 1,429	$ 2,013	$ 1,386	$ 1,212	$ 2,772	$ 10,863

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, 2022			As of December 31, 2021		
	Amortized Cost (Dollars In Millions)	% of Total	DSCR (2)	Amortized Cost (Dollars In Millions)	% of Total	DSCR (2)
Loan-to-Value(1)						
Greater than 75%	$ 249	2 %	1.31	$ 285	3 %	1.32
50% - 75%	7,199	65 %	1.57	7,241	66 %	1.59
Less than 50%	3,641	33 %	2.04	3,440	31 %	2.04
Total commercial mortgage loans	$ 11,089	100 %		$ 10,966	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 was 54% at March 31, 2022 and 54% at December 31, 2021.

(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, 2022 and December 31, 2021 was 1.72x and 1.72x, 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,	
	2022	2021
	(Dollars In Millions)	
Allowance for Funded Commercial Mortgage Loan Credit Losses		
Beginning balance	$ 103	$ 222
Cumulative effect adjustment	—	—
Write-offs	(2)	—
Recoveries	—	(5)
Provision	(21)	(46)
Ending balance	$ 80	$ 171
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses		
Beginning balance	$ 5	$ 22
Cumulative effect adjustment	—	—
Write-offs	—	—
Recoveries	—	—
Provision	—	(7)
Ending balance	$ 5	$ 15

As of March 31, 2022, the Company had one commercial mortgage loan of $6 million that was 60-89 days delinquent. As of December 31, 2021, the Company had one commercial mortgage loan of $28 million that was 30-59 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 loans in nonaccrual status, interest income is recognized on a cash basis. As of March 31, 2022 and December 31, 2021, the Company did not have any commercial mortgage loans in nonaccrual status, and no accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy.

8. MONY CLOSED BLOCK OF BUSINESS

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

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

Summarized financial information for the Closed Block as of March 31, 2022, and December 31, 2021, is as follows:

	As of	
	March 31, 2022	December 31, 2021
	(Dollars In Millions)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	$ 5,237	$ 5,277
Policyholder dividend obligation	—	401
Other liabilities	9	10
Total closed block liabilities	5,246	5,688
Closed block assets		
Fixed maturities, available-for-sale, at fair value	4,129	4,633
Commercial mortgage loans	67	68
Policy loans	545	557
Cash and other invested assets	34	73
Other assets	109	83
Total closed block assets	4,884	5,414
Excess of reported closed block liabilities over closed block assets	362	274
Portion of above representing accumulated other comprehensive income:		
Net unrealized gains (losses) - net of policyholder dividend obligation: 2022 - $(75) and 2021 - $323; and net of income tax: 2022 - $38 and 2021 - $(68)	(85)	—
Future earnings to be recognized from closed block assets and closed block liabilities	$ 277	$ 274

Reconciliation of the policyholder dividend obligation is as follows:

	For The Three Months Ended March 31,	
	2022	2021
	(Dollars In Millions)	
Policyholder dividend obligation, beginning balance	$ 401	$ 580
Applicable to net revenue (losses)	(2)	1
Change in net unrealized gains (losses) - allocated to the policyholder dividend obligation	(399)	(347)
Policyholder dividend obligation, ending balance	$ —	$ 234

Closed Block revenues and expenses were as follows:

	For The Three Months Ended March 31, 2022	2021
	(Dollars In Millions)	
Revenues		
Premiums and other income	$ 31	$ 34
Net investment income	46	48
Net realized gains (losses)	1	23
Total revenues	78	105
Benefits and other deductions		
Benefits and settlement expenses	81	89
Other operating expenses	—	—
Total benefits and other deductions	81	89
Net (expenses) revenues before income taxes	(3)	16
Income tax expense	(1)	3
Net (expenses) revenues	$ (2)	$ 13

9. REINSURANCE

Reinsurance Assets and Liabilities

Reinsurance assets and liabilities related to agreements with funds withheld at interest where no net risk is retained by the Company are presented on a net basis. Reinsurance receivables were presented net of approximately $2.3 billion in reinsurance liabilities as of March 31, 2022 and December 31, 2021.

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, 2022 and December 31, 2021, the Reinsurance ACL was $96 million and $97 million, respectively. There were no write-offs or recoveries during the three months ended March 31, 2022 and 2021.

The Company had total reinsurance receivables of $4.2 billion as of March 31, 2022, which includes both ceded policy benefit reserves and receivables for claims. Receivables for claims represented 12% of total reinsurance receivables as of March 31, 2022. Receivables for claims are short-term in nature, and generally carry minimal credit risk. Of reserves ceded as of March 31, 2022, 82% were receivables from reinsurers rated by A.M. Best Company. Of the total rated by A.M. Best Company, 55% were rated A+ or better, 15% were rated A, and 30% were rated A- or lower. The Company monitors the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers, on an ongoing basis. Certain of the Company's reinsurance receivables are supported by letters of credit, funds held or trust agreements.

10. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt

Debt and subordinated debt are summarized as follows:

	As of			
	March 31, 2022		December 31, 2021	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	$ 275	$ 275	$ 275	$ 275
Term Loan Credit Agreement	600	600	600	600
8.45% Senior Notes (2009), due 2039	181	265	181	266
4.30% Senior Notes (2018), due 2028	400	397	400	397
3.40% Senior Notes (2019), due 2030	400	398	400	397
	$ 1,856	$ 1,935	$ 1,856	$ 1,935
Subordinated debt (year of issue):				
5.35% Subordinated Debentures (2017), due 2052	$ 500	$ 496	$ 500	$ 496
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
	$ 610	$ 606	$ 610	$ 606

Under a revolving line of credit arrangement (the "2018 Credit Facility"), the Company has the ability to borrow on an unsecured basis up to an aggregate principal amount of $1.0 billion. Under certain circumstances the 2018 Credit Facility allows for a request that the commitment be increased up to a maximum principal amount of $1.5 billion. Balances outstanding under the 2018 Credit Facility accrue interest at a rate equal to, at the option of the borrowers, (i) LIBOR 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 Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt. The 2018 Credit Facility also provided for a facility fee at a rate that varies with the ratings of the Company's Senior Debt and that is calculated on the aggregate amount of commitments under the 2018 Credit Facility, whether used or unused. The annual facility fee rate is 0.125% of the aggregate principal amount. The 2018 Credit Facility provides that the Company is liable for the full amount of any obligations for borrowings or letters of credit under the 2018 Credit Facility. The maturity date of the 2018 Credit Facility is May 3, 2023. The Company is not aware of any non-compliance with the financial debt covenants of the 2018 Credit Facility as of March 31, 2022. On April 5, 2022, the Company amended the 2018 Credit Facility (as amended, the "2022 Credit Facility"). See Note 13, *Subsequent Events,* for additional information on the Company's 2022 Credit Facility.

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, 2022, the fair value of securities pledged under the repurchase program was $828 million, and the repurchase obligation of $770 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 21 basis points). During the three months ended March 31, 2022, the maximum balance outstanding at any one point in time related to these programs was $1,647 million. The average daily balance was $1,408 million (at an average borrowing rate of 15 basis points) during the three months ended March 31, 2022. As of

December 31, 2021, the fair value of securities pledged under the repurchase program was $1,503 million, and the repurchase obligation of $1,393 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 13 basis points). During 2021, the maximum balance outstanding at any one point in time related to these programs was $1,799 million. The average daily balance was $775 million (at an average borrowing rate of 13 basis points) during the year ended December 31, 2021.

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, 2022 and December 31, 2021, securities with a fair value of $179 million and $174 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, 2022 and December 31, 2021, the fair value of the collateral related to this program was $184 million and $179 million and the Company has an obligation to return $184 million and $179 million of collateral 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, 2022 and December 31, 2021:

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, 2022				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ 797	$ —	$ —	$ —	$ 797
Corporate securities	31	—	—	—	31
Total repurchase agreements and repurchase-to-maturity transactions	828	—	—	—	828
Securities lending transactions					
Corporate securities	174	—	—	—	174
Redeemable preferred stocks	2	—	—	—	2
Other government related securities	3	—	—	—	3
Total securities lending transactions	179	—	—	—	179
Total securities	$ 1,007	$ —	$ —	$ —	$ 1,007

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, 2021				
	(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	$ 1,070	$ —	$ —	$ —	$ 1,070
State and municipal securities	69	—	—	—	69
Mortgage loans	364	—	—	—	364
Total repurchase agreements and repurchase-to-maturity transactions	1,503	—	—	—	1,503
Securities lending transactions					
Fixed maturity securities	171	—	—	—	171
Equity securities	1	—	—	—	1
Redeemable preferred stocks	2	—	—	—	2
Total securities lending transactions	174	—	—	—	174
Total securities	$ 1,677	$ —	$ —	$ —	$ 1,677

Golden Gate Captive Insurance Company

Golden Gate Captive Insurance Company ("Golden Gate"), a Vermont special purpose financial insurance company and a wholly owned subsidiary of PLICO, is party to a transaction with a term of 20 years, that may be extended to a maximum of 25 years, that finances up to $5 billion of "XXX" and "AXXX" reserves related to the term life insurance business and universal life insurance with secondary guarantee business that is reinsured to Golden Gate by PLICO and West Coast Life Insurance Company, an indirect wholly owned subsidiary, pursuant to an Excess of Loss Reinsurance Agreement (the "XOL Agreement") with Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and RGA Reinsurance Company (Barbados) Ltd. (collectively, the "Retrocessionaires"). The transaction is "non-recourse" to the Company, WCL, and PLICO, meaning that none of these companies are liable to reimburse the Retrocessionaires for any XOL payments required to be made. As of March 31, 2022, the XOL Asset backing the difference in statutory and economic reserve liabilities was $4.180 billion.

11. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

Advance Trust & Life Escrow Services, LTA, as Securities Intermediary of Life Partners Position Holder Trust v. Protective Life Insurance Company, Case No. 2:18-CV-01290, 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 alleges that PLICO required policyholders to pay unlawful and excessive cost of insurance charges. 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. The plaintiff seeks class certification, compensatory damages, pre-judgment and post-judgment interest, costs, and other unspecified relief. The Company is vigorously defending this matter and cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation.

PLICO is currently defending two putative class actions (*Beverly Allen v. Protective Life Insurance Company*, Civil Action No. 1:20-cv-00530-JLT (E.D. Cal. filed Apr. 14, 2020), and *Janice Schmidt v. Protective Life Insurance Company, et al.*, Civil Action No. 1:21-cv-01784-SAB (E.D. Cal. filed Dec. 17, 2021) in which the plaintiffs claim that defendants' alleged failure to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies requires that these policies remain in force. The plaintiffs seek unspecified monetary damages and injunctive relief. No class has been certified in either putative class action. In August 2021, the California Supreme Court determined in *McHugh v. Protective Life Insurance Company*, Case No. D072863, that the statutory requirements apply to life insurance policies issued before the statutes' effective date and remanded the case back to the Court of Appeal to review the jury's original verdict in favor of Protective. In continuing to defend these matters, PLICO maintains various defenses to the merits of the plaintiffs' claims and to class certification. However, the Company cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation.

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

A proposed Rehabilitation Plan ("Original Rehabilitation Plan") was filed by the Receiver on June 30, 2020. The Original Rehabilitation Plan presents the following two options to each cedent: 1) remain in business with SRUS and be governed by the Rehabilitation Plan, or 2) recapture business ceded to SRUS. Due to SRUS's financial status, neither option would pay 100% of the Company's outstanding claims. The Original Rehabilitation Plan would impose certain financial terms and conditions on the cedents based on the election made, the type of business ceded, the manner in which the business is collateralized, and the amount of losses sustained by the cedent. On October 9, 2020, the Receiver filed a proposed order setting forth a schedule to present the Original Rehabilitation Plan for Court approval, which order contemplated possible modifications to the Rehabilitation Plan to be filed with the Court by March 16, 2021. The Court approved the order. On March 16, 2021, the Receiver filed a draft Amended Rehabilitation Plan ("Amended Plan"). The majority of the substance and form of the original Rehabilitation Plan, including its two option structure described above, remained in place.

For much of 2020 and into early 2021, a group of interested parties collectively requested certain information and financial data from the Receiver that would allow them to more fully evaluate first the Original Rehabilitation Plan and then the Amended Plan. This group also had a number of conversations with counsel for the Receiver regarding concerns over the Plan. On July 26, 2021, the Receiver shared with interested parties an outline of a Modified Plan, along with a liquidation analysis. While there are significant changes proposed in the Modified Plan (as compared to the Original Rehabilitation Plan and the Amended Plan), much of the economic substance (including not paying claims in full) of the Original Rehabilitation Plan and the Amended Rehabilitation Plan are likely to be included in the Modified Plan.

The Court has yet to rule further or to re-establish a schedule for pre-confirmation procedures or a hearing on confirmation.

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 March 31, 2022, management does not believe that the ultimate outcome of the rehabilitation process will have a material impact on our financial position or results of operations.

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

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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, 2022 and 2021.

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, 2021	$ 2,413	$ (7)	$ (24)	$ 2,382
Other comprehensive income (loss) before reclassifications	(3,226)	1	—	(3,225)
Other comprehensive income (loss) on investments for change in net expected credit losses	1	—	—	1
Amounts reclassified from accumulated other comprehensive income (loss)[1]	(4)	—	—	(4)
Balance, March 31, 2022	$ (816)	$ (6)	$ (24)	$ (846)

	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, 2020	$ 3,565	$ (8)	$ (49)	$ 3,508
Other comprehensive income (loss) before reclassifications	(1,772)	2	1	(1,769)
Other comprehensive income (loss) on investments for change in net expected credit losses	5	—	—	5
Amounts reclassified from accumulated other comprehensive income (loss)[1]	(27)	—	—	(27)
Balance, March 31, 2021	$ 1,771	$ (6)	$ (48)	$ 1,717

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

(2) As of March 31, 2022 and December 31, 2021, net unrealized losses reported in AOCI were offset by $267 million and $(1.9) billion, respectively, due to the impact those net unrealized losses would have had on certain of the Company’s insurance assets and liabilities if the net unrealized losses had been recognized in net income (loss).

The following tables summarize the reclassifications amounts out of AOCI for the three months ended March 31, 2022 and 2021.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Gains/(losses) in net income (loss):	Affected Line Item in the Condensed Consolidated Financial Statements Statements of Income (Loss)	For The Three Months Ended March 31, 2022	2021
		(Dollars In Millions)	
Unrealized gains and losses on available-for-sale securities	Net realized gains (losses) - investments	$ 5	$ 30
	Change in net expected credit losses - fixed maturities	—	5
	Tax (expense) benefit	(1)	(8)
		$ 4	$ 27

13. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to March 31, 2022, and through May 13, 2022, 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.

On April 5, 2022, the Company amended and restated the 2018 Credit Facility and entered into a Second Amended and Restated Credit Agreement (the "2022 Credit Facility") among the Company, the several lenders from time to time party thereto, and Regions Bank, as administrative agent and swingline lender. Under the 2022 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 has the right in certain circumstances to request that the commitment under the 2022 Credit Facility be increased up to a maximum principal amount of $2.0 billion. Balances outstanding under the 2022 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 2022 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 2022 Credit Facility, whether used or unused. The Company is not aware of any non-compliance with the financial debt covenants of the 2022 Credit Facility as of May 13, 2022. The Company had an outstanding balance under the 2022 Credit Facility of $195 million as of April 5, 2022. The maturity date of current borrowings under the 2022 Credit Facility is April 5, 2027, subject to certain extension options available to the Company.

On May 2, 2022, PLICO completed the acquisition of leading automotive finance and insurance provider, AUL Corp ("AUL"). AUL offers a variety of finance and insurance products, including warranties, vehicle service contracts, and a suite of ancillary products. The transaction was announced on March 21, 2022. The aggregate purchase price was approximately $347 million, which includes and is subject to adjustments.

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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, 2022, the related consolidated condensed statements of income (loss), comprehensive loss, shareowner's equity and cash flows for the three-month periods ended March 31, 2022 and 2021, 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 13, 2022