Protective Life Corporation
Financial Statements and Notes
June 30, 2021

PROTECTIVE LIFE CORPORATION
FINANCIAL STATEMENTS AND NOTES
FOR QUARTERLY PERIOD ENDED JUNE 30, 2021

TABLE OF CONTENTS

	Page
Financial Statements (unaudited):	
Consolidated Condensed Statements of Income For The Three and Six Months Ended June 30, 2021 and 2020	2
Consolidated Condensed Statements of Comprehensive Income (Loss) For The Three and Six Months Ended June 30, 2021 and 2020	3
Consolidated Condensed Balance Sheets as of June 30, 2021 and December 31, 2020	4
Consolidated Condensed Statements of Shareowner's Equity For The Three and Six Months Ended June 30, 2021 and 2020	6
Consolidated Condensed Statements of Cash Flows For The Six Months Ended June 30, 2021 and 2020	8
Notes to Consolidated Condensed Financial Statements	10
Independent Auditors' Review Report	

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

	For The Three Months Ended June 30, 2021	For The Three Months Ended June 30, 2020	For The Six Months Ended June 30, 2021	For The Six Months Ended June 30, 2020
	(Dollars In Millions)		(Dollars In Millions)	
Revenues				
Gross premiums and policy fees	$ 1,061	$ 1,016	$ 2,189	$ 1,919
Reinsurance ceded	(356)	(365)	(683)	(406)
Net premiums and policy fees	705	651	1,506	1,513
Net investment income	794	792	1,562	1,582
Realized gains (losses)	(21)	28	84	(271)
Other income	146	141	279	300
Total revenues	1,624	1,612	3,431	3,124
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three and six months 2021 - $311 and $677; three and six months 2020 - $356 and $321)	1,107	1,133	2,428	2,484
Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”)	39	(18)	147	36
Other operating expenses, net of reinsurance ceded: (three and six months 2021 - $60 and $116; three and six months 2020 - $62 and $120)	243	240	494	492
Total benefits and expenses	1,389	1,355	3,069	3,012
Income before income tax	235	257	362	112
Income tax expense	45	50	64	22
Net income	$ 190	$ 207	$ 298	$ 90

See Notes to Consolidated Condensed Financial Statements

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars In Millions)		(Dollars In Millions)	
Net income	$ 190	$ 207	$ 298	$ 90
Other comprehensive income (loss):				
Change in net unrealized gains (losses) on investments, net of income tax: (three and six months 2021 - $283 and $(188); three and six months 2020 - $602 and $209)	1,064	2,265	(708)	785
Reclassification adjustment for investment amounts included in net income (loss), net of income tax: (three and six months 2021 - $(2) and $(9); three and six months 2020 - $6 and $8)	(7)	22	(34)	32
Change in net expected credit losses, net of income tax: (three and six months 2021 - $(1) and $0; three and six months 2020 - $1 and $(1))	(5)	5	—	(2)
Change in accumulated gain (loss) - derivatives, net of income tax: (three and six months 2021 - $0 and $1; three and six months 2020 - $1 and $(1))	1	2	3	(2)
Reclassification adjustment for derivative amounts included in net income (loss), net of income tax: (three and six months 2021 - $0; three and six months 2020 - $0 and $1)	—	1	—	2
Change in postretirement benefits liability adjustment, net of income tax: (three and six months 2021 - $0 and $1; three and six months 2020 - $1)	1	1	2	1
Total other comprehensive income (loss)	1,054	2,296	(737)	816
Total comprehensive income (loss)	$ 1,244	$ 2,503	$ (439)	$ 906

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

	As of	
	June 30, 2021	December 31, 2020
	(Unaudited)	
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2021 - $67,711; 2020 - $65,817; allowance for credit losses: 2021 - $2; 2020 - $23)	$ 73,424	$ 72,727
Equity securities, at fair value (cost: 2021 - $681; 2020 - $674)	716	706
Commercial mortgage loans, net of allowance for credit losses (allowance for credit losses: 2021 - $136; 2020 - $222)	10,288	10,006
Investment real estate, net of accumulated depreciation	10	10
Policy loans	1,551	1,593
Other long-term investments	3,217	3,187
Short-term investments	860	475
Total investments	90,066	88,704
Cash	461	751
Accrued investment income	707	708
Accounts and premiums receivable	195	131
Reinsurance receivables, net of allowance for credit losses (allowance for credit losses: 2021 - $95; 2020 - $98)	4,314	4,223
DAC and VOBA	3,675	3,428
Goodwill	957	826
Other intangibles, net of accumulated amortization (2021 - $343; 2020 - $312)	593	541
Property and equipment, net of accumulated depreciation (2021 - $75; 2020 - $64)	206	208
Other assets	326	434
Income tax receivable	7	—
Assets related to separate accounts:		
Variable annuity	13,214	12,378
Variable universal life	1,739	1,286
Reinsurance assumed	13,993	13,325
Total assets	$ 130,453	$ 126,943

See Notes to Consolidated Condensed Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(continued)

	As of	
	June 30, 2021	December 31, 2020
	(Unaudited)	
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	$ 53,834	$ 54,109
Unearned premiums	1,073	881
Total policy liabilities and accruals	54,907	54,990
Stable value product account balances	7,461	6,056
Annuity account balances	15,770	15,478
Other policyholders' funds	1,808	1,865
Other liabilities	5,382	5,363
Income tax payable	—	59
Deferred income taxes	1,663	1,832
Secured financing liabilities	1,162	496
Debt	2,012	1,853
Subordinated debt	606	606
Liabilities related to separate accounts:		
Variable annuity	13,214	12,378
Variable universal life	1,739	1,286
Reinsurance assumed	13,993	13,325
Total liabilities	119,717	115,587
Commitments and contingencies - Note 12		
Shareowner's equity		
Common Stock: 2021 and 2020 - $0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	5,804	5,804
Retained earnings	2,161	2,044
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2021 - $751; 2020 - $948)	2,825	3,567
Net unrealized gains (losses) on investments with an allowance for credit losses, net of income tax: (2021 - $(1); 2020 - $(1))	(2)	(2)
Accumulated loss - derivatives, net of income tax: (2021 - $(1); 2020 - $(2))	(5)	(8)
Postretirement benefits liability adjustment, net of income tax: (2021 - $(13); 2020 - $(13))	(47)	(49)
Total shareowner's equity	10,736	11,356
Total liabilities and shareowner's equity	$ 130,453	$ 126,943

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, 2021	$ —	$ 5,804	$ 1,971	$ 1,717	$ 9,492
Net income			190		190
Other comprehensive income				1,054	1,054
Comprehensive income					1,244
Balance, June 30, 2021	$ —	$ 5,804	$ 2,161	$ 2,771	$ 10,736

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2020	$ —	$ 5,804	$ 2,044	$ 3,508	$ 11,356
Net income			298		298
Other comprehensive loss				(737)	(737)
Comprehensive loss					(439)
Dividends to parent			(181)		(181)
Balance, June 30, 2021	$ —	$ 5,804	$ 2,161	$ 2,771	$ 10,736

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, 2020	$ —	$ 5,804	$ 1,565	$ (97)	$ 7,272
Net income			207		207
Other comprehensive income				2,296	2,296
Comprehensive income					2,503
Balance, June 30, 2020	$ —	$ 5,804	$ 1,772	$ 2,199	$ 9,775

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
			(Dollars In Millions)		
Balance, December 31, 2019	$ —	$ 5,804	$ 2,052	$ 1,384	$ 9,240
Net income			90		90
Other comprehensive income				816	816
Comprehensive income					906
Cumulative effect adjustments			(138)		(138)
Dividends to parent			(232)		(232)
Balance, June 30, 2020	$ —	$ 5,804	$ 1,772	$ 2,200	$ 9,776

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

	For The Six Months Ended June 30, 2021	For The Six Months Ended June 30, 2020
	(Dollars In Millions)	
Cash flows from operating activities		
Net income	$ 298	$ 90
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Realized (gains) losses	(84)	271
Amortization of DAC and VOBA	147	36
Capitalization of DAC	(284)	(228)
Depreciation and amortization expense	42	40
Deferred income tax	(23)	22
Accrued income tax	(66)	3
Interest credited to universal life and investment products	755	769
Policy fees assessed on universal life and investment products	(912)	(892)
Change in reinsurance receivables	(91)	11
Change in accrued investment income and other receivables	(60)	31
Change in policy liabilities and other policyholders' funds of traditional life and health products	(522)	(484)
Trading securities:		
Maturities and principal reductions of investments	77	43
Sale of investments	238	327
Cost of investments acquired	(281)	(446)
Other net change in trading securities	(28)	20
Amortization of premiums and accretion of discounts on investments and commercial mortgage loans	128	160
Change in other liabilities	43	577
Other, net	202	47
Net cash (used in) provided by operating activities	$ (421)	$ 397

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, 2021	For The Six Months Ended June 30, 2020
	(Dollars In Millions)	
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	$ 3,755	$ 1,627
Sale of investments, available-for-sale	2,100	1,738
Cost of investments acquired, available-for-sale	(7,896)	(4,408)
Commercial mortgage loans:		
New lendings	(837)	(677)
Repayments	627	334
Change in policy loans, net	42	18
Change in other long-term investments, net	(183)	278
Change in short-term investments, net	(353)	118
Net unsettled security transactions	107	(174)
Purchase of property, equipment, and intangibles	(17)	(20)
Payment for business acquisition, net of cash acquired	24	—
Net cash used in investing activities	(2,631)	(1,166)
Cash flows from financing activities		
Borrowings under line of credit arrangement, debt, and subordinated debt	$ 350	$ 380
Principal payments on line of credit arrangement, debt, and subordinated debt	(190)	(100)
Secured financing liabilities	666	(133)
Dividends to shareowner	(181)	(232)
Deposits to universal life and investment contracts	4,557	2,921
Withdrawals from universal life and investment contracts	(2,395)	(1,726)
Other financing activities, net	(45)	—
Net cash provided by financing activities	2,762	1,110
Change in cash	(290)	341
Cash at beginning of period	751	244
Cash at end of period	$ 461	$ 585

See Notes to Consolidated Condensed Financial Statements

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

1. BASIS OF PRESENTATION

Basis of Presentation

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

These consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for the interim periods presented herein. In the opinion of management, the accompanying consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring items) necessary for a fair presentation of the results for the interim periods presented. Operating results for the three and six months ended June 30, 2021, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021. 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.

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

Entities Included

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

For a full description of the Company's significant accounting policies, refer to Note 2 in the Company's consolidated financial statements for the year ended December 31, 2020. There were no significant changes to the Company's accounting policies during the six months ended June 30, 2021.

Accounting Pronouncements Recently Adopted

Accounting Standards Update ("ASU" or "Update") No. 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this Update remove certain exceptions to the general principles in Topic 740 related to intraperiod tax allocations, interim tax calculations, and outside basis differences. The amendments also clarify and amend guidance in certain other areas of Topic 740 in order to eliminate diversity in practice. The amendments in this Update are effective for public business entities in fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of this Update did not have a material impact on the Company's 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 to periods beginning after December 15, 2022. 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

Revolos

On January 1, 2021, the Company closed its previously announced transaction to acquire Warranty Topco, Inc. via an Agreement and Plan of Merger signed on September 24, 2020. Warranty Topco, Inc. and its subsidiaries (doing business as the Revolos family of companies) offer a suite of finance and insurance products, including vehicle service contracts, guaranteed asset protection ("GAP") coverage and ancillary products serving the automotive, recreational vehicle and powersports industries. The transaction was announced on September 25, 2020. The aggregate purchase price was $92 million.

The following table details the allocation of assets acquired and liabilities assumed from the Revolos transaction as of the date of the Closing.

	Fair Value as of January 1, 2021 (Dollars In Millions)
ASSETS	
Fixed maturities	$ 21
Cash	116
Goodwill	131
VOBA	16
Other intangibles	78
Other assets	70
Total assets	432
LIABILITIES	
Unearned premiums	$ 285
Other liabilities	55
Total liabilities	340
NET ASSETS ACQUIRED	$ 92

The amount of revenue and income (loss) before income tax of Revolos since the transaction date, January 1, 2021, included in the consolidated condensed statements of income for the three and six months ended June 30, 2021, amounted to $44 million and $75 million and losses of $1 million and $2 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	$ 71	20
Technology	3	4
Trade name	4	7
Total intangible assets	$ 78	

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,	
	2021	2020	2021	2020
	(Dollars In Millions)			
Fixed maturities	$ 9	$ 2	$ 39	$ 42
Equity securities	10	56	2	13
Modco trading portfolios	93	188	(44)	63
Change in net expected credit losses - fixed maturities	—	(30)	5	(82)
Commercial mortgage loans	36	(4)	92	(99)
Other investments	1	(1)	—	(1)
Realized gains (losses) - investments	149	211	94	(64)
Realized gains (losses) - derivatives[(1)]	(170)	(183)	$ (10)	(207)
Realized gains (losses)	$ (21)	$ 28	$ 84	$ (271)

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

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars In Millions)			
Securities in an unrealized gain position:				
Sales proceeds	$ 124	$ 433	$ 1,214	$ 939
Realized gains	$ 9	$ 6	$ 39	$ 47
Securities in an unrealized loss position:				
Sales proceeds	$ 15	$ 25	$ 23	$ 25
Realized losses	$ —	$ (4)	$ (1)	$ (5)

The net gains (losses) from equity securities still held at period end, was $11 million and $56 million for the three months ended June 30, 2021 and 2020, respectively, and $2 and $13 million for the six months ended June 30, 2021 and 2020, respectively. The Company recognized losses of $1 million on equity securities sold during the period for the three and six months ended June 30, 2021 and immaterial gains (losses) on equity securities sold during the three and six months ended June 30, 2020.

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

As of June 30, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,989	$ 83	$ (34)	$ —	$ 7,038
Commercial mortgage-backed securities	2,243	110	(6)	(1)	2,346
Other asset-backed securities	1,472	41	(1)	—	1,512
U.S. government-related securities	927	17	(20)	—	924
Other government-related securities	667	83	(1)	—	749
States, municipals, and political subdivisions	3,816	433	—	—	4,249
Corporate securities	48,526	5,107	(111)	(1)	53,521
Redeemable preferred stocks	278	14	—	—	292
	64,918	5,888	(173)	(2)	70,631
Short-term investments	752	—	—	—	752
	$ 65,670	$ 5,888	$ (173)	$ (2)	$ 71,383

As of December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
			(Dollars In Millions)		
Fixed maturities:					
Residential mortgage-backed securities	$ 6,510	$ 159	$ (1)	$ —	$ 6,668
Commercial mortgage-backed securities	2,429	128	(19)	(4)	2,534
Other asset-backed securities	1,546	40	(7)	(1)	1,578
U.S. government-related securities	1,492	26	(3)	—	1,515
Other government-related securities	627	96	(1)	—	722
States, municipals, and political subdivisions	3,902	519	(1)	—	4,420
Corporate securities	46,266	6,085	(99)	(18)	52,234
Redeemable preferred stocks	183	11	—	—	194
	62,955	7,064	(131)	(23)	69,865
Short-term investments	399	—	—	—	399
	$ 63,354	$ 7,064	$ (131)	$ (23)	$ 70,264

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

	As of	
	June 30, 2021	December 31, 2020
	(Dollars In Millions)	
Fixed maturities:		
Residential mortgage-backed securities	$ 161	$ 209
Commercial mortgage-backed securities	220	214
Other asset-backed securities	180	163
U.S. government-related securities	34	91
Other government-related securities	56	30
States, municipals, and political subdivisions	288	282
Corporate securities	1,846	1,860
Redeemable preferred stocks	8	13
	2,793	2,862
Equity securities	15	20
Short-term investments	108	76
	$ 2,916	$ 2,958

The amortized cost and fair value of available-for-sale fixed maturities as of June 30, 2021, 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	$ 1,453	$ 1,466
Due after one year through five years	12,120	12,696
Due after five years through ten years	14,314	15,327
Due after ten years	37,031	41,142
	$ 64,918	$ 70,631

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

	For The Three Months Ended June 30, 2021				For The Six Months Ended June 30, 2021			
	Corporate Securities	CMBS	ABS	Total	Corporate Securities	CMBS	ABS	Total
	(Dollars In Millions)							
Beginning Balance	$ 1	$ 2	$ 1	$ 4	$ 18	$ 4	$ 1	$ 23
Additions for securities for which an allowance was not previously recorded	—	—	—	—	—	—	—	—
Adjustments on previously recorded allowances due to change in expected cash flows	—	(1)	—	(1)	(1)	(3)	—	(4)
Reductions on previously recorded allowances due to disposal of security in the current period	—	—	(1)	(1)	—	—	(1)	(1)
Write-offs of previously recorded allowances due to intent or requirement to sell	—	—	—	—	(16)	—	—	(16)
Ending Balance	$ 1	$ 1	$ —	$ 2	$ 1	$ 1	$ —	$ 2

	For The Three Months Ended June 30, 2020				For The Six Months Ended June 30, 2020			
	Corporate Securities	CMBS	ABS	Total	Corporate Securities	CMBS	ABS	Total
	(Dollars In Millions)							
Beginning Balance	$ 51	$ —	$ 1	$ 52	$ —	$ —	$ —	$ —
Additions for securities for which an allowance was not previously recorded	11	—	—	11	62	—	1	63
Adjustments on previously recorded allowances due to change in expected cash flows	19	—	—	19	19	—	—	19
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	$ 81	$ —	$ 1	$ 82	$ 81	$ —	$ 1	$ 82

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, 2021:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	$ 2,351	$ (34)	$ 12	$ —	$ 2,363	$ (34)
Commercial mortgage-backed securities	64	—	101	(6)	165	(6)
Other asset-backed securities	145	—	84	(1)	229	(1)
U.S. government-related securities	455	(20)	—	—	455	(20)
Other government-related securities	29	(1)	12	—	41	(1)
States, municipals, and political subdivisions	19	—	4	—	23	—
Corporate securities	2,664	(67)	638	(44)	3,302	(111)
Redeemable preferred stocks	—	—	—	—	—	—
	$ 5,727	$ (122)	$ 851	$ (51)	$ 6,578	$ (173)

Commercial mortgage-backed securities ("CMBS") had gross unrealized losses greater than twelve months of $6 million as of June 30, 2021, excluding losses of $1 million that were considered credit related. Factors such as the credit enhancement within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

The other asset-backed securities have a gross unrealized loss greater than twelve months of $1 million as of June 30, 2021. This category predominately includes student loan backed auction rate securities ("ARS") whose underlying collateral is at least 97% guaranteed by the Federal Family Education Loan Program ("FFELP"). At this time, the Company has no reason to believe that the U.S. Department of Education would not honor the FFELP guarantee, if it were necessary.

The corporate securities category had gross unrealized losses greater than twelve months of $44 million as of June 30, 2021, excluding losses of $1 million that were considered credit related. These losses are deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the issuer to capital markets, interest rate movement, and other pertinent information.

As of June 30, 2021, the Company had a total of 467 positions that were in an unrealized loss position, including 5 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 investments that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2020:

	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	$ 386	$ (1)	$ 9	$ —	$ 395	$ (1)
Commercial mortgage-backed securities	263	(15)	30	(4)	293	(19)
Other asset-backed securities	146	(2)	326	(5)	472	(7)
U.S. government-related securities	311	(3)	1	—	312	(3)
Other government-related securities	19	—	7	(1)	26	(1)
States, municipals, and political subdivisions	34	(1)	5	—	39	(1)
Corporate securities	1,067	(33)	729	(66)	1,796	(99)
Redeemable preferred stocks	—	—	—	—	—	—
	$ 2,226	$ (55)	$ 1,107	$ (76)	$ 3,333	$ (131)

As of June 30, 2021, the Company had securities in its available-for-sale portfolio which were rated below investment grade of $2.7 billion and had an amortized cost of $2.5 billion. In addition, included in the Company's trading portfolio, the Company held $137 million of securities which were rated below investment grade. The Company held $559 million of below investment grade securities that were not publicly traded.

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars In Millions)			
Fixed maturities	$ 1,752	$ 3,581	$ (962)	$ 1,369

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, 2021:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturity securities - AFS					
Residential mortgage-backed securities	4	$ —	$ 7,038	$ —	$ 7,038
Commercial mortgage-backed securities	4	—	2,314	32	2,346
Other asset-backed securities	4	—	1,061	451	1,512
U.S. government-related securities	4	458	466	—	924
Other government-related securities	4	—	749	—	749
States, municipals, and political subdivisions	4	—	4,249	—	4,249
Corporate securities	4	—	51,968	1,553	53,521
Redeemable preferred stocks	4	222	70	—	292
Total fixed maturity securities - AFS		680	67,915	2,036	70,631
Fixed maturity securities - trading					
Residential mortgage-backed securities	3	—	161	—	161
Commercial mortgage-backed securities	3	—	220	—	220
Other asset-backed securities	3	—	83	97	180
U.S. government-related securities	3	28	6	—	34
Other government-related securities	3	—	40	16	56
States, municipals, and political subdivisions	3	—	288	—	288
Corporate securities	3	—	1,835	11	1,846
Redeemable preferred stocks	3	8	—	—	8
Total fixed maturity securities - trading		36	2,633	124	2,793
Total fixed maturity securities		716	70,548	2,160	73,424
Equity securities	3	604	—	112	716
Other long-term investments[(1)]	3 & 4	65	1,229	252	1,546
Short-term investments	3	701	159	—	860
Total investments		2,086	71,936	2,524	76,546
Cash	3	461	—	—	461
Other assets	3	43	—	—	43
Assets related to separate accounts					
Variable annuity	3	13,214	—	—	13,214
Variable universal life	3	1,739	—	—	1,739
Total assets measured at fair value on a recurring basis		$ 17,543	$ 71,936	$ 2,524	$ 92,003
Liabilities:					
Annuity account balances [(2)]	3	$ —	$ —	$ 65	$ 65
Other liabilities[(1)]	3 & 4	25	934	1,977	2,936
Total liabilities measured at fair value on a recurring basis		$ 25	$ 934	$ 2,042	$ 3,001

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, 2020:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Millions)		
Assets:					
Fixed maturity securities - AFS					
Residential mortgage-backed securities	4	$ —	$ 6,668	$ —	$ 6,668
Commercial mortgage-backed securities	4	—	2,502	32	2,534
Other asset-backed securities	4	—	1,143	435	1,578
U.S. government-related securities	4	1,014	501	—	1,515
Other government-related securities	4	—	722	—	722
State, municipals, and political subdivisions	4	—	4,420	—	4,420
Corporate securities	4	—	50,802	1,432	52,234
Redeemable preferred stocks	4	125	69	—	194
Total fixed maturity securities - AFS		1,139	66,827	1,899	69,865
Fixed maturity securities - trading					
Residential mortgage-backed securities	3	—	209	—	209
Commercial mortgage-backed securities	3	—	214	—	214
Other asset-backed securities	3	—	92	71	163
U.S. government-related securities	3	79	12	—	91
Other government-related securities	3	—	30	—	30
State, municipals, and political subdivisions	3	—	282	—	282
Corporate securities	3	—	1,842	18	1,860
Redeemable preferred stocks	3	13	—	—	13
Total fixed maturity securities - trading		92	2,681	89	2,862
Total fixed maturity securities		1,231	69,508	1,988	72,727
Equity securities	3	605	—	101	706
Other long-term investments(1)	3&4	52	1,285	245	1,582
Short-term investments	3	416	59	—	475
Total investments		2,304	70,852	2,334	75,490
Cash	3	751	—	—	751
Other assets	3	38	—	—	38
Assets related to separate accounts					
Variable annuity	3	12,378	—	—	12,378
Variable universal life	3	1,286	—	—	1,286
Total assets measured at fair value on a recurring basis		$ 16,757	$ 70,852	$ 2,334	$ 89,943
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 67	$ 67
Other liabilities(1)	3&4	14	857	2,190	3,061
Total liabilities measured at fair value on a recurring basis		$ 14	$ 857	$ 2,257	$ 3,128

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. The following is a discussion of the methodologies used to determine fair values for the financial instruments as listed in the above table.

For a full description of the Company's fair value calculations and accounting policies, refer to Note 6 in the Company's consolidated financial statements for the year ended December 31, 2020.

Valuation of Level 3 Financial Instruments

The following tables present the valuation method for material AFS fixed maturity securities and embedded derivative financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments as of June 30, 2021 and December 31, 2020:

June 30, 2021	Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars In Millions)				
Assets:					
Commercial mortgage-backed securities	$	32	Discounted cash flow	Spread over treasury	2.12% - 2.29% (2.23%)
Other asset-backed securities		451	Liquidation	Liquidation value	$97.00 - $99.75 ($98.77)
			Discounted cash flow	Liquidity premium	0.62% - 2.29% (1.63%)
				Paydown rate	8.97% - 13.12% (11.64%)
Corporate securities		1,553	Discounted cash flow	Spread over treasury	0.00% - 4.00% (1.48%)
Liabilities:[1]					
Embedded derivatives - GLWB[2]	$	521	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	0.17% - 0.77%
Embedded derivative - FIA		685	Actuarial cash flow model	Expenses	$207 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72, RMD for ages 72+ 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	0.17% - 0.77%
Embedded derivative - IUL		244	Actuarial cash flow model	Mortality	36% - 161% 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% - 10.0%, depending on on duration/distribution channel and smoking class
				Nonperformance risk	0.17% - 0.77%

(1) Excludes modified coinsurance arrangements.

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

December 31, 2020	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars In Millions)			
Assets:				
Commercial mortgage-backed securities	$ 32	Discounted cash flow	Spread over treasury	2.78%-2.92% (2.87%)
Other asset-backed securities	435	Liquidation	Liquidation value	$95.00 - $97.00 ($96.19)
		Discounted cash flow	Liquidity premium	0.54% - 2.30% (1.63%)
			Paydown rate	8.79% - 12.49% (11.39%)
Corporate securities	1,432	Discounted cash flow	Spread over treasury	0.00% - 4.75% (1.89%)
Liabilities:(1)				
Embedded derivatives - GLWB(2)	$ 822	Actuarial cash flow model	Mortality	88% to 100% of Ruark 2015 ALB table
			Lapse	PL-RBA Predictive Model
			Utilization	PL-RBA Predictive Model
			Nonperformance risk	0.19% - 0.81%
Embedded derivative - FIA	627	Actuarial cash flow model	Expenses	$207 per policy
			Withdrawal rate	0.4%-2.4% prior to age 70 RMD for ages 70+ or WB withdrawal rate Assume underutilized RMD for non-WB policies ages 72-88
			Mortality	88% to 100% of Ruark 2015 ALB table
			Lapse	0.2% - 50.0%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
			Nonperformance risk	0.19% - 0.81%
Embedded derivative - IUL	201	Actuarial cash flow model	Mortality	36% - 161% 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% - 10.0%, depending on duration/distribution channel and smoking class
			Nonperformance risk	0.19% - 0.81%

(1) Excludes modified coinsurance arrangements.

(2) The fair value for the GLWB embedded derivative is presented as a net liability.

The charts above exclude Level 3 financial instruments that are valued using broker quotes and for which book value approximates fair value. Unobservable inputs were weighted by the relative fair value of instruments, except for other asset-backed securities which were weighted by the relative par amounts.

The Company has considered all reasonably available quantitative inputs as of June 30, 2021 and December 31, 2020, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $131 million and $116 million of financial instruments being classified as Level 3 as of June 30, 2021 and December 31, 2020, of which $115 million and $88 million were other asset-backed securities, $10 million and were $17 million corporate securities, and $6 million and $11 million were equity securities, respectively.

In certain cases, the Company has determined that book value materially approximates fair value. As of June 30, 2021 and December 31, 2020, the Company held $106 million and $90 million of financial instruments, respectively, where book value approximates fair value which was predominantly FHLB stock.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended June 30, 2021, for which the Company has used significant unobservable inputs (Level 3):

	Beginning Balance	Total Realized and Unrealized Gains: Included in Operations	Total Realized and Unrealized Gains: Included in Other Comprehensive Income (Loss)	Total Realized and Unrealized Losses: Included in Operations	Total Realized and Unrealized Losses: Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturity securities AFS													
Commercial mortgage-backed securities	$ 32	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 32	$ —
Other asset-backed securities	440	—	—	—	—	12	(2)	—	—	—	1	451	—
Corporate securities	1,406	—	31	—	—	152	(102)	—	—	66	—	1,553	—
Total fixed maturity securities - AFS	1,878	—	31	—	—	164	(104)	—	—	66	1	2,036	—
Fixed maturity securities - trading													
Other asset-backed securities	101	—	2	—	—	2	(8)	—	—	—	—	97	—
Other government-related securities	16	—	—	—	—	—	—	—	—	—	—	16	—
Corporate securities	11	—	—	—	—	—	—	—	—	—	—	11	—
Total fixed maturity securities - trading	128	—	2	—	—	2	(8)	—	—	—	—	124	—
Total fixed maturity securities	2,006	—	33	—	—	166	(112)	—	—	66	1	2,160	—
Equity securities	123	—	—	—	—	6	(17)	—	—	—	—	112	—
Other long-term investments(1)	237	32	—	(17)	—	—	—	—	—	—	—	252	15
Total investments	2,366	32	33	(17)	—	172	(129)	—	—	66	1	2,524	15
Total assets measured at fair value on a recurring basis	$ 2,366	$ 32	$ 33	$ (17)	$ —	$ 172	$ (129)	$ —	$ —	$ 66	$ 1	$ 2,524	$ 15
Liabilities:													
Annuity account balances(2)	$ 66	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 65	$ —
Other liabilities(1)	1,662	16	—	(331)	—	—	—	—	—	—	—	1,977	(315)
Total liabilities measured at fair value on a recurring basis	$ 1,728	$ 16	$ —	$ (332)	$ —	$ —	$ —	$ —	$ 2	$ —	$ —	$ 2,042	$ (315)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended June 30, 2021, there were $66 million of securities 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, 2021.

For the three months ended June 30, 2021, there were no securities transferred into Level 2 from Level 3.

Table of Contents

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the six months ended June 30, 2021, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
						(Dollars In Millions)							
Assets:													
Fixed maturity securities AFS													
Commercial mortgage-backed securities	$ 32	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 32	$ —
Other asset-backed securities	435	—	5	—	—	12	(1)	—	—	—	—	451	—
Corporate securities	1,432	—	4	—	(19)	162	(134)	—	—	108	—	1,553	—
Total fixed maturity securities	1,899	—	9	—	(19)	174	(135)	—	—	108	—	2,036	—
Fixed maturity securities - trading													
Other asset-backed securities	71	—	2	—	—	11	(6)	—	—	19	—	97	—
Other government-related securities	—	—	—	—	—	—	—	—	—	16	—	16	—
Corporate securities	18	—	—	—	—	—	(2)	—	—	(5)	—	11	—
Total fixed maturity securities - trading	89	—	2	—	—	11	(8)	—	—	30	—	124	—
Total fixed maturity securities	1,988	—	11	—	(19)	185	(143)	—	—	138	—	2,160	—
Equity securities	101	—	—	—	—	39	(23)	—	—	(5)	—	112	—
Other long-term investments(1)	245	69	—	(62)	—	—	—	—	—	—	—	252	7
Total investments	2,334	69	11	(62)	(19)	224	(166)	—	—	133	—	2,524	7
Total assets measured at fair value on a recurring basis	$ 2,334	$ 69	$ 11	$ (62)	$ (19)	$ 224	$ (166)	$ —	$ —	$ 133	$ —	$ 2,524	$ 7
Liabilities:													
Annuity account balances(2)	$ 67	$ —	$ —	$ (2)	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	$ 65	$ —
Other liabilities(1)	2,190	562	—	(349)	—	—	—	—	—	—	—	1,977	213
Total liabilities measured at fair value on a recurring basis	$ 2,257	$ 562	$ —	$ (351)	$ —	$ —	$ —	$ —	$ 4	$ —	$ —	$ 2,042	$ 213

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the six months ended June 30, 2021, there were $145 million of securities 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, 2021.

For the six months ended June 30, 2021, there were $12 million of securities transferred into Level 2 from Level 3.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended June 30, 2020, for which the Company has used significant unobservable inputs (Level 3):

	Beginning Balance	Total Realized and Unrealized Gains: Included in Operations	Total Realized and Unrealized Gains: Included in Other Comprehensive Income (Loss)	Total Realized and Unrealized Losses: Included in Operations	Total Realized and Unrealized Losses: Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturity securities AFS													
Commercial mortgage-backed securities	$ 11	$ —	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ —	$ —	$ 10	$ —
Other asset-backed securities	436	—	—	—	(5)	—	—	—	—	—	—	431	—
Corporate securities	1,280	—	83	—	(3)	279	(322)	—	—	50	(1)	1,366	—
Total fixed maturity securities - AFS	1,727	—	83	—	(9)	279	(322)	—	—	50	(1)	1,807	—
Fixed maturity securities - trading													
Other asset-backed securities	65	1	—	(7)	—	2	—	—	—	(1)	—	60	(5)
Corporate securities	13	1	—		—	1	(2)	—	—	—	—	13	—
Total fixed maturity securities - trading	78	2	—	(7)	—	3	(2)	—	—	(1)	—	73	(5)
Total fixed maturity securities	1,805	2	83	(7)	(9)	282	(324)	—	—	49	(1)	1,880	(5)
Equity securities	74	—	—	(1)	—	—	—	—	—	5	—	78	3
Other long-term investments[1]	111	73	—	(8)	—	—	—	—	—	—	—	176	65
Total investments	1,990	75	83	(16)	(9)	282	(324)	—	—	54	(1)	2,134	63
Total assets measured at fair value on a recurring basis	$ 1,990	$ 75	$ 83	$ (16)	$ (9)	$ 282	$ (324)	$ —	$ —	$ 54	$ (1)	$ 2,134	$ 63
Liabilities:													
Annuity account balances[2]	$ 68	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ 68	$ —
Other liabilities[1]	2,077	154	—	(465)	—	—	—	—	—	—	—	2,388	(311)
Total liabilities measured at fair value on a recurning basis	$ 2,145	$ 154	$ —	$ (466)	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ 2,456	$ (311)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the three months ended June 30, 2020, there were $55 million of securities transferred into Level 3. 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, 2020.

For the three months ended June 30, 2020, there were $1 million of securities transferred into Level 2 from Level 3.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the six months ended June 30, 2020, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Operations	Included in Other Comprehensive Income (Loss)	Included in Operations	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Operations related to Instruments still held at the Reporting Date
	(Dollars In Millions)												
Assets:													
Fixed maturity securities AFS													
Commercial mortgage-backed securities	$ 10	$ —	$ 1	$ —	$ (1)	$ —	$ —	$ —	$ —	$ —	$ —	$ 10	$ —
Other asset-backed securities	421	—	—	—	(12)	—	(1)	—	—	22	1	431	—
Corporate securities	1,374	—	85	—	(79)	303	(372)	—	—	57	(2)	1,366	—
Total fixed maturity securities - AFS	1,805	—	86	—	(92)	303	(373)	—	—	79	(1)	1,807	—
Fixed maturity securities - trading													
Other asset-backed securities	65	2	—	(8)	—	3	(1)	—	—	(1)	—	60	(5)
Corporate securities	11	1	—	—	—	3	(2)	—	—	—	—	13	—
Total fixed maturity securities - trading	76	3	—	(8)	—	6	(3)	—	—	(1)	—	73	(5)
Total fixed maturity securities	1,881	3	86	(8)	(92)	309	(376)	—	—	78	(1)	1,880	(5)
Equity securities	74	—	—	(1)	—	—	—	—	—	5	—	78	3
Other long-term investments[(1)]	176	85	—	(85)	—	—	—	—	—	—	—	176	—
Total investments	$ 2,131	$ 88	$ 86	$ (94)	$ (92)	$ 309	$ (376)	$ —	$ —	$ 83	$ (1)	$ 2,134	$ (2)
Total assets measured at fair value on a recurring basis	$ 2,131	$ 88	$ 86	$ (94)	$ (92)	$ 309	$ (376)	$ —	$ —	$ 83	$ (1)	$ 2,134	$ (2)
Liabilities:													
Annuity account balances[(2)]	$ 70	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	$ 68	$ —
Other liabilities[(1)]	1,332	348	—	(1,404)	—	—	—	—	—	—	—	2,388	(1,056)
Total liabilities measured at fair value on a recurring basis	$ 1,402	$ 348	$ —	$ (1,405)	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	$ 2,456	$ (1,056)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the six months ended June 30, 2020, there were $84 million of securities transferred into Level 3. 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, 2020.

For the six months ended June 30, 2020, there were $1 million of securities transferred into Level 2 from Level 3.

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

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

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

Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments as of the periods shown below are as follows:

		As of			
		June 30, 2021		December 31, 2020	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Millions)			
Assets:					
Commercial mortgage loans[1]	3	$ 10,288	$ 11,009	$ 10,006	$ 10,788
Policy loans	3	1,551	1,551	1,593	1,593
Other long-term investments [2]	2	1,223	1,306	1,186	1,283
Liabilities:					
Stable value product account balances	3	$ 7,461	$ 7,585	$ 6,056	$ 6,231
Future policy benefits and claims[3]	3	1,513	1,557	1,580	1,603
Other policyholders' funds[4]	3	103	109	102	108
Debt:[5]					
Bank borrowings[6]	3	$ 950	$ 950	$ 790	$ 790
Senior Notes	2	1,061	1,164	1,063	1,184
Subordinated debentures	2	496	515	496	497
Subordinated funding obligations	3	110	116	110	121

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 represents a Modco receivable, which is related to invested assets such as fixed income and structured securities, which are legally owned by the ceding company. The fair value is determined in a manner consistent with other similar invested assets held by the Company.

(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, 2020.

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

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

Derivative Instruments Not Designated and Not Qualifying as Hedging Instruments

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

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

Realized gains (losses) - derivative financial instruments

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars In Millions)			
Derivatives related to VA contracts:				
Interest rate futures	$ (1)	$ (7)	$ 8	$ (6)
Equity futures	(4)	102	(12)	133
Currency futures	(1)	(1)	5	11
Equity options	(36)	(172)	(82)	108
Interest rate swaps	154	12	(143)	421
Total return swaps	(56)	(78)	(125)	62
Embedded derivative - GLWB	(103)	64	302	(871)
Total derivatives related to VA contracts	(47)	(80)	(47)	(142)
Derivatives related to FIA contracts:				
Embedded derivative	(44)	(75)	(38)	(36)
Equity futures	2	1	3	(7)
Equity options	25	51	48	(10)
Other derivatives	(1)	(1)	(2)	—
Total derivatives related to FIA contracts	(18)	(24)	11	(53)
Derivatives related to IUL contracts:				
Embedded derivative	(33)	(14)	(12)	(14)
Equity futures	—	—	—	(2)
Equity options	5	9	8	(6)
Total derivatives related to IUL contracts	(28)	(5)	(4)	(22)
Embedded derivative - Modco reinsurance treaties	(65)	(71)	35	5
Other derivatives	(12)	(3)	(5)	5
Total realized gains (losses) - derivatives	$ (170)	$ (183)	$ (10)	$ (207)

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

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

	As of							
	June 30, 2021				December 31, 2020			
	Notional Amount		Fair Value		Notional Amount		Fair Value	
	(Dollars In Millions)							
Other long-term investments								
Derivatives not designated as hedging instruments:								
Interest rate swaps	$	1,478	$	83	$	1,478	$	185
Total return swaps		179		6		158		2
Embedded derivative - Modco reinsurance treaties		1,271		85		1,249		101
Embedded derivative - GLWB		2,836		157		2,067		138
Embedded derivative - FIA		133		10		99		6
Interest rate futures		871		12		690		4
Equity futures		121		2		203		4
Currency futures		204		5		—		—
Equity options		8,470		1,186		7,208		1,142
	$	15,563	$	1,546	$	13,152	$	1,582
Other liabilities								
Cash flow hedges:								
Foreign currency swaps	$	117	$	8	$	117	$	10
Derivatives not designated as hedging instruments:								
Interest rate swaps		1,354		—		1,354		—
Total return swaps		1,027		33		1,003		15
Embedded derivative - Modco reinsurance treaties		2,465		284		2,438		339
Embedded derivative - GLWB		7,020		678		7,749		960
Embedded derivative - FIA		4,219		695		3,889		633
Embedded derivative - IUL		403		244		357		201
Interest rate futures		354		11		415		3
Equity futures		118		2		190		5
Currency futures		—		—		264		4
Equity options		6,257		905		5,499		834
Other		375		76		303		57
	$	23,709	$	2,936	$	23,578	$	3,061

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. There was no fair value of non-cash collateral received as of June 30, 2021 and December 31, 2020.

The tables below present the derivative instruments by assets and liabilities for the Company as of June 30, 2021:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		
				Financial Instruments	Collateral Received	Net Amount
	(Dollars In Millions)					
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 1,294	$ —	$ 1,294	$ 944	$ 230	$ 120
Total derivatives, subject to a master netting arrangement or similar arrangement	1,294	—	1,294	944	230	120
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	85	—	85	—	—	85
Embedded derivative - GLWB	157	—	157	—	—	157
Embedded derivative - FIA	10	—	10	—	—	10
Total derivatives, not subject to a master netting arrangement or similar arrangement	252	—	252	—	—	252
Total derivatives	1,546	—	1,546	944	230	372
Total Assets	$ 1,546	$ —	$ 1,546	$ 944	$ 230	$ 372

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		
				Financial Instruments	Collateral Posted	Net Amount
			(Dollars In Millions)			
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 959	$ —	$ 959	$ 944	$ 13	$ 2
Total derivatives, subject to a master netting arrangement or similar arrangement	959	—	959	944	13	2
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	284	—	284	—	—	284
Embedded derivative - GLWB	678	—	678	—	—	678
Embedded derivative - FIA	695	—	695	—	—	695
Embedded derivative - IUL	244	—	244	—	—	244
Other	76	—	76	—	—	76
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,977	—	1,977	—	—	1,977
Total derivatives	2,936	—	2,936	944	13	1,979
Repurchase agreements[1]	1,003	—	1,003	—	—	1,003
Total Liabilities	$ 3,939	$ —	$ 3,939	$ 944	$ 13	$ 2,982

(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, 2020:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheets	Net Amounts of Assets Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Balance Sheets: Collateral Received	Net Amount
	(Dollars In Millions)					
Offsetting of Assets						
Derivatives:						
Free-Standing derivatives	$ 1,337	$ —	$ 1,337	$ 864	$ 290	$ 183
Total derivatives, subject to a master netting arrangement or similar arrangement	1,337	—	1,337	864	290	183
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	101	—	101	—	—	101
Embedded derivative - GLWB	138	—	138	—	—	138
Other	6	—	6	—	—	6
Total derivatives, not subject to a master netting arrangement or similar arrangement	245	—	245	—	—	245
Total derivatives	1,582	—	1,582	864	290	428
Total Assets	$ 1,582	$ —	$ 1,582	$ 864	$ 290	$ 428

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Gross Amounts Not Offset in the Balance Sheets		
				Financial Instruments	Collateral Posted	Net Amount
			(Dollars In Millions)			
Offsetting of Liabilities						
Derivatives:						
Free-Standing derivatives	$ 871	$ —	$ 871	$ 865	$ 4	$ 2
Total derivatives, subject to a master netting arrangement or similar arrangement	871	—	871	865	4	2
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	339	—	339	—	—	339
Embedded derivative - GLWB	960	—	960	—	—	960
Embedded derivative - FIA	633	—	633	—	—	633
Embedded derivative - IUL	201	—	201	—	—	201
Other	57	—	57	—	—	57
Total derivatives, not subject to a master netting arrangement or similar arrangement	2,190	—	2,190	—	—	2,190
Total derivatives	3,061	—	3,061	865	4	2,192
Repurchase agreements[(1)]	437		437	—	—	437
Total Liabilities	$ 3,498	$ —	$ 3,498	$ 865	$ 4	$ 2,629

(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, 2021, the Company's commercial mortgage loan holdings were $10.4 billion, or $10.3 billion net of allowance for credit losses. The Company has specialized in making loans on credit-oriented commercial properties, credit-anchored strip shopping centers, senior living facilities, and apartments. 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 (retail, multi-family, senior living, professional office buildings, and warehouses). The Company believes that these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company's commercial mortgage loans portfolio was underwritten by the Company. From time to time, the Company may acquire loans in conjunction with an acquisition.

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

Certain of the commercial mortgage loans have call options that occur within the next 9 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, 2021, assuming the loans are called at their next call dates, $102 million of principal would become due for the remainder of 2021, $450 million in 2022 through 2026 and $13 million in 2027 through 2029.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participating interest in the cash flows from the underlying real estate. As of June 30, 2021 and December 31, 2020, $682 million and $806 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, 2021 and 2020, the Company recognized $7 million, $14 million, $1 million and $17 million, respectively, of participation commercial mortgage loan income.

As of June 30, 2021 and December 31, 2020, $1 million and $3 million, respectively, of invested assets consisted of commercial mortgage loans that were nonperforming, restructured or foreclosed and converted to real estate properties. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. For all commercial mortgage loans, the impact of troubled debt restructurings is reflected in our investment balance and in the allowance for commercial mortgage loan credit losses.

During the six months ended June 30, 2021, the Company recognized one troubled debt restructuring transaction as a result of granting a concession to a borrower which included loan terms unavailable from other lenders. This concession was the result of an agreement between the creditor and the debtor. The Company did not identify any loans whose principal was permanently impaired during the six months ended June 30, 2021.

The Company provides certain relief under the Coronavirus Aid Relief, and Economic Security Act (the “CARES Act”) under its COVID-19 Commercial Mortgage Loan Program (the “Loan Modification Program”). During the six months ended June 30, 2021, the Company modified 16 loans under the Loan Modification Program, representing $311 million in unpaid principal balance. As of June 30, 2021, since the inception of the CARES Act there were 286 total loans modified under the Loan Modification Program, representing $2.2 billion in unpaid principal balance. At June 30, 2021, $1.7 billion of these loans have resumed regular principal and interest payments in accordance with the terms of the modification agreements. The modifications under this program include agreements to defer principal payments only and/or to defer principal and interest payments for a specified period of time. None of these modifications were considered troubled debt restructurings.

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						
	2021	**2020**	**2019**	**2018**	**2017**	**Prior**	**Total**
				(Dollars In Millions)			
As of June 30, 2021							
Commercial mortgage loans:							
Performing	$ 771	$ 1,444	$ 2,220	$ 1,527	$ 1,336	$ 3,125	$ 10,423
Non-performing	—	—	—	—	—	1	1
Amortized cost	$ 771	$ 1,444	$ 2,220	$ 1,527	$ 1,336	$ 3,126	$ 10,424
Allowance for credit losses	(5)	(16)	(29)	(24)	(25)	(37)	(136)
Total commercial mortgage loans	$ 766	$ 1,428	$ 2,191	$ 1,503	$ 1,311	$ 3,089	$ 10,288

	Term Loans Amortized Cost Basis by Origination Year						
	2020	**2019**	**2018**	**2017**	**2016**	**Prior**	**Total**
				(Dollars In Millions)			
As of December 31, 2020							
Commercial mortgage loans:							
Performing	$ 1,463	$ 2,442	$ 1,577	$ 1,344	$ 943	$ 2,458	$ 10,227
Non-performing	—	—	—	—	—	1	1
Amortized cost	$ 1,463	$ 2,442	$ 1,577	$ 1,344	$ 943	$ 2,459	$ 10,228
Allowance for credit losses	(21)	(46)	(55)	(37)	(25)	(38)	(222)
Total commercial mortgage loans	$ 1,442	$ 2,396	$ 1,522	$ 1,307	$ 918	$ 2,421	$ 10,006

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, 2021			As of December 31, 2020		
	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%	$ 332	3 %	1.27	$ 399	4 %	1.29
50% - 75%	6,691	64 %	1.65	6,557	64 %	1.61
Less than 50%	3,401	33 %	2.04	3,272	32 %	2.01
Total commercial mortgage loans	$ 10,424	100 %		$ 10,228	100 %	

(1) The loan-to-value ratio compares the current unpaid principal of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio was 54% at June 30, 2021 and 54% at December 31, 2020.

(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, 2021 and December 31, 2020 was 1.76x and 1.72x, respectively.

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

	As of and For The Six Months Ended June 30, 2021	As of and For The Year Ended December 31, 2020
	(Dollars In Millions)	
Allowance for Funded Commercial Mortgage Loan Credit Losses		
Beginning balance	$ 222	$ 5
Cumulative effect adjustment	—	80
Charge offs	—	—
Recoveries	(7)	(3)
Provision	(79)	140
Ending balance	$ 136	$ 222
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses		
Beginning balance	$ 22	$ —
Cumulative effect adjustment	—	10
Charge offs	—	—
Recoveries	—	—
Provision	(10)	12
Ending balance	$ 12	$ 22

As of June 30, 2021, the Company had a total of one loan of $1 million that was 90 days and greater delinquent. As of December 31, 2020, the Company had a total of one loan of $1 million that was 60-89 days delinquent.

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

The Company limits accrued interest income on loans to ninety days of interest. For loans in nonaccrual status, interest income is recognized on a cash basis. For the six months ended June 30, 2021, an immaterial amount of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy.

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, 2021, and December 31, 2020, is as follows:

	As of	
	June 30, 2021	December 31, 2020
	(Dollars In Millions)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	$ 5,342	$ 5,406
Policyholder dividend obligation	444	580
Other liabilities	45	7
Total closed block liabilities	5,831	5,993
Closed block assets		
Fixed maturities, available-for-sale, at fair value	4,789	4,903
Commercial mortgage loans	68	68
Policy loans	578	596
Cash and other invested assets	36	46
Other assets	88	91
Total closed block assets	5,559	5,704
Excess of reported closed block liabilities over closed block assets	272	289
Portion of above representing accumulated other comprehensive income:		
Net unrealized gains (losses) - net of policyholder dividend obligation: 2021 - \$357 and 2020 - \$493; and net of income tax: 2021 - \$(75) and 2020 - \$(104)	—	—
Future earnings to be recognized from closed block assets and closed block liabilities	$ 272	$ 289

Reconciliation of the policyholder dividend obligation is as follows:

	For The Six Months Ended June 30,	
	2021	2020
	(Dollars In Millions)	
Policyholder dividend obligation, beginning balance	$ 580	$ 279
Applicable to net revenue (losses)	—	(14)
Change in net unrealized gains (losses) - allocated to the policyholder dividend obligation	(136)	166
Policyholder dividend obligation, ending balance	$ 444	$ 431

Closed Block revenues and expenses were as follows:

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars In Millions)			
Revenues				
Premiums and other income	$ 35	$ 38	$ 69	$ 73
Net investment income	47	51	95	102
Net realized gains (losses)	3	(1)	26	(1)
Total revenues	85	88	190	174
Benefits and other deductions				
Benefits and settlement expenses	82	84	170	161
Other operating expenses	—	—	1	1
Total benefits and other deductions	82	84	171	162
Net revenues before income taxes	3	4	19	12
Income tax expense	1	1	4	2
Net revenues	$ 2	$ 3	$ 15	$ 10

10. REINSURANCE

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, 2021 and December 31, 2020, the Reinsurance ACL was $95 million and $98 million, respectively. There were no write-offs or recoveries during the six months ended June 30, 2021 and 2020.

The Company had total reinsurance receivables of $4.3 billion as of June 30, 2021, which includes both ceded policy benefit reserves and receivables for claims. Receivables for claims represented 13% of total reinsurance receivables as of June 30, 2021. Receivables for claims are short-term in nature, and generally carry minimal credit risk. Of reserves ceded as of June 30, 2021, 77% were receivables from reinsurers rated by A.M. Best Company. Of the total rated by A.M. Best Company, 57% were rated A+ or better, 17% 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, 2021		December 31, 2020	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	$ 350	$ 350	$ 190	$ 190
Term Loan Credit Agreement	600	600	600	600
Capital lease obligation	1	1	1	1
8.45% Senior Notes (2009), due 2039	181	267	181	269
4.30% Senior Notes (2018), due 2028	400	397	400	396
3.40% Senior Notes (2019), due 2030	400	397	400	397
	$ 1,932	$ 2,012	$ 1,772	$ 1,853
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 aggregate principal amount of $1.0 billion. Under certain circumstances the Credit Facility allows for a request that the commitment be increased up to a maximum principal amount of $1.5 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the borrowers, (i) LIBOR plus a spread based on the ratings of the Company's Senior Debt, or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's Prime rate, (y) 0.50% above the Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt. The Credit Facility also provided for a facility fee at a rate that varies with the ratings of the Company's Senior Debt and that is calculated on the aggregate amount of commitments under the Credit Facility, whether used or unused. The annual facility fee rate is 0.125% of the aggregate principal amount. The Credit Facility provides that the Company is liable for the full amount of any obligations for borrowings or letters of credit, including those of PLICO, under the Credit Facility. The maturity date of the Credit Facility is May 3, 2023. The Company is not aware of any non-compliance with the financial debt covenants of the Credit Facility as of June 30, 2021. The Company had a $350 million and $190 million outstanding balance on the Credit Facility as of June 30, 2021 and December 31, 2020, respectively.

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, 2021, the fair value of securities pledged under the repurchase program was $1,067 million, and the repurchase obligation of $1,003 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 13 basis points). During the six months ended June 30, 2021, the maximum balance outstanding at any one point in time related to these programs was $1,003 million. The average daily balance was $523 million (at an average borrowing rate of 10 basis points) during the six months ended June 30, 2021. As of

December 31, 2020, the fair value of securities pledged under the repurchase program was $452 million, and the repurchase obligation of $437 million was included in the Company's consolidated condensed balance sheets (at an average borrowing rate of 15 basis points). During 2020, the maximum balance outstanding at any one point in time related to these programs was $825 million. The average daily balance was $143 million (at an average borrowing rate of 33 basis points) during the year ended December 31, 2020.

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, 2021 and December 31, 2020, securities with a fair value of $153 million and $57 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, 2021 and December 31, 2020, the fair value of the collateral related to this program was $159 million and $59 million and the Company has an obligation to return $159 million and $59 million of collateral to the securities borrowers, respectively.

The following table provides the fair value of collateral pledged for repurchase agreements, grouped by asset class as of June 30, 2021 and December 31, 2020:

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, 2021				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ 1,029	$ 38	$ —	$ —	$ 1,067
Total repurchase agreements and repurchase-to-maturity transactions	1,029	38	—	—	1,067
Securities lending transactions					
Corporate securities	151	—	—	—	151
Equity securities	1	—	—	—	1
Redeemable preferred stocks	1	—	—	—	1
Total securities lending transactions	153	—	—	—	153
Total securities	$ 1,182	$ 38	$ —	$ —	$ 1,220

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, 2020				
	(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	$ 366	$ 86	$ —	$ —	$ 452
Total repurchase agreements and repurchase-to-maturity transactions	366	86	—	—	452
Securities lending transactions					
Fixed maturity securities	49	—	—	—	49
Equity securities	7	—	—	—	7
Redeemable preferred stocks	1	—	—	—	1
Total securities lending transactions	57	—	—	—	57
Total securities	$ 423	$ 86	$ —	$ —	$ 509

Golden Gate Captive Insurance Company

On October 1, 2020, Golden Gate Captive Insurance Company ("Golden Gate"), a Vermont special purpose financial insurance company and a wholly owned subsidiary of PLICO, entered into a transaction with a term of 20 years, that may be extended to a maximum of 25 years, to finance 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, 2021, the XOL Asset backing the difference in statutory and economic reserve liabilities was $4.421 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 in those states can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. From time to time, companies may be asked to contribute amounts beyond prescribed limits. It is possible that the Company could be assessed with respect to product lines not offered by the Company. In addition, legislation may be introduced in various states with respect to guaranty fund assessment laws related to insurance products, including long term care insurance and other specialty products, that increases the cost of future assessments or alters future premium tax offsets received in connection with guaranty fund assessments. The

Company cannot predict the amount, nature, or timing of any future assessments or legislation, any of which could have a material and adverse impact on the Company's financial condition or results of operations.

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

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

Certain other 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.

Advance Trust & Life Escrow Services, LTA, as Securities Intermediary of Life Partners Position Holder Trust v. Protective Life Insurance Company, Case No. 2:18-CV-01290, is a putative class action that was filed on August 13, 2018 in the United States District Court for the Northern District of Alabama. Plaintiff alleges that PLICO required policyholders to pay unlawful and excessive cost of insurance charges. Plaintiff seeks to represent all owners of universal life and variable universal life policies issued by PLICO or its predecessors that provide that cost of insurance rates are to be determined based on expectations of future mortality experience. The plaintiff seeks class certification, compensatory damages, pre-judgment and post-judgment interest, costs, and other unspecified relief. The Company is vigorously defending this matter and cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation.

Scottish Re (U.S.), Inc. ("SRUS") was placed in rehabilitation on March 6, 2019 by the State of Delaware. Under the related order, the Insurance Commissioner of the State of Delaware has been appointed the receiver of SRUS 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 entered an order approving a Revised Offset Plan, which allows cedents, including the Company, to offset premiums under certain circumstances.

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

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

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

The Company continues to monitor SRUS and the actions of the Receiver through discussions with legal counsel and review of publicly available information. An allowance for credit losses related to SRUS is included in the overall reinsurance allowance for credit losses. As of June 30, 2021, management does not believe that the ultimate outcome of the rehabilitation process will have a material impact on our financial position or results of operations.

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, 2021 and 2020.

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, 2021	$ 1,771	$ (6)	$ (48)	$ 1,717
Other comprehensive income (loss) before reclassifications	1,064	1	1	1,066
Other comprehensive income (loss) on investments for change in net expected credit losses	(5)	—	—	(5)
Amounts reclassified from accumulated other comprehensive income (loss)[1]	(7)	—	—	(7)
Balance, June 30, 2021	$ 2,823	$ (5)	$ (47)	$ 2,771
Balance, December 31, 2020	$ 3,565	$ (8)	$ (49)	$ 3,508
Other comprehensive income (loss) before reclassifications	(708)	3	2	(703)
Other comprehensive income (loss) on investments for change in net expected credit losses	—	—	—	—
Amounts reclassified from accumulated other comprehensive income (loss)[1]	(34)	—	—	(34)
Balance, June 30, 2021	$ 2,823	$ (5)	$ (47)	$ 2,771

	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, 2020	$ (53)	$ (12)	$ (32)	$ (97)
Other comprehensive income (loss) before reclassifications	2,265	2	1	2,268
Other comprehensive income (loss) on investments for change in net expected credit losses	5	—	—	5
Amounts reclassified from accumulated other comprehensive income (loss)[(1)]	22	2	—	24
Balance, June 30, 2020	$ 2,239	$ (8)	$ (31)	$ 2,200
Balance, December 31, 2019	$ 1,424	$ (8)	$ (32)	$ 1,384
Other comprehensive income (loss) before reclassifications	785	(2)	1	784
Other comprehensive income (loss) on investments for change in net expected credit losses	(2)	—	—	(2)
Amounts reclassified from accumulated other comprehensive income (loss)[(1)]	32	2	—	34
Balance, June 30, 2020	$ 2,239	$ (8)	$ (31)	$ 2,200

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

(2) Net unrealized gains reported in AOCI were offset by $(1.4) billion and $(2.0) billion as of June 30, 2021 and December 31, 2020, respectively, and $(1.3) billion and $(777) million as of June 30, 2020 and December 31, 2019, 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, 2021 and 2020.

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, 2021	For The Three Months Ended June 30, 2020	For The Six Months Ended June 30, 2021	For The Six Months Ended June 30, 2020
		(Dollars In Millions)			
Derivative instruments	Benefits and settlement expenses, net of reinsurance ceded(1)	$ —	$ (1)	$ —	$ (3)
	Tax (expense) benefit	—	—	—	1
		$ —	$ (1)	$ —	$ (2)
Unrealized gains and losses on available-for-sale securities	Realized gains (losses) - investments	$ 9	$ 2	$ 38	$ 42
	Change in net expected credit losses - fixed maturities	—	(30)	5	(82)
	Tax (expense) benefit	(2)	6	(9)	8
		$ 7	$ (22)	$ 34	$ (32)
Postretirement benefits liability adjustment	Other operating expenses	$ —	$ (1)	$ —	$ (1)
	Amortization of net actuarial gain (loss)	(1)	—	(2)	—
	Tax (expense) benefit	—	—	—	—
		$ (1)	$ (1)	$ (2)	$ (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, 2021, and through August 13, 2021, the date the Company’s financial statements were issued. All accounting and disclosure requirements related to subsequent events are included in the Company's consolidated condensed financial statements.

KPMG LLP
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Independent Auditors' Review Report

The Board of Directors
Protective Life Corporation:

Report on the Financial Statements

We have reviewed the accompanying consolidated condensed balance sheet of Protective Life Corporation and its subsidiaries as of June 30, 2021, the related consolidated condensed statements of income, comprehensive income (loss), and shareowner's equity for the three-month and six-month periods ended June 30, 2021 and 2020, and the related consolidated condensed statements of cash flows for the six-month periods ended June 30, 2021 and 2020.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

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

KPMG LLP

Birmingham, Alabama
August 13, 2021