



Protective Life Corporation
Financial Statements and Notes
As of and For the Years Ended December 31, 2025 and 2024

Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

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KPMG LLP
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Independent Auditors' Report

The Shareowner and Board of Directors
Protective Life Corporation:

Opinion

We have audited the consolidated financial statements of Protective Life Corporation and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, shareowner's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company adopted Accounting Standards Update No. 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, effective December 31, 2025, with a transition date of January 1, 2024.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Birmingham, Alabama
February 27, 2026

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Revenues		
Gross premiums and policy fees	\$ 4,985	\$ 4,634
Reinsurance ceded	(1,100)	(1,247)
Net premiums and policy fees	3,885	3,387
Net investment income	3,860	3,657
Net realized gains (losses)	(451)	(249)
Other income	725	781
Total revenues	8,019	7,576
Benefits and expenses		
Benefits and settlement expenses, net of reinsurance ceded: (2025 - \$1,115; 2024 - \$966)	5,629	5,437
Amortization of deferred policy acquisition costs and value of business acquired	493	490
Policyholder liability remeasurement (gains) losses	103	17
Market risk benefits remeasurement (gains) losses	133	(259)
Other operating expenses, net of reinsurance ceded: (2025 - \$(146); 2024 - \$229)	1,520	1,191
Total benefits and expenses	7,878	6,876
Income before income tax	141	700
Income tax expense	14	129
Net income	\$ 127	\$ 571

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>For The Year Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(Dollars In Millions)	
Net income	\$ 127	\$ 571
Other comprehensive income (loss):		
Change in net unrealized gains (losses) on investments, net of income tax: (2025 - \$157; 2024 - \$(107))	593	(401)
Reclassification adjustment for investment amounts included in net income, net of income tax: (2025 - \$63; 2024 - \$4)	236	16
Change in net unrealized losses on fixed maturities with an allowance for credit losses, net of income tax: (2025 - \$(5); 2024 - \$3)	(20)	13
Change in accumulated gains (losses) —derivatives, net of income tax: (2025 - \$(2); 2024 - \$2)	(9)	9
Reclassification adjustment for derivative amounts included in net income, net of income tax: (2025 - \$ -; 2024 - \$(4))	—	(15)
Change in current discount rate - liability for future policy benefits, net of income tax: (2025 - \$(43); 2024 - \$114)	(163)	428
Change in instrument-specific credit risk - market risk benefits, net of income tax: (2025 - \$(1); 2024 - \$(17))	(4)	(64)
Change in postretirement benefits liability adjustment, net of income tax: (2025 - \$4; 2024 - \$5)	17	20
Total other comprehensive income	<u>650</u>	<u>6</u>
Total comprehensive income	<u>\$ 777</u>	<u>\$ 577</u>

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2025	2024
	(Dollars In Millions)	
Assets		
Fixed maturities, at fair value (amortized cost: 2025 - \$68,320; 2024 - \$67,987; allowance for credit losses: 2025 - \$92; 2024 - \$67)	\$ 62,044	\$ 59,686
Equity securities, at fair value (cost: 2025 - \$865; 2024 - \$666)	785	582
Commercial mortgage loans, net of allowance for credit losses (2025 - \$84; 2024 - \$101)	12,756	12,510
Policy loans	1,407	1,444
Other long-term investments	3,368	3,308
Short-term investments	4,334	1,679
Total investments	84,694	79,209
Cash	580	353
Accrued investment income	752	740
Accounts and premiums receivable	339	365
Reinsurance receivables, net of allowance for credit losses (2025 - \$112; 2024 - \$104)	14,204	4,463
Deferred policy acquisition costs and value of business acquired	5,134	5,012
Goodwill	1,213	1,197
Other intangibles, net of accumulated amortization (2025 - \$672; 2024 - \$582)	848	971
Property and equipment, net of accumulated depreciation (2025 - \$123; 2024 - \$121)	189	201
Other assets	463	459
Deferred income taxes, net	74	96
Market risk benefit assets	546	541
Assets related to separate accounts	33,017	30,223
Total assets	\$ 142,053	\$ 123,830

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS
(continued)

	As of December 31,	
	2025	2024
	(Dollars In Millions)	
Liabilities		
Future policy benefits and claims	\$ 25,037	\$ 24,438
Unearned premiums	1,514	1,522
Total policy liabilities and accruals	26,551	25,960
Stable value product account balances	13,787	13,150
Policyholder account balances	44,112	40,633
Market risk benefit liabilities	712	567
Other policyholders' funds	862	925
Cost of reinsurance	873	—
Funds withheld and other liabilities	12,535	4,662
Secured financing liabilities	920	393
Debt	2,666	1,895
Subordinated debt	606	606
Liabilities related to separate accounts	33,017	30,223
Total liabilities	136,641	119,014
Commitments and contingencies—Note 18		
Shareowner's equity		
Common Stock, 2025 and 2024 - \$0.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	6,046	6,046
Retained earnings	2,589	2,643
Accumulated other comprehensive income (loss)	(3,223)	(3,873)
Total shareowner's equity	5,412	4,816
Total liabilities and shareowner's equity	\$ 142,053	\$ 123,830

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREOWNER'S EQUITY

	<u>Common Stock</u>	<u>Additional Paid-In- Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareowner's Equity</u>
	(Dollars In Millions)				
Balance, December 31, 2023	\$ —	\$ 5,804	\$ 2,087	\$ (4,577)	\$ 3,314
Cumulative effect of adoption of ASU 2018-12	—	—	(15)	698	683
Adjusted balance, January 1, 2024	—	5,804	2,072	(3,879)	3,997
Net income			571		571
Other comprehensive income				6	6
Comprehensive income					577
Capital contributions		242			242
Balance, December 31, 2024	\$ —	\$ 6,046	\$ 2,643	\$ (3,873)	\$ 4,816
Net income			127		127
Other comprehensive income				650	650
Comprehensive income					777
Dividend to parent			(181)		(181)
Balance, December 31, 2025	\$ —	\$ 6,046	\$ 2,589	\$ (3,223)	\$ 5,412

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Cash flows from operating activities		
Net income	\$ 127	\$ 571
Adjustments to reconcile net income to net cash used in operating activities:		
Net realized losses	451	249
Interest credited to universal life and investment products	2,140	1,961
Trading securities purchases, sales, and maturities, net	(2,794)	272
Amortization of premiums and accretion of discounts on investments and commercial mortgage loans	100	159
Payment for reinsurance transaction	(124)	—
Change in:		
Policy fees assessed on universal life and investment products	(1,989)	(2,028)
Future policy liabilities, policyholder account balances and other policyholders' funds	(1,981)	(1,287)
Derivatives, net	(13)	(264)
Market risk benefits, net	133	(259)
Deferred acquisition costs and value of business acquired	(122)	(265)
Cost of reinsurance	(44)	—
Other, net	(1,177)	(377)
Net cash used in operating activities	\$ (5,293)	\$ (1,268)

Prior period amounts recast for the implementation of ASU 2018-12.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	5,741	5,152
Sale of investments, available-for-sale	14,264	7,970
Cost of investments acquired, available-for-sale	(18,285)	(14,977)
Commercial mortgage loans:		
New loan originations	(1,715)	(1,960)
Repayments	1,466	1,301
Change in policy loans, net	37	22
Change in other long-term investments, net	166	122
Change in short-term investments, net	(2,404)	916
Net unsettled security transactions	(64)	(10)
Purchase of property, equipment, and intangibles	(17)	(25)
Payment for business acquisition, net of cash acquired	—	(751)
Net cash used in investing activities	(811)	(2,240)
Cash flows from financing activities		
Borrowings under line of credit arrangements, debt, and subordinated debt	4,295	4,756
Principal payments on line of credit arrangement, debt, and subordinated debt	(3,509)	(4,881)
Change in secured financing liabilities	527	294
Dividends to parent	(181)	—
Capital contributions from parent	—	242
Deposits to universal life and investment contracts	13,856	14,260
Withdrawals from universal life and investment contracts	(8,666)	(11,265)
Other financing activities, net	9	9
Net cash provided by financing activities	6,331	3,415
Change in cash	227	(93)
Cash at beginning of period	353	446
Cash at end of period	\$ 580	\$ 353

Prior period amounts recast for the implementation of ASU 2018-12.

**PROTECTIVE LIFE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Corporation, a Delaware Corporation, (the “Company”) is a holding company with subsidiaries that provide financial services through the production, distribution, and administration of insurance and investment products. The Company principally markets individual life insurance, guaranteed investment contracts, guaranteed funding agreements, fixed and variable annuities, extended service contracts, and paid family and medical leave throughout the United States and disability benefits law coverage (“DBL”) and paid family leave in New York. Founded in 1907, Protective Life Insurance Company, a Nebraska domiciled life insurance company, (“PLICO”) is the Company’s largest operating subsidiary. The Company is a wholly owned subsidiary of Dai-ichi Life International Holding, LLC, (“Dai-ichi Life International”), a *godo kaisha* organized under the laws of Japan and subsidiary of Dai-ichi Life Holdings, Inc. (“Dai-ichi Life”).

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities (see also Note 24, *Statutory Reporting Practices and Other Regulatory Matters*).

These financial statements reflect the Company’s adoption of Accounting Standards Update (“ASU” or “Update”) No. 2018-12 - Financial Services - Insurance (Topic 944), *Targeted Improvements to the Accounting for Long-Duration Contracts* (“LDTI”) with an effective date of December 31, 2025 and a transition date of January 1, 2024. Details of the Company’s adoption of LDTI are included in Note 2, *Summary of Significant Accounting Policies*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include those used in determining goodwill recoverability, certain investments and certain derivatives fair values, the allowance for credit losses, future policy benefits, market risk benefits, pension and other postretirement benefits, provisions for income taxes, reserves for contingent liabilities, and reserves for losses in connection with unresolved legal matters.

Entities Included

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements Recently Adopted

ASU No. 2018-12, *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, grouped into issue-year cohorts, which is regularly updated on a retrospective basis for actual past experience and updated future assumptions. This differs from legacy 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 rates determined under legacy guidance, which are based on the invested assets supporting the liability. Certain elements of insurance liability measurement have been removed, including the provision for adverse deviation as well as loss recognition testing for non-value of business acquired (“VOBA”) balances and premium deficiency testing for non-UL products. In addition, the amendments introduce new requirements to assess market-based insurance contract options and guarantees for market risk benefits (“MRBs”) and measure them at fair value. This Update also requires insurance entities to amortize deferred acquisition costs and the unearned revenue liability on a constant level basis over the expected life of the contract and removes the requirement to assess deferred policy acquisition costs (“DAC”) for recoverability. Finally, this Update requires new disclosures including liability rollforwards and information about significant inputs, judgments, assumptions, and methods used in the measurement. The transition disclosures

below, along with other disclosures required by LDTI, are disaggregated by major product type in accordance with the requirements of ASC 944.

The Company adopted LDTI effective December 31, 2025, with a transition date of January 1, 2024. The Company applied the modified retrospective transition approach for the liability for future policy benefits (“LFPB”) and for DAC and similar balances. Under the modified retrospective transition approach, the impact of remeasuring the LFPB using the upper-medium grade fixed income instrument yield was recorded as an adjustment to *accumulated other comprehensive income (loss)* (“AOCI”) as of the transition date, while all other impacts were recorded as adjustments to *retained earnings* at the transition date. Additionally, the Company updated cash flow assumptions as of the transition date, resulting in changes to the deferred profit liability and LFPB balances. The Company applied the retrospective transition approach for MRBs, under which remeasurement of market risk benefits were reflected in *retained earnings* except for changes in fair value due to the Company’s own credit risk, which were reflected in AOCI as of the transition date. As a result, the consolidated financial statements and disclosures are presented under the revised guidance for all periods presented.

Prior to the adoption of LDTI, VOBA was amortized based on premium income for traditional life and estimated gross profits, revenues or insurance in-force for universal life and investment products. These amortization bases were consistent with the Company’s historical method for amortizing DAC for similar products. In order to maintain consistency between DAC and VOBA upon adoption of LDTI, the Company elected to amortize VOBA in a manner consistent with DAC.

At transition, the Company also removed adjustments to DAC, VOBA and unrealized losses that were previously recorded in AOCI due to unrealized investment gains (losses) which would have been recognized if such gains and losses had been realized.

The Company’s adoption of LDTI resulted in an increase in total equity of \$683 million as of the transition date of January 1, 2024. This impact comprised an increase in AOCI of \$698 million and a decrease in retained earnings of \$15 million.

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The following table presents the adjustments related to the adoption of LDTI and the adjusted amounts as of the transition date of January 1, 2024.

	Balance As Previously Reported	Cumulative Effect Adjustments as of January 1, 2024	Updated Balances post- adoption of LDTI
(Dollars In Millions)			
Assets			
Investments	\$ 78,773	\$ (238)	\$ 78,535
Reinsurance receivables, net of allowance for credit losses	4,220	7	4,227
Deferred policy acquisition costs and value of business acquired	5,394	(665)	4,729
Deferred income taxes, net	323	(182)	141
Market risk benefit assets	—	392	392
Total assets impacted by adoption of LDTI	\$ 118,428	<u>\$ (686)</u>	\$ 117,742
Liabilities			
Future policy benefits and claims	\$ 52,342	\$ (27,087)	\$ 25,255
Market risk benefit liabilities	—	597	597
Policyholder account balances	14,035	25,469	39,504
Funds withheld and other liabilities	4,986	(348)	4,638
Total liabilities impacted by adoption of LDTI	\$ 115,114	<u>\$ (1,369)</u>	\$ 113,745
Equity			
Retained earnings	\$ 2,087	\$ (15)	\$ 2,072
Accumulated other comprehensive income (loss)	(4,577)	698	(3,879)
Total shareholder's equity impacted by adoption of LDTI	\$ 3,314	<u>\$ 683</u>	\$ 3,997

The following table provides details of the impact of the adoption of LDTI on *future policy benefits and claims*.

	Liability for Future Policy Benefits	Additional Insurance Liability ⁽¹⁾	Unearned Revenue Liability	Deferred Profit Liability	Participating Contracts	Other	Total
(Dollars In Millions)							
Future policy benefits and claims at December 31, 2023	\$ 14,426	\$ 6,168	\$ 765	\$ 36	\$ 4,950	\$ 25,997	\$ 52,342
LDTI transition adjustments	(1,559)	(189)	(40)	299	—	19	(1,470)
Other adjustments related to LDTI implementation	(1,268)	1	18	—	—	(24,368)	(25,617)
Future policy benefits and claims at January 1, 2024	<u>\$ 11,599</u>	<u>\$ 5,980</u>	<u>\$ 743</u>	<u>\$ 335</u>	<u>\$ 4,950</u>	<u>\$ 1,648</u>	<u>\$ 25,255</u>

(1) The additional insurance liability balance at transition decreased by \$236 million due to the reclassification of Fixed Annuity and Variable Annuity GMxBs previously classified as additional liabilities that contain contract features that will be classified as MRBs under LDTI. This was partially offset by a \$47 million increase in the additional insurance liability balance due to LDTI transition impacts shown in the additional insurance liability transition rollforward below. See Note 11, *Future Policy Benefits and Claims* for additional information.

The Company also reclassified \$25.6 billion of liabilities related to payout annuities and universal life (“UL”) contracts from *future policy benefits and claims* to *policyholder account balances* in connection with its adoption of LDTI. The Company believes this presentation is more closely aligned with LDTI presentation concepts. These reclassifications are shown as “Other adjustments related to LDTI implementation” in the table above. These adjustments are included in the beginning balance prior to adoption of LDTI in the transition rollforward disclosures below.

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The following table summarizes the balance of and changes in the LFPB due to the adoption of LDTI.

	<u>Traditional Life</u>	<u>Fixed Annuity</u>	<u>Total</u>
	(Dollars In Millions)		
Liability for Future Policy Benefits prior to adoption of LDTI	\$ 7,827	\$ 5,331	\$ 13,158
Adjustment for reversal of AOCI adjustments	—	—	—
Adjustment for loss contracts under the modified retrospective approach	147	14	161
Adjustment for changes in cash flow assumptions, effect of decrease (increase) of the deferred profit liability ⁽¹⁾	(174)	(125)	(299)
Effect of remeasurement of liability at current discount rate	(861)	(560)	(1,421)
Liability for Future Policy Benefits at January 1, 2024	<u>\$ 6,939</u>	<u>\$ 4,660</u>	<u>\$ 11,599</u>

(1) Represents a reduction of the LFPB as a result of the removal of provisions for adverse deviation that are no longer required to be included in the cash flow assumptions under LDTI. The guidance requires that this reduction in the reserve be offset by an increase in the deferred profit liability (“DPL”), which results in no net impact at transition.

The following table summarizes the balance of and changes in the Additional Insurance Liability due to the adoption of LDTI.

	<u>Universal Life</u>
	(Dollars In Millions)
Balance prior to adoption of LDTI	\$ 5,931
Adjustment for reversal of AOCI adjustments	—
Adjustment for cumulative effect of adoption of ASU 2018-12	47
Adjusted balance at January 1, 2024	<u>\$ 5,978</u>

The following table summarizes the balance of and changes in the Unearned Revenue Liability due to the adoption of LDTI.

	<u>Universal Life</u>	<u>Variable Annuity</u>	<u>Total</u>
	(Dollars In Millions)		
Balance prior to adoption of LDTI	\$ 664	\$ 101	\$ 765
Adjustment for reversal of AOCI adjustments	(39)	(1)	(40)
Other adjustments at transition	17	1	18
Adjusted balance at January 1, 2024	<u>\$ 642</u>	<u>\$ 101</u>	<u>\$ 743</u>

The following table summarizes the balance of and changes in the net balance of MRBs due to the adoption of LDTI.

	<u>Fixed Annuity</u>	<u>Variable Annuity</u>	<u>Total</u>
	(Dollars In Millions)		
Balance prior to adoption of LDTI (carrying amount of MRBs under prior guidance) ⁽¹⁾	\$ 211	\$ 135	\$ 346
Adjustment for reversal of AOCI adjustments	—	7	7
Cumulative effect of changes in the instrument-specific credit risk between the original contract issuance date and the transition date	(16)	(44)	(60)
Adjustment for the difference between the carrying amount under prior GAAP and the fair value of the MRBs (exclusive of the difference due to instrument-specific credit risk, but inclusive of the policyholder account balance offset adjustment of \$168 million)	43	(131)	(88)
Adjusted net balance at January 1, 2024	<u>\$ 238</u>	<u>\$ (33)</u>	<u>\$ 205</u>

(1)The carrying amount of MRBs under prior guidance includes amounts related product features previously reported as benefit reserves in *future policy benefits and claims* and embedded derivatives in *other long-term investments and funds withheld and other liabilities*.

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The following table summarizes the balance of and changes in DAC due to the adoption of LDTI. This table at January 1, 2024 does not include DAC for short-duration contracts or other insignificant balances.

	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
(Dollars In Millions)					
Balance prior to adoption of LDTI	\$ 688	\$ 1,577	\$ 584	\$ 176	\$ 3,025
Adjustment for reversal of AOCI adjustments	(1)	(66)	(293)	(6)	(366)
Other adjustments at transition	—	3	6	(5)	4
Adjusted balance at January 1, 2024	\$ 687	\$ 1,514	\$ 297	\$ 165	\$ 2,663

The following table summarizes the balance of and changes in VOBA due to the adoption of LDTI. This table at January 1, 2024 total does not include VOBA for short-duration contracts or other insignificant balances.

	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
(Dollars In Millions)					
Balance prior to adoption of LDTI	\$ 482	\$ 678	\$ 8	\$ 768	\$ 1,936
Adjustment for reversal of AOCI adjustments	—	(157)	(22)	(23)	(202)
Other adjustments at transition ⁽¹⁾	—	1	1	(103)	(101)
Adjusted balance at January 1, 2024	\$ 482	\$ 522	\$ (13)	\$ 642	\$ 1,633

(1) The variable annuity adjustment is primarily due to the retrospective application of MRB guidance, which requires the Company to restate all impacted balances as if the MRBs had been accounted for upon contract issue/acquisition. For the Company, this included adjustments to VOBA balances arising from the acquisition of contracts with MRBs.

Significant Accounting Policies Presented in the Notes to Consolidated Financial Statements

The following list identifies the location of our significant accounting policies presented within the Notes to Consolidated Financial Statements.

Note 4. Investment Operations

Note 5. Fair Value of Financial Instruments

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Note 21. Income Taxes

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Income Statement

Life Insurance Product Revenues and Benefits Expense

Traditional life insurance products consist principally of those products with fixed and guaranteed premiums and benefits, and they include whole life insurance policies, term and term-like life insurance policies, limited payment life insurance policies, and certain annuities with life contingencies. Traditional life insurance premiums are recognized as revenue when due. Health, employee benefits, and credit insurance premiums are recognized as revenue over the terms of the policies. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the contracts. Gross premiums in excess of net premiums related to immediate annuities are deferred and recognized over the life of the policy.

Universal life and investment products include universal life insurance, guaranteed investment contracts, guaranteed funding agreements, deferred annuities, and annuities without life contingencies. Premiums and policy fees for universal life and investment products consist of fees that have been assessed against *policyholder account balances* for the costs of insurance, policy administration, and surrenders. Such fees are recognized when assessed and earned. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policyholder account balances and interest credited to policy account balances.

Other Income

Other income consists primarily of advisory and administration service fees assessed on investment contract holder account values, marketing and distribution fees, rider charges associated with guaranteed benefits, distribution company revenues and other fees. In addition, any gains related to final settlements related to the Company's current/past acquisitions are included in other income.

Balance Sheet

Cash

Cash includes all demand deposits reduced by the amount of outstanding checks and drafts. As a result of the Company's cash management system, checks issued from a particular bank but not yet presented for payment may create negative book cash balances with the bank at certain reporting dates. Such negative balances are included in *funds withheld and other liabilities* and were \$169 million and \$193 million as of December 31, 2025 and 2024, respectively. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of a material loss.

Property and Equipment

The Company depreciates its assets using the straight-line method over the estimated useful lives of the assets. The Company's home office is depreciated over twenty-five years, furniture is depreciated over a ten year useful life, office equipment and machines are depreciated over a five year useful life, and computers are depreciated over a four year useful life. Land is not depreciated. Major repairs or improvements are capitalized and depreciated over the estimated useful lives of the assets. Other repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or retired are removed from the accounts, and resulting gains or losses are included in *other income*. Leases are recorded on the consolidated balance sheets as right-of-use assets and liabilities within *property and equipment* and *funds withheld and other liabilities*, respectively.

Property and equipment consisted of the following:

	As of December 31,	
	2025	2024
(Dollars In Millions)		
Home office building	\$ 161	\$ 161
Data processing equipment	51	60
Capital leases	46	51
Other, principally furniture and equipment	29	25
Total property and equipment subject to depreciation	287	297
Accumulated depreciation	(123)	(121)
Land	25	25
Total property and equipment	<u>\$ 189</u>	<u>\$ 201</u>

Property and Casualty Insurance Products

Property and casualty insurance products include service contract business, surety bonds, and guaranteed asset protection (“GAP”). Premiums and fees associated with service contracts and GAP products are recognized based on expected claim patterns. For all other products, premiums are generally recognized over the terms of the contract on a pro-rata basis. Commissions and fee income associated with other products are recognized as earned when the related services are provided to the customer. Unearned premium reserves are maintained for the portion of the premiums that is related to the unexpired period of the policy. Such reserves are computed by pro rata methods or methods related to anticipated claims. Benefit reserves are recorded when insured events occur. Benefit reserves include case basis reserves for known but unpaid claims as of the balance sheet date as well as incurred but not reported (“IBNR”) reserves for claims where the insured event has occurred but has not been reported to the Company as of the balance sheet date. The case basis reserves and IBNR are calculated based on historical experience and on assumptions relating to claim severity and frequency, the level of used vehicle prices, and other factors. These assumptions are modified as necessary to reflect anticipated trends.

Determining liabilities for the Company’s property and casualty insurance products also requires the use of assumptions, including the projected levels of used vehicle prices, the frequency and severity of claims, and the effectiveness of internal processes designed to reduce the level of claims. The Company’s results depend significantly upon the extent to which its actual claims experience is consistent with the assumptions the Company used in determining its reserves and pricing its products. The Company’s reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. The Company cannot determine with precision the ultimate amounts that it will pay for actual claims or the timing of those payments.

Statutory Employee Benefit Products

Statutory employee benefit products include accident and health (“A&H”) and term products, primarily DBL insurance and paid family leave (“PFL”) insurance. The Company recognizes premium over the term of the policies, except for premium billed on a monthly basis, which is recognized as revenue when due. Premiums receivable are actuarially determined based on recent historical patterns of cash receipts. The methodology for determining due and unpaid premium receivables includes completion factors in a manner similar to the development of claim reserves from lag triangles, and includes a provision for premium refunds. The provision for premium refunds is based on the reconciliation payment patterns on annual billed policies. The premiums receivable balances are reported net of an allowance for credit losses.

Policy benefits and other expenses, excluding policy acquisition costs, are charged to operations as incurred. Unpaid claims and related expenses on A&H and group term life policies represent the estimated ultimate net cost of all reported and unreported claims incurred through December 31, less amounts paid through that date. The Company does not discount its claim reserves, except for long-term disability coverages. The reserves for unpaid A&H and group term life claims are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims and related expenses are reasonable. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

The PFL product issued in the state of New York is subject to a statewide pooling program. The Company is mandated by the New York State Department of Financial Services to make a PFL Risk Adjustment payment every year, based on a

statewide pooling of PFL experience. The Company records its best estimate of the expected payout as of the end of the reporting period.

Stable Value Product Account Balances

The Company sells fixed and floating rate funding agreements directly to qualified institutional investors, issues funding agreements to the Federal Home Loan Bank (“FHLB”), and markets guaranteed investment contracts (“GICs”) to 401(k) and other qualified retirement savings plans (collectively “stable value product account balances”). GICs are contracts which specify a return on deposits for a specified period and often provide flexibility for withdrawals at book value in keeping with the benefits provided by the plan. As of December 31, 2025 and 2024, the fair value of securities pledged as collateral for funding agreements issued to the FHLB was \$3.6 billion and \$4.7 billion, respectively, and the funding agreement obligations of \$3.2 billion and \$4.0 billion, respectively, were included in the Company’s consolidated balance sheets.

The Company records its stable value contract liabilities in *stable value product account balances* in the consolidated balance sheets at the deposit amount plus accrued interest, adjusted for any unamortized premium or discount. Interest on the contracts is accrued based upon contract terms. Any premium or discount is amortized using the effective yield method.

These products complement the Company’s overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts. Stable value product account balances include GICs and funding agreements the Company has issued. As of December 31, 2025 and 2024, the Company had \$10.0 billion and \$8.6 billion, respectively, of stable value product account balances marketed through structured programs. Most GICs and funding agreements the Company has written have maturities of one to twelve years.

As of December 31, 2025, future maturities of stable value product account balances were as follows:

<u>Year of Maturity</u>	<u>Amount</u>
	(Dollars In Millions)
2026	\$ 3,989
2027 - 2028	5,466
2029 - 2030	3,480
Thereafter	852

3. RECENT TRANSACTIONS

Portfolio Holding, Inc.

On January 1, 2026, the Company completed the acquisition of Portfolio Holding, Inc. (“Portfolio”) and its subsidiaries. Portfolio is a leading provider for reinsurance management services and finance and insurance products for dealers nationwide. Portfolio offers dealer participation programs that help dealers build long-term wealth through reinsurance structures, enabling them to retain underwriting profits and investment income. Portfolio serves millions of in-force customers through vehicle service contracts, GAP coverage and a broad range of ancillary products. The consideration paid at closing was approximately \$1.0 billion and is subject to post closing adjustments as defined in the purchase agreement.

Reinsurance Transaction with Resolution Re Ltd.

On March 6, 2025, the Company entered into a Master Transaction Agreement with Resolution Re Ltd. (“Resolution”), pursuant to which the Company agreed to cede a block of structured settlement annuities (the “SSA Business”) on a funds withheld basis and a closed block of secondary guarantee universal life insurance policies (the “SGUL Business”) on a modified coinsurance basis. The closing for the SSA Business and a portion of the SGUL Business (the “First Closing”) occurred on April 8, 2025. In connection with the First Closing, the Company recorded a net negative ceding commission of \$194 million (denoting a cash payment by the Company to the reinsurer).

The closing for the remainder of the reinsurance of the SGUL Business occurred on July 1, 2025, (the “Second Closing”). In connection with the Second Closing, the Company received a ceding commission of \$70 million. The SGUL business ceded as part of the Second Closing had been previously ceded to Golden Gate Captive Insurance Company (“Golden Gate”), a Vermont special purpose financial insurance company and wholly owned subsidiary of the Company. On July 1, 2025, this business was recaptured from Golden Gate, ceded to Magnolia Re, Inc. (“Magnolia Re”), a newly formed Vermont special purpose financial insurer and wholly owned subsidiary of PLICO, and retroceded by Magnolia Re to Resolution. See Note 17, *Debt and Other Obligations*, for additional information regarding the transaction with Magnolia Re.

The total impact from the First and Second Closings on the Company’s consolidated balance sheet is presented below:

	Total Impact At Closings
	(In Millions)
Assets	
Reinsurance receivables	\$ 8,206
Deferred acquisition costs and value of business acquired	—
Other assets	(20)
Total assets	\$ 8,186
Liabilities	
Funds withheld and other liabilities ⁽¹⁾	\$ 7,722
Cost of reinsurance	917
	\$ 8,639
Shareowner's Equity	
Accumulated other comprehensive income	(577)
Total liabilities and shareowner's equity	\$ 8,062
⁽¹⁾ Funds withheld under reinsurance	
Net ceding commission paid	\$ 124

As of the date of the First and Second Closings, the invested assets supporting the business reinsured consisted primarily of public and private fixed maturities available-for-sale and commercial mortgage loans. As required by ASC 944, the Company recognized the net amount of assets withheld, amounts paid, and liabilities ceded as the cost of reinsurance (reported in *cost of reinsurance*) at each Closing. This amount will be amortized using assumptions consistent with those used in the measurement of the reinsured business and its related balances, and amortization will be reported as a component of *amortization of deferred policy acquisition costs and value of business acquired* in the Company’s consolidated statements of income.

ShelterPoint

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

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

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The following table details the final allocation of assets acquired and liabilities assumed from the ShelterPoint transaction as of the date of the closing.

	Fair Value as of November 1, 2024
	(Dollars In Millions)
ASSETS	
Fixed maturities	\$ 310
Equity securities	1
Short-term investments	125
Total investments	436
Cash	24
Accrued investment income	3
Accounts and premiums receivable	58
VOBA	16
Goodwill	230
Other intangibles	298
Property and equipment	5
Other assets	14
Total assets	1,084
LIABILITIES	
Future policy benefits and claims	\$ 116
Unearned premiums	93
Total policy liabilities and accruals	209
Other policyholders' funds	7
Funds withheld and other liabilities	38
Deferred taxes	62
Total liabilities	316
NET ASSETS ACQUIRED	\$ 768

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

	Estimated Fair Value on Acquisition Date	Estimated Useful Life
	(Dollars In Millions)	(in Years)
Distribution relationships	\$ 270	17
Trade name	12	3
Technology	7	4
License	9	
Total intangible assets	\$ 298	

4. INVESTMENT OPERATIONS

Net Investment Income

Investment income is recognized when earned, net of applicable management or other fees. Investment income on fixed maturity securities includes coupon interest, amortization of any premium and accretion of any discount. Investment income on equity securities includes dividend income and preferred coupons interest.

Investment income on structured securities which includes commercial mortgage-backed securities (“CMBS”), residential mortgage-backed securities (“RMBS”), and other asset-backed securities is initially based upon yield, cash flow and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the prospective method. Under the prospective method, future cash flows are estimated and investment income is recognized going forward using the new internal rate of return.

Major categories of net investment income are summarized as follows:

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Fixed maturities	\$ 3,027	\$ 2,876
Equity securities	40	44
Commercial mortgage loans	604	562
Investment real estate	1	1
Short-term investments	237	216
	<u>3,909</u>	<u>3,699</u>
Investment expenses	49	42
Net investment income	<u>\$ 3,860</u>	<u>\$ 3,657</u>

Net realized gains (losses)

Net realized gains (losses) - investments includes realized gains and losses from the sale of investments, changes in fair value of equity securities, net credit losses, trading securities, and corporate-owned life insurance. Net realized gains (losses) - derivatives includes gains and losses on free-standing and embedded derivatives.

Net realized gains (losses) are summarized as follows (recast for the adoption of LDIT):

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Fixed maturities	\$ (42)	\$ (56)
Equity securities	(2)	14
Modco trading portfolios	(179)	(19)
Change in net credit losses - fixed maturities	(16)	36
Commercial mortgage loans	2	(18)
Corporate-owned life insurance	65	80
Other investments	(1)	(2)
Net realized gain (loss) - investments	<u>(173)</u>	<u>35</u>
Net realized losses - derivatives ⁽¹⁾	<u>(278)</u>	<u>(284)</u>
Net realized losses	<u>\$ (451)</u>	<u>\$ (249)</u>

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

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

	For The Year Ended December 31,	
	2025	2024
(Dollars In Millions)		
Securities in an unrealized gain position:		
Sales proceeds	\$ 4,983	\$ 3,126
Realized gains	\$ 119	\$ 114
Securities in an unrealized loss position:		
Sales proceeds	\$ 5,395	\$ 3,675
Realized losses	\$ (161)	\$ (170)

The Company recognized net realized gains (losses) of \$(2) million and \$70 million on equity securities still held at the end of the period for the years ended December 31, 2025 and 2024, respectively. The Company recognized immaterial gains for the year ended December 31, 2025 and losses of \$(56) million on equity securities sold during the year ended December 31, 2024.

Investment Securities

The Company determines the appropriate classification of investment securities at the time of purchase and periodically re-evaluates such designations. Investment securities are classified as either trading or available-for-sale securities. Investment securities classified as trading are recorded at fair value with changes in fair value recorded in *net realized gains (losses)*. Investment securities purchased for long-term investment purposes are classified as available-for-sale and are recorded at fair value with changes in unrealized gains and losses, net of taxes, reported as a component of AOCI.

The basis for the cost of securities sold was determined at the Committee on Uniform Securities Identification Procedures (“CUSIP”) level on a first in, first out basis. The committee supplies a unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded. The Company accrues for specifically identified securities that have been purchased or sold but not yet settled by establishing a receivable or payable for unsettled trades. Receivable balances are a component of *other long-term investments* and payable balances are a component of *funds withheld and other liabilities*.

Allowance for Credit Losses (“ACL”) – Fixed Maturity and Structured Investments

Each quarter the Company reviews investments with unrealized losses to determine whether such impairments are the result of credit losses. The Company analyzes various factors to make such determination including, but not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of the Company’s intent to sell the security (including a more likely than not assessment of whether the Company will be required to sell the security) before recovering the security’s amortized cost, 5) an economic analysis of the issuer’s industry, and 6) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter to evaluate whether a credit loss has occurred.

For securities which the Company does not intend to sell and does not expect to be required to sell before recovering the security’s amortized cost basis, analysis of expected cash flows is used to measure the amount of the credit loss. To the extent the amortized cost basis of the security exceeds the present value of future cash flows expected to be collected, this difference represents a credit loss. Credit losses are recorded in *net realized gains (losses)* with a corresponding adjustment to the allowance for credit losses, except that the credit loss recognized cannot exceed the difference between the book value and fair value of the security as of the date of the analysis. In future periods, recoveries in the present value of expected cash flows are recorded as a reversal of the previously recognized allowance for credit losses with an offsetting adjustment to *net realized gains (losses)*. The Company considers contractual cash flows and all known market data related to cash flows when developing its estimates of expected cash flows. The Company uses the effective interest rate implicit in the security at the date of acquisition to discount expected cash flows. For floating rate securities, the Company’s policy is to lock in the interest rate at the first instance of an impairment. Estimates of expected cash flows are not probability-weighted but reflect the Company’s best estimate based on past events, current conditions, and reasonable and supportable forecasts of future events. Debt securities that the Company intends to sell or expects to be required to sell before recovery are written down to fair value with the change recognized in *net realized gains (losses)*.

The Company presents accrued interest receivable separately from other components of the amortized cost basis of its fixed maturity and structured investments and has made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable. The Company's policy is to write off uncollectible accrued interest receivables through a reversal of interest income in the period in which a credit loss is identified.

Short-term Investments

Short-term investments primarily consist of money market mutual funds and other highly liquid securities, as well as investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. These securities and investments are generally carried at fair value or amortized cost that approximates fair value.

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

As of December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
(Dollars In Millions)					
Fixed maturities:					
Residential mortgage-backed securities	\$ 12,668	\$ 63	\$ (1,218)	\$ —	\$ 11,513
Commercial mortgage-backed securities	931	1	(65)	(3)	864
Other asset-backed securities	3,956	36	(11)	—	3,981
U.S. government-related securities	774	2	(126)	—	650
Other government-related securities	216	1	(16)	—	201
States, municipals, and political subdivisions	2,122	1	(272)	—	1,851
Corporate securities	43,106	172	(4,684)	(89)	38,505
Redeemable preferred stocks	292	1	(70)	—	223
	<u>64,065</u>	<u>277</u>	<u>(6,462)</u>	<u>(92)</u>	<u>57,788</u>
Short-term investments	4,030	—	—	—	4,030
	<u>\$ 68,095</u>	<u>\$ 277</u>	<u>\$ (6,462)</u>	<u>\$ (92)</u>	<u>\$ 61,818</u>
As of December 31, 2024					
Fixed maturities:					
Residential mortgage-backed securities	\$ 10,367	\$ 20	\$ (1,523)	\$ —	\$ 8,864
Commercial mortgage-backed securities	1,652	1	(112)	(3)	1,538
Other asset-backed securities	3,313	40	(22)	—	3,331
U.S. government-related securities	863	—	(151)	—	712
Other government-related securities	244	—	(27)	—	217
States, municipals, and political subdivisions	2,818	1	(382)	—	2,437
Corporate securities	46,596	81	(6,094)	(64)	40,519
Redeemable preferred stocks	307	1	(67)	—	241
	<u>66,160</u>	<u>144</u>	<u>(8,378)</u>	<u>(67)</u>	<u>57,859</u>
Short-term investments	1,627	—	—	—	1,627
	<u>\$ 67,787</u>	<u>\$ 144</u>	<u>\$ (8,378)</u>	<u>\$ (67)</u>	<u>\$ 59,486</u>

The Company holds certain investments pursuant to funds withheld ("FWH") arrangements under coinsurance or modified coinsurance reinsurance agreements. These investments are not available to settle any policyholder obligations other than those specifically covered by their respective reinsurance agreement and are not available to settle obligations to general creditors of the Company. Net investment income on assets held under FWH arrangements inure to the reinsurers and the Company recognizes ceded investment income as a component of *other operating expense*.

As of December 31, 2025, the amortized cost and fair value of AFS investments allocable to these arrangements was \$5.0 billion and \$4.4 billion, respectively. During the year ended December 31, 2025, the Company recognized gross realized gains totaling \$20 million and gross realized losses totaling \$252 million attributable to disposals of AFS securities held pursuant to the FWH arrangements described above. As of December 31, 2024, there were no AFS investments allocable to these arrangements. See Note 16, *Reinsurance* for additional information about assets held under FWH arrangements.

The fair value of fixed maturities classified as trading securities are as follows:

	As of December 31,	
	2025	2024
(Dollars In Millions)		
Fixed maturities:		
Residential mortgage-backed securities	\$ 182	\$ 89
Commercial mortgage-backed securities	415	148
Other asset-backed securities	1,404	153
U.S. government-related securities	35	48
Other government-related securities	14	12
States, municipals, and political subdivisions	136	144
Corporate securities	2,069	1,227
Redeemable preferred stocks	1	6
	\$ 4,256	\$ 1,827

The amortized cost and fair value of AFS fixed maturities as of December 31, 2025, by expected maturity, are shown below. Expected maturities of securities without a single maturity date are allocated based on estimated rates of prepayment that may differ from actual rates of prepayment.

	Available-for-sale	
	Amortized Cost	Fair Value
(Dollars In Millions)		
Due in one year or less	\$ 1,060	\$ 1,031
Due after one year through five years	9,203	9,128
Due after five years through ten years	10,145	9,734
Due after ten years	43,657	37,895
	\$ 64,065	\$ 57,788

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

	For The Year Ended December 31, 2025			For The Year Ended December 31, 2024		
	Corporate Securities	CMBS	Total	Corporate Securities	CMBS	Total
	(Dollars In Millions)					
Beginning Balance	\$ 64	\$ 3	\$ 67	\$ 95	\$ 8	\$ 103
Additions for securities for which an allowance was not previously recorded	34	3	37	—	5	5
Adjustments on previously recorded allowances due to change in expected cash flows	—	(1)	(1)	11	3	14
Reductions on previously recorded allowances due to disposal of security in the current period	(9)	(2)	(11)	(42)	(13)	(55)
Write-offs of previously recorded allowances due to intent or requirement to sell	—	—	—	—	—	—
Ending Balance	<u>\$ 89</u>	<u>\$ 3</u>	<u>\$ 92</u>	<u>\$ 64</u>	<u>\$ 3</u>	<u>\$ 67</u>

The following table includes the gross unrealized losses and fair value of the Company's AFS fixed maturities, for which an allowance for credit losses has not been recorded aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2025:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Millions)					
Residential mortgage-backed securities	\$ 722	\$ (1)	\$ 5,130	\$ (1,217)	\$ 5,852	\$ (1,218)
Commercial mortgage-backed securities	—	—	740	(65)	740	(65)
Other asset-backed securities	292	(1)	142	(10)	434	(11)
U.S. government-related securities	—	—	426	(126)	426	(126)
Other government-related securities	—	—	160	(16)	160	(16)
States, municipals, and political subdivisions	—	—	1,764	(272)	1,764	(272)
Corporate securities	2,042	(70)	28,969	(4,614)	31,011	(4,684)
Redeemable preferred stocks	—	—	182	(70)	182	(70)
	<u>\$ 3,056</u>	<u>\$ (72)</u>	<u>\$ 37,513</u>	<u>\$ (6,390)</u>	<u>\$ 40,569</u>	<u>\$ (6,462)</u>

RMBS had gross unrealized losses greater than twelve months of \$1.2 billion as of December 31, 2025. Factors such as credit enhancements within the deal structures, the average lives of the securities, and the performance of the underlying collateral support the recoverability of these investments.

U.S. government-related securities had gross unrealized losses greater than twelve months of \$126 million as of December 31, 2025. These declines were related to changes in interest rates.

States, municipals, and political subdivisions securities had gross unrealized losses greater than twelve months of \$272 million as of December 31, 2025. These losses are deemed temporary due to positive factors supporting the recoverability of the respective instruments. 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.

Corporate securities had gross unrealized losses greater than twelve months of \$4.6 billion as of December 31, 2025, excluding losses of \$89 million that were considered credit-related. These losses are deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the issuer to capital markets, interest rate movement, and other pertinent information.

As of December 31, 2025, the Company had a total of 3,303 positions that were in an unrealized loss position, including 15 positions for which an allowance for credit losses was established. For unrealized losses for which an allowance for credit losses was not established, the Company does not consider these unrealized loss positions to be credit-related. This is based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover. The Company does not intend to sell or expect to be required to sell the securities before recovering the Company's amortized cost of the securities.

The following table includes the gross unrealized losses and fair value of the Company's AFS fixed maturities, for which an allowance for credit losses has not been recorded aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(Dollars In Millions)						
Residential mortgage-backed securities	\$ 2,192	\$ (45)	\$ 4,735	\$ (1,478)	\$ 6,927	\$ (1,523)
Commercial mortgage-backed securities	132	(3)	1,285	(109)	1,417	(112)
Other asset-backed securities	193	(4)	245	(18)	438	(22)
U.S. government-related securities	88	(1)	489	(150)	577	(151)
Other government-related securities	101	(8)	111	(19)	212	(27)
States, municipals, and political subdivisions	47	(1)	2,350	(381)	2,397	(382)
Corporate securities	7,953	(475)	29,584	(5,619)	37,537	(6,094)
Redeemable preferred stocks	10	—	200	(67)	210	(67)
	<u>\$ 10,716</u>	<u>\$ (537)</u>	<u>\$ 38,999</u>	<u>\$ (7,841)</u>	<u>\$ 49,715</u>	<u>\$ (8,378)</u>

As of December 31, 2025, the Company held securities in its AFS portfolio with a fair value of \$2.4 billion and amortized cost of \$2.6 billion which were rated below investment grade. In addition, \$110 million of securities held in the Company's trading portfolio as of December 31, 2025, were rated below investment grade. Of the securities rated below investment grade in the Company's AFS and trading portfolios, the Company held securities with a fair value of \$1.5 billion and an amortized cost of \$1.6 billion 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 AFS is summarized as follows:

	For The Year Ended December 31,	
	2025	2024
(Dollars In Millions)		
Fixed maturities	\$ 1,619	\$ (577)

The Company held \$27 million and \$9 million of non-income producing securities as of December 31, 2025 and 2024, respectively.

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy's anniversary date. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Included in the Company's invested assets were \$1.4 billion of policy loans as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the interest rates on standard policy loans range from 3.0% to 8.0%.

Corporate-Owned Life Insurance

The Company purchased corporate-owned life insurance ("COLI") on the lives of certain employees. COLI is carried at the cash surrender value of the policies, which is based upon the underlying fair value of the portfolio of assets and reported as a component of *other long term investments*.

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.

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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, 2025:

	Level 1	Level 2	Level 3	Total
	(Dollars In Millions)			
Assets:				
Fixed maturities - AFS				
Residential mortgage-backed securities	\$ —	\$ 11,499	\$ 14	\$ 11,513
Commercial mortgage-backed securities	—	729	135	864
Other asset-backed securities	—	2,963	1,018	3,981
U.S. government-related securities	391	259	—	650
Other government-related securities	—	201	—	201
States, municipals, and political subdivisions	—	1,851	—	1,851
Corporate securities	—	35,808	2,697	38,505
Redeemable preferred stocks	223	—	—	223
Total fixed maturities - AFS	614	53,310	3,864	57,788
Fixed maturities - trading				
Residential mortgage-backed securities	—	182	—	182
Commercial mortgage-backed securities	—	415	—	415
Other asset-backed securities	—	296	1,108	1,404
U.S. government-related securities	32	3	—	35
Other government-related securities	—	14	—	14
States, municipals, and political subdivisions	—	136	—	136
Corporate securities	—	1,836	233	2,069
Redeemable preferred stocks	1	—	—	1
Total fixed maturities - trading	33	2,882	1,341	4,256
Total fixed maturities	647	56,192	5,205	62,044
Equity securities	295	37	337	669
Commercial mortgage loans	—	—	75	75
Other long-term investments ⁽¹⁾	34	1,098	282	1,414
Short-term investments	3,414	920	—	4,334
Total investments	4,390	58,247	5,899	68,536
Cash	580	—	—	580
Other assets	70	—	—	70
Market risk benefit assets	—	—	546	546
Assets related to separate accounts	30,843	—	—	30,843
Total assets measured at fair value on a recurring basis	\$ 35,883	\$ 58,247	\$ 6,445	\$ 100,575
Liabilities:				
Policyholder account balances ⁽²⁾	\$ —	\$ —	\$ 29	\$ 29
Funds withheld and other liabilities ⁽¹⁾	5	764	1,056	1,825
Market risk benefit liabilities	—	—	712	712
Total liabilities measured at fair value on a recurring basis	\$ 5	\$ 764	\$ 1,797	\$ 2,566

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liability related to fixed indexed annuities.

The following table presents the Company’s hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 (recast for the adoption for LDTI):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(Dollars In Millions)			
Assets:				
Fixed maturities - AFS				
Residential mortgage-backed securities	\$ —	\$ 8,864	\$ —	\$ 8,864
Commercial mortgage-backed securities	—	1,405	133	1,538
Other asset-backed securities	—	2,652	679	3,331
U.S. government-related securities	417	295	—	712
Other government-related securities	—	217	—	217
States, municipals, and political subdivisions	—	2,437	—	2,437
Corporate securities	—	38,309	2,210	40,519
Redeemable preferred stocks	241	—	—	241
Total fixed maturities - AFS	658	54,179	3,022	57,859
Fixed maturities - trading				
Residential mortgage-backed securities	—	89	—	89
Commercial mortgage-backed securities	—	148	—	148
Other asset-backed securities	—	76	77	153
U.S. government-related securities	44	4	—	48
Other government-related securities	—	12	—	12
States, municipals, and political subdivisions	—	144	—	144
Corporate securities	—	1,219	8	1,227
Redeemable preferred stocks	6	—	—	6
Total fixed maturities - trading	50	1,692	85	1,827
Total fixed maturities	708	55,871	3,107	59,686
Equity securities	315	38	229	582
Other long-term investments ⁽¹⁾	17	894	324	1,235
Short-term investments	1,398	281	—	1,679
Total investments	2,438	57,084	3,660	63,182
Cash	353	—	—	353
Other assets	63	—	—	63
Market risk benefit assets	—	—	541	541
Assets related to separate accounts	27,715	—	—	27,715
Total assets measured at fair value on a recurring basis	\$ 30,569	\$ 57,084	\$ 4,201	\$ 91,854
Liabilities:				
Policyholder account balances ⁽²⁾	\$ —	\$ —	\$ 35	\$ 35
Funds withheld and other liabilities ⁽¹⁾	11	724	931	1,666
Market risk benefit liabilities	—	—	567	567
Total liabilities measured at fair value on a recurring basis	\$ 11	\$ 724	\$ 1,533	\$ 2,268

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liability 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.

The fair value of fixed maturity, short-term, and equity securities is determined by management after considering one of three primary sources of information: third-party pricing services, non-binding independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third-party pricing services, the remaining unpriced securities are submitted to independent brokers for non-binding prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Third-party pricing services price 75.6% of the Company's available-for-sale and trading fixed maturities. Based on the typical trading volumes and the lack of quoted market prices for available-for-sale and trading fixed maturities, third-party pricing services derive the majority of security prices from observable market inputs such as recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information outlined above. If there are no recent reported trades, the third-party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Certain securities are priced via independent non-binding broker quotations. When using non-binding independent broker quotations, when available the Company obtains two quotes per security. Where multiple broker quotes are obtained, the Company reviews the quotes and selects the quote that provides the best estimate of the price a market participant would pay for these specific assets in an arm's length transaction. A pricing matrix is used to price securities for which the Company is unable to obtain or effectively rely on either a price from a third-party pricing service or an independent broker quotation.

The pricing matrix used by the Company begins with current spread levels to determine the market price for the security. The credit spreads, assigned by brokers, incorporate the issuer's credit rating, liquidity discounts, weighted-average of contracted cash flows, risk premium, if warranted, due to the issuer's industry, and the security's time to maturity. The Company uses credit ratings provided by nationally recognized rating agencies.

For securities that are priced via non-binding independent broker quotations, the Company assesses whether prices received from independent brokers represent a reasonable estimate of fair value. The Company's assessment incorporates various metrics (yield curves, credit spreads, prepayment rates, etc.) along with other information available to the Company from both internal and external sources to determine the valuation of such holdings. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the analytics, the price received from the independent broker is adjusted accordingly. The Company did not adjust any quotes or prices received from brokers during the years ended December 31, 2025 and 2024.

The Company has analyzed the third-party pricing services' valuation methodologies and related inputs and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs that is in accordance with the Fair Value Measurements and Disclosures Topic of the ASC. Based on this evaluation and investment class analysis, each price was classified into Level 1, 2, or 3. Most prices provided by third-party pricing services are classified into Level 2 because the significant inputs used in pricing the securities are market observable and the observable inputs are corroborated by the Company. Since the matrix pricing of certain debt securities includes significant non-observable inputs, they are classified as Level 3.

Changes in fair value related to AFS fixed maturities are recognized as a component of AOCI and changes related to trading fixed maturities and equity securities are reported in the consolidated statements of income.

Asset-Backed Securities

This category mainly consists of RMBS, CMBS, and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"). As of December 31, 2025, the Company held \$16.1 billion of ABS classified as Level 2. These securities are priced from information provided by third-party pricing services and independent broker quotes. The third-party pricing services and brokers mainly value securities using both a market and income approach to valuation. As part of this valuation process they consider the following characteristics of the item being measured to be relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of

the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, and 7) credit ratings of the securities.

After reviewing these characteristics of the ABS, the third-party pricing service and brokers use certain inputs to determine the value of the security. For ABS classified as Level 2, the valuation would consist of predominantly market observable inputs such as, but not limited to: 1) monthly principal and interest payments on the underlying assets, 2) average life of the security, 3) prepayment speeds, 4) credit spreads, 5) treasury and swap yield curves, and 6) discount margin. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

As of December 31, 2025, the Company held \$2.3 billion of Level 3 ABS, which included \$1.2 billion of other ABS classified as AFS and \$1.1 billion of other ABS classified as trading. These securities are predominantly Auction Rate Securities (“ARS”) whose underlying collateral is at least 98% guaranteed under the Federal Family Education Loan Program (“FFELP”). As a result of the ARS market collapse during 2008, the Company prices its ARS using an income approach valuation model. As part of the valuation process the Company reviews the following characteristics of the ARS in determining the relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, 7) credit ratings of the securities, 8) liquidity premium, and 9) paydown rate. In periods where market activity increases and there are transactions at a price that is not the result of a distressed or forced sale we consider those prices as part of our valuation. If the market activity during a period is solely the result of the issuer redeeming positions we consider those transactions in our valuation, but still consider them to be Level 3 measurements due to the nature of the transactions.

Corporate Securities, Redeemable Preferred Stocks, U.S. Government-Related Securities, Securities issued by States, Municipals, and Political Subdivisions, and Other Government-Related Securities

As of December 31, 2025, the Company classified \$40.1 billion of corporate securities, redeemable preferred stocks, U.S. government-related securities, securities issued by states, municipals, and political subdivisions, and other government-related securities as Level 2. The fair value of the Level 2 securities is predominantly priced by broker quotes and third-party pricing services. The Company has reviewed the valuation techniques of the brokers and third-party pricing services and has determined that such techniques used Level 2 market observable inputs. The following characteristics of the securities are considered to be the primary relevant inputs to the valuation: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) seniority, and 4) credit ratings. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

The brokers and third-party pricing services utilize valuation models that consist of a hybrid methodology that utilizes a cash flow analysis and market approach to valuation. The pricing models utilize the following inputs: 1) principal and interest payments, 2) treasury yield curve, 3) credit spreads from new issue and secondary trading markets, 4) dealer quotes with adjustments for issues with early redemption features, 5) liquidity premiums present on private placements, and 6) discount margins from dealers in the new issue market.

As of December 31, 2025, the Company classified \$2.9 billion of securities as Level 3 valuations. Level 3 securities primarily represent investments in illiquid bonds for which no price is readily available. To determine a price, the Company uses a discounted cash flow model with both observable and unobservable inputs. These inputs are entered into an industry standard pricing model to determine the final price of the security. These inputs include: 1) principal and interest payments, 2) coupon rate, 3) sector and issuer level spread over treasury, 4) underlying collateral, 5) credit ratings, 6) maturity, 7) embedded options, 8) recent new issuance, 9) comparative bond analysis, and 10) an illiquidity premium.

Equities

As of December 31, 2025, the Company held \$337 million of equity securities classified as Level 3. The Company believes that the cost of the FHLB stock approximates fair value. As of December 31, 2025, the Company held \$116 million of investments in private funds that calculate net asset value (“NAV”), and the Company measures these investments at fair value using NAV as a practical expedient. These investments are excluded from the Level 1, Level 2, and Level 3 fair value measurements reported above.

Other Long-Term Investments and Other Liabilities

Derivative Financial Instruments

Other long-term investments and funds withheld and other liabilities include free-standing and embedded derivative financial instruments. Refer to Note 6, *Derivative Financial Instruments* for additional information related to derivatives. Derivative financial instruments are valued using exchange prices, independent broker quotations, or pricing valuation models, which utilize market data inputs. Excluding embedded derivatives, as of December 31, 2025, 99% of derivatives based upon notional values were priced using exchange prices or independent broker quotations. Inputs used to value derivatives include, but are not limited to, interest swap rates, credit spreads, interest rate and equity market volatility indices, equity index levels, and treasury rates. The Company performs monthly analysis on derivative valuations that includes both quantitative and qualitative analyses.

Derivative instruments classified as Level 1 generally include futures and options, which are traded on active exchange markets.

Derivative instruments classified as Level 2 primarily include swaps, options, forwards, caps and floors, and swaptions, which are traded over-the-counter. Level 2 also includes certain centrally cleared derivatives. These derivative valuations are determined using independent broker quotations, which are corroborated with observable market inputs.

Derivative instruments classified as Level 3 were embedded derivatives and include at least one significant non-observable input. A derivative instrument containing Level 1 and Level 2 inputs will be classified as a Level 3 financial instrument in its entirety if it has at least one significant Level 3 input.

The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instruments may not be classified within the same fair value hierarchy level as the associated assets and liabilities. Therefore, the changes in fair value on derivatives reported in Level 3 may not reflect the offsetting impact of the changes in fair value of the associated assets and liabilities.

Embedded derivatives are carried at fair value in *other long-term investments and funds withheld and other liabilities* on the Company's consolidated balance sheets. The changes in fair value of embedded derivatives are recorded as *net realized gains (losses)*.

The Company currently markets a fixed indexed annuity ("FIA") product and accounts for the provision for a contingent return based on equity market performance as an embedded derivative. The embedded derivative is bifurcated from the host contract and recorded at fair value in *funds withheld and other liabilities*. Changes in the fair value of the embedded derivative are recorded in *net realized gains (losses)*. The balance of the FIA embedded derivative is impacted by policyholder cash flows associated with the FIA product that are allocated to the embedded derivative in addition to changes in the fair value of the embedded derivative during the reporting period. The fair value of the FIA embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using current index values and volatility, the hedge budget used to price the product, and policyholder assumptions (both elective and non-elective). For policyholder behavior, assumptions are used and updated for actual experience, as necessary. The present value of the cash flows is determined using the discount rate curve, which is based upon US Treasury rates plus a credit spread (to represent the Company's own credit spread) less an explicit risk margin. Policyholder assumptions are reviewed on an annual basis. As a result of using significant unobservable inputs, the FIA embedded derivative is categorized as Level 3.

The Company markets universal life products with a guaranteed minimum interest rate plus a contingent return based on equity market performance and the products are considered hybrid financial instruments under the FASB's ASC Topic 815 - *Derivatives and Hedging*. As a result, the Company accounts for the provision that provides for a contingent return based on equity market performance as an embedded derivative. The embedded derivative is bifurcated from the host contract and recorded at fair value in *funds withheld and other liabilities*. Changes in the fair value of the embedded derivative are recorded in *net realized gains (losses)*. The fair value of the indexed universal life ("IUL") embedded derivative is impacted by policyholder cash flows associated with the IUL product that are allocated to the embedded derivative in addition to changes in the fair value of the embedded derivative during the reporting period. The present value of the cash flows is determined using the discount rate curve, which is based upon US Treasury rates plus a credit spread (to represent the Company's own credit spread) less an explicit risk margin. Policyholder assumptions are reviewed on an annual basis. As a result of using significant unobservable inputs, the IUL embedded derivative is categorized as Level 3.

The Company has assumed and ceded certain blocks of policies under modified coinsurance agreements in which the investment results of the underlying portfolios inure directly to the reinsurers. Funds withheld arrangements related to such agreements contain embedded derivatives that are reported at fair value. Changes in their fair value are reported in *net realized*

gains (losses). The fair value of embedded derivatives related to funds withheld under modified coinsurance agreements are a function of the unrealized gains or losses on the underlying assets and are calculated in a manner consistent with the terms of the agreements. The investments supporting certain of these agreements include fixed maturity securities designated as trading securities and available-for-sale securities; accordingly, changes in their fair values are reported in *net realized gains (losses)* and AOCI, respectively. Commercial mortgage loans also support certain of these agreements. The fair value of embedded derivatives is estimated based on market standard valuation methodology and is considered a Level 3 valuation. See Note 16, *Reinsurance* for additional information.

Annuity Account Balances

The Company records a certain legacy block of FIA reserves at fair value. Based on the characteristics of these reserves, the Company believes that the fund value approximates fair value. The fair value measurement of these reserves is considered a Level 3 valuation due to the unobservable nature of the fund values. Changes in fair value is recorded in *benefits and settlement expenses* in the consolidated statements of income.

Liabilities Measured in Accordance with Fair Value Option

The Company made the election to value the liabilities at fair value for certain FIA products with indexed returns that were issued through 2009. These products are no longer being marketed. The future changes in the fair value of the liability for these FIA products are recorded in *benefit and settlement expenses* with the liability being recorded in *policyholder account balances*. Premiums and policy fees for these FIA products consist of fees that have been assessed against the policy account balances for surrenders. Such fees are recognized when assessed and earned.

Market Risk Benefits

Variable Annuities

Variable annuity contracts issued by the Company may include various guaranteed minimum death, withdrawal, income and accumulation benefits, which are classified as MRBs and measured at fair value.

Our MRB assets and MRB liabilities are reported separately on our consolidated balance sheets. Increases to an asset or decreases to a liability are described as favorable changes to fair value. Changes in fair value are reported in *market risk benefit remeasurement (gains) losses* in the consolidated statements of income. However, the change in fair value related to our own credit risk is recognized as a component of AOCI and is reported in *change in instrument-specific credit risk - market risk benefits, net of tax* in the consolidated statements of comprehensive income (loss).

The fair value of variable annuity guaranteed benefit features classified as MRBs, which have explicit fees, are measured using the attributed fee method as the difference between the present value of projected future liabilities and the present value of projected attributed fees. At the inception of the contract, the Company attributes to the MRB a portion of total fees expected to be assessed against the contract holder's account value to offset the projected claims over the lifetime of the contract. The attributed fee is expressed as a percentage of total projected future fees at inception of the contract. This percentage of total projected fees is considered a fixed term of the MRB feature and is held static over the life of the contract. As the Company may issue contracts that have projected future liabilities greater than the projected future guaranteed benefit fees at issue, the Company may also attribute mortality and expense charges when performing this calculation. The percentage of guaranteed benefit fees and the percentage of mortality and expense charges may not exceed 100% of the total projected fees as of contract inception. In subsequent valuations, both the present value of future projected liabilities and the present value of projected attributed fees are remeasured based on current market conditions and policyholder behavior assumptions.

Fair values for MRBs related to variable annuities are calculated using valuation models because active, observable markets do not exist for those guaranteed benefits.

The fair value calculation is based on the present value of future cash flows comprised of future expected benefit payments, less future attributed rider fees and mortality and expense charges, over the lives of the contracts. Estimating these cash flows requires numerous estimates and subjective judgments related to capital market inputs, as well as actuarially determined assumptions related to expectations concerning policyholder behavior. Capital market inputs include expected market rates of return, market volatility, correlations of market index returns to fund returns, and discount rates, which includes an adjustment for non-performance risk. The more significant actuarial assumptions include benefit utilization by policyholders, lapse, mortality, and withdrawal rates. Best estimate assumptions plus risk margins are used as applicable.

At each valuation date, the fair value calculation reflects expected returns based on treasury rates as of that date to determine the value of expected future cash flows produced in a stochastic process. Volatility assumptions use a 30 year term structure, which are based on a blend of 1 year implied volatility and historical realized volatility, where such volatility levels incorporate a risk adjustment. Non-performance risk is incorporated into the calculation through the adjustment of the risk-free

rate curve based on credit spreads for debt and debt-like instruments issued by the Company or its insurance operating subsidiaries, adjusted, as necessary, to reflect the financial strength ratings of the issuing insurance subsidiaries. Risk margins are also incorporated into the model assumptions, particularly for policyholder behavior. Estimates of future policyholder behavior are subjective and are based primarily on the Company's experience.

As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions for the fair value model.

The use of the models and assumptions described above requires a significant amount of judgment. Management believes this results in an amount that the Company would be required to transfer for a liability, or receive for an asset, to or from a willing buyer or seller, if one existed, for those market participants to assume the risks associated with the guaranteed benefits and the related reinsurance. However, the ultimate settlement amount of the asset or liability, which is currently unknown, could likely be significantly different than this fair value.

Fixed Annuities

Certain guaranteed benefit features on fixed annuities are classified as MRBs and measured at fair value. Similar to the variable annuity guaranteed benefit features, these contracts have explicit fees and are measured using the attributed fee method. The Company attributes a percentage of total projected future fees expected to be assessed against the policyholder to offset the projected future claims over the lifetime of the contract. If the fees attributed are insufficient to offset the claims at issue, the shortfall is borrowed from the host contract rather than recognizing a loss at inception. For single premium deferred annuity contracts that do not carry a host contract balance, any shortfall in attributed fees is offset by a separate balance recorded as a component of policyholder account balances.

See Note 13, *Market Risk Benefits* for more information regarding MRBs.

Separate Accounts

Separate account variable annuity and variable universal life assets represent segregated funds that are invested for certain customers which are invested in open-ended mutual funds and are included in Level 1. For the years ended December 31, 2025 and 2024, investments of \$2.2 billion and \$2.5 billion, respectively, that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. Investment risks associated with market value changes are borne by the customers, except to the extent of minimum guarantees made by the Company with respect to certain accounts. Separate account liabilities are not included in the above table as they are reported at contract value and not fair value in the Company's consolidated balance sheets.

Valuation of Level 3 Financial Instruments

The following table presents the valuation method for material financial instruments included in Level 3 as of December 31, 2025, as well as the unobservable inputs used in the valuation of those financial instruments:

December 31, 2025	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	
(Dollars In Millions)					
Assets:					
RMBS	\$ 14	Discounted cash flow	Spread over treasury	2.63% - 7.25% (2.82%)	
CMBS	135	Discounted cash flow	Spread over treasury	1.00% - 2.30% (1.90%)	
Other asset-backed securities	150	Liquidation	Liquidation value	\$98.25 - \$100.00 (\$98.62)	
			Discounted cash flow	Liquidity premium	-0.47% - 1.40% (0.44%)
			Paydown rate	6.50% - 18.94% (9.16%)	
Corporate securities	1,200	Discounted cash flow	Spread over treasury	0.50% - 3.60% (1.51%)	
Market risk benefit assets	546	Actuarial cash flow model	Mortality ⁽²⁾	100% - \$141% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment	
			Lapse ⁽³⁾	0% - 37.26%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.	
			Utilization ⁽⁴⁾	80% - 93%, depending on qualified/non-qualified status and types of WB riders	
			Withdrawal ⁽⁵⁾	0.4% - 4.9% prior to age 73 or elected WB if greater, greater of RMD and elected WB for ages 73+	
			Non-performance risk adjustment ⁽⁶⁾	0.57% - 1.04%	
			Long-term equity volatility ⁽⁷⁾	13.1% - 28.4%	
			Risk margin	0.30%	
			Liabilities:⁽¹⁾		
MRB liabilities	\$ 712	Actuarial cash flow model	Unobservable inputs and ranges are the same as those used in the measurement of market risk benefit assets		
Embedded derivative —FIA	573	Actuarial cash flow model	Withdrawal rate	0.4% - 2.4% prior to age 73, RMD for ages 73+ or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 73-86	
			Mortality	98% to 140% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment on some products	
			Lapse	0.2% - 50%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.	
			Non-performance risk	0.57% - 1.04%	
			Risk margin	0.10%	
Embedded derivative —IUL	57	Actuarial cash flow model	Mortality	50.4% - 107.7% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2023 SOA HMI) with adjustments for underwriting updates for recent issues depending on issue date . 80% - 207% of duration 5 point in scale 2015 VBT Primary Tables, depending on type of business	
			Lapse	0.08% - 29.03%, depending on issue age and duration, smoking class, level of funding, and face band	
			Non-performance risk	0.57% - 1.04%	
			Risk margin	0.10%	

*See chart below for footnote descriptions

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

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The following table presents the valuation method for material financial instruments included in Level 3 as of December 31, 2024, as well as the unobservable inputs used in the valuation of those financial instruments (recast for the adoption of LDTI):

December 31, 2024	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
(Dollars In Millions)				
Assets:				
CMBS	\$ 133	Discounted cash flow	Spread over treasury	1.00% - 2.50% (2.05%)
Other asset-backed securities	319	Liquidation Discounted cash flow	Liquidation value	\$92.50 - \$100.00 (\$95.16)
			Liquidity premium	-0.47% - 1.72% (0.63%)
			Paydown rate	5.90% - 20.23% (13.36%)
			Spread over treasury	1.16% - 7.00% (1.98%)
Corporate securities	1,185	Discounted cash flow	Spread over treasury	0.47% - 5.50% (1.62%)
Market risk benefit assets	541	Actuarial cash flow model	Mortality ⁽²⁾	100% - 157% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment
			Lapse ⁽³⁾	0% - 41.28%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
			Utilization ⁽⁴⁾	80% - 93%, depending on qualified/non-qualified status and types of WB riders
			Withdrawal ⁽⁵⁾	0.4% - 4.9% prior to age 73 or elected WB if greater, greater of RMD and elected WB for ages 73+
			Non-performance risk adjustment ⁽⁶⁾	0.22% - 1.09%
			Long-term equity volatility ⁽⁷⁾	13.3% - 28.3%
			Risk margin	0.10% - 0.30%
Liabilities:⁽¹⁾				
Market risk benefit liabilities	567	Actuarial cash flow model	Unobservable inputs and ranges are the same as those used in the measurement of market risk benefit assets	
Embedded derivative —FIA	566	Actuarial cash flow model	Withdrawal rate	0.4% - 2.4% prior to age 73, RMD for ages 73+ or WB withdrawal rate. Assume underutilized RMD for non-WB policies ages 73-86
			Mortality	99% - 149% of 2012 IAM ALB Basic table + Protective specific COVID adjustment and Mortality Improvement adjustment on some products
			Lapse	0.2% - 50%, depending on duration/surrender charge period. Dynamically adjusted for WB moneyness and projected market rates vs credited rates.
			Non-performance risk	0.22% - 1.09%
			Risk margin	0.10%
Embedded derivative - IUL	48	Actuarial cash flow model	Mortality	50.4% - 107.7% of base table (90% of 2015 VBT Primary Tables adjusted for 5.5 years of 2023 SOA AMI). 94% - 248% of duration 8 point in scale 2015 VBT Primary Tables, depending on type of business
			Lapse	0.08% - 29.03%, depending on issue age and duration, smoking class, and level of funding, and face band
			Non-performance risk	0.22% - 1.09%
			Risk margin	0.10%

- (1) Excludes modified coinsurance arrangements.
- (2) Mortality rates vary by attained age, tax qualification status, guaranteed benefit election, and duration. The range displayed reflects ages from the minimum issue age for the benefit through age 95, which corresponds to the typical maturity age. A mortality improvement assumption is also applied.
- (3) Base lapse rates vary by contract-level factors, such as product type, surrender charge schedule and guaranteed benefits election. Lapse rates are further adjusted based on the degree to which a guaranteed benefit is in-the-money, with lower lapse applying when benefits are more in-the-money. Lapse rates are also adjusted to reflect lower lapse expectations when guaranteed benefits are utilized.
- (4) The utilization rate represents the expected percentage of contracts that will utilize the benefit through annuitization (GMIB) or commencement of withdrawals (GMWB). Utilization may vary by benefit type, attained age, duration, tax qualification status, benefit provision, and degree to which the guaranteed benefit is in-the-money.
- (5) The withdrawal rate represents the percentage of annual withdrawal assumed relative to the maximum allowable withdrawal amount under the free partial withdrawal provision or the GMWB, as applicable. Free partial withdrawal rates vary based on the product type, duration, and GMAB election. Withdrawal rates on contracts with a GMWB vary based on attained age, tax qualification status, GMWB type and GMWB benefit provisions.
- (6) Non-performance risk adjustment is applied as a spread over the risk-free rate to determine the rate used to discount the related cash flows and varies by projection year.
- (7) Long-term equity volatility represents the equity volatility beyond the period for which observable equity volatilities are available.

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

The Company has considered all reasonably available quantitative inputs as of December 31, 2025 and 2024, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. As of December 31, 2025 and 2024, \$4.0 billion and \$1.5 billion of financial instruments classified as Level 3, respectively, were valued by brokers. Of these securities, \$2.0 billion and \$437 million were classified as other asset-backed securities and \$1.7 billion and \$1.0 billion, respectively, were classified as corporate securities. In addition, \$170 million and \$12 million, respectively, were classified as equity securities.

In certain cases, the Company has determined that book value materially approximates fair value. As of December 31, 2025 and 2024, the Company held FHLB capital stock, which is included in equity securities, of \$167 million and \$217 million, respectively, for which book value approximates fair value.

The asset-backed securities classified as Level 3 are predominantly ARS. A change in the paydown rate (the projected annual rate of principal reduction) of the ARS can significantly impact the fair value of these securities. A decrease in the paydown rate would increase the projected weighted average life of the ARS and increase the sensitivity of the ARS' fair value to changes in interest rates. An increase in the liquidity premium would result in a decrease in the fair value of the securities, while a decrease in the liquidity premium would increase the fair value of these securities. The liquidation values for these securities are sensitive to the issuer's available cash flows and ability to redeem the securities, as well as the current holders' willingness to liquidate at the specified price.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate. This spread represents a risk premium that is impacted by company specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities. The fair values of corporate bonds are sensitive to changes in spread. When holding the treasury rate constant, the fair value of corporate bonds increases when spreads decrease, and decreases when spreads increase.

The fair value of MRBs, which may include guarantees such as minimum withdrawal, accumulation, income, or death benefits, is sensitive to changes in the discount rate, which includes the Company's own non-performance risk, as well as assumptions regarding market volatility, policyholder lapses, benefit utilization, and mortality. The volatility assumption is considered an observable input as it is based on market data. The Company's non-performance risk, lapse, utilization, and mortality assumptions are unobservable inputs. An increase in the non-performance risk assumption would generally decrease the absolute fair value of the MRB, regardless of whether the MRB is in a net asset or net liability position, as it reduces the present value of expected future net cash outflows (for liabilities) or inflows (for assets). An increase in lapse or mortality assumptions would generally decrease the fair value of the MRB, as fewer policyholders would be expected to exercise the underlying benefit. Conversely, an increase in expected policyholder utilization of the applicable guarantees would generally increase the fair value of the MRB. Depending on these assumptions, MRBs may be either liabilities or assets. Changes in the discount rate and other market inputs could also result in significant changes to the fair value measurement of MRBs from period to period.

The fair value of the FIA embedded derivative is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the FIA embedded derivative is sensitive to non-performance risk, which is unobservable. The value of the liability increases with decreases in the discount rate and non-performance risk and decreases with increases in the discount rate and non-performance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

The fair value of the IUL embedded derivative is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the IUL embedded derivative is sensitive to non-performance risk, which is unobservable. The value of the liability increases with decreases in the discount rate and non-performance risk and decreases with increases in the discount rate and non-performance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2025, for which the Company has used significant unobservable inputs (Level 3):

	Total Realized and Unrealized Gains		Total Realized and Unrealized Losses		Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Net Income related to Instruments still held at the Reporting Date
	Beginning Balance	Included in Net Income	Included in OCI	Included in Net Income								
(Dollars In Millions)												
Assets:												
Fixed maturities AFS												
RMBS	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ 14	\$ —
CMBS	133	—	6	—	—	(3)	—	—	—	(1)	135	—
Other asset-backed securities	679	4	16	—	(9)	626	(287)	—	—	(11)	1,018	—
Corporate securities	2,210	—	82	(6)	(7)	1,139	(722)	—	—	1	2,697	—
Total fixed maturities—AFS	3,022	4	104	(6)	(16)	1,765	(1,012)	—	—	3	3,864	—
Fixed maturities—trading												
Other asset-backed securities	77	—	6	—	—	1,124	(98)	—	—	(1)	1,108	—
Corporate securities	8	—	4	—	(2)	230	(4)	—	—	(3)	233	—
Total fixed maturities—trading	85	—	10	—	(2)	1,354	(102)	—	—	(4)	1,341	—
Total fixed maturities	3,107	4	114	(6)	(18)	3,119	(1,114)	—	—	(4)	5,205	—
Equity securities	229	—	9	(1)	—	257	(157)	—	—	—	337	—
Commercial mortgage loans	—	—	—	—	—	75	—	—	—	—	75	—
Other long-term investments ⁽¹⁾	324	24	—	(66)	—	—	—	—	—	—	282	(42)
Total investments	3,660	28	123	(73)	(18)	3,451	(1,271)	—	—	(4)	5,899	(42)
Total assets measured at fair value on a recurring basis ⁽²⁾	\$ 3,660	\$ 28	\$ 123	\$ (73)	\$ (18)	\$ 3,451	\$ (1,271)	\$ —	\$ —	\$ (4)	\$ 5,899	\$ (42)
Liabilities:												
Policyholder account balances ⁽²⁾	\$ 35	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ (7)	\$ —	\$ 29	\$ —
Funds withheld and other liabilities ⁽¹⁾	931	135	—	(260)	—	—	—	—	—	—	1,056	(125)
Total liabilities measured at fair value on a recurring basis⁽³⁾	\$ 966	\$ 135	\$ —	\$ (261)	\$ —	\$ —	\$ —	\$ —	\$ (7)	\$ —	\$ 1,085	\$ (125)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

(3) Excludes MRB assets of \$546 million and MRB liabilities of \$712 million as of December 31, 2025. See Note 13, *Market Risk Benefits* for additional information and a rollforward of MRB balances.

For the year ended December 31, 2025, \$60 million of securities were transferred into Level 3 from Level 2. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

For the year ended December 31, 2025, \$64 million of securities were transferred into Level 2 from Level 3. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2024, for which the Company has used significant unobservable inputs (Level 3) (recast for the adoption of LDIT):

	Beginning Balance	Total Realized and Unrealized Gains		Total Realized and Unrealized Losses		Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Net Income related to Instruments still held at the Reporting Date
		Included in Net Income	Included in OCI	Included in Net Income	Included in OCI								
(Dollars In Millions)													
Assets:													
Fixed maturities AFS													
CMBS	\$ 140	\$ —	\$ —	\$ —	\$ (5)	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —	\$ 133	\$ —
Other asset-backed securities	559	—	5	—	(7)	363	(243)	—	—	—	2	679	—
Corporate securities	1,628	—	20	(1)	(27)	1,078	(578)	—	—	90	—	2,210	—
Total fixed maturities— AFS	2,327	—	25	(1)	(39)	1,441	(823)	—	—	90	2	3,022	—
Fixed maturities—trading													
Other asset-backed securities	95	—	1	—	—	35	(54)	—	—	—	—	77	—
Corporate securities	7	—	—	—	—	3	(2)	—	—	—	—	8	—
Total fixed maturities—trading	102	—	1	—	—	38	(56)	—	—	—	—	85	—
Total fixed maturities	2,429	—	26	(1)	(39)	1,479	(879)	—	—	90	2	3,107	—
Equity securities	230	—	—	—	—	89	(90)	—	—	—	—	229	—
Other long-term investments ⁽¹⁾	296	119	—	(91)	—	—	—	—	—	—	—	324	28
Total investments	2,955	119	26	(92)	(39)	1,568	(969)	—	—	90	2	3,660	28
Total assets measured at fair value on a recurring basis ⁽³⁾	\$ 2,955	\$ 119	\$ 26	\$ (92)	\$ (39)	\$ 1,568	\$ (969)	\$ —	\$ —	\$ 90	\$ 2	\$ 3,660	\$ 28
Liabilities:													
Policyholder account balances ⁽²⁾	\$ 42	\$ —	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —	\$ (9)	\$ —	\$ —	\$ 35	\$ —
Funds withheld and other liabilities ⁽¹⁾	884	78	—	(125)	—	—	—	—	—	—	—	931	(47)
Total liabilities measured at fair value on a recurring basis ⁽³⁾	\$ 926	\$ 78	\$ —	\$ (127)	\$ —	\$ —	\$ —	\$ —	\$ (9)	\$ —	\$ —	\$ 966	\$ (47)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

(3) Excludes MRB assets of \$541 million and MRB liabilities of \$567 million as of December 31, 2024. See Note 13, *Market Risk Benefits* for additional information.

For the year ended December 31, 2024, \$158 million of securities were transferred into Level 3 from Level 2. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

For the year ended December 31, 2024, \$68 million of securities were transferred into Level 2 from Level 3. These transfers were related to changes in the observability of external information used in determining fair value, such as external ratings or credit spreads.

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company’s financial instruments that are not reported at fair value as of the periods shown below are as follows (recast for the adoption of LDIT):

	Fair Value Level	As of December 31,			
		2025		2024	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
(Dollars In Millions)					
Assets:					
Commercial mortgage loans ⁽¹⁾	3	\$ 12,681	\$ 12,144	\$ 12,510	\$ 11,611
Policy loans	3	1,407	1,407	1,444	1,444
Other long-term investments ⁽²⁾	2 & 3	1,834	1,765	1,878	1,782
Liabilities:					
Stable value product account balances	3	\$ 13,787	\$ 13,869	\$ 13,150	\$ 12,983
Policyholder account balances ⁽³⁾	3	300	299	1,208	1,219
Other policyholders’ funds ⁽⁴⁾	3	77	77	82	82
Debt:⁽⁵⁾					
Bank borrowings ⁽⁶⁾	3	\$ 400	\$ 400	\$ 600	\$ 600
Senior Notes	2	2,216	2,204	1,030	961
Subordinated debentures	2	496	472	496	467
Commercial paper	2	50	50	265	265
Subordinated funding obligations	3	110	90	110	84
Repurchase program borrowings	2	—	—	112	112
Securities lending	2	920	920	281	281

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

- (1) The carrying amount is net of allowance for credit losses.
- (2) Other long-term investments is comprised of a Modco receivable and the cash surrender value of the Company’s COLI policy. The Modco receivable is related to invested assets such as fixed maturities and structured securities, which are legally owned by the ceding company, the fair value of which is predominately measured at Level 2. The fair value is determined in a manner consistent with other similar invested assets held by the Company. The fair value of the cash surrender value of the Company’s COLI policy is measured at Level 3.
- (3) Single premium immediate annuity without life contingencies.
- (4) Supplementary contracts without life contingencies.
- (5) Excludes immaterial capital lease obligations.
- (6) Includes the Term Loan Credit Agreement.

Fair Value Measurements

Commercial mortgage loans

The Company estimates the fair value of commercial mortgage loans using an internally developed model. This model includes inputs derived by the Company based on assumed discount rates relative to the Company’s current commercial mortgage loan lending rate and an expected cash flow analysis based on a review of the commercial mortgage loan terms. The model also contains the Company’s determined representative risk adjustment assumptions related to credit and liquidity risks.

Policy loans

The Company believes the fair value of policy loans approximates book value. Policy loans are funds provided to policyholders in return for a claim on the policy. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of repayments, the Company believes the carrying value of policy loans approximates fair value.

Other long-term investments

In addition to free-standing and embedded derivative financial instruments discussed above, other long-term investments includes amounts receivable under certain modified coinsurance agreements that had a \$995 million carrying value

and \$926 million fair value as of December 31, 2025, and a \$1.1 billion carrying value and \$1.0 billion fair value as of December 31, 2024. The amounts receivable under the modified coinsurance agreements represent funds withheld in connection with certain reinsurance agreements in which the Company acts as the reinsurer. Under the terms of these agreements, assets equal to statutory reserves are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. In some cases, these modified coinsurance agreements contain embedded derivatives which are discussed in more detail above. The fair value of amounts receivable under modified coinsurance agreements, including the embedded derivative component, correspond to the fair value of the underlying assets withheld. The COLI amounts are based on the fair value of the underlying assets. The Company's COLI policies had a cash surrender value of \$839 million and \$779 million as of December 31, 2025 and 2024, respectively.

Stable value product and other investment contract balances

The Company estimates the fair value of stable value product account balances and other investment contract balances (included in *future policy benefits and claims* as well as *other policyholders' funds* line items on our consolidated balance sheets) using models based on discounted expected cash flows. The discount rates used in the models are based on a current market rate for similar financial instruments.

Debt

Bank borrowings

The Company has determined the carrying value of its bank borrowings approximates fair value as the borrowings pay a floating interest rate plus a spread based on the rating of the Company's senior debt which the Company has determined approximates a market interest rate.

Senior notes and subordinated debentures

The Company estimates the fair value of its Senior Notes and Subordinated debentures using quoted market prices from third-party pricing services, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate.

Commercial paper

The Company has determined the carrying value of its commercial paper approximates fair value. The commercial paper notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of issuance.

Subordinated funding obligations

The Company estimates the fair value of its subordinated funding obligations using internal discounted cash flow models. The discount rates used in the models are based on a current market yield for similar financial instruments.

Repurchase program borrowings and securities lending

The Company has determined the carrying value of its repurchase program borrowings and securities lending collateral approximates fair value. The repurchase agreement borrowings are short-term in nature, generally less than one month and interest rates are dictated by market conditions at the time of issuance. Securities lending transactions are also short-term in nature and therefore, the carrying value of the collateral received for the loaned securities approximates fair value.

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.

Derivatives Related to Interest Rate Risk Management

Derivative instruments that are used as part of the Company's interest rate risk management strategy include interest rate forwards, interest rate swaps, interest rate futures, interest rate caps and floors, and interest rate swaptions.

Derivatives Related to Foreign Currency Exchange Risk Management

Derivative instruments that are used as part of the Company's foreign currency exchange risk management strategy include foreign currency swaps, foreign currency futures, foreign equity futures, and foreign equity options.

Derivatives Related to Risk Mitigation of Certain Contracts

The Company may use the following types of derivative contracts to attempt to mitigate its exposure to certain guaranteed benefits related to VA contracts, fixed indexed annuities, structured annuities, and indexed universal life contracts:

- Foreign Currency Futures
- Variance Swaps
- Interest Rate Futures
- Equity Futures
- Equity Options
- Credit Derivatives
- Interest Rate Swaps
- Interest Rate Swaptions
- Volatility Futures
- Volatility Options
- Total Return Swaps
- Foreign Currency Options
- Interest Rate Forwards

Accounting for Derivative Instruments

The Company records its derivative financial instruments at fair value in the consolidated balance sheets in *other long-term investments* and *funds withheld and other liabilities*. The Company designates derivatives as either a "cash flow" hedge which hedges the variability of cash flows specific to a recognized asset or liability or forecasted transaction; a "fair value" hedge, which hedges the fair value of a recognized asset or liability or unrecognized firm commitment; or a derivative that does not qualify for hedge accounting. The Company assesses the effectiveness of a hedge at its inception and subsequently on a basis no less frequently than quarterly. For cash flow hedges, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is reported as a component of AOCI and reclassified into earnings in the same period during which the hedged item impacts earnings. For fair value hedges, their gain or loss as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in *net realized gains (losses)*. The Company reports changes in fair values of derivatives that are not part of a qualifying hedge relationship through operations in the period of change. Changes in the fair value of those derivatives are recognized in *net realized gains (losses)*.

It is the Company's policy not to offset assets and liabilities associated with open derivative contracts. However, the Chicago Mercantile Exchange ("CME") rules characterize variation margin transfers as settlement payments, as opposed to adjustments to collateral. As a result, derivative assets and liabilities associated with centrally cleared derivatives for which the CME serves as the central clearing party are presented as if these derivatives had been settled as of the reporting date.

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

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

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

Derivative Instruments Not Designated and Not Qualifying as Hedging Instruments

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

Derivatives Related to Variable Annuity Contracts

- The Company uses equity futures, equity options, total return swaps, interest rate futures, interest rate forwards, interest rate swaps, forward bond purchases, interest rate swaptions, currency futures, currency options, volatility futures, variance swaps, and other derivatives, as appropriate, to attempt to mitigate the risk related to certain guaranteed minimum benefits, including guaranteed living withdrawal benefits (“GLWB”), within its VA products. In general, the cost of such benefits varies with the level of equity and interest rate markets, foreign currency levels, and overall volatility. The hedged benefits are considered market risk benefits under LDTI. See Note 13, *Market Risk Benefits* for additional information regarding the Company’s accounting for market risk benefits.

Derivatives Related to Fixed Indexed Annuity Contracts

- The Company uses equity futures and options to attempt to mitigate the risk within its fixed indexed annuity products. In general, the cost of such benefits varies with the level of equity markets and overall volatility. Certain hedged benefits, such as guaranteed minimum withdrawal benefits, are considered market risk benefits under LDTI. See Note 13, *Market Risk Benefits* for additional information regarding the Company’s accounting for market risk benefits.
- The Company markets certain fixed indexed annuity products with a contingent return based on equity market performance which is considered an embedded derivative as it is not considered to be clearly and closely related to the host contract.

Derivatives Related to Indexed Universal Life Contracts

- The Company uses equity futures and options to attempt to mitigate the risk within its indexed universal life products. In general, the cost of such benefits varies with the level of equity markets.
- The Company markets certain IUL products with a contingent return based on equity market performance, which is considered an embedded derivative as it is not considered to be clearly and closely related to the host contract.

Other Derivatives

- The Company uses various swaps and other types of derivatives to manage risk related to other exposures.
- The Company is party to various modified coinsurance and funds withheld arrangements which contain embedded derivatives. Changes in their fair value are recorded in *net realized gains (losses)*. The investment portfolios that support the related modified coinsurance reserves and funds withheld arrangements had fair value changes which substantially offset the gains or losses on these embedded derivatives.

The following table sets forth realized gains and losses for the periods shown (recast for the adoption of LDTI):

Net realized gains (losses)—derivative financial instruments

	For The Year Ended December 31,	
	2025	2024
(Dollars In Millions)		
Derivatives related to VA contracts:		
Interest rate forwards	\$ 28	\$ (140)
Interest rate futures	(8)	(18)
Equity futures	53	4
Currency futures	(14)	11
Equity options	(75)	(61)
Interest rate swaptions	(1)	5
Interest rate swaps	(2)	4
Total return swaps	(59)	(91)
Total derivatives related to VA contracts	(78)	(286)
Derivatives related to FIA contracts:		
Embedded derivative	(73)	(47)
Equity futures	(1)	5
Equity options	73	46
Other derivatives	(13)	(11)
Total derivatives related to FIA contracts	(14)	(7)
Derivatives related to IUL contracts:		
Embedded derivative	(31)	(25)
Equity options	33	23
Total derivatives related to IUL contracts	2	(2)
Embedded derivative - FWH under reinsurance	(134)	1
Amortization of deferred loss	(48)	—
Other derivatives	(6)	10
Total net realized losses	<u>\$ (278)</u>	<u>\$ (284)</u>

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

Gain (Loss) on Derivatives in Cash Flow Hedging Relationship

	Amount of Gains (Losses) Deferred in AOCI on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss) (Effective Portion) Benefits and settlement expenses (Dollars In Millions)	Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion) Net realized losses
For The Year Ended December 31, 2025			
Foreign currency swaps	\$ (8)	\$ 4	\$ —
Interest rate swaps	(3)	(4)	—
Total	<u>\$ (11)</u>	<u>\$ —</u>	<u>\$ —</u>
For The Year Ended December 31, 2024			
Foreign currency swaps	\$ (8)	\$ —	\$ —
Interest rate swaps	19	19	—
Total	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ —</u>

Included in the table above is the reclassification of a \$5 million loss from AOCI into *net realized gains (losses)* as a result of the termination of a cash flow hedge interest rate swap. Based on expected cash flows of the underlying hedged items, the Company expects to reclassify \$13 million out of AOCI into *net realized gains (losses)* during the next twelve months.

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

	As of December 31,			
	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
(Dollars In Millions)				
Other long-term investments				
Cash flow hedges:				
Interest rate swaps	\$ 300	\$ —	\$ 725	\$ 2
Foreign currency swaps	1,286	59	538	17
Derivatives not designated as hedging instruments:				
Interest rate forwards	1,125	23	29	—
Interest rate swaps	1,000	—	725	—
Total return swaps	382	2	716	6
Embedded derivative - FWH under reinsurance	1,852	166	1,973	224
Embedded derivative - FIA	458	116	473	100
Interest rate futures	554	2	491	3
Equity futures	113	2	18	—
Currency futures	37	—	171	3
Interest rate floors	100	1	100	1
Equity options	9,154	1,041	8,635	878
Interest rate swaptions	2,400	2	130	1
	<u>\$ 18,761</u>	<u>\$ 1,414</u>	<u>\$ 14,724</u>	<u>\$ 1,235</u>
Funds withheld and other liabilities				
Cash flow hedges:				
Interest rate swaps	\$ 300	\$ —	\$ 900	\$ 3
Foreign currency swaps	256	30	433	40
Derivatives not designated as hedging instruments:				
Interest rate forwards	512	9	1,506	71
Interest rate swaps	425	—	—	—
Total return swaps	440	—	—	—
Embedded derivative - FWH under reinsurance	8,984	166	1,152	93
Embedded derivative - FIA	3,881	689	4,217	666
Embedded derivative - IUL	877	57	741	48
Interest rate futures	684	3	575	6
Equity futures	193	1	254	6
Currency futures	181	1	—	—
Interest rate swaptions	3,800	2	—	—
Equity options	7,055	723	7,002	609
Other	815	144	846	124
	<u>\$ 28,403</u>	<u>\$ 1,825</u>	<u>\$ 17,626</u>	<u>\$ 1,666</u>

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 17, *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 balance sheets as *cash*, with a corresponding amount recorded in *funds withheld and 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 balance sheets unless the Company exercises its right to sell or re-pledge the underlying asset. As of December 31, 2025 and 2024, there was \$93 million and \$41 million, respectively, fair value of non-cash collateral received.

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

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
(Dollars In Millions)						
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	\$ 1,132	\$ —	\$ 1,132	\$ 741	\$ 271	\$ 120
Total derivatives, subject to a master netting arrangement or similar arrangement	1,132	—	1,132	741	271	120
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - FWH under reinsurance	166	—	166	—	—	166
Embedded derivative - FIA	116	—	116	—	—	116
Total derivatives, not subject to a master netting arrangement or similar arrangement	282	—	282	—	—	282
Total derivatives	1,414	—	1,414	741	271	402
Total Assets	\$ 1,414	\$ —	\$ 1,414	\$ 741	\$ 271	\$ 402
(Dollars In Millions)						
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Posted	
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	\$ 769	\$ —	\$ 769	\$ 741	\$ 28	\$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	769	—	769	741	28	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - FWH under reinsurance	166	—	166	—	—	166
Embedded derivative - FIA	689	—	689	—	—	689
Embedded derivative - IUL	57	—	57	—	—	57
Other	144	—	144	—	—	144
Total derivatives, not subject to a master netting arrangement or similar arrangement	1,056	—	1,056	—	—	1,056
Total derivatives	1,825	—	1,825	741	28	1,056
Repurchase program borrowings ⁽¹⁾	—	—	—	—	—	—
Securities lending	(920)	—	(920)	—	—	(920)
Total Liabilities	\$ 905	\$ —	\$ 905	\$ 741	\$ 28	\$ 136

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

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

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Received	
(Dollars In Millions)						
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	\$ 911	\$ —	\$ 911	\$ 663	\$ 88	\$ 160
Total derivatives, subject to a master netting arrangement or similar arrangement	911	—	911	663	88	160
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - FWH under reinsurance	224	—	224	—	—	224
Embedded derivative - FIA	100	—	100	—	—	100
Total derivatives, not subject to a master netting arrangement or similar arrangement	324	—	324	—	—	324
Total derivatives	1,235	—	1,235	663	88	484
Total Assets	\$ 1,235	\$ —	\$ 1,235	\$ 663	\$ 88	\$ 484

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Collateral Posted	
(Dollars In Millions)						
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	\$ 735	\$ —	\$ 735	\$ 663	\$ 68	\$ 4
Total derivatives, subject to a master netting arrangement or similar arrangement	735	—	735	663	68	4
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - FWH under reinsurance	93	—	93	—	—	93
Embedded derivative - FIA	666	—	666	—	—	666
Embedded derivative - IUL	48	—	48	—	—	48
Other	124	—	124	—	—	124
Total derivatives, not subject to a master netting arrangement or similar arrangement	931	—	931	—	—	931
Total derivatives	1,666	—	1,666	663	68	935
Repurchase program borrowings ⁽¹⁾	112	—	112	—	—	112
Securities lending	281	—	281	—	—	281
Total Liabilities	\$ 2,059	\$ —	\$ 2,059	\$ 663	\$ 68	\$ 1,328

(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 December 31, 2025, the Company's commercial mortgage loan holdings were \$12.8 billion, or \$12.8 billion net of allowance for credit losses. As of December 31, 2024, the Company's commercial mortgage loan holdings were \$12.6 billion, or \$12.5 billion net of allowance for credit losses. The Company specializes in making commercial mortgage loans on credit-oriented commercial properties. The Company's underwriting procedures relative to its commercial mortgage loan portfolio are based, in the Company's view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (grocery anchored and credit tenant retail, industrial, multi-family, senior living, and

medical office). The Company believes that these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company's commercial mortgage loan portfolio was underwritten by the Company. From time to time, the Company may acquire commercial mortgage loans in conjunction with an acquisition.

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

The ACL represents the Company's best estimate of expected credit losses over the contractual term of the loans. The allowance for credit losses for unfunded loan commitments is recognized as a component of *funds withheld and other liabilities* on the consolidated balance sheets. Changes in the allowance for credit losses for both funded and unfunded commercial mortgage loans are recognized in *net realized gains (losses)*.

The Company uses a loan-level probability of default ("PD") and loss given default ("LGD") model to calculate the allowance for credit losses for substantially all of its commercial mortgage loans and unfunded loan commitments. Guidance in FASB ASC Topic 326-20 - *Credit Losses* requires collective assessment of financial assets with similar risk characteristics. Consistent with this guidance, the model used by the Company (the "CML Model") incorporates historical default data for a large number of loans with similar characteristics to the Company's commercial mortgage loans in the measurement of the allowance for credit losses. Relevant risk characteristics include debt service coverage ratio ("DSCR"), loan-to-value ratio ("LTV"), geographic location, and property type. This historical default data is applied through the CML Model to forecast loan-level risk parameters including PD and LGD which provide the basis for the determination of expected losses.

The CML Model incorporates both current conditions and reasonable and supportable forecasts when estimating the PD and LGD values that are used as the basis for calculating expected losses. Current conditions are incorporated by considering market-specific information, such as vacancy rates and property prices, to reflect the current position in the market cycle. To incorporate reasonable and supportable forecasts, loan-level risk parameters produced by the CML Model are conditioned by multiple probability-weighted macroeconomic forecast scenarios. CML Model results are also subject to adjustments based on other qualitative considerations to reflect management's best estimate of the impact of future events and circumstances on the ACL.

PDs and LGDs are forecasted over a reasonable and supportable forecast period, which is reassessed on a quarterly basis. After the reasonable and supportable forecast period, the CML Model reverts to the Company's own historical loss history at a portfolio segment level. The historical loss data used for reversion is assessed annually in the third quarter, along with certain other model inputs and assumptions.

All or a portion of a loan may be written off at such point that a) the Company no longer expects to receive cash payments, b) the present value of future expected payments of a renegotiated loan is less than the current principal balance, or c) at such time that the Company is party to foreclosure or bankruptcy proceedings associated with the borrower and does not expect to recover the principal balance of the loan. A write-off is recorded by eliminating the allowance against the commercial mortgage loan and recording the renegotiated loan or the collateral property related to the loan as investment real estate on the balance sheets, which is carried at the lower of the appraised fair value of the property or the unpaid principal balance of the loan, less estimated selling costs associated with the property.

Certain loans which meet the definition of collateral dependent are identified as part of the Company's ongoing loan surveillance process. Loans are considered to be collateral dependent if foreclosure is deemed probable, or if a borrower is in financial difficulty and repayment is expected to be provided substantially through the operation or sale of the underlying collateral. The ACL for loans identified as collateral dependent is measured based on the fair value of the underlying collateral, less costs to sell.

The Company presents accrued interest receivable separately from other components of the amortized cost basis of its commercial mortgage loans and has made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable. It is the Company's policy to cease to carry accrued interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. In each scenario, accrued income is reversed through *net investment income*.

The following table includes a breakdown of the Company’s commercial mortgage loan portfolio by property type as of December 31:

Type	Percentage of Commercial Mortgage Loans	
	2025	2024
Retail	22.6 %	22.8 %
Office buildings	10.2	10.8
Apartments	23.0	21.3
Warehouses	21.6	21.3
Senior housing	18.3	19.3
Other	4.3	4.5
	<u>100.0 %</u>	<u>100.0 %</u>

The Company specializes in making commercial mortgage loans on credit-oriented commercial properties. No single tenant’s exposure represents more than 1.7% of the commercial mortgage loan portfolio.

The following states represent the primary locations of the Company’s commercial mortgage loans as of December 31:

Percentage of Commercial Mortgage Loans			
State	2025	State	2024
California	9.6 %	California	10.1 %
Texas	7.6	Texas	7.9
North Carolina	7.2	Florida	7.4
Florida	7.1	North Carolina	7.2
Alabama	6.0	Alabama	5.9
Michigan	4.8	Michigan	5.1
Utah	4.4	Utah	4.4
Ohio	4.1	Georgia	3.9
South Carolina	3.7	Ohio	3.9
Tennessee	3.2	South Carolina	3.3
	<u>57.7 %</u>		<u>59.1 %</u>

During the year ended December 31, 2025, the Company funded approximately \$1.1 billion of new commercial mortgage loans, with an average unpaid principal balance of \$8 million. The average size commercial mortgage loan unpaid principal balance as of December 31, 2025, was \$8 million and the weighted-average interest rate was 4.6%. The largest single commercial mortgage loan unpaid principal balance at December 31, 2025 was \$78 million.

During the year ended December 31, 2024, the Company funded approximately \$1.5 billion of new commercial mortgage loans, with an average unpaid principal balance of \$12 million. The average size commercial mortgage loan unpaid principal balance as of December 31, 2024, was \$8 million and the weighted-average interest rate was 4.4%. The largest single commercial mortgage loan unpaid principal balance at December 31, 2024 was \$78 million.

Certain of the commercial mortgage loans have call options that occur within the next 6 years. However, if interest rates were to significantly increase, the Company may be unable to exercise the call options on its existing commercial mortgage loans commensurate with the significantly increased market rates. Assuming the commercial mortgage loans are called at their next call dates, \$339 million would become due in 2026, and \$889 million in 2027 through 2031.

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 December 31, 2025 and 2024, \$1.4 billion and \$1.2 billion, respectively, of the Company’s total commercial mortgage loans principal balance have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income in *net investment income*. During the years ended December 31, 2025 and 2024, the Company recognized \$28 million and \$40 million of participation commercial mortgage loan income, respectively.

As of December 31, 2025, the Company had \$31 million, or \$25 million net of allowance for credit losses, 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. As of December 31, 2025 and 2024, the Company had nine and six commercial mortgage loans, respectively, that were nonperforming, restructured, or foreclosed and converted to real estate properties. The Company did not identify any commercial mortgage loans whose principal was permanently impaired during the years ended December 31, 2025 and 2024.

The Company closely monitors the performance of the commercial mortgage loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The Company may grant loan modifications to borrowers experiencing financial difficulties. These loan modifications may be in the form of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension or some combination thereof. During the year ended December 31, 2025, there were five commercial mortgage loan modifications made to borrowers experiencing financial difficulties. All loans modified to borrowers experiencing financial difficulty during the year were fully paid off or settled prior to December 31, 2025.

There were no financing receivables that had a payment default during the year ended December 31, 2025 or 2024, or were modified in the twelve months before default to borrowers experiencing financial difficulty.

As of December 31, 2025 and 2024, the amortized cost basis of the Company’s commercial mortgage loan receivables by origination year, net of the allowance for credit losses is as follows:

Term Loans Amortized Cost Basis by Origination Year							
	2025	2024	2023	2022	2021	Prior	Total
(Dollars In Millions)							
As of December 31, 2025							
Commercial mortgage loans:							
Performing	\$ 1,072	\$ 1,713	\$ 1,324	\$ 2,134	\$ 1,652	\$ 4,842	\$ 12,737
Non-performing	—	28	—	—	—	—	28
Amortized cost	1,072	1,741	1,324	2,134	1,652	4,842	12,765
Allowance for credit losses	(6)	(16)	(11)	(13)	(9)	(29)	(84)
Total commercial mortgage loans	<u>\$ 1,066</u>	<u>\$ 1,725</u>	<u>\$ 1,313</u>	<u>\$ 2,121</u>	<u>\$ 1,643</u>	<u>\$ 4,813</u>	<u>\$ 12,681</u>
Write-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19	\$ 19

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

The following tables provide a comparative view of the key credit quality indicators of the Loan-to-Value and DSCR:

	As of December 31, 2025			As of December 31, 2024		
	Amortized Cost	% of Total	DSCR ⁽²⁾	Amortized Cost	% of total	DSCR ⁽²⁾
(Dollars In Millions)						
Loan-to-value: ⁽¹⁾						
Greater than 75%	\$ 92	1 %	1.30	\$ 110	1 %	1.38
50% - 75%	7,473	58 %	1.64	7,521	60 %	1.59
Less than 50%	5,200	41 %	2.04	4,980	39 %	2.14
Total commercial mortgage loans	\$ 12,765	100 %		\$ 12,611	100 %	

(1) The loan-to-value ratio compares the current unpaid principal of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio for December 31, 2025 and 2024 was 51% and 52%, respectively.

(2) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio for December 31, 2025 and 2024 was 1.79x and 1.81x, respectively.

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

	For The Year Ended December 31,	
	2025	2024
(Dollars In Millions)		
Allowance for Funded Commercial Mortgage Loan Credit Losses		
Beginning balance	\$ 101	\$ 122
Write-offs	(19)	(41)
Recoveries	(3)	(1)
Provision	5	21
Ending balance	<u>\$ 84</u>	<u>\$ 101</u>
Allowance for Unfunded Commercial Mortgage Loan Commitments Credit Losses		
Beginning balance	\$ 4	\$ 6
Write-offs	—	—
Recoveries	—	—
Provision	—	(2)
Ending balance	<u>\$ 4</u>	<u>\$ 4</u>

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

As of December 31, 2025, the Company had eight commercial mortgage loans of \$28 million that were over 90 days delinquent. As of December 31, 2024, the Company had four commercial mortgage loans of \$31 million that were over 90 days delinquent.

The Company limits accrued interest income on commercial mortgage loans to ninety days of interest. For loans in nonaccrual status, interest income is recognized on a cash basis. For the year ended December 31, 2025, the Company had eight commercial mortgage loans in nonaccrual status, and \$2 million of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy. As of 2024, the Company had four commercial mortgage loans in nonaccrual status, and \$1 million of accrued interest was excluded from the amortized cost basis pursuant to the Company's nonaccrual policy.

The Company holds certain commercial mortgage loans pursuant to FWH arrangements under coinsurance or modified coinsurance reinsurance agreements. The Company has elected to measure these assets under the FVO pursuant to ASC 825. As of December 31, 2025, commercial loans allocable to these arrangements that are held under the FVO had a fair value of \$75 million and did not have a balance as of December 31, 2024.

9. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

Deferred Policy Acquisition Costs

The incremental direct costs associated with successfully acquired insurance policies are deferred. Such costs include commissions, costs of policy issuance and underwriting and certain other costs that are directly related to the successful acquisition of traditional life and health insurance, credit insurance, universal life insurance, and investment products.

Contracts are grouped by contract type and issue year for purposes of amortization of DAC. For traditional and life-contingent annuity contracts, groupings are consistent with those used in the estimation of the LFPB or other contract liabilities. DAC is amortized into expense on a constant level basis over the expected term of the grouped contracts. The expected term is determined using mortality and persistency assumptions consistent with those used to develop related contract liabilities. These assumptions are best estimates, periodically reviewed for changes and if applicable updated annually, at the same time every year, or more frequently if suggested by experience. For traditional and universal life contracts, amortization is determined based on units in force. For fixed and variable annuity contracts, amortization is determined based on accumulated premium or deposits.

The following tables show a rollforward for the lines of business that contain material DAC balances, along with a reconciliation to the Company's total DAC balance (recast for the adoption of LDTI):

As of December 31, 2025	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)				
Balance, beginning of period	\$ 809	\$ 1,695	\$ 364	\$ 186	\$ 3,054
Capitalizations	165	188	81	42	476
Amortization	(58)	(94)	(49)	(19)	(220)
Balance, end of period	\$ 916	\$ 1,789	\$ 396	\$ 209	\$ 3,310
Investment contracts					25
Other ⁽¹⁾					358
Total DAC balance					<u>\$ 3,693</u>

As of December 31, 2024	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)				
Balance, beginning of period	\$ 687	\$ 1,514	\$ 297	\$ 165	\$ 2,663
Capitalizations	172	267	114	37	590
Amortization	(50)	(86)	(47)	(16)	(199)
Balance, end of period	\$ 809	\$ 1,695	\$ 364	\$ 186	\$ 3,054
Investment contracts					21
Other ⁽¹⁾					349
Total DAC balance					<u>\$ 3,424</u>

(1) Includes DAC balances primarily related to accident & health, employee benefits, asset protection, and other insignificant short-duration contracts.

Value of Business Acquired

In conjunction with an acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset, called VOBA, is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. The Company also carries VOBA in connection with the remeasurement of insurance contract assets and liabilities in connection with the application of pushdown accounting in accordance with ASC 805.

The estimated present value of future cash flows used in the calculation of the VOBA is based on certain assumptions, including mortality, persistency, expenses, and interest rates that the Company believes to be those of a market participant. VOBA balances are amortized consistently with DAC.

The following tables show a rollforward for the lines of business that contain material VOBA balances, along with a reconciliation to the Company's total VOBA balance:

For The Year Ended December 31, 2025	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)				
Balance, beginning of period	\$ 397	\$ 520	\$ 1	\$ 578	\$ 1,496
Amortization	(65)	(6)	12	(61)	(120)
Balance, end of period	\$ 332	\$ 514	\$ 13	\$ 517	\$ 1,376
Investment contracts					15
Other ⁽¹⁾					50
Total VOBA balance					<u>\$ 1,441</u>

For The Year Ended December 31, 2024	Traditional Life	Universal Life	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)				
Balance, beginning of period	\$ 482	\$ 522	\$ (13)	\$ 642	\$ 1,633
Amortization	(85)	(2)	14	(64)	(137)
Balance, end of period	\$ 397	\$ 520	\$ 1	\$ 578	\$ 1,496
Investment contracts					16
Other ⁽¹⁾					76
Total VOBA balance					<u>\$ 1,588</u>

(1) Includes VOBA balances primarily related to accident & health, employee benefits, asset protection, and other insignificant short-duration contracts.

Based on the balance recorded as of December 31, 2025, the expected amortization of VOBA for the next five years is as follows:

Years	Expected Amortization
	(Dollars In Millions)
2026	\$ 119
2027	110
2028	104
2029	95
2030	89

The following table shows the reconciliation of DAC and VOBA balances to the DAC and VOBA asset in the consolidated balance sheets:

	<u>As of December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(Dollars In Millions)	
DAC	\$ 3,693	\$ 3,424
VOBA	1,441	1,588
Total DAC and VOBA balance	<u>\$ 5,134</u>	<u>\$ 5,012</u>

Internal Replacement Transactions

Contract modifications or replacements are reviewed to determine if these internal replacement transactions result in a substantially changed contract. If so, existing DAC, VOBA, and other similar balances are written off through income and any new costs associated with the modified or replacement contract are deferred. If a contract is determined to be substantially unchanged as a result of an internal replacement transaction, existing DAC, VOBA, and other similar balances are carried over to the new contract and acquisition costs associated with the modified contract are expensed as incurred.

10. GOODWILL AND OTHER INTANGIBLES

The balance recognized as goodwill is not amortized, but is reviewed for impairment on an annual basis, or more frequently as events or circumstances may warrant, including those circumstances which would more likely than not reduce the fair value of the Company's reporting units below its carrying amount. Accounting for goodwill requires an estimate of the future profitability of the associated lines of business within the Company's reporting units to assess the recoverability of the capitalized goodwill. The Company's material goodwill balances are attributable to certain of its reportable segments. The Company evaluates the carrying value of goodwill at the reporting units level at least annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Such circumstances could include, but are not limited to: 1) a significant adverse change in legal factors or in business climate, 2) unanticipated competition, or 3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first determines through qualitative analysis whether relevant events and circumstances indicate that it is more likely than not that a reporting unit's goodwill balance is impaired as of the testing date. If the qualitative analysis does not indicate that an impairment of a reporting unit's goodwill is more likely than not then no other specific quantitative impairment testing is required.

If it is determined that it is more likely than not that impairment exists, the Company performs a quantitative assessment and compares its estimate of the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The Company utilizes a fair value measurement (which includes a discounted cash flows analysis) to assess the carrying value of the reporting unit in consideration of the recoverability of the goodwill balance assigned to each reporting unit as of the measurement date. The cash flows used to determine the fair value of the Company's reporting units are dependent on a number of significant assumptions. The Company's estimates, which consider a market participant view of fair value, are subject to change given the inherent uncertainty in predicting future results and cash flows, which are impacted by such things as policyholder behavior, competitor pricing, capital limitations, new product introductions, and specific industry and market conditions.

The changes in the carrying value of goodwill by reporting unit are as follows:

	Protection	Retirement	Acquisitions	Stable Value Products	Asset Protection	Employee Benefits ⁽¹⁾	Total Consolidated
	(Dollars In Millions)						
Balance as of December 31, 2023	\$ 185	\$ 174	\$ 24	\$ 114	\$ 486	\$ —	\$ 983
Acquisition	—	—	—	—	—	214	214
Balance as of December 31, 2024	185	174	24	114	486	214	1,197
PGAAP adjustment	—	—	—	—	—	16	16
Balance as of December 31, 2025	<u>\$ 185</u>	<u>\$ 174</u>	<u>\$ 24</u>	<u>\$ 114</u>	<u>\$ 486</u>	<u>\$ 230</u>	<u>\$ 1,213</u>

(1) See Note 3, *Recent Transactions*, for additional information on the Employee Benefits reporting unit.

During 2025, the Company performed its annual qualitative evaluation of goodwill based on the circumstances that existed as of October 1, 2025, the Company’s annual measurement date, and determined that there was no indication that its goodwill was more likely than not impaired and no adjustment to impair goodwill was necessary. The Company has assessed whether events have occurred subsequent to October 1, 2025 that would impact the Company’s conclusions and no such events were identified. After consideration of applicable factors and circumstances noted as part of the annual assessment, the Company determined that no triggering events had occurred and it was more likely than not that the fair value of the reporting units exceeded the carrying value of the reporting units.

Other Intangible Assets

Other intangible assets with definite lives are amortized over the estimated useful life of the asset and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Amortizable intangible assets primarily consist of distribution relationships, trade names, technology, and software. Intangible assets with indefinite lives, primarily insurance licenses, are not amortized, but are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Software is generally amortized over a three - five year useful life.

Other intangible assets recognized by the Company included the following:

	As of December 31,		Estimated
	2025	2024	Useful Life
	(Dollars In Millions)		(In Years)
Distribution relationships	\$ 709	\$ 770	14 - 22
Trade names	44	90	3 - 17
Technology	18	29	4 - 14
Other	43	41	
Total intangible assets subject to amortization	814	930	
Insurance licenses	34	41	Indefinite
Total other intangible assets	<u>\$ 848</u>	<u>\$ 971</u>	

Other intangible assets were valued using the excess earnings method, relief from royalty method or cost approach, as appropriate.

Amortizable intangible assets are amortized straight line over their assigned useful lives. The following is a schedule of future estimated aggregate amortization expense:

Year	Amount
	(Dollars In Millions)
2026	\$ 87
2027	81
2028	75
2029	66
2030	62

During 2025, the Company recorded several adjustments related to the ShelterPoint purchase price allocation. These included changes to the purchase price, updates based on additional information received about ShelterPoint’s reserves and trade name, and revisions to tax calculations. The impact of these adjustments to the opening balance sheet resulted in a net increase to recorded *goodwill* of approximately \$16 million and a net decrease to trade names, included in *other intangibles*, of \$34 million, reflecting the additional information obtained and refinements made during the one-year measurement period.

11. FUTURE POLICY BENEFITS AND CLAIMS

Future policy benefits and claims includes liabilities for future benefits under traditional life, limited-payment, health, and property and casualty products, the additional insurance liability for universal life-type contracts, deferred profit liabilities, and liabilities for reported and unreported claims.

Liability for Future Policy Benefits

The LFPB for non-participating traditional and limited-payment insurance contracts are computed using a net premium ratio method under which the liability is accrued as premium revenue is recognized. For purposes of computing the LFPB, the Company establishes cohorts in consideration of qualitative and quantitative factors including issue year, product, distribution, and legal entity. The LFPB is computed using assumptions including mortality, persistency, and expenses, which are based on the Company’s experience, modified as necessary to reflect anticipated trends. The Company has elected to use expense assumptions that are locked in at contract inception. All other assumptions are reviewed annually, during the same quarter each year, or more frequently if evidence suggests assumptions should be revised. Changes in actual and expected cash flows are recognized through an adjustment to the net premium ratio on a retrospective basis. The resulting change in the LFPB, discounted at the original discount rate determined as of contract issuance, is reported as a component of *policyholder liability remeasurement (gains) losses* in the consolidated statements of income. Policy claims are charged to expense in the period in which the claims are incurred.

The discount rate used to estimate reserves for the LFPB is consistent with an upper-medium grade (low-credit risk) fixed-income corporate instrument yield, which has been interpreted to represent a single-A corporate instrument yield. This discount rate curve is determined by applying bootstrapping and interpolation/extrapolation techniques to selected published yields at maturities where the bond market is sufficiently liquid to produce reliable yield information. The discount rate used to recognize interest accretion on the reserves for the LFPB is locked at the initial measurement of the cohort. Contracts issued prior to January 1, 2024 use a locked-in discount rate based on expected investment returns at contract inception. Each reporting period, the reserve for the LFPB is remeasured using the current discount rate. The difference between the LFPB calculated using the current discount rate and the original discount rate is recorded as a component of AOCI.

Additional Insurance Liability

For universal life insurance contracts, a liability is recognized for the policyholder’s account value as discussed further in Note 12, *Policyholders’ Account Balances and Other Policyholders’ Funds*. Where these contracts provide additional annuitization, death and other insurance benefits beyond the account balance or base insurance coverage that are not market risk benefits or embedded derivatives, an additional insurance liability is recognized. The methodology uses a benefit ratio defined as a constant percentage of the assessment base. This ratio is multiplied by current period assessments to determine the reserve accrual for the period. The assumptions used in the measurement of the additional liabilities for annuitization, death and other insurance benefits are based on best estimate assumptions including mortality, persistency, investment returns, and discount rates. These assumptions are similarly subject to the annual review process discussed above. As available-for-sale debt securities are carried at fair value, an adjustment is made to these additional liabilities equal to the change in liability that would

have occurred if such securities had been sold at their stated fair value and the proceeds reinvested at current yields. This adjustment, along with the change in net unrealized gains (losses) on available-for-sale debt securities, net of applicable tax, is credited or charged directly to equity as a component of AOCI (also referred to as “shadow adjustments”).

On an annual basis, for liabilities other than the LFPB, the Company conducts premium deficiency testing to determine whether the sum of existing liabilities and the present value of future gross premiums, along with anticipated investment income, is sufficient to cover the present value of future benefits and settlement costs to be paid.

Unearned Revenue Liability

An unearned revenue liability (“URL”) is recognized for amounts assessed against policyholders that are intended to compensate the Company for services to be provided in future periods. These amounts are deferred and recognized in income over the expected service period in a manner consistent with the amortization of deferred acquisition costs. The URL primarily relates to universal life-type and other long-duration contracts where certain charges, such as cost of insurance or administrative fees, are collected upfront but pertain to future coverage or services.

Deferred Profit Liability

For limited-payment insurance contracts, premiums are paid over a period shorter than the period over which benefits are provided. Gross premiums received in excess of the net premium are deferred and recognized as a DPL. The DPL is included within *future policy benefits and claims* and profits are recognized in income as a component of benefit expenses on a constant relationship with the amount of expected future benefit payments. Interest is accreted on the balance of the DPL using the discount rate locked in at the initial measurement of the cohort. Measurement of the DPL uses best estimate assumptions for mortality, and the DPL is subject to a retrospective remeasurement adjustment consistent with the LFPB for changes in actual and expected cash flows.

The following table summarizes the components of *future policy benefits and claims* for the period indicated and reconciles the totals to the amounts reported on the consolidated balance sheets.

	<u>As of December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(Dollars In Millions)	
Liability for future policy benefits	\$ 10,516	\$ 10,576
Additional insurance liability	6,829	6,252
Unearned revenue liability	1,017	902
Deferred profit liability	350	358
Participating contracts ⁽¹⁾	4,706	4,859
Other ⁽²⁾	1,619	1,491
Future policy benefits and claims	<u>\$ 25,037</u>	<u>\$ 24,438</u>

(1) Includes certain whole life contracts which include policyholder dividends and other participating features.

(2) Includes reported and unreported claims as well as liabilities associated with Universal Life Riders along with A&H, APD, and other non-modeled contracts.

Rollforward of the Liability for Future Policy Benefits

The balance of and changes in the LFPB as of and for the periods indicated consist of the two tables presented below: “Present Value of Expected Net Premiums” rollforward and “Present Value of Expected Liability for Future Policy Benefits” rollforward.

	Present Value of Expected Net Premiums			
	As of December 31, 2025		As of December 31, 2024	
	Traditional Life	Fixed Annuity	Traditional Life	Fixed Annuity
	(Dollars in Millions)			
Balance, Beginning of Period	\$ 7,458	\$ —	\$ 7,161	\$ —
Effect of cumulative changes in discount rate assumptions, BOP	1,079	—	714	—
Balance at original discount rate, BOP	8,537	—	7,875	—
Effect of changes in cash flow assumptions	(15)	—	805	—
Effect of actual variances from expected experience and other activity	(80)	(1)	(67)	(1)
Adjusted balance, BOP	8,442	(1)	8,613	(1)
Issuances	588	32	600	45
Net premiums/considerations collected	(963)	(31)	(985)	(44)
Interest accrual	331	—	309	—
Balance at original discount rate, EOP	8,398	—	8,537	—
Effect of cumulative changes in discount rate assumptions, EOP	(827)	—	(1,079)	—
Balance, End of Period	<u>\$ 7,571</u>	<u>\$ —</u>	<u>\$ 7,458</u>	<u>\$ —</u>

	Present Value of Expected Liability for Future Policy Benefits			
	As of December 31, 2025		As of December 31, 2024	
	Traditional Life	Fixed Annuity	Traditional Life	Fixed Annuity
	(Dollars in Millions)			
Balance, Beginning of Period	\$ 13,799	\$ 4,225	\$ 14,092	\$ 4,659
Effect of cumulative changes in discount rate assumptions, BOP	2,304	753	1,582	560
Balance at original discount rate, BOP	16,103	4,978	15,674	5,219
Effect of changes in cash flow assumptions	(11)	132	800	6
Effect of actual variances from expected experience and other activity	(96)	(6)	(46)	(8)
Adjusted balance for variances from expectation, BOP	15,996	5,104	16,428	5,217
Issuances	586	37	597	53
Net premiums/considerations collected	(1,425)	(461)	(1,514)	(477)
Interest accrual	611	180	592	186
Balance at original discount rate, EOP	15,768	4,860	16,103	4,979
Effect of changes in discount rate assumptions	(1,882)	(669)	(2,304)	(753)
Balance, End of Period	<u>\$ 13,886</u>	<u>\$ 4,191</u>	<u>\$ 13,799</u>	<u>\$ 4,226</u>
Liability for future policy benefits, before flooring adjustments	\$ 6,315	\$ 4,191	\$ 6,341	\$ 4,225
Flooring adjustments	10	—	10	—
Adjusted liability for future policy benefits	\$ 6,325	\$ 4,191	\$ 6,351	\$ 4,225
Less: Reinsurance receivables	(1,022)	(1,376)	(1,197)	(37)
Liability for future policy benefits, net of reinsurance	<u>\$ 5,303</u>	<u>\$ 2,815</u>	<u>\$ 5,154</u>	<u>\$ 4,188</u>

In 2025, changes to future mortality assumptions for payout annuities resulted in an increase in the LFPB. In 2024, there were no assumption changes that resulted in a significant change to the LFPB when considering the net impact of both components of the liability.

The following table provides supplemental information related to the balances of and changes in the LFPB included in the disaggregated tables above, on a gross (direct and assumed) basis, as of and for the period indicated:

	As of December 31,			
	2025		2024	
	Traditional Life	Fixed Annuity	Traditional Life	Fixed Annuity
	(Dollars In Millions)			
Expected undiscounted future benefit payments	\$ 25,855	\$ 7,816	\$ 25,933	\$ 7,951
Expected discounted future gross premiums (at current discount rate)	\$ 12,930	\$ —	\$ 12,584	\$ —
Expected undiscounted future gross premiums	\$ 21,978	\$ —	\$ 21,747	\$ —

Revenue and Interest Expense

The following tables present gross premiums and interest expense related to the LFPB as well as related revenue and interest expense not presented in the above supplemental tables.

	As of December 31, 2025		As of December 31, 2024	
	Gross Premiums	Interest Expense	Gross Premiums	Interest Expense
	(Dollars In Millions)		(Dollars In Millions)	
Traditional Life	\$ 1,623	\$ 280	\$ 1,641	\$ 283
Fixed Annuity	35	180	47	186
Total	\$ 1,658	\$ 460	\$ 1,688	\$ 469

The following table presents the weighted-average interest rates and weighted-average duration of the liability.

	As of December 31, 2025		As of December 31, 2024	
	Traditional Life	Fixed Annuity	Traditional Life	Fixed Annuity
Interest accretion rate	3.78 %	3.74 %	3.77 %	3.72 %
Current discount rate	4.88 %	5.32 %	5.33 %	5.53 %
Weighted-average duration of the LFPB (years)	9.11	8.24	9.03	8.21

Rollforward of Additional Insurance Liability

The following table shows a rollforward of the additional insurance liability balances for universal life products for the period indicated, along with the weighted average duration of the liabilities.

	As of December 31,	
	2025	2024
	Universal Life	Universal Life
	(Dollars In Millions)	
Balance, Beginning of Period	\$ 6,252	\$ 5,978
Effect of cumulative changes in shadow adjustments, BOP	1,289	1,076
Beginning balance excluding shadow	7,541	7,054
Effect of changes in cash flow assumptions	(5)	8
Effect of actual variances from expected experience and other activity ⁽¹⁾	43	—
Adjusted balance, BOP	7,579	7,062
Interest accrual	299	286
Net assessments collected	972	1,185
Benefits paid	(1,113)	(1,022)
Other adjustments	14	30
Ending balance excluding shadow	7,751	7,541
Effect of cumulative changes in shadow adjustments, EOP	(922)	(1,289)
Balance, End of Period	\$ 6,829	\$ 6,252
Less: Reinsurance receivables	(4,068)	(513)
Balance, end of period, net of reinsurance	<u>\$ 2,761</u>	<u>\$ 5,739</u>

(1) Actual experience differed from expected due primarily to realized losses on the portfolios associated with reinsured products, with mortality experience a smaller contributor.

There were no assumption changes that resulted in significant changes to the additional insurance liability in 2024 or 2025. Reinsurance receivables increased in 2025 primarily as a result of the reinsurance transaction with Resolution. See Note 3, *Recent Transactions* and Note 16, *Reinsurance* for additional information.

The following tables present gross assessments and interest expense for the Additional Insurance Liability as well as the weighted-average interest rates and weighted-average duration of the liability.

	As of December 31,	
	2025	2024
	(Dollars In Millions)	
Universal Life		
Gross Assessments	\$ 1,148	\$ 1,345
Interest Expense	\$ 299	\$ 286
Universal Life		
Weighted Average Interest Accretion Rate	4.1 %	4.1 %
Weighted-average duration of additional insurance liability (years)	17.03	17.79

Rollforward of URL

	As of December 31,					
	2025			2024		
	Universal Life	Variable Annuity	Total	Universal Life	Variable Annuity	Total
Balance, beginning of period	\$ 801	\$ 101	\$ 902	\$ 642	\$ 101	\$ 743
Deferrals	172	12	184	207	10	217
Revenue recognized	(59)	(10)	(69)	(48)	(10)	(58)
Balance, end of period	<u>\$ 914</u>	<u>\$ 103</u>	<u>\$ 1,017</u>	<u>\$ 801</u>	<u>\$ 101</u>	<u>\$ 902</u>

12. POLICYHOLDER ACCOUNT BALANCES AND OTHER POLICYHOLDERS' FUNDS

Policyholder account balances consist of the fixed account value of universal life insurance, the fixed account value of deferred annuities, the host contract value of indexed annuities, and reserves associated with other annuities without life contingencies. *Other policyholders' funds* consists of immediate benefit accounts and supplementary contracts without life contingencies.

The balances of and changes in policyholders' account balances as of and for the periods ended are as follows:

	As of December 31, 2025			
	Universal Life	Fixed Annuity	Variable Annuity	Total
	(Dollars in Millions)			
Balance, beginning of period	\$ 23,715	\$ 15,370	\$ 1,549	\$ 40,634
Premiums and deposits	2,815	4,845	1,439	9,099
Policy charges	(1,924)	(64)	(1)	(1,989)
Surrenders and withdrawals	(874)	(1,580)	(1,991)	(4,445)
Benefit payments	(543)	(259)	(375)	(1,177)
Net transfers from (to) separate account	(328)	—	752	424
Interest credited	928	591	54	1,573
Other	9	(16)	—	(7)
Total policyholders' account balance	<u>\$ 23,798</u>	<u>\$ 18,887</u>	<u>\$ 1,427</u>	<u>\$ 44,112</u>
Net amount at risk ⁽¹⁾	\$ 298,663			
Cash surrender value	\$ 24,459	\$ 17,991	\$ 1,423	
Weighted-average crediting rate	3.94 %	4.32 %	3.93 %	

(1) Net amount at risk is defined as the current guaranteed benefit amount in excess of current account balance. For contracts with multiple benefit features, the highest net amount at risk for each contract is included. See Note 13, *Market Risk Benefits*, for Net Amount at Risk for Fixed and Variable Annuity contracts.

As of December 31, 2024

	Universal Life	Fixed Annuity	Variable Annuity	Total
(Dollars In Millions)				
Balance, beginning of period	\$ 24,368	\$ 13,440	\$ 1,695	\$ 39,503
Premiums and deposits	4,637	4,227	1,410	10,274
Policy charges	(1,967)	(60)	(1)	(2,028)
Surrenders and withdrawals	(1,542)	(2,391)	(2,147)	(6,080)
Benefit payments	(547)	(283)	(332)	(1,162)
Net transfers from (to) separate account	(2,169)	—	859	(1,310)
Interest credited	927	452	65	1,444
Other	7	(15)	—	(8)
Total policyholders' account balance	\$ 23,714	\$ 15,370	\$ 1,549	\$ 40,633
Net amount at risk ⁽¹⁾	\$ 306,887			
Cash surrender value	\$ 24,126	\$ 14,322	\$ 1,544	
Weighted-average crediting rate	3.75 %	3.88 %	3.94 %	

(1) Net amount at risk is defined as the current guaranteed benefit amount in excess of current account balance. For contracts with multiple benefit features, the highest net amount at risk for each contract is included. See Note 13, *Market Risk Benefits*, for Net Amount at Risk for Fixed and Variable Annuity contracts.

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The balances of fixed account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points (“bps”), between rates being credited to policyholders and the respective guaranteed minimums are as follows:

As of December 31, 2025

Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
(Dollars in Millions)					
Universal Life					
0.00%-0.99%	\$ —	\$ —	\$ —	\$ 32	\$ 32
1.00%-1.99%	4	—	3	795	802
2.00%-2.99%	2	41	4,242	3,500	7,785
3.00%-3.99%	1,513	2,077	604	1	4,195
Greater than 3.99%	8,741	1,082	209	97	10,129
Total	\$ 10,260	\$ 3,200	\$ 5,058	\$ 4,425	\$ 22,943
Fixed Annuity					
0.00%-0.99%	\$ 11	\$ —	\$ 27	\$ 105	\$ 143
1.00%-1.99%	407	1,337	732	290	2,766
2.00%-2.99%	774	790	79	5,998	7,641
3.00%-3.99%	873	36	85	2,398	3,392
Greater than 3.99%	284	—	—	—	284
Total	\$ 2,349	\$ 2,163	\$ 923	\$ 8,791	\$ 14,226
Variable Annuity					
0.00%-0.99%	\$ —	\$ —	\$ —	\$ —	\$ —
1.00%-1.99%	5	3	—	2	\$ 10
2.00%-2.99%	4	10	2	—	\$ 16
3.00%-3.99%	413	128	332	66	\$ 939
Greater than 3.99%	378	84	—	—	462
Total	\$ 800	\$ 225	\$ 334	\$ 68	\$ 1,427

As of December 31, 2024

Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
(Dollars in Millions)					
Universal Life					
0.00%-0.99%	\$ —	\$ —	\$ —	\$ 33	\$ 33
1.00%-1.99%	878	1	5	20	904
2.00%-2.99%	131	187	4,268	2,538	7,124
3.00%-3.99%	1,721	2,289	450	1	4,461
Greater than 3.99%	8,736	1,316	220	108	10,380
Total	\$ 11,466	\$ 3,793	\$ 4,943	\$ 2,700	\$ 22,902
Fixed Annuity					
0.00%-0.99%	\$ 12	\$ —	\$ 48	\$ 133	\$ 193
1.00%-1.99%	482	1,483	1,009	406	3,380
2.00%-2.99%	636	819	22	4,053	5,530
3.00%-3.99%	809	37	—	—	846
Greater than 3.99%	306	—	—	—	306
Total	\$ 2,245	\$ 2,339	\$ 1,079	\$ 4,592	\$ 10,255
Variable Annuity					
0.00%-0.99%	\$ —	\$ —	\$ —	\$ —	\$ —
1.00%-1.99%	5	4	—	2	11
2.00%-2.99%	4	8	9	78	99
3.00%-3.99%	462	138	339	—	939
Greater than 3.99%	410	89	—	—	499
Total	\$ 881	\$ 239	\$ 348	\$ 80	\$ 1,548

13. MARKET RISK BENEFITS

Certain of the Company’s insurance and investment contracts include features that both protect the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Such features are classified as MRBs under ASC 944. Product features classified as MRBs include guaranteed minimum withdrawal benefits, guaranteed minimum death benefits, and certain return of premium benefits associated with fixed annuity and variable annuity products. MRB assets and liabilities are measured at fair value and reported separately on the consolidated balance sheets. Changes in the fair value of MRB assets and liabilities are reported on a net basis in *market risk benefits remeasurement gains (losses)* in the consolidated income statements. However, the change in fair value related to the Company’s own credit risk is reported net of income tax as a component of AOCI.

Variable annuity guaranteed benefits are measured using the attributed fee method, under which the fair value is determined based on the contract’s anticipated benefits less fee-based revenue streams. When projected fees are not sufficient to cover projected benefit payments, the Company may also include mortality and expense charges in the attributed fee calculation.

Fixed annuity guaranteed benefits are also measured using the attributed fee method. When projected fees are not sufficient to cover projected benefit payments, the shortfall is borrowed from the host contract (if applicable) rather than recognizing a loss at inception. For single premium deferred annuity contracts that do not carry a host contract balance, any shortfall in attributed fees is offset by a separate balance recorded as a component of *policyholder account balances*.

When an annuitization occurs (for annuitization benefits) or upon extinguishment of the account balance (for withdrawal benefits), the balance related to an MRB is derecognized and the amount deducted (after derecognition of any

related amount included in accumulated other comprehensive income) is used in the calculation of the LFPB for the resulting payout annuity.

See Note 5, *Fair Value of Financial Instruments* for key inputs and assumptions used in the measurement of the fair value of MRBs.

The following table shows a rollforward of net MRB balances for fixed and variable annuity products.

	As of December 31, 2025		
	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)		
Balance, Beginning of Period	\$ 274	\$ (247)	\$ 27
Effect of cumulative changes in the instrument-specific credit risk, BOP	(12)	(8)	(20)
Balance before effect of changes in the instrument-specific credit risk, BOP	262	(255)	7
Issuances	20	2	22
Interest accrual and time decay	13	20	33
Attributed fees collected	52	171	223
Benefit payments	—	(7)	(7)
Effect of changes in interest rates	(57)	12	(45)
Effect of changes in equity markets and capital markets cross effects	(13)	(164)	(177)
Effect of changes in equity index volatility	(6)	2	(4)
Actual policyholder behavior different from expected behavior	45	8	53
Effect of change in future expected assumptions	45	(8)	37
Other	—	(2)	(2)
Balance before effect of changes in instrument-specific credit risk, EOP	361	(221)	140
Effect of cumulative changes in the instrument-specific credit risk, EOP	15	11	26
Balance, End of Period	\$ 376	\$ (210)	\$ 166
Reinsured market risk benefit, end of period	—	1	1
Balance net of reinsurance, end of period	\$ 376	\$ (209)	\$ 167

	As of December 31, 2024		
	Fixed Annuity	Variable Annuity	Total
	(Dollars In Millions)		
Balance, Beginning of Period	\$ 238	\$ (33)	\$ 205
Effect of cumulative changes in the instrument-specific credit risk, BOP	16	44	60
Balance before effect of changes in the instrument-specific credit risk, BOP	254	11	265
Issuances	53	1	54
Interest accrual and time decay	13	17	30
Attributed fees collected	47	166	213
Benefit payments	—	(9)	(9)
Effect of changes in interest rates	(113)	(158)	(271)
Effect of changes in equity markets and capital markets cross effects	(13)	(180)	(193)
Effect of changes in equity index volatility	21	(10)	11
Actual policyholder behavior different from expected behavior	17	12	29
Effect of change in future expected assumptions	(17)	(73)	(90)
Other	—	(33)	(33)
Balance before effect of changes in instrument-specific credit risk, EOP	262	(256)	6
Effect of cumulative changes in the instrument-specific credit risk, EOP	12	8	20
Balance, End of Period	\$ 274	\$ (248)	\$ 26
Reinsured market risk benefit, end of period	—	1	1
Balance net of reinsurance, end of period	\$ 274	\$ (247)	\$ 27

The following table presents accompanying information to the rollforward table above.

	As of December 31,			
	2025		2024	
	Fixed Annuity	Variable Annuity	Fixed Annuity	Variable Annuity
	(Dollars In Millions)		(Dollars In Millions)	
Net amount at risk ⁽¹⁾	\$ 940	\$ 2,565	\$ 719	\$ 2,758
Weighted-average attained age of contractholders (years)	70	73	70	73

(1) Net amount at risk is defined as the current guaranteed benefit amount in excess of current account balance. For contracts with multiple benefit features, the highest net amount at risk for each contract is included.

In 2025, the explicit margin was increased which led to an increased MRB liability for fixed annuities. In 2024, policyholder behavior assumption updates led to a decreased MRB liability for fixed and variable annuities.

The tables below reconcile the MRB by amounts in an asset position and liability position to the MRB amounts on the balance sheets:

	As of December 31, 2025		
	Asset	Liability	Net (Asset)/ Liability
	(Dollars in Millions)		
Fixed Annuity	\$ 9	\$ 385	\$ 376
Variable Annuity	537	327	(210)
Total	\$ 546	\$ 712	\$ 166

	As of December 31, 2024		
	Asset	Liability	Net (Asset)/ Liability
	(Dollars in Millions)		
Fixed Annuity	\$ 11	\$ 285	\$ 274
Variable Annuity	530	282	(248)
Total	\$ 541	\$ 567	\$ 26

14. SEPARATE ACCOUNTS

The Company issues variable universal life and VA products through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder. The separate account assets represent funds for which the Company does not bear the investment risk. These assets are carried at fair value and are equal to the separate account liabilities, which represent the policyholder's equity in those assets. The investment income and investment gains and losses on the separate account assets accrue directly to the policyholder. These amounts are reported separately as assets and liabilities related to separate accounts in the accompanying consolidated financial statements. Amounts assessed against policy account balances for the costs of insurance, policy administration, and other services are included in premiums and policy fees in the accompanying consolidated statements of income. Fees are generally based on the daily net assets of the policyholder's account value and recognized as revenue when assessed. Assets and liabilities related to separate accounts include balances related to separate accounts assumed through reinsurance. These balances relate to variable annuity and variable universal life policies that we have reinsured on a modified coinsurance basis.

Separate Accounts Assets

The aggregate fair value of assets, by major investment asset category, supporting separate accounts is as follows:

	As of December 31,					
	2025			2024		
	Universal Life	Variable Annuity	Total	Universal Life	Variable Annuity	Total
	(Dollars in Millions)					
Equity Funds	\$ 8,343	\$ 12,641	\$ 20,984	\$ 7,079	\$ 11,663	\$ 18,742
Bond Funds	5,783	3,760	9,543	5,315	3,607	8,922
Money Market Funds	1,402	838	2,240	1,315	911	2,226
Other	63	187	250	160	173	333
Total	\$ 15,591	\$ 17,426	\$ 33,017	\$ 13,869	\$ 16,354	\$ 30,223

For the years ended December 31, 2025 and 2024, there were no transfers of assets, other than cash, from the general account to a separate account; therefore, no gains or losses were recorded.

Separate Account Liabilities

The balances of and changes in separate account liabilities as of and for the periods ended are as follows:

	As of December 31, 2025		
	Universal Life	Variable Annuity	Total
	(Dollars in Millions)		
Balance, Beginning of Period	\$ 13,869	\$ 16,354	\$ 30,223
Premiums and deposits	758	1,153	1,911
Policy charges	(271)	(304)	(575)
Surrenders and withdrawals	(315)	(1,661)	(1,976)
Benefit payments	(96)	(365)	(461)
Investment performance	1,511	2,024	3,535
Net transfers from (to) general account	134	225	359
Other	1	—	1
Balance, End of Period	<u>\$ 15,591</u>	<u>\$ 17,426</u>	<u>\$ 33,017</u>
Other	—	—	—
Total separate account liabilities	<u>\$ 15,591</u>	<u>\$ 17,426</u>	<u>\$ 33,017</u>
Cash surrender value	\$ 15,319	\$ 17,278	

	As of December 31, 2024		
	Universal Life	Variable Annuity	Total
	(Dollars in Millions)		
Balance, Beginning of Period	\$ 10,659	\$ 15,473	\$ 26,132
Premiums and deposits	2,425	1,079	3,504
Policy charges	(219)	(293)	(512)
Surrenders and withdrawals	(183)	(1,771)	(1,954)
Benefit payments	(67)	(337)	(404)
Investment performance	1,093	1,933	3,026
Net transfers from (to) general account	160	270	430
Other	1	—	1
Balance, End of Period	<u>\$ 13,869</u>	<u>\$ 16,354</u>	<u>\$ 30,223</u>
Other	—	—	—
Total separate account liabilities	<u>\$ 13,869</u>	<u>\$ 16,354</u>	<u>\$ 30,223</u>
Cash surrender value	\$ 13,614	\$ 16,241	

15. 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.

The excess of Closed Block liabilities over Closed Block assets (adjusted to exclude the impact of related amounts in AOCI) at the acquisition date of October 1, 2013, represented the estimated maximum future post-tax earnings from the Closed Block that would be recognized in income from continuing operations over the period the policies and contracts in the Closed Block remain in force. In connection with the acquisition of MONY, the Company developed an actuarial calculation of the expected timing of MONY’s Closed Block’s earnings as of October 1, 2013. Pursuant to the acquisition of the Company by Dai-ichi Life on February 1, 2015, this actuarial calculation of the expected timing of MONY’s Closed Block earnings was recalculated and reset on that date along with the establishment of a policyholder dividend obligation as of such date.

If the actual cumulative earnings from the Closed Block are greater than the expected cumulative earnings, only the expected earnings will be recognized in the Company’s net income. Actual cumulative earnings in excess of expected cumulative earnings at any point in time are recorded as a policyholder dividend obligation because they will ultimately be paid to Closed Block policyholders as an additional policyholder dividend unless offset by future performance that is less favorable than originally expected. If a policyholder dividend obligation has been previously established and the actual Closed Block earnings in a subsequent period are less than the expected earnings for that period, the policyholder dividend obligation would be reduced (but not below zero). If, over the period the policies and contracts in the Closed Block remain in force, the actual cumulative earnings of the Closed Block are less than the expected cumulative earnings, only actual earnings would be recognized in income from continuing operations. If the Closed Block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside the Closed Block.

Many expenses related to Closed Block operations, including amortization of VOBA, are charged to operations outside of the Closed Block; accordingly, net revenues of the Closed Block do not represent the actual profitability of the Closed Block operations. Operating costs and expenses outside of the Closed Block are, therefore, disproportionate to the business outside of the Closed Block.

Summarized financial information for the Closed Block is as follows:

	As of December 31,	
	2025	2024
(Dollars In Millions)		
Closed block liabilities		
Future policy benefits and claims, policyholders' account balances and other policyholders' funds	\$ 4,682	\$ 4,844
Funds withheld and other liabilities	34	33
Total closed block liabilities	4,716	4,877
Closed block assets		
Fixed maturities, available-for-sale, at fair value	3,251	3,226
Commercial mortgage loans	1	2
Policy loans	484	507
Cash and other invested assets	29	71
Other assets	207	231
Total closed block assets	3,972	4,037
Excess of reported closed block liabilities over closed block assets	744	840
Portion of above representing accumulated other comprehensive income (loss):		
Unrealized investment gains (losses), before tax	(711)	(822)
Allocated to policyholder dividend obligation	45	50
Income tax	140	162
Unrealized investment losses, net of tax	(526)	(610)
Future earnings to be recognized from closed block assets and closed block liabilities	\$ 218	\$ 230

Closed Block revenues and expenses were as follows:

	For The Year Ended December 31,	
	2025	2024
(Dollars In Millions)		
Revenues		
Premiums and other income	\$ 101	\$ 109
Net investment income	179	179
Net realized losses	(8)	(4)
Total revenues	272	284
Benefits and other deductions		
Benefits and settlement expenses	254	255
Other operating expenses	1	1
Total benefits and other deductions	255	256
Net revenues before income taxes	17	28
Income tax expense	4	6
Net revenues	\$ 13	\$ 22

16. REINSURANCE

The Company reinsures certain of its risks with (cedes), and assumes risks from, other insurers under yearly renewable term, coinsurance, and modified coinsurance agreements. Under yearly renewable term agreements, the Company reinsures only the mortality risk, while under coinsurance the Company reinsures a proportionate share of all risks arising under the reinsured policy. Under coinsurance, the reinsurer receives a proportionate share of the premiums less commissions and is liable for a corresponding share of all benefit payments. Modified coinsurance is accounted for in a manner similar to coinsurance except that the insurance contract liabilities are held by the ceding company and settlements are made on a net basis between the companies.

Reinsurance ceded arrangements do not discharge the Company as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to us under the terms of the reinsurance agreements. The Company monitors the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers. As of December 31, 2025, the Company had reinsured approximately 13% of the face value of its life insurance in-force. The Company has reinsured approximately 5% of the face value of its life insurance in-force with the following three reinsurers:

- Swiss Re Life & Health America Inc.
- Security Life of Denver Insurance Co. (currently administered by Hannover Re)
- RGA Reinsurance Company

The Company has not experienced any credit losses for the years ended December 31, 2025 and 2024 related to these reinsurers. The Company has set limits on the amount of insurance retained on the life of any one person. The amount of insurance retained by the Company on any one life on traditional life insurance was \$500,000 in years prior to mid-2005. In 2005, this retention amount was increased to \$1,000,000 for certain policies, and during 2008 it was increased to \$2,000,000 for certain policies. During 2016, the retention amount was increased to \$5,000,000.

Reinsurance premiums, commissions, expense reimbursements, benefits, and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts recoverable from reinsurers, for both short- and long-duration reinsurance arrangements, are estimated in a manner consistent with the claim liabilities and policy benefits associated with reinsured policies.

Reinsurance Accounting Methodology—Ceded premiums of the Company’s traditional life insurance products are treated as an offset to direct premium and policy fee revenue and are recognized when due to the assuming company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the applicable financial reporting period. Expense allowances paid by the assuming companies which are allocable to the current period are treated as an offset to other operating expenses. Since reinsurance treaties typically provide for allowance percentages that decrease over the lifetime of a policy, allowances in excess of the “ultimate” or final level allowance are capitalized. Amortization of capitalized reinsurance expense allowances representing recovery of acquisition costs is treated as an offset to direct amortization of DAC or VOBA. Deferred reinsurance expense allowances are amortized in a manner consistent with DAC and other similar balances.

The Company utilizes reinsurance on certain short-duration insurance contracts (primarily issued through the Asset Protection segment). As part of these reinsurance transactions the Company receives reinsurance allowances which reimburse the Company for acquisition costs such as commissions and premium taxes. A ceding fee is also collected to cover other administrative costs and profits for the Company. As a component of reinsurance costs, reinsurance allowances are accounted for in accordance with the relevant provisions of ASC 944, *Financial Services—Insurance Topic*, which state that reinsurance costs should be amortized over the contract period of the reinsurance if the contract is short-duration. Accordingly, reinsurance allowances received related to short-duration contracts are capitalized and charged to expense in proportion to premiums earned. Ceded unamortized acquisition costs are netted with direct unamortized acquisition costs in the consolidated balance sheets.

Ceded premiums and policy fees on the Company’s fixed universal life (“UL”), VUL, bank-owned life insurance (“BOLI”), and annuity products reduce premiums and policy fees recognized by the Company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the applicable valuation period.

The Company has also assumed certain policy risks written by other insurance companies through reinsurance agreements. *Premiums and policy fees* as well as *benefits and settlement expenses* include amounts assumed under reinsurance

agreements and are net of reinsurance ceded. Assumed reinsurance is accounted for in accordance with ASC 944, *Financial Services—Insurance Topic*.

Cost of Reinsurance - The Company determines the cost of reinsurance for ceded reinsurance in accordance with ASC 944, *Financial Services—Insurance Topic*, which states that “The difference, if any, between amounts paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts is part of the estimated cost to be amortized.” The Company amortizes the cost of reinsurance using assumptions consistent with those used in the measurement of the reinsured business and its related balances, and amortization is reported as a component of *amortization of deferred policy acquisition costs and value of business acquired* in the Company’s consolidated statements of income.

Reinsurance Allowances—Long-Duration Contracts—Reinsurance allowances are intended to reimburse the ceding company for some portion of the ceding company’s commissions, expenses, and taxes. The amount and timing of reinsurance allowances (both first year and renewal allowances) are contractually determined by the applicable reinsurance contract and do not necessarily bear a relationship to the amount and incidence of expenses actually paid by the ceding company in any given year.

Ultimate reinsurance allowances are defined as the lowest allowance percentage paid by the reinsurer in any policy duration over the lifetime of a universal life policy (or through the end of the level term period for a traditional life policy). Ultimate reinsurance allowances are determined during the negotiation of each reinsurance agreement and will differ between agreements.

Amortization of Reinsurance Allowances—Reinsurance allowances do not affect the methodology used to amortize DAC and VOBA, or the period over which such DAC and VOBA are amortized. Reinsurance allowances offset the direct expenses capitalized, reducing the net amount that is capitalized. See Note 9, *Deferred Policy Acquisition Costs and Value of Business Acquired* for more information on the Company’s accounting for DAC.

Reinsurance Assets and Liabilities—Claim liabilities and policy benefits are calculated consistently for all policies, regardless of whether or not the policy is reinsured. Once the claim liabilities and policy benefits for the underlying policies are estimated, the amounts recoverable from the reinsurers are estimated based on a number of factors including the terms of the reinsurance contracts, historical payment patterns of reinsurance partners, and the financial strength and credit worthiness of reinsurance partners and recorded as *Reinsurance receivables* on the consolidated balance sheets.

Liabilities for unpaid reinsurance claims are produced from claims and reinsurance system records, which contain the relevant terms of the individual reinsurance contracts. The Company monitors claims due from reinsurers to ensure that balances are settled on a timely basis. Incurred but not reported claims are reviewed to ensure that appropriate amounts are ceded.

The Company analyzes and monitors the credit-worthiness of each of its reinsurance partners to minimize collection issues. For newly executed reinsurance contracts with reinsurance companies that do not meet predetermined standards, the Company requires collateral such as assets held in trusts or letters of credit.

Reinsurance assets and liabilities related to agreements with funds withheld at interest where no net risk is retained by the Company are presented on a net basis. Reinsurance receivables were presented net of approximately \$1.7 billion and \$1.8 billion in reinsurance liabilities as of December 31, 2025 and 2024, respectively.

The following table presents total net life insurance in-force:

	As of December 31,	
	2025	2024
(Dollars In Millions)		
Direct life insurance in-force	\$ 943,379	\$ 915,768
Amounts assumed from other companies	96,377	109,197
Amounts ceded to other companies	(135,549)	(136,997)
Net life insurance in-force	<u>\$ 904,207</u>	<u>\$ 887,968</u>
Percentage of amount assumed to net	11 %	12 %

The following table reflects the effect of reinsurance on life, accident/health, and property and liability insurance premiums written and earned (recast for the adoption for LDTI):

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount
	(Dollars In Millions)			
For The Year Ended				
December 31, 2025:				
Premiums and policy fees:				
Life insurance	\$ 2,947	\$ (813)	\$ 858	\$ 2,992 ⁽¹⁾
Accident/health insurance	580	(10)	7	577
Property and liability insurance	588	(277)	5	316
Total	<u>\$ 4,115</u>	<u>\$ (1,100)</u>	<u>\$ 870</u>	<u>\$ 3,885</u>
December 31, 2024:				
Premiums and policy fees:				
Life insurance	\$ 2,979	\$ (952)	\$ 891	\$ 2,918 ⁽¹⁾
Accident/health insurance	155	(12)	6	149
Property and liability insurance	597	(283)	6	320
Total	<u>\$ 3,731</u>	<u>\$ (1,247)</u>	<u>\$ 903</u>	<u>\$ 3,387</u>

(1) Includes annuity policy fees of \$163 million and \$163 million for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, policy and claim reserves relating to insurance ceded of \$14.1 billion and \$4.3 billion, respectively, are included in *reinsurance receivables*. Should any of the reinsurers be unable to meet its obligation at the time of the claim, the Company would be obligated to pay such claims. As of December 31, 2025 and 2024, the Company had paid \$60 million and \$62 million, respectively, of ceded benefits which are recoverable from reinsurers. In addition, as of December 31, 2025 and 2024, the Company had receivables of \$62 million and \$62 million, respectively, related to insurance assumed.

The Company's reinsurance contracts typically do not have a fixed term. In general, the reinsurers' ability to terminate coverage for existing cessions is limited to such circumstances as material breach of contract or non-payment of premiums by the ceding company. The reinsurance contracts generally contain provisions intended to provide the ceding company with the ability to cede future business on a basis consistent with historical terms. However, either party may terminate any of the contracts with respect to future business upon appropriate notice to the other party.

Generally, the reinsurance contracts do not limit the overall amount of the loss that can be incurred by the reinsurer. The amount of liabilities ceded under contracts that provide for the payment of experience refunds is immaterial.

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 PD and 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 December 31, 2025 and 2024, the Reinsurance ACL was \$112 million and \$104 million, respectively. There were no write-offs or recoveries during the years ended December 31, 2025 and 2024.

The Company had total reinsurance receivables of \$14.2 billion and \$4.4 billion as of December 31, 2025 and 2024, which includes both ceded reserve liabilities and receivables for claims. Receivables for claims represented 2% of total reinsurance receivables as of December 31, 2025. The Company monitors the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers, on an ongoing basis. Certain of the Company’s reinsurance receivables are supported by letters of credit, funds held or trust agreements.

Scottish Re Liquidation

Certain of the Company’s subsidiaries have ceded business to Scottish Re (U.S.), Inc. (“SRUS”), which was placed in rehabilitation on March 6, 2019 by the State of Delaware. Under the rehabilitation order, the Insurance Commissioner of the State of Delaware was appointed the receiver of SRUS (the “Receiver”) and provided with authority to conduct and continue the business of SRUS in the interest of its cedents, creditors, and stockholder.

On July 13, 2023, the Receiver filed a motion to convert the rehabilitation of SRUS into a liquidation, which was granted by the Delaware Court of Chancery (“Court”) on July 18, 2023. Under the order entered by the court (“Liquidation Order”), all active ceding company agreements were terminated at 11:59 p.m. Eastern Time on September 30, 2023.

The Receiver filed a motion to approve procedures for claims on March 25, 2024, a motion to approve dispute resolution procedures on April 17, 2024, and a motion to approve final determination procedures on June 17, 2024. Various objections were filed in response to those motions, and the parties submitted supplemental briefing on the outstanding objections. On November 28, 2025, the Court granted the Receiver’s motion to approve the proof of claim procedures, with certain modifications. The Court ordered the Receiver to file the modified procedures by December 29, 2025.

The Receiver’s notice of modified proof of claim procedures was filed and approved on December 22, 2025. The bar date for cedent reinsurance claims (claims for amounts owed based on circumstances occurring on or before September 30, 2023) is June 23, 2026, and the bar date for all other claims is June 23, 2027.

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

Funds Withheld Portfolios

The Company holds certain assets pursuant to funds withheld arrangements in connection with reinsurance agreements with various reinsurers. The reinsurance transactions may take the form of modified coinsurance (“modco”) or coinsurance with funds withheld (“funds withheld”). In modco and funds withheld arrangements, the investments supporting the reinsurance agreements, and which reflect the majority of the consideration that would be paid to the reinsurer for entering into the transaction, are withheld by, and therefore continue to reside on the balance sheet of, the ceding company thereby creating an obligation for the ceding company to pay the reinsurer at a later date. Additionally, as the Company maintains ownership of these investments, the Company maintains its existing accounting for these assets (e.g., the changes in fair value of available-for-sale securities are recognized within AOCI). The Company has established funds withheld payables to the reinsurers while simultaneously establishing reinsurance assets representing reserves for the insurance coverage that the reinsurers have

assumed. Ceded investment income on funds withheld under reinsurance, as well as other ceded operating expenses, are reported in *other operating expenses* in the Company's consolidated statements of income.

Certain funds withheld arrangements give rise to an embedded derivative under ASC 815, which was valued at zero at treaty inception. If the fair value of assets withheld under the reinsurance agreements differ from their book value at treaty inception, this difference is amortized along with changes in the fair value of the embedded derivative in *net realized gains (losses)* in the Company's consolidated statements of income. The fair value of the embedded derivative related to the funds withheld payable was a net asset of \$64 million and \$223 million as of December 31, 2025 and 2024, respectively.

There is a diverse pool of assets supporting the funds withheld arrangements with various reinsurers. The following summarizes the composition of the pool of assets:

	As of			
	December 31, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(Dollars In Millions)			
Fixed maturities - AFS ^(a)	\$ 4,406	\$ 4,406	\$ —	\$ —
Fixed maturities - trading	4,256	4,256	1,827	1,827
Equity securities	289	289	7	7
Commercial mortgage loans	649	613	—	—
Short-term investments	303	303	52	52
Funds withheld investment assets	\$ 9,903	\$ 9,867	\$ 1,886	\$ 1,886
Other ^(b)	105	105	19	19
Total	\$ 10,008	\$ 9,972	\$ 1,905	\$ 1,905

(a) The change in the net unrealized gains (losses) on AFS securities related to the funds withheld portfolios was \$99 million for the year ended December 31, 2025.

(b) Primarily comprised of accrued investment income

Investment income recognized on assets held under the funds withheld arrangements is ceded to reinsurers through increased operating expenses in the Company's consolidated statements of income as follows:

	December 31,	
	2025	2024
	(Dollars In Millions)	
For the year ended	\$ 372	\$ 91

17. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

Debt and subordinated debt securities are summarized as follows:

	As of December 31,			
	2025		2024	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Millions)			
Debt (year of issue):				
Credit Facility	\$ —	\$ —	\$ —	\$ —
Commercial Paper	50	50	265	265
Term Loan Credit Agreement (2021), due 2026 ⁽¹⁾	400	400	600	600
8.45% Senior Notes (2009), due 2039	165	230	165	233
4.30% Senior Notes (2018), due 2028	400	399	400	398
3.40% Senior Notes (2019), due 2030	400	399	400	399
4.70% Senior Notes (2025), due 2031	600	594	—	—
5.35% Senior Notes (2025), due 2035	600	594	—	—
	<u>\$ 2,615</u>	<u>\$ 2,666</u>	<u>\$ 1,830</u>	<u>\$ 1,895</u>
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
	<u>\$ 610</u>	<u>\$ 606</u>	<u>\$ 610</u>	<u>\$ 606</u>

(1) The Term Loan Credit Agreement pays interest at the Adjusted Term SOFR Rate plus 85 bps. The rate as of December 31, 2025 and 2024 was 4.92% and 5.55%, respectively.

During 2025, the Company issued \$600 million of its Senior Notes at a rate of 4.70%, due 2031 and \$600 million of its Senior Notes at a rate of 5.35%, due 2035. These notes were issued net of a discount of \$3 million and are carried on the Company's consolidated balance sheet net of the discount and the associated deferred issuance expense which were immaterial.

In November 2025, the Company made a repayment of \$200 million of its Term Loan Credit Agreement issued in 2021. In January 2026, the Company paid the remaining \$400 million of its Term Loan Credit Agreement.

Under a revolving line of credit arrangement (the "Credit Facility"), the Company has the ability to borrow on an unsecured basis up to an aggregated principal amount of \$1.5 billion. The Company also has the right in certain circumstances to request that the commitment under the 2022 Credit Facility be increased up to a maximum principal amount of \$2.0 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the Company, (i) Adjusted Term SOFR Rate plus a spread based on the ratings of the Company's Senior Debt, or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's Prime Rate, (y) 0.50% above the Federal Funds Rate, or (z) the one-month Adjusted Term SOFR Rate plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt subject to adjustments based upon the achievement of certain environmental, social and governance metrics ("ESG Metrics") by the Company. The Credit Facility also provides for a facility fee at a rate that varies with the ratings of the Company's Senior Debt, subject to adjustments based upon the achievement of certain ESG Metrics by the Company. The facility fee is calculated based on the aggregate amount of commitments under the Credit Facility, whether used or unused. The maturity date of current borrowings under the Credit Facility is April 5, 2027, subject to certain extension options available to the Company. The Company is not aware of any non-compliance with the financial debt covenants of the Credit Facility as of December 31, 2025.

The Company maintains a commercial paper program under which the Company may issue unsecured commercial paper notes ("CP Notes") from time to time in an aggregate amount not to exceed \$750 million outstanding at any time. The maturities of CP Notes can vary, but may not exceed 397 days from the date of issuance. CP Notes rank equal in right of payment with all of the Company's other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the 2022 Credit Facility in an amount at least equal to the amount of CP Notes outstanding at any

time. The CP Notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of issuance. Commercial paper is used by the Company as a continuing source of short-term financing for general corporate purposes. As of December 31, 2025, the weighted-average interest rate was 3.90% on the \$50 million of outstanding CP Notes.

Secured Financing Transactions

Repurchase Program Borrowings

While the Company anticipates that the cash flows of its operating subsidiaries will be sufficient to meet its investment commitments and operating cash needs in a normal credit market environment, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has established repurchase agreement programs for certain of its insurance subsidiaries to provide liquidity when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Under this program, the Company may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are typically for a term less than 90 days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. Cash received is invested in fixed maturity securities, and the agreements provided for net settlement in the event of default or on termination of the agreements. Securities sold under such transactions may be sold or re-pledged by the transferee, with the exception of FHLB securities. As of December 31, 2025, the Company did not have a repurchase obligation and there were no securities pledged under the repurchase program. During the year ended December 31, 2025, the maximum balance outstanding at any one point in time related to these programs was \$722 million. The average daily balance was \$118 million (at an average borrowing rate of 448 basis points) during the year ended December 31, 2025. As of December 31, 2024, the fair value of securities pledged under the repurchase program was \$121 million and the repurchase obligation of \$112 million was included in the Company's consolidated balance sheets (at an average borrowing rate of 451 basis points). During the year ended December 31, 2024, the maximum balance outstanding at any one point in time related to these programs was \$1.3 billion. The average daily balance was \$438 million (at an average borrowing rate of 541 basis points) during the year ended December 31, 2024.

Securities Lending

The Company participates in securities lending, primarily as an investment yield enhancement, whereby securities that are held as investments are loaned out to third parties for short periods of time. The Company requires collateral at least equal to 102% of the fair value of the loaned securities to be separately maintained. The loaned securities' fair value is monitored on a daily basis and collateral is adjusted accordingly. The Company maintains ownership of the securities at all times and is entitled to receive from the borrower any payments for interest received on such securities during the loan term. Securities lending transactions are accounted for as secured borrowings. Securities loaned under such transactions may be sold or re-pledged by the transferee. As of December 31, 2025 and 2024, securities with a fair value of \$885 million and \$270 million, respectively, were loaned under this program. As collateral for the loaned securities, the Company receives cash, which is primarily reinvested in short-term repurchase agreements, which are also collateralized by U.S. Government or U.S. Government Agency securities, and government money market funds. These investments are recorded in *short-term investments* with a corresponding liability recorded in *secured financing liabilities* to account for its obligation to return the collateral. As of December 31, 2025 and 2024, the fair value of the collateral related to this program was \$920 million and \$281 million, respectively, and the Company has an obligation to return \$920 million and \$281 million, respectively, of collateral to the securities borrowers.

The following table provides the fair value of collateral pledged for repurchase agreements, grouped by asset class, as of December 31, 2025 and 2024:

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, 2025				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater Than 90 days	Total
Securities lending transactions					
Corporate securities	\$ 843	\$ —	\$ —	\$ —	\$ 843
Other government-related securities	40	—	—	—	40
Equity securities	2	—	—	—	2
Total securities lending transactions	885	—	—	—	885
Total securities	\$ 885	\$ —	\$ —	\$ —	\$ 885
	Remaining Contractual Maturity of the Agreements				
	As of December 31, 2024				
	(Dollars In Millions)				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	\$ 121	\$ —	\$ —	\$ —	\$ 121
Total repurchase agreements and repurchase-to-maturity transactions	121	—	—	—	121
Securities lending transactions					
Corporate securities	268	—	—	—	268
Redeemable preferred stocks	2	—	—	—	2
Total securities lending transactions	270	—	—	—	270
Total securities	\$ 391	\$ —	\$ —	\$ —	\$ 391

Interest Expense

Interest expense is summarized as follows:

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Debt, subordinated debt, and subordinated funding obligations	\$ 122	\$ 122
Non-recourse funding obligations, other obligations, and repurchase agreements	16	32
Total interest expense	\$ 138	\$ 154

Golden Gate Captive Insurance Company

Golden Gate Captive Insurance Company, is a Vermont special purpose financial insurance company and wholly owned subsidiary of the Company. On October 1, 2020, Golden Gate entered into a transaction with a term of 20 years, that may be extended to a maximum of 25 years, that finances up to \$5 billion of “XXX” and “AXXX” reserves related to the term life insurance business and universal life insurance with secondary guarantee business that is reinsured to Golden Gate by PLICO and West Coast Life Insurance Company (“WCL”), an indirect wholly owned subsidiary of the Company and a direct wholly owned subsidiary of PLICO, pursuant to an Excess of Loss Reinsurance Agreement (the “XOL Agreement”) with Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and RGA Reinsurance Company (Barbados) Ltd. (collectively, the “Retrocessionaires”). On July 1, 2025, in conjunction with the Second Closing, the SGUL Business reinsured to Golden Gate (the “Financed SGUL Business”, which is a subset of the SGUL Business in scope of the reinsurance transaction with Resolution, as discussed in Note 3, *Recent Transactions*) was

recaptured by PLICO (on its own account and as successor in interest to WCL, which merged with and into PLICO as of July 1, 2025), and the XOL Agreement was terminated pursuant to its terms. Concurrently, on July 1, 2025, Golden Gate entered into a new Excess of Loss Reinsurance Agreement with Hannover Life Reassurance Company of America (Bermuda) Ltd., (“Hannover”) with a term of nine years, that may be extended under defined circumstances up to a maximum of 15 years, to finance up to \$2.2 billion of “XXX” reserves related to the term life insurance business that is reinsured to the Company under the 2020 PLICO-Golden Gate and 2020 WCL-Golden Gate Agreements (the “2025 XOL Agreement”).

The transaction is “non-recourse” to the Company and PLICO, meaning that neither of these companies are liable for any XOL payments required to be made. As of December 31, 2025, the XOL Asset backing the difference in statutory and economic reserve liabilities was \$1.9 billion.

Magnolia Re

Magnolia Re is a Vermont special purpose financial insurer that commenced business during 2025 and is a wholly owned subsidiary of PLICO. On July 1, 2025, and in connection with the reinsurance transaction with Resolution, Magnolia Re entered into an Excess of Loss Reinsurance Agreement with New Re Ltd., which is a wholly owned subsidiary of the Munich Re Group, with a term of 20 years to finance up to \$1.55 billion of “AXXX” reserves related to the Financed SGUL Business (the “2025 Magnolia Re XOL Agreement”). The 2025 Magnolia Re XOL Agreement is “non-recourse” to the Company and PLICO. As of December 31, 2025, the Magnolia Re XOL Asset backing the difference in statutory and economic reserve liabilities was \$1.2 billion.

18. COMMITMENTS AND CONTINGENCIES

Guarantees

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

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

Litigation and Regulatory Matters

A number of judgments have been returned against insurers, broker-dealers, and other providers of financial services involving, among other things, sales, underwriting practices, product design, product disclosure, administration, denial or delay of benefits, benefit payment methods, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, payment of sales and other contingent commissions, and other matters. Often these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given legal proceeding. Arbitration awards are subject to very limited appellate review. In addition, in some legal proceedings, companies have made material settlement payments. In some instances, substantial judgments may be the result of a party’s perceived ability to satisfy such judgments as opposed to the facts and circumstances regarding the claims made.

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

Company monitors these matters for any developments that may make a loss contingency associated with any such audit or exam reasonably estimable.

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

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

Worth Johnson v. Protective Life Insurance Company, Case No. 2:18-CV-01290 (previously styled as *Advance Trust & Life Escrow Services, LTA, as Securities Intermediary of Life Partners Position Holder Trust v. Protective Life Insurance Company*), was a putative class action filed on August 13, 2018 in the United States District Court for the Northern District of Alabama. Plaintiff sought to represent all owners of universal life and variable universal life policies issued or administered by the Company or its predecessors that provide that cost of insurance rates are to be determined based on expectations of future mortality experience. Plaintiff's complaint alleged the Company breached those policies by failing to periodically adjust its cost of insurance ("COI") rates based on improved expectations of future mortality. On August 8, 2022, the US District Court granted the Company's Motion for Judgment on the Pleadings, concluding the Company has no contractual duty to lower COI rates if expectations as to future mortality improve, and this favorable decision was upheld by the United States Court of Appeals for the Eleventh Circuit (the "Eleventh Circuit") in March 2024. The Eleventh Circuit held that the Company has no continuing duty to periodically reassess and redetermine COI rates. The Eleventh Circuit, however, remanded the case to the District Court for further proceedings on Plaintiff's alternative theory that the Company breached the contract if it in fact redetermined COI rates within the limitations period and did so without taking into account its expectations of future mortality. In October 2025, the Company settled this matter on an individual basis with Plaintiff Johnson, and the case was dismissed with prejudice in November 2025.

PLICO is a named defendant in three putative class actions in which the plaintiffs claimed that defendants' alleged failure to comply with certain California statutes, which address contractual grace periods and lapse notice requirements for certain life insurance policies, requires that these policies remain in force: *Beverly Allen v. Protective Life Insurance Company*, Civil Action No. 1:20-cv-00530-JLT; *Janice Schmidt and Judy A. Vann-Eubanks v. Protective Life Insurance Company, et al.*, Civil Action No. 1:21cv-01784-SAB; and *Cristin Morneau, et al. v. Protective Life Insurance Company*, Civil Action No. 3:22-cv-01861-AHG. On October 24, 2025, the Federal District Court granted final approval of a class settlement in the *Morneau* matter. As of December 31, 2025, all settlement payments have been made. The *Morneau* settlement resolves the other two California class actions, and all three class actions are expected to be dismissed with prejudice in 2026 as soon as the *Morneau* class administration is complete.

Leases and Commercial Mortgage Loan Commitments

The Company leases administrative and marketing office space as well as various office equipment. Most leases have terms ranging from two to twenty-five years. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. 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.

The Company had rental expense of \$7 million and \$5 million for the years ended December 31, 2025 and 2024, respectively. The following is a schedule by year of future minimum rental payments required under these leases:

Year	Amount	
	(Dollars In Millions)	
2026	\$	4
2027		4
2028		3
2029		3
2030		2

As of December 31, 2025 and 2024, the Company had outstanding commercial mortgage loan commitments of \$785 million at an average rate of 5.95% and \$945 million at an average rate of 6.05%, respectively.

Commitments to Purchase Investments

The Company periodically enters into commitments to purchase investments in fixed income securities and other investments. The amounts of such commitments, excluding outstanding commercial mortgage loan commitments, were \$2.9 billion and \$168 million as of December 31, 2025 and 2024, respectively.

19. EMPLOYEE BENEFIT PLANS

The Company sponsors a Qualified Pension Plan and a Nonqualified Excess Pension Plan (“Pension Benefits”). The Qualified Pension Plan covers substantially all of its employees. Benefits are based on years of service and the employee’s compensation. The Nonqualified Excess Pension Plan is an unfunded nonqualified plan that provides defined pension benefits in excess of limits imposed on the Qualified Pension Plan by federal tax law.

In addition to pension benefits, the Company offers life insurance benefits for retirees from \$10,000 up to a maximum of \$75,000 which are provided through the payment of premiums under a group life insurance policy (“Other Postretirement Benefits”). This plan is partially funded at a maximum of \$50,000 face amount of insurance.

The Company also provides limited healthcare benefits to eligible retired employees until age 65. As of December 31, 2025 and 2024, the Company’s liability related to this benefit was immaterial.

The projected benefit obligation for pension benefits as of December 31, 2025 and 2024 was \$364 million and \$358 million, respectively, of which \$314 million and \$309 million was related to the Qualified Pension Plan as of December 31, 2025 and 2024, respectively. The fair value of the plan assets as of December 31, 2025 and 2024 was \$347 million and \$332 million, respectively, all of which related to the Qualified Pension Plan.

The projected benefit obligation of the postretirement life insurance plans as of December 31, 2025 and 2024 was \$11 million for both years. The fair value of the plan assets for the postretirement life insurance plan as of December 31, 2025 and 2024 was \$3 million and \$4 million, respectively.

Estimated future benefit payments are as follows:

Years	Qualified Pension Plan	Nonqualified Excess Pension Plan	Postretirement Life Insurance Plan
	(Dollars In Millions)		
2026	\$ 27	\$ 7	\$ 1
2027	28	6	1
2028	27	6	1
2029	29	5	1
2030	28	8	1
2031-2035	138	14	3

Qualified Pension Plan Funding Policy

The Company’s funding policy is to contribute amounts to the Qualified Pension Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act (“ERISA”). The Company may also make additional contributions to maintain a funding target attainment percentage of at least 80% and to avoid certain Pension Benefit Guaranty Corporation (“PBGC”) reporting triggers, plus such additional amounts as the Company may determine to be appropriate from time to time.

During the year ended December 31, 2025, the Company did not make a funding contribution to the Qualified Pension Plan. The Company has not yet determined what amount it will fund during 2026 but estimates it will be an amount between \$5 million and \$15 million. The Company may contribute the amount needed to eliminate the PBGC variable-rate premium payable in 2026.

Assumptions

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	Qualified Pension Plan		Nonqualified Excess Pension Plan	
	2025	2024	2025	2024
Discount rate	5.43 %	5.64 %	5.00 %	5.31 %
Rate of compensation increase ⁽¹⁾	5.43 %	4.30 %	6.50 %	4.77 %

(1) The rate of compensation increase assumption used to determine the benefit obligation as of December 31, 2025 and 2024 is based on separate age-graded salary increase rates broken out by compensation structure.

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2025 and 2024 are as follows:

	Qualified Pension Plan		Nonqualified Excess Pension Plan	
	For The Year Ended December 31,			
	2025	2024	2025	2024
Discount rate	5.53 %	4.92 %	5.30 %	4.69 %
Rate of compensation increase ⁽¹⁾	5.43 %	4.34 %	6.50 %	4.76 %
Expected long-term return on plan assets	6.75 %	6.75 %	N/A	N/A

(1) The rate of compensation increase assumption used to determine the net periodic benefit cost for the year ended December 31, 2025 and 2024 is based on separate age-graded salary increase rates broken out by compensation structure.

For the postretirement life insurance plan, the Company’s discount rate assumption used to determine the benefit obligation and the net periodic benefit cost as of December 31, 2025 and 2024, is 5.70% and 5.70%, and 5.70% and 4.96%, respectively. The Company’s expected long-term rate of return assumption used to determine the net periodic benefit cost for the postretirement life insurance plan as of December 31, 2025 and 2024, is 2.0%. To determine an appropriate long-term rate of return assumption, the Company utilized 25 year average and annualized return results on the Barclay’s short treasury index.

Plan Assets

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported.

Qualified Pension Plan

The Qualified Pension Plan target asset allocation is designed to provide an acceptable level of risk and balance between return-seeking assets and liability-hedging fixed income assets. The target allocation is as follows:

Growth Asset Class	Target
Equity	52.5 %
Fixed Income	32.0 %
Strategic Opportunities	10.5 %
Real Estate	3.0 %
Cash	2.0 %

The Company’s investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans’ actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The valuation methodologies used to determine the fair values reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds are valued at the daily closing prices as reported by the fund. Mutual funds held by the Qualified Pension Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Units in the collective investment funds are valued at the NAV. The NAV, as provided by The Northern Trust Company which serves as the Trustee, is used as a practical expedient to estimate fair value and is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Corporate and government bonds are valued by independent pricing services using models or other valuation methodologies. The models are primarily industry-standard models that consider various inputs which are observable or derived from observable information in the marketplace.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Qualified Pension Plan’s assets at fair value as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
	(Dollars In Millions)			
Mutual funds	\$ 58	\$ —	\$ —	\$ 58
Collective investment funds	—	191	—	191
Corporate and government bonds	—	94	—	94
Cash & cash equivalents	4	—	—	4
Total assets measured at fair value	\$ 62	\$ 285	\$ —	\$ 347

The following table sets forth by level, within the fair value hierarchy, the Qualified Pension Plan's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
	(Dollars In Millions)			
Mutual funds	\$ 29	\$ —	\$ —	\$ 29
Collective investment funds	—	213	—	213
Corporate and government bonds	—	90	—	90
Total assets measured at fair value	<u>\$ 29</u>	<u>\$ 303</u>	<u>\$ —</u>	<u>\$ 332</u>

For the year ended December 31, 2025, \$14 million was transferred into Level 1 from Level 2. These transfers were made to cover benefit payments and maintain an acceptable asset allocation as determined by the Company's investment policy statement. For the year ended December 31, 2024, \$19 million was transferred into Level 2 from Level 1. These transfers were made to cover benefit payments and maintain an acceptable asset allocation as determined by the Company's investment policy statement.

Postretirement Life Insurance Plan

Investments of the Company's postretirement life insurance plan are held by Wells Fargo Bank, N.A. and are invested in a money market fund.

Investments are stated at fair value and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The money market funds are valued based on historical cost, which represents fair value, at year end. This method of valuation may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The plan assets of the postretirement life insurance plan, which were all Level 1, were \$3 million and \$4 million as of December 31, 2025 and 2024, respectively.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in the accumulated balances for each component of AOCI as of December 31, 2025 and 2024 (recast for the adoption of LDTI).

	For The Years Ended December 31,	
	2025	2024
	(Dollars In Millions, Net of Tax)	
Balance, beginning of period	\$ (3,873)	\$ (3,879)
Other comprehensive income (loss):		
Changes in OCI before reclassifications ⁽²⁾	597	(373)
Changes in net unrealized losses on fixed maturities with an allowance for credit losses	(20)	13
Change in current discount rate - liability for future policy benefits	(163)	428
Change in instrument-specific credit risk - market risk benefits	(4)	(64)
Other comprehensive income (loss) before reclassifications	<u>410</u>	<u>4</u>
Reclassifications from AOCI ⁽¹⁾	240	2
Other comprehensive income	<u>650</u>	<u>6</u>
Balance, end of period	<u>\$ (3,223)</u>	<u>\$ (3,873)</u>

(1) See Reclassification table below for details.

(2) As of December 31, 2025 and 2024, net unrealized losses reported in AOCI were offset by \$307 million and \$1.1 billion, respectively, due to the impact those net unrealized losses would have had on certain of the Company's insurance assets and liabilities if the net unrealized losses had been recognized in net income.

The following tables summarize the reclassification amounts out of AOCI for the years ended December 31, 2025 and 2024.

AOCI components	For The Year Ended December 31,		Affected Line Item in the Consolidated Statements of Income
	2025	2024	
(Dollars In Millions)			
Derivative instruments	\$ —	\$ 19	Benefits and settlement expenses, net of reinsurance ceded ⁽¹⁾
Unrealized gains and losses on AFS securities	(274)	(56)	Net realized gains (losses)
Other impaired securities	(25)	36	Net realized gains (losses)
Pension benefits liability adjustment	(5)	(1)	Other operating expenses
	(304)	(2)	
Income tax benefit	64	—	
Reclassifications, net of income tax	\$ (240)	\$ (2)	

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

21. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return that includes both insurance and non-insurance companies, with the exception of certain life insurance companies that are required to file separate federal returns for a limited time period.

The Company uses the asset and liability method of accounting for income taxes. Generally, most items in pretax book income are also included in taxable income in the same year. However, some items are recognized for book purposes and for tax purposes in different years or are never recognized for either book or tax purposes. Those differences that will never be recognized for either book or tax purposes are permanent differences (e.g., investment income not subject to tax). As a result, the effective tax rate reflected in the financial statements may differ from the statutory rate reflected in the tax return. Those differences that are reported in different years for book and tax purposes are temporary and will reverse over time (e.g., the valuation of future policy benefits). These temporary differences are accounted for in the intervening periods as deferred tax assets and liabilities. Deferred tax assets generally represent revenue that is taxable before it is recognized in financial income and expenses that are deductible after they are recognized in financial income. Deferred tax liabilities generally represent revenues that are taxable after they are recognized in financial income or expenses or losses that are deductible before they are recognized in financial income. Components of AOCI are presented net of tax, and it is the Company's policy to use the aggregate portfolio approach to clear the disproportionate tax effects that remain in AOCI as a result of tax rate changes and certain other events. Under the aggregate portfolio approach, disproportionate tax effects are cleared only when the portfolio of investments that gave rise to the deferred tax item is sold or otherwise disposed of in its entirety.

The Company evaluates the recoverability of the Company's deferred tax assets and establishes a valuation allowance, if necessary, to reduce the Company's deferred tax assets to an amount that is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company may consider many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on tax returns. The application of this guidance is a two-step process, the first step being recognition. The Company determines whether it is more likely than not, based on the technical merits, that the tax position will be sustained upon examination. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step for the tax positions that meet the more likely than not criterion is measurement. The Company measures the tax position as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate resolution with a taxing authority

that has full knowledge of all relevant information. This measurement considers the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date.

The Company’s liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service (“IRS”) or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations expires. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards, the statute of limitations does not close until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. The Company classifies all interest and penalties related to tax uncertainties as income tax expense.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments require enhanced disaggregation and transparency of income tax disclosures, including a more prescriptive and expanded tabular reconciliation of the effective tax rate and additional information regarding income taxes paid by jurisdiction. The Company adopted the amendments prospectively beginning with the year ended December 31, 2025. Comparative prior-year periods will continue to reflect disclosures prepared under prior ASC 740 requirements. As a result, disclosures for the year of adoption may not be comparable to those presented for prior periods.

The Company’s effective income tax rate related to continuing operations varied from the maximum federal income tax rate as follows:

	For The Year Ended December 31, 2025	
	(Dollars In Millions)	
Income before income tax	\$	141
Statutory federal income tax applied to pre-tax income	30	21.0 %
State and local income tax, net of federal income tax effect ⁽¹⁾	8	5.6
Foreign tax effects:		
Bermuda:		
Rate differential	(7)	(4.7)
Foreign tax credits	(3)	(2.2)
Valuation allowances	(13)	(9.6)
Effect of changes in tax laws or rates enacted in the current period	—	—
Effect of cross-border tax laws:		
953(d) Bermuda Entities	23	16.5
Tax credits:		
Foreign tax credits	(3)	(1.8)
R&D tax credits	(3)	(1.8)
Changes in valuation allowances	—	—
Nontaxable or nondeductible items:		
Investment income not subject to tax	(23)	(16.4)
Nondeductible compensation under I.R.C. Section 162(m)	6	4.5
Changes in unrecognized tax benefits	—	—
Other:		
Transaction related tax benefits	(5)	(3.4)
Other	4	2.3
	\$	14
		10.0 %

(1) State taxes in Alabama made up the majority (greater than 50%) of the tax effect in this category

	For The Year Ended December 31, 2024
Statutory federal income tax rate applied to pre-tax income	21.0 %
Investment income not subject to tax	(3.9)
Other	1.3
	<u>18.4 %</u>

The annual provision for federal income tax in these financial statements differs from the annual amounts of income tax expense reported in the Company's income tax returns. Certain significant revenues and expenses are appropriately reported in different years with respect to the financial statements and the tax returns.

The components of the Company's income tax are as follows:

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Current income tax expense:		
Federal	\$ 142	\$ 143
State	16	12
Total current	<u>\$ 158</u>	<u>\$ 155</u>
Deferred income tax expense (benefit):		
Federal	\$ (138)	\$ (24)
State	(6)	(2)
Total deferred	<u>\$ (144)</u>	<u>\$ (26)</u>

There is no current or deferred foreign income tax expense or benefit for the year ended December 31, 2025.

The components of the Company's income before income tax are shown below. The foreign income is derived from offshore reinsurance subsidiaries that have elected to be taxed as U.S. taxpayers.

	For The Year Ended December 31, 2025
	(Dollars in millions)
Income before income tax expense:	
Federal	\$ 29
Foreign	112
	<u>\$ 141</u>

The Company's total income taxes paid (net of refunds) disaggregated by jurisdiction is as follows:

	For The Year Ended December 31, 2025
	(Dollars In Millions)
Federal	\$ 94
State	13
Total income taxes paid	<u>\$ 107</u>

Income taxes paid (net of refunds) exceeds 5% of the total income taxes paid (net of refunds) in the following jurisdictions:

	For The Year Ended December 31, 2025
	(Dollars In Millions)
State	
Alabama	\$ 7

The components of the Company’s net deferred income tax asset (liability) are as follows:

	As of December 31,	
	2025	2024
	(Dollars In Millions)	
Deferred income tax assets:		
Loss and credit carryforwards	\$ 53	\$ 99
Deferred compensation	82	81
Premium on corporate debt	20	21
Net unrealized losses on investments	1,289	1,719
Other	—	19
Valuation allowance	(79)	(54)
	<u>1,365</u>	<u>1,885</u>
Deferred income tax liabilities:		
Premium receivables and policy liabilities	631	791
VOBA and other intangibles	334	607
Invested assets (other than unrealized gains (losses))	138	270
Deferred policy acquisition costs	175	121
Other	13	—
	<u>1,291</u>	<u>1,789</u>
Net deferred income tax asset	<u>\$ 74</u>	<u>\$ 96</u>

On July 4, 2025, H.R. 1, the One, Big, Beautiful Bill Act (“OBBBA”) was signed into law. Among other changes, it allows certain domestic research and development expenses to be deducted in the year incurred and imposes new limits on certain charitable contribution deductions. The income tax related impacts of the OBBBA are not material to the Company’s consolidated financial statements.

The deferred tax assets reported above include certain deferred tax assets related to nonqualified deferred compensation and other employee benefit liabilities that were assumed by AXA and were not acquired by the Company in connection with the acquisition of MONY. The future tax deductions stemming from these liabilities will be claimed by the Company on MONY’s tax returns in its post-acquisition periods. These deferred tax assets have been estimated as of the December 31, 2025 reporting date based on all available information. However, it is possible that these estimates may be adjusted in future reporting periods based on actuarial changes to the projected future payments associated with these liabilities. Any such adjustments will be recognized by the Company as an adjustment to income tax expense during the period in which they are realized.

The Company is an applicable corporation subject to the Corporate Alternative Minimum Tax (“CAMT”). The CAMT is assessed as 15 percent of adjusted financial statement income in excess of regular U.S. income tax liability. Any CAMT paid generates a credit with an indefinite carryforward that can be offset against future regular U.S. liability in excess of the CAMT liability. The Company estimated its CAMT liability as none and \$4 million for the tax years ending December 31, 2025 and 2024, respectively, and had a CAMT credit carryforward of none and \$6 million as of December 31, 2025 and 2024, respectively.

The Bermuda Corporate Income Tax Act of 2023, imposes a 15% corporate income tax, beginning in 2025, on certain Bermuda-domiciled entities that are part of multinational enterprise groups with annual revenue of at least €750 million. The Company’s two Bermuda subsidiaries are subject to the new tax and will file Bermuda corporate income tax returns starting in

2025. As of December 31, 2025 and 2024, respectively, deferred tax assets of \$76 million and \$51 million have been established based on projected Bermuda tax basis differences. The Company expects to receive a foreign tax credit on its Bermuda return sufficient to eliminate any current tax liability. A full valuation allowance has been established to offset the Bermuda deferred tax assets.

In management’s judgment, the gross deferred income tax asset as of December 31, 2025, net of any valuation allowances, will more likely than not be fully realized. The Company has recognized a valuation allowance of \$3 million and \$4 million as of December 31, 2025 and 2024, respectively, related to state-based future deductible temporary differences that it has determined are more likely than not to expire unutilized. This resulting favorable change of \$1 million, before federal income taxes, decreased state income tax expense in 2025 by the same amount. At December 31, 2025 and 2024, respectively, the recognized valuation allowance also includes a Bermuda valuation allowance of \$76 million and \$51 million, which offsets the related deferred tax asset established under the new tax law.

At December 31, 2025 and 2024, the Company has non-life net operating loss carryforwards for federal income tax purposes of \$122 million and \$312 million, respectively, which are available to offset future non-life group federal taxable income and begin to expire in 2037. At December 31, 2025 and 2024, the Company also has life net operating loss carryforwards for federal income tax purposes of none and \$14 million, respectively, which are available to offset future taxable income (with limitations) and do not expire. At December 31, 2025 and 2024, the Company has capital loss carryforwards for federal income tax purposes of \$35 million and \$1 million, respectively, which are available to offset future federal capital gains (with limitations) and begin to expire in 2030. In addition, included in the deferred income tax assets above are \$25 million in state net operating loss carryforwards attributable to certain jurisdictions, which are available to offset future tax in the respective state jurisdictions, either expiring between 2026 and 2045 or possessing an indefinite carryforward period.

As of December 31, 2025, the Company’s fixed maturities were reported at an overall unrealized loss position. If the Company were to realize a tax-basis net capital loss for a year, such loss could not be deducted against that year’s ordinary taxable income. However, such a loss could be carried back and forward against any prior year or future year tax-basis net capital gains. Therefore, the Company has relied upon a prudent and feasible tax-planning strategy regarding its fixed maturities that were reported at an unrealized loss. The Company has the ability and the intent to either hold such fixed maturities to maturity, thereby avoiding a realized loss, or to generate an offsetting realized gain from unrealized gain fixed maturities if such unrealized loss fixed maturities are sold at a loss prior to maturity.

As of December 31, 2025 and 2024, there were no unrecognized tax benefits.

In general, the Company is no longer subject to income tax examinations by taxing authorities for tax years that began before 2022.

22. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow information:

	For The Year Ended December 31,	
	2025	2024
	(Dollars In Millions)	
Cash paid / (received) during the year:		
Interest on debt	\$ 134	\$ 156
Income taxes	107	222

Total cash interest paid on debt for the year ended December 31, 2025, was \$134 million. Of this amount, \$77 million related to interest on debt, \$31 million related to interest on subordinated debt and subordinated funding obligations, \$16 million related to interest on commercial paper and repurchase agreements, and \$10 million related to non-recourse funding obligations and other obligations.

23. RELATED PARTY TRANSACTIONS

The Company has joint venture interests in real estate for which the Company holds the underlying real estate’s loan. During 2025 and 2024, the Company received \$5 million and \$5 million, respectively, in commercial mortgage loan payments corresponding to the joint venture interest.

During the periods ending December 31, 2025 and 2024, the Company paid a management fee to Dai-ichi Life of \$15 million and \$12 million, respectively, for certain services provided to the Company.

The Company has guaranteed PLICO's obligations for borrowings or letters of credit under the revolving line of credit arrangement to which the Company is also a party. The Company has also issued guarantees, entered into support agreements and/or assumed a duty to indemnify its indirect wholly owned captive insurance companies in certain respects.

The Company has agreements with certain of its subsidiaries under which it supplies investment, legal and data processing services on a fee basis and provides other managerial and administrative services on a shared cost basis. Such other managerial and administrative services include but are not limited to accounting, financial reporting, compliance services, reinsurance administration, tax reporting, reserve computation, and projections.

24. STATUTORY REPORTING PRACTICES AND OTHER REGULATORY MATTERS

The Company's insurance subsidiaries prepare statutory financial statements for regulatory purposes in accordance with accounting practices prescribed by the National Association of Insurance Commissioners ("NAIC") and the applicable state insurance department laws and regulations. These financial statements vary materially from GAAP. Sources of statutory accounting practices include publications of the NAIC, state laws, regulations, general administrative rules as well as certain permitted accounting practices granted by the respective state insurance department. Generally, the most significant differences are that statutory financial statements do not reflect 1) DAC and VOBA, 2) benefit liabilities that are calculated using Company estimates of expected mortality, interest, and withdrawals, 3) deferred income taxes that are not subject to statutory limits, 4) recognition of realized gains and losses on the sale of securities in the period they are sold, and 5) fixed maturities recorded at fair values, but instead at amortized cost.

Statutory net income for PLICO was \$70 million and \$492 million for the years ended December 31, 2025 and 2024, respectively. Statutory capital and surplus for PLICO was \$5.4 billion and \$5.4 billion as of December 31, 2025 and 2024, respectively.

The Company's insurance subsidiaries are subject to various state statutory and regulatory restrictions on the insurance subsidiaries' ability to pay dividends to the Company. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval of the insurance commissions of the state of domicile. Dividends in larger amounts are considered extraordinary and are subject to affirmative prior approval by such commissioner. The maximum amount that would qualify as ordinary dividends to the Company from our insurance subsidiaries, and which would consequently be free from restriction and available for the payment of dividends to the Company's shareowner in 2026 is \$539 million. This results in \$4.9 billion of the net assets of the Company's insurance subsidiaries being restricted from transfer to the Company without prior approval from the respective state insurance departments.

State insurance regulators and the NAIC have adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile. A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense, and reserve items. Regulators can then measure the adequacy of a company's statutory surplus by comparing it to RBC. The Company manages its capital consumption by using the ratio of its total adjusted capital, as defined by the insurance regulators, to the Company's action level RBC (known as the RBC ratio), also defined by insurance regulators. As of December 31, 2025 and 2024, the Company's insurance subsidiaries all exceeded the minimum RBC requirements.

Additionally, the Company has certain assets that are on deposit with state regulatory authorities and restricted from use. As of December 31, 2025, the Company's insurance subsidiaries had on deposit with regulatory authorities, fixed maturity and short-term investments with a fair value of \$43.2 million.

The states of domicile of the Company's insurance subsidiaries have adopted prescribed accounting practices that differ from the required accounting outlined in NAIC Statutory Accounting Principles ("SAP"). The insurance subsidiaries also have certain accounting practices permitted by the states of domicile that differ from those found in NAIC SAP. These practices include permission to follow the actuarial guidelines of the domiciliary state of the ceding insurer for certain captive reinsurers and accounting for the XOL Asset Value. Certain of these permitted practices do not have a direct impact on the statutory capital and surplus of PLICO.

The favorable (unfavorable) effects on the statutory surplus of the Company's insurance subsidiaries, compared to NAIC statutory surplus, from the use of these permitted practices were as follows:

	As of December 31,	
	2025	2024
	(Dollars In Millions)	
Accounting for XOL Asset Value as an admitted asset	\$ 3,059	\$ 3,327
Reserving based on state specific actuarial practices	46	64
Total, net	\$ 3,105	\$ 3,391

25. SUBSEQUENT EVENTS

On February 24, 2026, the Company declared a dividend of \$253 million to the Company's sole shareowner to be paid on or before March 30, 2026.

The Company has evaluated the effects of events subsequent to December 31, 2025, and through February 27, 2026, the date at which our consolidated financial statements were available to be issued. All accounting and disclosure requirements related to subsequent events are included in our consolidated financial statements.