Protective Life Corporation
Financial Statements and Notes
June 30, 2023

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

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Revenues				
Gross premiums and policy fees	$ 1,165	$ 1,098	$ 2,299	$ 2,229
Reinsurance ceded	(401)	(363)	(740)	(709)
Net premiums and policy fees	764	735	1,559	1,520
Net investment income	834	808	1,662	1,589
Net realized losses	(145)	(161)	(311)	(227)
Other income	159	140	306	284
Total revenues	1,612	1,522	3,216	3,166
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three and six months 2023 - $321 and $637; three and six months 2022 - $300 and $658)	1,242	1,171	2,511	2,512
Amortization of deferred policy acquisition costs and value of business acquired	72	100	154	208
Other operating expenses, net of reinsurance ceded: (three and six months 2023 - $56 and $104; three and six months 2022 - $57 and $118)	264	264	539	496
Total benefits and expenses	1,578	1,535	3,204	3,216
Income (loss) before income tax	34	(13)	12	(50)
Income tax expense (benefit)	7	(4)	3	(12)
Net income (loss)	$ 27	$ (9)	$ 9	$ (38)

See Notes to Consolidated Condensed Financial Statements

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Net income (loss)	$ 27	$ (9)	$ 9	$ (38)
Other comprehensive (loss) income:				
Change in net unrealized gains (losses) on investments, net of income tax: (three and six months 2023 - $(167) and $(8); three and six months 2022 - $(836) and $(1,693))	(629)	(3,143)	(29)	(6,369)
Reclassification adjustment for investment amounts included in net income (loss), net of income tax: (three and six months 2023 - $12 and $38; three and six months 2022 - $1 and $—)	45	4	142	—
Change in net unrealized losses on fixed maturities with an allowance for credit losses, net of income tax: (three and six months 2023 - $— and $—; three and six months 2022 - $— and $—)	1	(2)	(1)	(1)
Change in accumulated gain (loss) - derivatives, net of income tax: (three and six months 2023 - $1 and $1; three and six months 2022 - $1 and $1)	4	3	2	4
Reclassification adjustment for derivative amounts included in net income (loss), net of income tax: (three and six months 2023 - $— and $—; three and six months 2022 - $— and $—)	(2)	—	(2)	—
Change in postretirement benefits liability adjustment, net of income tax: (three and six months 2023 - $— and $—; three and six months 2022 - $— and $—)	—	1	—	1
Total other comprehensive (loss) income	(581)	(3,137)	112	(6,365)
Total comprehensive (loss) income	$ (554)	$ (3,146)	$ 121	$ (6,403)

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

	As of	
	June 30, 2023	December 31, 2022
	(Unaudited)	
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2023 - $66,509; 2022 - $67,228; allowance for credit losses: 2023 - $93 ; 2022 - $10)	$ 57,311	$ 57,512
Equity securities, at fair value (cost: 2023 - $865; 2022 - $825)	696	714
Commercial mortgage loans, net of allowance for credit losses (2023 - $167; 2022 - $100)	11,998	11,696
Policy loans	1,469	1,485
Other long-term investments	3,617	2,942
Short-term investments	1,060	1,160
Total investments	76,151	75,509
Cash	387	401
Accrued investment income	723	721
Accounts and premiums receivable	178	187
Reinsurance receivables, net of allowance for credit losses (2023 - $88; 2022 - $79)	4,276	4,289
Deferred acquisition costs and value of business acquired	5,422	5,597
Goodwill	983	984
Other intangibles, net of accumulated amortization (2023 - $474; 2022 - $440)	726	757
Property and equipment, net of accumulated depreciation 2023 - $106; 2022 - $97)	207	213
Other assets	410	314
Deferred income taxes, net	513	470
Assets related to separate accounts:		
Variable annuity	11,359	11,040
Variable universal life	2,840	2,534
Reinsurance assumed	10,592	10,168
Total assets	$ 114,767	$ 113,184

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(continued)

	As of	
	June 30, 2023	December 31, 2022
	(Unaudited)	
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	$ 51,734	$ 51,772
Unearned premiums	1,438	1,417
Total policy liabilities and accruals	53,172	53,189
Stable value product account balances	11,660	10,007
Annuity account balances	14,174	15,111
Other policyholders' funds	1,239	1,354
Other liabilities	4,506	3,844
Secured financing liabilities	256	1,128
Debt	2,021	1,982
Subordinated debt	606	606
Liabilities related to separate accounts:		
Variable annuity	11,359	11,040
Variable universal life	2,840	2,534
Reinsurance assumed	10,592	10,168
Total liabilities	112,425	110,963
Commitments and contingencies - Note 12		
Shareowner's equity		
Common Stock, 2023 and 2022 - $0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	5,804	5,804
Retained earnings	1,980	1,971
Accumulated other comprehensive income (loss):		
Net unrealized losses on investments, net of income tax: (2023 - $(1,442); 2022 - $(1,472))	(5,425)	(5,537)
Net unrealized losses on investments with an allowance for credit losses, net of income tax: (2023 - $(2); 2022 - $(2))	(7)	(7)
Accumulated (loss) gain - derivatives, net of income tax: (2023 - $—; 2022 - $—)	1	1
Postretirement benefits liability adjustment, net of income tax: (2023 - $(3); 2022 - $(3))	(11)	(11)
Total shareowner's equity	2,342	2,221
Total liabilities and shareowner's equity	$ 114,767	$ 113,184

See Notes to Consolidated Condensed Financial Statements

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

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, March 31, 2023	$ —	$ 5,804	$ 1,953	$ (4,861)	$ 2,896
Net income			27		27
Other comprehensive loss				(581)	(581)
Comprehensive loss					(554)
Balance, June 30, 2023	$ —	$ 5,804	$ 1,980	$ (5,442)	$ 2,342

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2022	$ —	$ 5,804	$ 1,971	$ (5,554)	$ 2,221
Net income			9		9
Other comprehensive income				112	112
Comprehensive income					121
Balance, June 30, 2023	$ —	$ 5,804	$ 1,980	$ (5,442)	$ 2,342

See Notes to Consolidated Condensed Financial Statements

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

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, March 31, 2022	$ —	$ 5,804	$ 1,872	$ (846)	$ 6,830
Net loss			(9)		(9)
Other comprehensive loss				(3,137)	(3,137)
Comprehensive loss					(3,146)
Balance, June 30, 2022	$ —	$ 5,804	$ 1,863	$ (3,983)	$ 3,684

	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			(38)		(38)
Other comprehensive loss				(6,365)	(6,365)
Comprehensive loss					(6,403)
Dividends to parent			(239)		(239)
Balance, June 30, 2022	$ —	$ 5,804	$ 1,863	$ (3,983)	$ 3,684

See Notes to Consolidated Condensed Financial Statements

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

	For The Six Months Ended June 30, 2023	2022
	(Dollars In Millions)	
Cash flows from operating activities		
Net income (loss)	$ 9	$ (38)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net realized losses	311	227
Amortization of deferred acquisition costs and value of business acquired	154	208
Capitalization of deferred acquisition costs	(310)	(302)
Depreciation and amortization expense	44	39
Deferred income tax	(72)	(10)
Accrued income tax	(10)	(42)
Interest credited to universal life and investment products	808	716
Trading securities purchases, sales, and maturities, net	88	(5)
Amortization of premiums and accretion of discounts on investments and commercial mortgage loans	100	88
Change in:		
Policy fees assessed on universal life and investment products	(944)	(927)
Reinsurance receivables	13	21
Accrued investment income and other receivables	8	(1)
Policy liabilities and other policyholders' funds of traditional life and health	(650)	(491)
Other liabilities	85	(194)
Other, net	(74)	95
Net cash used in operating activities	$ (440)	$ (616)

See Notes to Consolidated Condensed Financial Statements

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

	For The Six Months Ended June 30, 2023	2022
	(Dollars In Millions)	
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	$ 993	$ 1,327
Sale of investments, available-for-sale	815	920
Cost of investments acquired, available-for-sale	(1,390)	(2,490)
Commercial mortgage loans:		
New loan originations	(785)	(1,262)
Repayments	411	653
Change in investment real estate, net	6	—
Change in policy loans, net	16	35
Change in other long-term investments, net	(171)	(59)
Change in short-term investments, net	137	(329)
Net unsettled security transactions	65	19
Purchase of property, equipment, and intangibles	(8)	(6)
Payment for business acquisition, net of cash acquired	—	(322)
Net cash provided by (used in) investing activities	89	(1,514)
Cash flows from financing activities		
Borrowings under line of credit arrangement, debt, and subordinated debt	2,655	335
Principal payments on line of credit arrangement, debt, and subordinated debt	(2,616)	(390)
Change in secured financing liabilities	(872)	(399)
Dividends to shareowner	(69)	(239)
Deposits to universal life and investment contracts	5,410	5,504
Withdrawals from universal life and investment contracts	(4,176)	(2,770)
Other financing activities, net	5	(6)
Net cash provided by financing activities	337	2,035
Change in cash	(14)	(95)
Cash at beginning of period	401	544
Cash at end of period	$ 387	$ 449

See Notes to Consolidated Condensed Financial Statements

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

1. BASIS OF PRESENTATION

Basis of Presentation

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

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

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

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

During 2023, the Company identified $13 million and $26 million, respectively, of realized losses that were misclassified for the three and six months ended June 30, 2022, resulting in an overstatement of *net investment income* and an overstatement of *net realized losses* within the statement of loss. The Company determined that the reclassifications were not material to the financial statements for any period. These amounts have been corrected in the statements of income (loss) for the six months ended June 30, 2022.

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, 2022. There were no significant changes to the Company's accounting policies during the six months ended June 30, 2023.

Accounting Pronouncements 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 was effective for the Company's fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted the amendments on a prospective basis. The update did not have a material impact on our operations and financial results.

Accounting Pronouncements Not Yet Adopted

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

3. RECENT TRANSACTIONS

AUL Corp

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 aggregate purchase price was $347 million.

The following table details the final allocation of the purchase price, which occurred during the three months ended March 31, 2023, to the assets acquired and liabilities assumed from the AUL transaction as of the date of the closing.

	Fair Value as of May 2, 2022
	(Dollars In Millions)
ASSETS	
Fixed maturities	$ 253
Cash	25
Goodwill	223
Value of business acquired	11
Other intangibles	256
Other assets	49
Total assets	817
LIABILITIES	
Unearned premiums	$ 333
Accrued expenses and other liabilities	137
Total liabilities	470
NET ASSETS ACQUIRED	$ 347

The amount of revenue of AUL included in the consolidated condensed statements of income (loss) for the three and six months ended June 30, 2023, amounted to $62 million and $119 million, respectively. The amount of income (loss) before income tax of AUL included in the consolidated condensed statements of income (loss) for the three and six months ended June 30, 2023, amounted to $1 million and $(1) million, respectively.

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

	Estimated Fair Value on Acquisition Date	Estimated Useful Life
	(Dollars In Millions)	(in Years)
Distribution relationships	$ 246	18
Trade name	6	7
Technology	4	4
Total intangible assets	$ 256	

4. INVESTMENT OPERATIONS

Net realized gains (losses) are summarized as follows:

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Fixed maturities	$ (17)	$ (5)	$ (37)	$ —
Equity securities	(17)	(63)	(34)	(130)
Modco trading portfolios	(27)	(230)	18	(469)
Change in net credit losses - fixed maturities(1)	(40)	—	(142)	—
Commercial mortgage loans	(26)	(5)	(65)	15
Corporate-owned life insurance	18	(29)	30	(39)
Other investments	(1)	4	—	1
Net realized losses - investments	(110)	(328)	(230)	(622)
Net realized gains (losses) - derivatives(2)	(35)	167	(81)	395
Net realized losses	$ (145)	$ (161)	$ (311)	$ (227)

(1) Includes $59 million of realized losses related to impaired securities that management intends to sell as of June 30, 2023.

(2) See Note 6**,** *Derivative Financial Instruments*

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Securities in an unrealized gain position:				
Sales proceeds	$ 130	$ 106	$ 409	$ 290
Realized gains	$ 2	$ 1	$ 7	$ 6
Securities in an unrealized loss position:				
Sales proceeds	$ 14	$ 155	$ 34	$ 155
Realized losses	$ (19)	$ (6)	$ (44)	$ (6)

The net losses from equity securities still held at period end were $(10) million and $(63) million for the three months ended June 30, 2023 and 2022, respectively, and $(26) million and $(132) million for the six months ended June 30, 2023 and 2022, respectively. The Company recognized losses of $(8) million on disposals of equity securities for the three and six months ended June 30, 2023. The Company did not recognize any gains or losses on disposals of equity securities for the three months ended June 30, 2022. The Company recognized gains of $2 million on disposals of equity securities sold for the six months ended June 30, 2022.

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

As of June 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,971	$ 1	$ (1,522)	$ —	$ 5,450
Commercial mortgage-backed securities	1,710	—	(187)	(6)	1,517
Other asset-backed securities	1,917	17	(50)	—	1,884
U.S. government-related securities	757	—	(156)	—	601
Other government-related securities	163	—	(13)	—	150
States, municipals, and political subdivisions	3,575	1	(374)	—	3,202
Corporate securities	49,020	53	(6,802)	(87)	42,184
Redeemable preferred stocks	297	—	(73)	—	224
	64,410	72	(9,177)	(93)	55,212
Short-term investments	946	—	—	—	946
	$ 65,356	$ 72	$ (9,177)	$ (93)	$ 56,158

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

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

	As of	
	June 30, 2023	December 31, 2022
	(Dollars In Millions)	
Fixed maturities:		
Residential mortgage-backed securities	$ 100	$ 108
Commercial mortgage-backed securities	157	165
Other asset-backed securities	183	182
U.S. government-related securities	18	23
Other government-related securities	14	28
States, municipals, and political subdivisions	182	192
Corporate securities	1,439	1,494
Redeemable preferred stocks	6	6
	2,099	2,198
Equity securities	9	11
Short-term investments	114	77
	$ 2,222	$ 2,286

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

	Available-for-Sale	
	Amortized Cost	Fair Value
	(Dollars In Millions)	
Due in one year or less	$ 1,736	$ 1,693
Due after one year through five years	10,458	9,791
Due after five years through ten years	12,253	10,834
Due after ten years	39,963	32,894
	$ 64,410	$ 55,212

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

	For The Three Months Ended June 30, 2023			For The Six Months Ended June 30, 2023		
	Corporate Securities	CMBS	Total	Corporate Securities	CMBS	Total
	(Dollars In Millions)					
Beginning Balance	$ 106	$ 6	$ 112	$ 4	$ 6	$ 10
Additions for securities for which an allowance was not previously recorded	—	—	—	102	—	102
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	(19)	—	(19)	(19)	—	(19)
Write-offs of previously recorded allowances due to intent or requirement to sell	—	—	—	—	—	—
Ending Balance	$ 87	$ 6	$ 93	$ 87	$ 6	$ 93

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

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

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	$ 601	$ (29)	$ 4,801	$ (1,493)	$ 5,402	$ (1,522)
Commercial mortgage-backed securities	52	(2)	1,465	(185)	1,517	(187)
Other asset-backed securities	228	(3)	1,069	(47)	1,297	(50)
U.S. government-related securities	86	(2)	493	(154)	579	(156)
Other government-related securities	62	(3)	89	(10)	151	(13)
States, municipals, and political subdivisions	666	(31)	2,467	(343)	3,133	(374)
Corporate securities	7,897	(464)	33,092	(6,338)	40,989	(6,802)
Redeemable preferred stocks	19	(2)	186	(71)	205	(73)
	$ 9,611	$ (536)	$ 43,662	$ (8,641)	$ 53,273	$ (9,177)

Residential mortgage-backed securities ("RMBS") had gross unrealized losses greater than twelve months of $1.5 billion as of June 30, 2023. Factors such as credit enhancements within the deal structures, the average lives of the securities, and the performance of the underlying collateral support the recoverability of these investments.

Corporate securities had gross unrealized losses greater than twelve months of $6.3 billion as of June 30, 2023, excluding losses of $87 million that were considered credit-related. These losses are deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuers, the continued access of the issuers to capital markets, interest rate movement, and other pertinent information.

As of June 30, 2023, the Company had a total of 5,106 positions that were in an unrealized loss position, including 12 positions for which an allowance for credit losses was established. For unrealized losses for which an allowance for credit losses was not established, the Company does not consider these unrealized loss positions to be credit-related. This is based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover. The Company does not intend to sell or expect to be required to sell the securities before recovering the Company's amortized cost of the securities.

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

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

As of June 30, 2023, the Company had securities in its AFS portfolio which were rated below investment grade of $1.4 billion and had an amortized cost of $1.7 billion. Included in the Company's trading portfolio, the Company held $81 million of securities which were rated below investment grade. Within the Company's AFS and trading portfolios, the Company had securities which were below investment grade and were not publicly traded of $523 million and had an amortized cost of $604 million.

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Fixed maturities	$ (550)	$ (4,365)	$ 475	$ (9,341)

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets and liabilities recorded at fair value on the consolidated 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 June 30, 2023:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturities - AFS					
Residential mortgage-backed securities	4	$ —	$ 5,450	$ —	$ 5,450
Commercial mortgage-backed securities	4	—	1,374	143	1,517
Other asset-backed securities	4	—	1,352	532	1,884
U.S. government-related securities	4	311	290	—	601
Other government-related securities	4	—	150	—	150
States, municipals, and political subdivisions	4	—	3,202	—	3,202
Corporate securities	4	—	40,736	1,448	42,184
Redeemable preferred stocks	4	224	—	—	224
Total fixed maturities - AFS		535	52,554	2,123	55,212
Fixed maturities - trading					
Residential mortgage-backed securities	3	—	100	—	100
Commercial mortgage-backed securities	3	—	157	—	157
Other asset-backed securities	3	—	86	97	183
U.S. government-related securities	3	14	4	—	18
Other government-related securities	3	—	14	—	14
States, municipals, and political subdivisions	3	—	182	—	182
Corporate securities	3	—	1,434	5	1,439
Redeemable preferred stocks	3	6	—	—	6
Total fixed maturities - trading		20	1,977	102	2,099
Total fixed maturities		555	54,531	2,225	57,311
Equity securities	3	460	40	196	696
Other long-term investments(1)	3 & 4	34	872	562	1,468
Short-term investments	3	891	169	—	1,060
Total investments		1,940	55,612	2,983	60,535
Cash	3	387	—	—	387
Other assets	3	47	—	—	47
Assets related to separate accounts					
Variable annuity	3	11,359	—	—	11,359
Variable universal life	3	2,840	—	—	2,840
Total assets measured at fair value on a recurring basis		$ 16,573	$ 55,612	$ 2,983	$ 75,168
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 47	$ 47
Other liabilities(1)	3 & 4	18	703	1,077	1,798
Total liabilities measured at fair value on a recurring basis		$ 18	$ 703	$ 1,124	$ 1,845

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

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

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

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

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

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

Determination of Fair Values

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

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

Valuation of Level 3 Financial Instruments

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

June 30, 2023	Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars In Millions)				
Assets:					
Commercial mortgage-backed securities	$	143	Discounted cash flow	Spread over treasury	1.00% - 2.65% (2.17%)
Other asset-backed securities		377	Liquidation	Liquidation value	$99.31 - $100.00 ($99.62)
			Discounted cash flow	Liquidity premium	1.07% - 1.88% (1.31%)
				Paydown rate	17.59% - 20.55% (18.12%)
				Spread over treasury	0.57% - 5.75% (2.47%)
Corporate securities		1,283	Discounted cash flow	Spread over treasury	0.54% - 5.25% (2.12%)
Liabilities:[1]					
Embedded derivatives - GLWB[2]	$	36	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	0.41% - 1.59%
Embedded derivative - FIA[2]		494	Actuarial cash flow model	Expenses	$226 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72, RMD for ages 70+ or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 72-88
				Mortality	88% to 100% of Ruark 2015 ALB 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	0.41% - 1.59%
Embedded derivative - IUL		36	Actuarial cash flow model	Mortality	43% - 110% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2020 SOA HMI) 94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
				Lapse	0.375% - 7.5%, depending on issue age and duration, smoking class, and level of funding
				Nonperformance risk	0.41% - 1.59%

(1) Excludes modified coinsurance arrangements.

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

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

(1) Excludes modified coinsurance arrangements. See Note 6, *Derivatives*, for fair value of related embedded derivatives.

(2) The fair value is presented as a net liability. See. Note 6, *Derivatives*, for gross asset and liability positions.

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

The Company has considered all reasonably available quantitative inputs as of June 30, 2023 and December 31, 2022, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. As of June 30, 2023 and December 31, 2022, $433 million and $421 million of financial instruments classified as Level 3, respectively, were valued by brokers. Of these securities, $252 million and $254 million were classified as other asset-backed securities and $170 million and $151 million were classified as corporate securities, respectively. As of June 30, 2023 and December 31, 2022, $11 million and $6 million of equity securities were included in Level 3. As of June 30, 2023, no government securities were included in level 3. As of December 31, 2022, $10 million of government securities were included in Level 3.

In certain cases, the Company has determined that book value materially approximates fair value. As of June 30, 2023 and December 31, 2022, the Company held FHLB capital stock of $185 million and $177 million, respectively, for which book value approximates fair value.

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

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 149	$ —	$ —	$ —	$ (5)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 143	$ —
Other asset-backed securities	532	—	9	—	(1)	—	(10)	—	—	—	2	532	—
Corporate securities	1,458	—	1	—	(28)	91	(73)	—	—	(1)	—	1,448	—
Total fixed maturities - AFS	2,139	—	10	—	(34)	91	(84)	—	—	(1)	2	2,123	—
Fixed maturities - trading													
Other asset-backed securities	96	—	1	—	—	—	—	—	—	—	—	97	—
Other government-related securities	10	—	—	—	—	—	(10)	—	—	—	—	—	—
Corporate securities	5	—	—	—	—	—	—	—	—	—	—	5	—
Total fixed maturities - trading	111	—	1	—	—	—	(10)	—	—	—	—	102	—
Total fixed maturities	2,250	—	11	—	(34)	91	(94)	—	—	(1)	2	2,225	—
Equity securities	176	—	—	—	—	25	(5)	—	—	—	—	196	—
Other long-term investments[(1)]	504	64	—	(6)	—	—	—	—	—	—	—	562	58
Total investments	2,930	64	11	(6)	(34)	116	(99)	—	—	(1)	2	2,983	58
Total assets measured at fair value on a recurring basis	$ 2,930	$ 64	$ 11	$ (6)	$ (34)	$ 116	$ (99)	$ —	$ —	$ (1)	$ 2	$ 2,983	$ 58
Liabilities:													
Annuity account balances[(2)]	$ 51	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	$ 47	$ —
Other liabilities[(1)]	1,028	38	—	(87)	—	—	—	—	—	—	—	1,077	(49)
Total liabilities measured at fair value on a recurring basis	$ 1,079	$ 38	$ —	$ (87)	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	$ 1,124	$ (49)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended June 30, 2023, $9 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were rated NAIC 1 in previous periods but have a credit rating of NAIC 2 as of June 30, 2023.

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

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

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operation s	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 147	$ —	$ 1	$ —	$ (4)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 143	$ —
Other asset-backed securities	551	—	8	—	(3)	—	(27)	—	—	—	3	532	—
Corporate securities	1,446	—	14	—	(7)	105	(109)	—	—	(1)	—	1,448	—
Total fixed maturities - AFS	2,144	—	23	—	(14)	105	(137)	—	—	(1)	3	2,123	—
Fixed maturities - trading													
Other asset-backed securities	96	—	1	—	—	—	—	—	—	—	—	97	—
Other government-related securities	10	—	—	—	—	—	(10)	—	—	—	—	—	—
Corporate securities	5	—	—	—	—	—	—	—	—	—	—	5	—
Total fixed maturities - trading	111	—	1	—	—	—	(10)	—	—	—	—	102	—
Total fixed maturities	2,255	—	24	—	(14)	105	(147)	—	—	(1)	3	2,225	—
Equity securities	183	—	—	—	—	50	(37)	—	—	—	—	196	—
Other long-term investments(1)	535	94	—	(67)	—	—	—	—	—	—	—	562	27
Total investments	2,973	94	24	(67)	(14)	155	(184)	—	—	(1)	3	2,983	27
Total assets measured at fair value on a recurring basis	$ 2,973	$ 94	$ 24	$ (67)	$ (14)	$ 155	$ (184)	$ —	$ —	$ (1)	$ 3	$ 2,983	$ 27
Liabilities:													
Annuity account balances(2)	$ 56	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 9	$ —	$ —	$ 47	$ —
Other liabilities(1)	962	67	—	(182)	—	—	—	—	—	—	—	1,077	(115)
Total liabilities measured at fair value on a recurring basis	$ 1,018	$ 67	$ —	$ (182)	$ —	$ —	$ —	$ —	$ 9	$ —	$ —	$ 1,124	$ (115)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the six months ended June 30, 2023, $9 million of securities were transferred into Level 3 from Level 2. These transfers resulted from securities that were rated NAIC 1 in previous periods but have a credit rating of NAIC 2 as of June 30, 2023.

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

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

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturities AFS													
Commercial mortgage-backed securities	$ 167	$ —	$ —	$ —	$ (16)	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 150	$ —
Other asset-backed securities	533	—	1	—	(3)	46	(50)	—	—	—	1	528	—
Corporate securities	1,456	—	3	—	(75)	109	(172)	—	—	—	—	1,321	—
Total fixed maturities - AFS	2,156	—	4	—	(94)	155	(223)	—	—	—	1	1,999	—
Fixed maturities - trading													
Other asset-backed securities	93	—	—	—	(3)	12	(3)	—	—	—	—	99	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	7	—	—	—	(1)	1	—	—	—	(1)	—	6	—
Total fixed maturities - trading	116	—	—	—	(4)	13	(3)	—	—	(1)	—	121	—
Total fixed maturities	2,272	—	4	—	(98)	168	(226)	—	—	(1)	1	2,120	—
Equity securities	155	—	—	—	—	24	—	—	—	—	—	179	—
Other long-term investments(1)	203	181	—	(24)	—	—	—	—	—	—	—	360	157
Total investments	2,630	181	4	(24)	(98)	192	(226)	—	—	(1)	1	2,659	157
Total assets measured at fair value on a recurring basis	$ 2,630	$ 181	$ 4	$ (24)	$ (98)	$ 192	$ (226)	$ —	$ —	$ (1)	$ 1	$ 2,659	$ 157
Liabilities:													
Annuity account balances(2)	$ 62	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 60	$ —
Other liabilities(1)	1,474	320	—	(88)	—	—	—	—	—	—	—	1,242	232
Total liabilities measured at fair value on a recurring basis	$ 1,536	$ 320	$ —	$ (88)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 1,302	$ 232

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended June 30, 2022, no securities were transferred into Level 3 from Level 2.

For the three months ended June 30, 2022, $1 million of securities were transferred into Level 2 from Level 3.

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

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
					(Dollars In Millions)								
Assets:													
Fixed maturities AFS													
Residential mortgage-backed securities	$ 40	$ —	$ —	$ —	$ (11)	$ —	$ —	$ —	$ —	$ (29)	$ —	$ —	$ —
Commercial mortgage-backed securities	180	—	—	—	(29)	—	(1)	—	—	—	—	150	—
Other asset-backed securities	515	—	1	—	(6)	101	(68)	—	—	(17)	2	528	—
Corporate securities	1,582	—	—	—	(174)	175	(231)	—	—	(30)	(1)	1,321	—
Total fixed maturities - AFS	2,317	—	1	—	(220)	276	(300)	—	—	(76)	1	1,999	—
Fixed maturities - trading													
Other asset-backed securities	93	—	—	—	(4)	14	(7)	—	—	3	—	99	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	8	—	—	—	(2)	1	—	—	—	(1)	—	6	—
Total fixed maturities - trading	117	—	—	—	(6)	15	(7)	—	—	2	—	121	—
Total fixed maturities	2,434	—	1	—	(226)	291	(307)	—	—	(74)	1	2,120	—
Equity securities	155	—	—	—	—	24	—	—	—	—	—	179	—
Other long-term investments[(1)]	243	216	—	(99)	—	—	—	—	—	—	—	360	117
Total investments	2,832	216	1	(99)	(226)	315	(307)	—	—	(74)	1	2,659	117
Total assets measured at fair value on a recurring basis	$ 2,832	$ 216	$ 1	$ (99)	$ (226)	$ 315	$ (307)	$ —	$ —	$ (74)	$ 1	$ 2,659	$ 117
Liabilities:													
Annuity account balances[(2)]	$ 63	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	60	$ —
Other liabilities[(1)]	1,907	784	—	(119)	—	—	—	—	—	—	—	1,242	665
Total liabilities measured at fair value on a recurring basis	$ 1,970	$ 784	$ —	$ (118)	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	$ 1,302	$ 665

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

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

For the six months ended June 30, 2022, $77 million of securities 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 maturities and issuances and settlements of fixed indexed annuities.

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

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

Estimated Fair Value of Financial Instruments

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

		As of			
		June 30, 2023		December 31, 2022	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Millions)			
Assets:					
Commercial mortgage loans(1)	3	$ 11,998	$ 10,804	$ 11,696	$ 10,850
Policy loans	3	1,469	1,469	1,485	1,485
Other long-term investments (2)	2 & 3	1,905	1,782	1,879	1,753
Liabilities:					
Stable value product account balances	3	$ 11,660	$ 11,135	$ 10,007	$ 9,510
Future policy benefits and claims(3)	3	1,298	1,273	1,347	1,374
Other policyholders' funds(4)	3	92	93	100	101
Debt:(5)					
Bank borrowings(6)	3	$ 600	$ 600	$ 600	$ 600
Senior Notes	2	1,057	938	1,057	941
Subordinated debentures	2	496	465	496	462
Commercial paper	3	364	364	325	325
Subordinated funding obligations	3	110	84	110	83

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

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

(2) Other long-term investments is comprised of a Modco receivable and the cash surrender value of the Company's COLI policy. The Modco receivable is related to invested assets such as fixed income and structured securities, which are legally owned by the ceding company, the fair value of which is predominately measured at Level 2. The fair value is determined in a manner consistent with other similar invested assets held by the Company. The fair value of the cash surrender value of the Company's COLI policy is measured at Level 3. COLI investments had a carrying and fair value of $695 million and $667 billion as of June 30, 2023 and December 31, 2022, respectively.

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

(4) Supplementary contracts without life contingencies.

(5) Excludes immaterial capital lease obligations.

(6) Includes the Term Loan Credit Agreement.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

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

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

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

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

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

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 June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Derivatives related to VA contracts:				
Interest rate forwards	$ (43)	$ 2	$ 1	$ 2
Interest rate futures	3	8	5	31
Equity futures	(1)	(34)	10	(37)
Currency futures	1	12	—	19
Equity options	(30)	51	(58)	58
Interest rate swaps	—	(186)	—	(399)
Total return swaps	(32)	84	(38)	126
Embedded derivative - GLWB	53	44	21	181
Total derivatives related to VA contracts	(49)	(19)	(59)	(19)
Derivatives related to FIA contracts:				
Embedded derivative	(23)	109	(41)	162
Equity futures	3	(4)	5	(4)
Equity options	28	(97)	43	(112)
Other derivatives	(5)	3	(7)	3
Total derivatives related to FIA contracts	3	11	—	49
Derivatives related to IUL contracts:				
Embedded derivative	(10)	46	(15)	88
Equity options	10	(20)	15	(23)
Total derivatives related to IUL contracts	—	26	—	65
Embedded derivative - Modco reinsurance treaties	9	145	(23)	289
Other derivatives	2	4	1	11
Total net realized gains (losses) - derivatives	$ (35)	$ 167	$ (81)	$ 395

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

Gain (Loss) on Derivatives in Cash Flow Hedging Relationship

	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)	(Ineffective Portion)
		Benefits and settlement expenses	Net realized losses
		(Dollars In Millions)	
For The Three Months Ended June 30, 2023			
Foreign currency swaps	$ (13)	$ —	$ —
Interest rate swaps	18	2	—
Total	$ 5	$ 2	$ —
For The Three Months Ended June 30, 2022			
Foreign currency swaps	$ 4	$ —	$ —
Total	$ 4	$ —	$ —
For The Six Months Ended June 30, 2023			
Foreign currency swaps	$ (15)	$ —	$ —
Interest rate swaps	18	2	—
Total	$ 3	$ 2	$ —
For The Six Months Ended June 30, 2022			
Foreign currency swaps	$ 5	$ —	$ —
Total	$ 5	$ —	$ —

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify $13 million out of accumulated other comprehensive income (loss) into *net realized losses* during the next twelve months.

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

	As of			
	June 30, 2023		December 31, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Millions)			
Other long-term investments				
Cash flow hedges:				
Interest rate swaps	$ 1,025	$ 10	$ —	$ —
Foreign currency swaps	427	5	—	—
Derivatives not designated as hedging instruments:				
Interest rate forwards	—	—	117	1
Total return swaps	53	1	225	6
Embedded derivative - Modco reinsurance treaties	2,325	266	2,427	291
Embedded derivative - GLWB	5,378	232	4,979	206
Embedded derivative - FIA	427	64	347	38
Interest rate futures	1,373	22	395	3
Equity futures	166	2	93	1
Currency futures	29	1	69	1
Equity options	7,810	865	7,846	359
	$ 19,013	$ 1,468	$ 16,498	$ 906
Other liabilities				
Cash flow hedges:				
Foreign currency swaps	$ 117	$ 25	$ 117	$ 15
Derivatives not designated as hedging instruments:				
Interest rate forwards	1,395	42	1,427	32
Total return swaps	691	9	280	3
Embedded derivative - Modco reinsurance treaties	1,264	122	1,260	125
Embedded derivative - GLWB	4,548	268	4,912	263
Embedded derivative - FIA	4,426	558	4,482	505
Embedded derivative - IUL	551	36	522	13
Interest rate futures	1,083	16	167	2
Equity futures	106	1	210	8
Currency futures	133	1	82	2
Equity options	6,386	627	6,776	204
Other	787	93	690	56
	$ 21,487	$ 1,798	$ 20,925	$ 1,228

7. OFFSETTING OF ASSETS AND LIABILITIES

Certain of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event either minimum thresholds, or in certain cases ratings levels, have been reached. Additionally, certain of the Company's repurchase agreements provide for net settlement on termination of the agreement. Refer to Note 11, *Debt and Other Obligations* for details of the Company's repurchase agreement programs.

Collateral received includes both cash and non-cash collateral. Cash collateral received by the Company is recorded on the consolidated condensed balance sheet as "cash", with a corresponding amount recorded in "other liabilities" to represent the Company's obligation to return the collateral. Non-cash collateral received by the Company is not recognized on the consolidated condensed balance sheet unless the Company exercises its right to sell or re-pledge the underlying asset. As of June 30, 2023, the fair value of non-cash collateral received was $29 million. As of December 31, 2022, there was $11 million fair value of non-cash collateral received. The tables below present the derivative instruments by assets and liabilities for the Company as of June 30, 2023:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Collateral Received	
			(Dollars In Millions)			
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 906	$ —	$ 906	$ 676	$ 133	$ 97
Total derivatives, subject to a master netting arrangement or similar arrangement	906	—	906	676	133	97
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	266	—	266	—	—	266
Embedded derivative - GLWB	232	—	232	—	—	232
Embedded derivative - FIA	64	—	64	—	—	64
Total derivatives, not subject to a master netting arrangement or similar arrangement	562	—	562	—	—	562
Total derivatives	1,468	—	1,468	676	133	659
Total Assets	$ 1,468	$ —	$ 1,468	$ 676	$ 133	$ 659

	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	$ 721	$ —	$ 721	$ 676	$ 42	$ 3
Total derivatives, subject to a master netting arrangement or similar arrangement	721	—	721	676	42	3
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	122	—	122	—	—	122
Embedded derivative - GLWB	268	—	268	—	—	268
Embedded derivative - FIA	558	—	558	—	—	558
Embedded derivative - IUL	36	—	36	—	—	36
Other	93	—	93	—	—	93
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,077	—	1,077	—	—	1,077
Total derivatives	1,798	—	1,798	676	42	1,080
Repurchase program borrowings(1)	170	—	170	—	—	170
Securities lending	86	—	86	—	—	86
Total Liabilities	$ 2,054	$ —	$ 2,054	$ 676	$ 42	$ 1,336

(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, 2022:

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

	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	$	266	$	—	$	266	$	232	$	34	$	—
Total derivatives, subject to a master netting arrangement or similar arrangement		266		—		266		232		34		—
Derivatives not subject to a master netting arrangement or similar arrangement												
Embedded derivative - Modco reinsurance treaties		125		—		125		—		—		125
Embedded derivative - GLWB		263		—		263		—		—		263
Embedded derivative - FIA		505		—		505		—		—		505
Embedded derivative - IUL		13		—		13		—		—		13
Other		56		—		56		—		—		56
Total derivatives, not subject to a master netting arrangement or similar arrangement		962		—		962		—		—		962
Total derivatives		1,228		—		1,228		232		34		962
Repurchase program borrowings(1)		966		—		966		—		—		966
Securities lending		162		—		162		—		—		162
Total Liabilities	$	2,356	$	—	$	2,356	$	232	$	34	$	2,090

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

8. COMMERCIAL MORTGAGE LOANS

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of June 30, 2023, the Company’s commercial mortgage loan holdings were $12.2 billion, or $12.0 billion net of allowance for credit losses. As of December 31, 2022, the Company’s commercial mortgage loan holdings were $11.8 billion, or $11.7 billion net of allowance for credit losses. The Company specializes in making commercial mortgage loans on credit-oriented commercial properties. The Company’s underwriting procedures relative to its commercial mortgage loan portfolio are based, in the Company’s view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (grocery anchored and credit tenant retail, industrial, multi-family, senior living, and credit tenant and medical office). The Company believes that these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company’s commercial mortgage loans portfolio was underwritten by the Company. From time to time, the Company may acquire commercial mortgage loans in conjunction with an acquisition.

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

Certain of the commercial mortgage loans have call options that occur within the next 7 years. However, if interest rates were to significantly increase, the Company may be unable to exercise the call options on its existing commercial mortgage loans commensurate with the significantly increased market rates. As of June 30, 2023, assuming the commercial mortgage loans are called at their next call dates, $40 million of principal would become due for the remainder of 2023, $651 million in 2024 through 2028 and $2 million in 2029.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participation interest in the cash flows from the underlying real estate. As of June 30, 2023 and

December 31, 2022, $778 million and $518 million, respectively, of the Company’s total commercial mortgage loans principal balance have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. During the three and six months ended June 30, 2023 and 2022, the Company recognized $1 million, $1 million, $11 million and $12 million of commercial mortgage loan participation interest income, respectively.

As of June 30, 2023, the Company had $71 million, or $32 million net of allowance for credit losses commercial mortgage loans that were nonperforming, restructured or foreclosed and were converted to real estate properties. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. As of December 31, 2022, the Company did not have any commercial mortgage loans that were nonperforming, restructured or foreclosed and converted to real estate properties. The Company did not identify any commercial mortgage loans whose principal was permanently impaired during the three and six months ended June 30, 2023 and 2022.

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

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

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

	Term Loans Amortized Cost Basis by Origination Year						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
	(Dollars In Millions)						
As of June 30, 2023							
Commercial mortgage loans:							
Performing	$ 639	$ 2,064	$ 2,041	$ 1,301	$ 1,801	$ 4,248	$ 12,094
Non-performing	—	—	—	—	—	71	71
Amortized cost	639	2,064	2,041	1,301	1,801	4,319	12,165
Allowance for credit losses	(6)	(13)	(16)	(13)	(21)	(98)	(167)
Total commercial mortgage loans	$ 633	$ 2,051	$ 2,025	$ 1,288	$ 1,780	$ 4,221	$ 11,998
Write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

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

	As of June 30, 2023			As of December 31, 2022		
	Amortized Cost (Dollars In Millions)	% of Total	DSCR [2]	Amortized Cost (Dollars In Millions)	% of Total	DSCR [2]
Loan-to-Value[1]						
Greater than 75%	$ 161	1 %	1.38	$ 163	1 %	1.39
50% - 75%	7,513	62 %	1.56	7,395	63 %	1.58
Less than 50%	4,491	37 %	1.99	4,238	36 %	1.99
Total commercial mortgage loans	$ 12,165	100 %		$ 11,796	100 %	

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

(2) The debt service coverage ratio compares a property’s net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio for June 30, 2023 and December 31, 2022 was 1.72x and 1.73x, respectively.

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars In Millions)			
Allowance for Funded Commercial Mortgage Loan Credit Losses				
Beginning balance	$ 139	$ 80	$ 100	$ 103
Write-offs	—	(7)	—	(10)
Recoveries	—	(1)	—	(1)
Provision	28	5	67	(15)
Ending balance	$ 167	$ 77	$ 167	$ 77
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses				
Beginning balance	$ 4	$ 5	$ 4	$ 5
Write-offs	—	—	—	—
Recoveries	—	—	—	—
Provision	(1)	2	(1)	2
Ending balance	$ 3	$ 7	$ 3	$ 7

As of June 30, 2023, the Company had three commercial mortgage loans of $71 million that were greater than 90 days delinquent. As of December 31, 2022, the Company did not have any commercial mortgage loans that were delinquent.

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

The Company limits accrued interest income on commercial mortgage loans to ninety days of interest. For commercial mortgage loans in nonaccrual status, interest income is recognized on a cash basis. As of June 30, 2023, the Company had three commercial mortgage loans in nonaccrual status, and $1 million of accrued interest was excluded from the amortized cost basis pursuant to the Company’s nonaccrual policy. As of December 31, 2022, the Company did not have any commercial mortgage loans in nonaccrual status.

9. 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 June 30, 2023, and December 31, 2022, is as follows:

	As of	
	June 30, 2023	December 31, 2022
	(Dollars In Millions)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	$ 5,052	$ 5,133
Policyholder dividend obligation	—	—
Other liabilities	22	10
Total closed block liabilities	5,074	5,143
Closed block assets		
Fixed maturities, available-for-sale, at fair value	3,459	3,386
Commercial mortgage loans	2	2
Policy loans	523	534
Cash and other invested assets	16	77
Other assets	231	246
Total closed block assets	4,231	4,245
Excess of reported closed block liabilities over closed block assets	843	898
Portion of above representing accumulated other comprehensive income:		
Unrealized investment gains (losses), before tax	(803)	(864)
Allocated to policyholder dividend obligation	64	68
Income tax	155	167
Unrealized investment gains (losses) - net of tax	(584)	(629)
Future earnings to be recognized from closed block assets and closed block liabilities	$ 259	$ 269

Reconciliation of the policyholder dividend obligation is as follows:

	For The Six Months Ended June 30,	
	2023	2022
	(Dollars In Millions)	
Policyholder dividend obligation, beginning balance	$ —	$ 401
Applicable to net revenue (losses)	(4)	(4)
Change in net unrealized gains (losses) - allocated to the policyholder dividend obligation	4	(397)
Policyholder dividend obligation, ending balance	$ —	$ —

Closed Block revenues and expenses were as follows:

	For The Three Months Ended June 30, 2023	For The Three Months Ended June 30, 2022	For The Six Months Ended June 30, 2023	For The Six Months Ended June 30, 2022
	(Dollars In Millions)			
Revenues				
Premiums and other income	$ 29	$ 34	$ 58	$ 65
Net investment income	46	46	93	93
Total revenues	75	80	151	158
Benefits and other deductions				
Benefits and settlement expenses	67	76	138	157
Other operating expenses	—	—	—	1
Total benefits and other deductions	67	76	138	158
Net revenues before income taxes	8	4	13	—
Income tax expense	2	1	2	—
Net revenues	$ 6	$ 3	$ 11	$ —

10. REINSURANCE

Reinsurance Assets and Liabilities

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

Allowance for Credit Losses – Reinsurance Receivables

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

As of June 30, 2023 and December 31, 2022, the Reinsurance ACL was $88 million and $79 million, respectively. There were no write-offs or recoveries during the six months ended June 30, 2023 and 2022.

The Company had total reinsurance receivables of $4.3 billion as of June 30, 2023, which includes both ceded policy benefit reserves and receivables for claims. Receivables for claims represented 10% of total reinsurance receivables as of June 30, 2023. Receivables for claims are short-term in nature, and generally carry minimal credit risk. Of reserves ceded as of June 30, 2023, 83% were receivables from reinsurers rated by A.M. Best Company. Of the total rated by A.M. Best Company, 43% were rated A+ or better, 31% were rated A, and 26% 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.

11. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt

Debt and subordinated debt are summarized as follows:

	As of			
	June 30, 2023		December 31, 2022	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	$ —	$ —	$ —	$ —
Term Loan Credit Agreement	600	600	600	600
Commercial paper	365	364	325	325
8.45% Senior Notes (2009), due 2039	181	261	181	262
4.30% Senior Notes (2018), due 2028	400	398	400	397
3.40% Senior Notes (2019), due 2030	400	398	400	398
	$ 1,946	$ 2,021	$ 1,906	$ 1,982
Subordinated debt (year of issue):				
5.35% Subordinated Debentures (2017), due 2052	$ 500	$ 496	$ 500	$ 496
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
3.55% Subordinated Funding Obligations (2018), due 2038	55	55	55	55
	$ 610	$ 606	$ 610	$ 606

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

The Company maintains a commercial paper program under which the Company may issue unsecured commercial paper notes ("CP Notes") from time to time in an aggregate amount not to exceed $750 million outstanding at any time. The maturities of CP Notes can vary, but may not exceed 397 days from the date of issuance. CP Notes rank equal in right of payment with all of the Company's other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the Credit Facility in an amount at least equal to the amount of CP Notes outstanding at any time. The CP Notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of issuance. Commercial paper is used by the Company as a continuing source of short-term financing for general corporate purposes. As of June 30, 2023, the weighted-average interest rate was 5.53% on the $365 million of outstanding CP Notes.

Secured Financing Transactions

Repurchase Program Borrowings

While the Company anticipates that the cash flows of its operating subsidiaries will be sufficient to meet its investment commitments and operating cash needs in a normal credit market environment, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has established repurchase agreement programs for certain of its insurance subsidiaries to provide liquidity when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Under this program, the

Company may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are typically for a term less than 90 days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. Cash received is invested in fixed maturity securities, and the agreements provide for net settlement in the event of default or on termination of the agreements. As of June 30, 2023, the fair value of securities pledged under the repurchase program was $97 million and the repurchase obligation of $86 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 544 basis points). During the six months ended June 30, 2023, the maximum balance outstanding at any one point in time related to these programs was $589 million. The average daily balance was $63 million (at an average borrowing rate of 505 basis points) during the six months ended June 30, 2023. As of December 31, 2022, the fair value of securities pledged under the repurchase program was $1,012 million and the repurchase obligation of $966 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 436 basis points). During 2022, the maximum balance outstanding at any one point in time related to these programs was $1,647 million. The average daily balance was $1,135 million (at an average borrowing rate of 151 basis points) during the year ended December 31, 2022.

Securities Lending

The Company participates in securities lending, primarily as an investment yield enhancement, whereby securities that are held as investments are loaned out to third parties for short periods of time. The Company requires collateral at least equal to 102% of the fair value of the loaned securities to be separately maintained. The loaned securities' fair value is monitored on a daily basis and collateral is adjusted accordingly. The Company maintains ownership of the securities at all times and is entitled to receive from the borrower any payments for interest received on such securities during the loan term. Securities lending transactions are accounted for as secured borrowings. As of June 30, 2023 and December 31, 2022, securities with a fair value of $165 million and $156 million, respectively, were loaned under this program. As collateral for the loaned securities, the Company receives cash, which is primarily reinvested in short-term repurchase agreements, which are also collateralized by U.S. Government or U.S. Government Agency securities, and government money market funds. These investments are recorded in *short-term investments* with a corresponding liability recorded in *secured financing liabilities* to account for its obligation to return the collateral. As of June 30, 2023 and December 31, 2022, the fair value of the collateral related to this program was $170 million and $162 million, and the Company has an obligation to return collateral of $170 million and $162 million to the securities borrowers, respectively.

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

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

	Remaining Contractual Maturity of the Agreements As of June 30, 2023 (Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ 26	$ —	$ —	$ —	$ 26
Corporate bonds	69	—	—	—	69
Cash	2	—	—	—	2
Total repurchase agreements and repurchase-to-maturity transactions	97	—	—	—	97
Securities lending transactions					
Corporate securities	162	—	—	—	162
Equity securities	—	—	—	—	—
Other government-related securities	3	—	—	—	3
Total securities lending transactions	165	—	—	—	165
Total securities	$ 262	$ —	$ —	$ —	$ 262

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

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

Golden Gate Captive Insurance Company

Golden Gate Captive Insurance Company ("Golden Gate"), 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 June 30, 2023, the XOL Asset backing the difference in statutory and economic reserve liabilities was $3.8 billion.

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

PLICO is currently defending two putative class actions (*Beverly Allen v. Protective Life Insurance Company*, Civil Action No. 1:20-cv-00530-JLT (E.D. Cal. filed Apr. 14, 2020), and *Janice Schmidt and Judy A. Vann-Eubanks v. Protective Life Insurance Company, et al.*, Civil Action No. 1:21cv-01784-SAB (E.D. Cal. filed Dec. 17, 2021) in which the plaintiffs claim that defendants' alleged failure to comply with certain California statutes which address contractual grace periods and lapse notice requirements for certain life insurance policies requires that these policies remain in force. The plaintiffs seek unspecified monetary damages and injunctive relief. No class has been certified in either putative class action. 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 rehabilitation order, the Insurance Commissioner of the State of Delaware was appointed the receiver of SRUS (the "Receiver") and provided with authority to conduct and continue the business of SRUS in the interest of its cedents, creditors, and stockholder. The order was accompanied by an injunction requiring the continued payment of reinsurance premiums to SRUS and temporarily prohibiting cedents, including the Company, from offsetting premiums payable against receivables from SRUS. On June 20, 2019, the Delaware Court of Chancery (the "Court") entered an order approving a Revised Offset Plan, which allows cedents, including the Company, to offset premiums under certain circumstances.

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

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

The Receiver's motion for entry of a liquidation and injunction order ("Liquidation Order") was granted on July 18, 2023. Accordingly, after the effective date of the Liquidation Order, the Receiver will file a separate motion to establish policies and procedures that address, among other things, the proof of claim process for past due losses and for future losses. Additionally, ceding company agreements will continue in force until the earlier of: 1) the stated expiration or termination date and time of the agreement; 2) the effective date and time of any agreement with a third party that replaces the reinsurance agreement with SRUS or transfers the liability under the reinsurance agreement to a third party; or 3) 11:59 pm on the last day of the financial quarter following the date of the Liquidation Order. Finally, the non-granted liquidation motion suggests that SRUS will honor rate guarantees like the one the Company has.

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

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

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Unrealized Gains and Losses on Investments[2]	Accumulated Gain and Loss on Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Millions, Net of Tax)			
Balance, March 31, 2023	$ (4,849)	$ (1)	$ (11)	$ (4,861)
Other comprehensive income (loss) before reclassifications	(629)	4	—	(625)
Other comprehensive income (loss) on investments for change in net expected credit losses	45	—	—	45
Amounts reclassified from accumulated other comprehensive income (loss)[1]	1	(2)	—	(1)
Balance, June 30, 2023	$ (5,432)	$ 1	$ (11)	$ (5,442)
Balance, December 31, 2022	$ (5,544)	$ 1	$ (11)	$ (5,554)
Other comprehensive income (loss) before reclassifications	(29)	2	—	(27)
Other comprehensive income (loss) on investments for change in net expected credit losses	142	—	—	142
Amounts reclassified from accumulated other comprehensive income (loss)[1]	(1)	(2)	—	(3)
Balance, June 30, 2023	$ (5,432)	$ 1	$ (11)	$ (5,442)

	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, March 31, 2022	$	(816)	$	(6)	$	(24)	$	(846)
Other comprehensive income (loss) before reclassifications		(3,143)		3		1		(3,139)
Other comprehensive income (loss) on investments for change in net expected credit losses		(2)		—		—		(2)
Amounts reclassified from accumulated other comprehensive income (loss)[1]		4		—		—		4
Balance, June 30, 2022	$	(3,957)	$	(3)	$	(23)	$	(3,983)
Balance, December 31, 2021	$	2,413	$	(7)	$	(24)	$	2,382
Other comprehensive income (loss) before reclassifications		(6,369)		4		1		(6,364)
Other comprehensive income (loss) on investments for change in net expected credit losses		(1)		—		—		(1)
Amounts reclassified from accumulated other comprehensive income (loss)[1]		—		—		—		—
Balance, June 30, 2022	$	(3,957)	$	(3)	$	(23)	$	(3,983)

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

(2) As of June 30, 2023 and December 31, 2022, net unrealized losses reported in AOCI were offset by $2.2 billion and $2.7 billion, respectively, due to the impact those net unrealized losses would have had on certain of the Company’s insurance assets and liabilities if the net unrealized losses had been recognized in net income (loss).

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

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Gains/(losses) in net income (loss):	Affected Line Item in the Condensed Consolidated Financial Statements Statements of Income (Loss)	For The Three Months Ended June 30, 2023	For The Three Months Ended June 30, 2022	For The Six Months Ended June 30, 2023	For The Six Months Ended June 30, 2022
		(Dollars In Millions)			
Derivative instruments	Benefits and settlement expenses, net of reinsurance ceded(1)	$ 2	$ —	$ 2	$ —
	Tax (expense) benefit	—	—	—	—
		$ 2	$ —	$ 2	$ —
Unrealized gains and losses on available-for-sale securities	Net realized gains (losses) - investments	$ (17)	$ (5)	$ (37)	$ —
	Change in net expected credit losses - fixed maturities	(40)	—	(142)	—
	Tax (expense) benefit	12	1	37	—
		$ (45)	$ (4)	$ (142)	$ —
Postretirement benefits liability	Other operating expenses	$ —	$ —	$ —	$ —
	Amortization of net actuarial gain (loss)	—	(1)	—	(1)
	Tax (expense) benefit	—	—	—	—
		$ —	$ (1)	$ —	$ (1)

(1) See Note 6, *Derivative Financial Instruments* for additional information.

14. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to June 30, 2023, and through August 11, 2023, the date the Company’s financial statements were issued. All accounting and disclosure requirements related to subsequent events are included in the Company's consolidated condensed financial statements.

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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 June 30, 2023, the related consolidated condensed statements of income (loss), comprehensive (loss) income, and shareowner's equity for the three-month and six-month periods ended June 30, 2023 and 2022, and the related consolidated condensed statements of cash flows for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the consolidated condensed interim financial information).

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

Basis for Review Results

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

Responsibilities of Management for the Consolidated Condensed Interim Financial Information

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

KPMG LLP

Birmingham, Alabama
August 11, 2023