SECURIAN FINANCIAL GROUP, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Directors and Stockholder
Securian Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Securian Financial Group, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in 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, 2023 and 2022, 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.

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.

KPMG

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the incurred and paid claims development information for the year ended December 31, 2022, and prior, and the historical average annual percentage payoff of incurred claims information as of December 31, 2023, be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Minneapolis, Minnesota
March 8, 2024

SECURIAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2023 and 2022
(in thousands)

	2023	2022
Assets		
Fixed maturity securities:		
Available-for-sale, at fair value, (allowance for credit loss $1,778 and $0, respectively; amortized cost $24,766,807 and $23,961,139, respectively)	$ 22,389,327	$ 20,664,184
Equity securities, at fair value	489,065	540,232
Mortgage loans, net of allowance for credit loss of $10,944 and $0, respectively	5,956,063	5,603,009
Alternative investments	1,139,101	1,110,892
Derivative instruments	990,753	440,292
Other invested assets	1,103,978	752,002
Total investments	32,068,287	29,110,611
Cash and cash equivalents	1,080,746	600,000
Deferred policy acquisition costs	3,452,951	3,267,846
Reinsurance recoverables, net of allowance for credit loss of $3,970 and $0, respectively	3,275,694	3,315,436
Other assets	3,804,105	3,900,282
Separate account assets	29,775,699	27,660,773
Total assets	$ 73,457,482	$ 67,854,948
Liabilities and Equity		
Liabilities:		
Policy and contract account balances	$ 21,670,747	$ 21,020,638
Future policy and contract benefits	9,657,469	8,150,214
Pending policy and contract claims	981,386	886,894
Other policyholder funds	1,765,282	1,929,768
Unearned premiums and fees	2,425,520	2,241,229
Other liabilities	2,160,336	1,781,136
Debt	611,171	731,025
Separate account liabilities	29,775,699	27,660,773
Total liabilities	69,047,610	64,401,677
Equity:		
Common stock, $.01 par value, 850,000 shares authorized with 100,000 shares issued and outstanding	1	1
Additional paid in capital	82,260	86,699
Accumulated other comprehensive loss	(1,829,440)	(2,570,014)
Retained earnings	6,106,563	5,893,482
Total Securian Financial Group, Inc. and subsidiaries equity	4,359,384	3,410,168
Noncontrolling interests	50,488	43,103
Total equity	4,409,872	3,453,271
Total liabilities and equity	$ 73,457,482	$ 67,854,948

See accompanying notes to consolidated financial statements.

SECURIAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
Years ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Revenues:		
Premiums	$ 5,037,459	$ 3,707,318
Policy and contract fees	736,720	786,458
Net investment income	1,210,134	1,111,946
Net realized investment losses	(105,183)	(424,646)
Other income	1,187,900	993,810
Total revenues	8,067,030	6,174,886
Benefits and expenses:		
Policyholder benefits	4,513,284	3,111,973
Interest credited to policies and contracts	861,352	769,624
General operating and other expenses	1,754,174	1,668,431
Commissions	919,823	1,026,028
Amortization of deferred policy acquisition costs	236,186	241,833
Capitalization of policy acquisition costs	(456,528)	(489,998)
Total benefits and expenses	7,828,291	6,327,891
Income (Loss) from operations before taxes	238,739	(153,005)
Income tax expense (benefit)	11,928	(62,385)
Net income (loss)	226,811	(90,620)
Less: Net income attributable to noncontrolling interests	201	774
Net income (loss) attributable to Securian Financial Group, Inc. and subsidiaries	$ 226,610	$ (91,394)
Other comprehensive income (loss), before tax:		
Unrealized holding gains (losses) on securities arising during the period	$ 921,578	$ (4,826,975)
Foreign currency translation adjustment	1,959	(16,124)
Adjustment to deferred policy acquisition costs	(38,920)	1,539,204
Adjustment to reserves	3,349	446,157
Adjustment to unearned premiums and fees	2,051	(1,279,729)
Adjustment to pension and other retirement plans	(2,261)	87,760
Other comprehensive income (loss), before tax	887,756	(4,049,707)
Income tax benefit (expense) related to items of other comprehensive income (loss)	(147,182)	664,365
Other comprehensive income (loss), net of tax	740,574	(3,385,342)
Comprehensive income (loss)	967,385	(3,475,962)
Less: Comprehensive income attributable to noncontrolling interests	201	774
Comprehensive income (loss) attributable to Securian Financial Group, Inc. and subsidiaries	$ 967,184	$ (3,476,736)

See accompanying notes to consolidated financial statements.

SECURIAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
Years ended December 31, 2023 and 2022
(in thousands)

	Common stock	Additional paid in capital	Accumulated other comprehensive income (loss)	Retained earnings	Securian Financial Group, Inc. and subsidiaries equity	Noncontrolling interests	Total equity
2022							
Balance, beginning of year	$ 1	$ 86,699	$ 815,328	$ 5,990,525	$ 6,892,553	$ 40,903	$ 6,933,456
Comprehensive income (loss):							
Net income (loss)	—	—	—	(91,394)	(91,394)	774	(90,620)
Other comprehensive loss	—	—	(3,385,342)	—	(3,385,342)	—	(3,385,342)
Total comprehensive income (loss)					(3,476,736)	774	(3,475,962)
Change in accounting principle	—	—	—	(651)	(651)	—	(651)
Dividends to stockholder	—	—	—	(4,998)	(4,998)	—	(4,998)
Change in equity of noncontrolling interests	—	—	—	—	—	1,426	1,426
Balance, end of year	$ 1	$ 86,699	$ (2,570,014)	$ 5,893,482	$ 3,410,168	$ 43,103	$ 3,453,271
2023							
Balance, beginning of year	$ 1	$ 86,699	$ (2,570,014)	$ 5,893,482	$ 3,410,168	$ 43,103	$ 3,453,271
Comprehensive income:							
Net income	—	—	—	226,610	226,610	201	226,811
Other comprehensive income	—	—	740,574	—	740,574	—	740,574
Total comprehensive income					967,184	201	967,385
Change in accounting principle	—	—	—	(8,536)	(8,536)	—	(8,536)
Dividends and other	—	(4,439)	—	(4,993)	(9,432)	—	(9,432)
Change in equity of noncontrolling interests	—	—	—	—	—	7,184	7,184
Balance, end of year	$ 1	$ 82,260	$ (1,829,440)	$ 6,106,563	$ 4,359,384	$ 50,488	$ 4,409,872

See accompanying notes to consolidated financial statements.

SECURIAN FINANCIAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Year ended December 31, 2023 and 2022
(in thousands)

Cash Flows from Operating Activities	2023	2022
Net income (loss)	$ 226,811	$ (90,620)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Interest credited to annuity and insurance contracts	408,493	346,494
Fees deducted from policy and contract balances	(669,906)	(644,924)
Change in future policy benefits	1,125,828	502,778
Change in other policyholder liabilities, net	827,601	(138,747)
Amortization of deferred policy acquisition costs	236,186	241,833
Capitalization of policy acquisition costs	(456,528)	(489,998)
Net realized investment losses (gains)	105,183	424,646
Change in reinsurance recoverables	135,159	(248,491)
Other, net	427,723	300,759
Net cash provided by operating activities	2,366,550	203,730
Cash Flows from Investing Activities		
Proceeds from sales of:		
Fixed maturity securities	2,817,873	2,245,574
Equity securities	227,401	311,783
Alternative investments	64,539	100,171
Derivative instruments	310,396	(39,984)
Other invested assets	24,018	2,343
Proceeds from maturities and repayments of:		
Fixed maturity securities	1,435,381	1,717,232
Mortgage loans	328,886	488,440
Purchases and originations of:		
Fixed maturity securities	(4,917,538)	(5,211,156)
Equity securities	(88,767)	(246,837)
Mortgage loans	(692,909)	(1,015,300)
Alternative investments	(126,955)	(160,851)
Derivative instruments	(362,331)	(384,484)
Other invested assets	(42,143)	(19,487)
Other, net	(835,004)	163,713
Net cash used for investing activities	(1,857,153)	(2,048,843)
Cash Flows from Financing Activities		
Deposits credited to annuity and insurance contracts	7,750,044	6,318,222
Withdrawals from annuity and insurance contracts	(7,662,122)	(4,723,251)
Proceeds from issuance of debt	220,000	—
Payments on debt	(340,000)	—
Other, net	3,427	71,164
Net cash provided by (used for) financing activities	(28,651)	1,666,135
Net increase (decrease) in cash and cash equivalents	480,746	(178,978)
Cash and cash equivalents, beginning of year	600,000	778,978
Cash and cash equivalents, end of year	$ 1,080,746	$ 600,000

See accompanying notes to consolidated financial statements.

(1) Nature of Operations

Organization and Description of Business

The accompanying consolidated financial statements include the accounts of Securian Financial Group, Inc. (SFG) (a wholly-owned subsidiary of Securian Holding Company (SHC)) and its subsidiaries. SFG, through its subsidiaries (collectively, the Company), provides a diversified array of insurance, retirement and investment products and services designed principally to protect and enhance the long-term financial security of individuals and families.

The Company, which primarily operates in the United States, generally offers the following types of products through its various subsidiaries:

- Fixed, indexed and variable universal life, term life and whole life insurance products to individuals through affiliated and independent channel partners;
- Immediate and deferred annuities, with fixed, indexed, and variable investment options through affiliated and independent channel partners;
- Financial advice, investment advisory, and wealth management services through a majority of 2023;
- Group life insurance and voluntary products to public and private employers;
- Retirement options to employers and investment firms through affiliated and independent channel partners as well as direct relationships;
- Life and specialty property and casualty insurance protection through banks, credit unions, finance companies and associations along with distribution of financial institution products and services; and
- Investment and asset management services.

During 2023, the Company sold its retail wealth business, including certain agents of its registered broker-dealer subsidiary and the equity of its trust company subsidiary, in exchange for net cash consideration of $309,963 and reported a gain from the sale of $276,604 in other income on the consolidated statements of operations and comprehensive income (loss).

During 2022, the Company entered into reinsurance agreements to reinsure certain closed blocks of individual life and individual annuity products and certain non-affiliated group annuity products. Refer to note 12 Reinsurance for additional discussion.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of SFG and its subsidiaries. All material intercompany transactions and balances have been eliminated.

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect reported assets and liabilities, including reporting or disclosure of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Future events, including but not limited to, changes in policyholder mortality, policyholder morbidity, policyholder withdrawal rates, policyholder lapse rates and policyholder utilization, interest rates and asset valuations, could cause actual results to differ from the estimates used in the consolidated financial statements, and such changes in estimates are generally recorded on the consolidated statements of operations and comprehensive income (loss) in the period in which they are made.

The most significant estimates include those used in determining the balance of deferred policy acquisition costs, unearned premiums and fees and reinsurance recoverables for traditional and nontraditional insurance products, policyholder liabilities, valuation of and impairment losses on fixed maturity securities and investments for mortgage loans on real estate, income taxes, goodwill, and pension and other postretirement employee benefits obligation. Although some variability is inherent in these estimates, the recorded amounts reflect management's best estimates based on facts and circumstances as of the balance sheet date. Management believes the amounts provided are appropriate.

(2) Summary of Significant Accounting Policies (Continued)

Insurance Revenues and Expenses

Premiums on traditional life insurance products, which include individual whole life and term insurance and immediate and supplemental annuities paid for life, are recognized as revenue when due. Premiums for accident and health and group life insurance products are recognized as revenue over the contract period when earned. To the extent that this revenue is unearned, it is reported as part of unearned premiums and fees on the consolidated balance sheets. Benefits and expenses, including amortization of deferred policy acquisition costs, are recognized in relation to premiums over the contract period via a liability for future policyholder benefits.

Nontraditional life insurance products include individual fixed, indexed and variable universal life insurance and adjustable life insurance and group universal and variable universal life insurance. Revenue from nontraditional life insurance products is comprised of policy and contract fees charged for the cost of insurance, sales loads, policy administration, benefit riders, surrenders and mortality and expense risk charges. Policy and contract fees are assessed on a daily or monthly basis and recognized as revenue when assessed and earned. Expenses include benefits, policy acquisition costs, and interest credited to policy account balances. Deferred policy acquisition costs are amortized relative to the emergence of gross profits.

Revenue from deferred annuities are comprised of policy and contract fees charged for mortality and expense risk, guaranteed benefit riders, and policy administration which are assessed on a daily or monthly basis and recognized when assessed and earned. Expenses include benefits, policy acquisition costs, and interest credited to policy account balances. Deferred policy acquisition costs are amortized relative to the emergence of gross profits.

Any premiums on both traditional and nontraditional products due as of the date of the consolidated financial statements that have not yet been received and posted are included in other assets on the consolidated balance sheets.

Certain nontraditional life insurance products, specifically individual fixed, indexed and variable universal life insurance, require payment of fees in advance for services that will be rendered over the estimated lives of the policies. These payments are established as unearned revenue reserves (URR) when assessed and are included in unearned premiums and fees on the consolidated balance sheets. These URRs are generally amortized over the estimated lives of these policies in relation to the emergence of gross profits and changes in estimates are included on the consolidated statements of operations and comprehensive income (loss). Changes in assumptions can have a significant impact on the amount of URR reported for certain nontraditional life insurance products and the related amortization patterns. In the event actual experience differs from expected experience or future assumptions are revised to reflect management's new best estimate, the Company records an increase or decrease in URR amortization, which could be significant. Unearned revenue reserves are adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available-for-sale. The adjustment represents the changes in amortization that would have been recorded had such unrealized amounts been realized. This adjustment is recorded through other comprehensive income (loss) on the consolidated statements of operations and comprehensive income (loss).

Revenue from Contracts with Customers

The Company earns commission income on the distribution of insurance and investment related products. Commission income on insurance and investment related products is recognized as earned, and it is probable that a significant reversal in the amount of the commission will not occur. The performance obligation is either satisfied at time of sale for placing the product, or it is satisfied over the time the client owns the investment or holds the contract (trailing distribution income). Commission income is calculated as a fixed rate applied, as a percentage, to the net asset value of the fund or value of the insurance product distributed or reflects the consideration the Company expects to be entitled to in exchange for the products distributed. Trailing distribution income is not recognized at the time of sale because it is variable constrained due to factors outside of the Company's control including market volatility and client behavior. Commission income recognized at a point in time for the years ended December 31, 2023 and 2022 was $374,028 and $446,175, respectively. Trailing distribution income recognized over time for the years ended December 31, 2023 and 2022 was $50,589 and $48,747, respectively. Commission income is received and recognized weekly, monthly, or quarterly, and is recognized in other income on the consolidated statements of operations and comprehensive income (loss).

(2) Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (Continued)

Investment advisory fee income is earned for asset management services and for investment advisory services provided to brokerage customer accounts. Investment advisory income is recognized when the contractual terms of the fee arrangement have been satisfied and it is probable that a significant reversal in the amount of the fee will not occur. The investment advisory performance obligation is considered a series of distinct services that are substantially the same that are satisfied each day over the contract term. Investment advisory fee income is variably constrained due to factors outside the Company's control including market volatility and client behavior. Investment advisory fee income recognized for the years ended December 31, 2023 and 2022 was $194,262 and $273,745, respectively. Investment advisory fee income is primarily invoiced or charged on a monthly or quarterly basis and is recognized in other income on the consolidated statements of operations and comprehensive income (loss).

The Company recognizes revenue for its employee benefit enrollment and human resources administration services. These services represent a stand-ready obligation to perform these activities on an as needed basis. The customer obtains value from each period of service, and each time increment (i.e., each month, or each benefits cycle) is distinct and substantially the same. Accordingly, the ongoing services represent a ‘series’ and are deemed one performance obligation. Employee enrollment and human resources administration services may include fixed consideration, variable consideration, or a combination of the two. Variable consideration is a function of the number of participants per month. Revenue is recognized over time as services are performed because clients are simultaneously receiving and consuming the benefits of the service. Employee benefit enrollment and human resources administration revenue recognized for the year ended December 31, 2023 and 2022 was $129,613 and $107,510, respectively. Customers are billed monthly for the services provided during the month and revenue is recognized in other income on the consolidated statements of operations and comprehensive income (loss).

Valuation of Investments and Net Investment Income

Fixed maturity securities, which may be sold prior to maturity, are classified as available-for-sale and are carried at fair value. Premiums and discounts are amortized or accreted using the interest yield method. The Company recognizes the excess of all cash flows over the initial investment attributable to its beneficial interest in asset-backed securities estimated at the acquisition/transaction date as interest income over the life of the Company’s beneficial interest using the effective interest yield method. The Company does not accrete the discount for fixed maturity securities that are in default.

For non-structured fixed maturity securities, the Company recognizes interest income using the interest method without anticipating the impact of prepayments.

For structured fixed maturity securities, excluding interest-only securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions obtained from outside service providers or upon analyst review of the underlying collateral and the estimated economic life of the securities. When estimated prepayments differ from the anticipated prepayments, the effective yield is recalculated to reflect actual prepayments to date and anticipated future payments. Any resulting adjustment is included in net investment income.

Equity securities include common stock of publicly traded companies, mutual funds and exchange-traded fund investments. Equity securities are stated at fair value, with changes in fair value recorded as net realized investment gains (losses) on the consolidated statements of operations and comprehensive income (loss). Mutual funds and exchange-traded fund are carried at fair value, which generally are quoted market prices of the funds’ net asset value. The Company recognizes dividend income on equity securities upon the declaration of the dividend.

Available-for-sale securities are stated at fair value, with the unrealized holding gains and losses, net of adjustments to deferred policy acquisition costs, unearned premiums and fees, reserves and deferred income tax, reported as a separate component of accumulated other comprehensive loss in equity.

Mortgage loans are carried at amortized cost less any allowance for credit loss, and prior to January 1, 2023 were carried at amortized cost less any valuation allowances. Premiums and discounts are amortized or accreted over the terms of the mortgage loans based on the effective interest yield method.

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Valuation of Investments and Net Investment Income (Continued)

Alternative investments include limited partnership investments in private equity, mezzanine debt and hedge funds. These investments are carried on the consolidated balance sheets using the equity method of accounting. The Company's income from these alternative investments is included in net investment income or net realized investment gains (losses) on the consolidated statements of operations and comprehensive income (loss) based on information provided by the investee. The valuation of alternative investments is recorded based on the partnership financial statements from the previous quarter plus contributions and distributions during the fourth quarter. Changes in any undistributed amounts held by the investee are recorded, based on the Company's ownership share, as realized gains or losses on the consolidated statements of operations and comprehensive income (loss). The Company evaluates partnership financial statements received subsequent to December 31 up to the financial statement issue date for material fluctuations in order to determine if an adjustment should be recorded as of December 31.

Investments in partnerships, which generally represent minority interests owned in certain general agencies, are carried in other invested assets on the consolidated balance sheets at the amount invested, adjusted to recognize the Company's ownership share of the earnings or losses of the investee after acquisition adjusted for any distributions received (equity method accounting). The valuation of these investments is based on each general agency financial statement from the previous quarter, and is included in net investment income on the consolidated statements of operations and comprehensive income (loss).

Real estate, included in other invested assets on the consolidated balance sheets, represents commercial real estate acquired in satisfaction of mortgage loan debt and other properties held for sale. Real estate is considered held for sale for accounting purposes and is carried at the lower of cost or fair value less estimated cost to sell.

Policy loans are carried at the unpaid principal balance and are reported in other invested assets on the consolidated balance sheets. The carrying value of the policy loans at December 31, 2023 and 2022 was $914,518 and $595,490, respectively.

Cash is carried at cost, which approximates fair value. Cash equivalents of sufficient credit quality are carried at fair value. The Company considers commercial paper with original maturity dates of less than three months and all money market funds to be cash equivalents. The Company places its cash and cash equivalents with high quality financial institutions and, at times, these balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

A portion of the funds collected by the Company from its financial institution customers is restricted in its use because the Company is acting as an agent on behalf of certain insurance underwriters. As an agent, the Company has a fiduciary responsibility to remit the appropriate percentage of monies collected to the corresponding insurance underwriters. This sum of money is defined as unremitted premiums payable and is recorded in other liabilities on the consolidated balance sheets as discussed in detail in note 14 Unremitted Premiums and Claims Payable. The use of restricted funds is limited to the satisfaction of the unremitted premiums and claims payable owed to the underwriter. The Company also holds funds on behalf of clients under benefit outsourcing agreements that are typically remitted on the client's behalf in a short period of time.

The amount of restricted cash reported in cash and cash equivalents on the consolidated balance sheets is $133,463 and $106,506 at December 31, 2023 and 2022, respectively.

Derivative Financial Instruments

The Company uses a variety of derivatives, including swaps, futures, caps, floors, forwards and option contracts, to manage the risks associated with cash flows, interest crediting or changes in estimated fair values related to the Company's financial instruments. The Company currently enters into derivative transactions that do not qualify for hedge accounting or in certain cases, elects not to utilize hedge accounting.

Derivative instruments are carried at fair value, with changes in fair value of derivative instruments recorded in net realized investment gains or interest credited to policies and contracts on the consolidated statements of operations and comprehensive income (loss). The Company does not offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

(2) Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments (Continued)

Several non-traditional life insurance and annuity products in the Company's liability portfolio contain investment guarantees which are deemed to be embedded derivatives. These guarantees take the form of guaranteed withdrawal benefits on variable annuities, a guaranteed payout floor on a variable payout annuity, and indexed interest credits on both fixed indexed annuity and fixed indexed universal life products. The embedded derivative is bifurcated from the host insurance contract and accounted for as a freestanding derivative. Embedded derivatives are carried on the consolidated balance sheets at estimated fair value and are included within policy and contract account balances and future policy and contract benefits on the consolidated balance sheets. Changes in estimated fair value are reported in net realized investment gains or in interest credited to policies and contracts on the consolidated statements of operations and comprehensive income (loss).

Realized and Unrealized Gains and Losses

Realized and unrealized gains and losses are determined using the specific security identification method. The Company regularly reviews fixed maturity securities in an unrealized loss position to determine whether the amortized cost basis of the security is recoverable. During these reviews, the Company evaluates many factors, including, but not limited to, the extent to which the current fair value is below the cost of the security, specific credit issues such as collateral, financial prospects related to the issuer, current economic conditions and whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers.

When it is anticipated that the amortized cost will not be recovered, management uses discounted cash flows and recovery analyses to measure the portion of decline in estimated fair value that is related to credit. The Company utilizes the effective interest rate of the security at the time of purchase as the discount rate in the present value of estimated future cash flows.

For non-structured fixed maturity securities, the Company estimates the credit component of the loss based on a number of various liquidation scenarios that it uses to assess the revised expected cash flows from the security. The Company may use the estimated fair value of collateral, if any, as a proxy for the expected cash flows if it believes that the security is dependent on the liquidation of collateral for recovery of its investment.

For structured fixed maturity securities, the discounted cash flow analyses incorporates inputs from outside sources, including but not limited to, default rates, delinquency rates, loan to collateral ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, credit ratings and other information that management deems relevant in forming its assessment.

After the adoption of new credit loss standard on January 1, 2023, if the Company determines the decline in estimated fair value is due to credit losses, an allowance is recognized through net investment gains (losses). In periods after the recognition of an initial allowance for credit losses on a security, increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the allowance for credit losses which are recorded within net investment gains (losses); however, the previously recorded allowance for credit losses is not reduced to an amount below zero. Full or partial write-offs are deducted from the allowance for credit losses in the period the security is considered uncollectible. Recoveries of amounts previously written off are recorded to the allowance for credit losses in the period received. When the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any allowance for credit losses is written off and the amortized cost is written down to estimated fair value through a charge within net investment gains (losses), which becomes the new amortized cost of the security.

Prior to the adoption of new credit loss guidance on January 1, 2023, methodologies to evaluate the recoverability of a security in an unrealized loss position were similar, except the length of time estimated fair value had been below amortized cost was considered for securities. In addition, measurement methodologies were similar, except: (i) a fair value floor was not utilized to limit the credit loss recognized, (ii) the amortized cost of securities was adjusted for the the other-than-temporary impairment (OTTI) to the expected recoverable amount instead of an allowance, (iii) subsequent increases in expected cash flows from impaired securities were recorded as increases in unrealized gains in other comprehensive income (loss), and did not result in an immediate increase in earnings through net investment gains (losses).

The Company utilizes an accretable yield which is the equivalent of book yield at purchase date as the discount rate in the present value of estimated future cash flows. The book yield is also analyzed to see if it warrants any changes due to prepayment assumptions.

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Realized and Unrealized Gains and Losses (Continued)

Changes in fair value of equity securities are recorded as realized investment gains (losses) on the consolidated statements of operations and comprehensive income (loss).

All other material unrealized losses are reviewed for any criteria that may trigger an OTTI. Determination of the status of each analyzed investment as other-than-temporarily impaired or not is made based on these evaluations with documentation of the rationale for the decision.

The allowance for credit losses for mortgage loans represents the Company's best estimate of expected credit losses over the remaining life of the loans and is determined using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Changes in the allowance for credit losses are recorded in net realized investment gains (losses) on the consolidated statement of operations and comprehensive income (loss).

Prior to the adoption of the new credit loss standard on January 1, 2023, the mortgage loan valuation allowance was estimated based on an evaluation of known and inherent risks within the loan portfolio and consisted of an evaluation of a specific loan loss allowance and a general loan loss allowance. A specific loan loss allowance was recognized when, based on current information and events, it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan. A nonperforming loan was defined as a loan that is not performing to the contractual terms of the loan agreement. Examples of nonperforming loans may include delinquent loans, requests for forbearance and loans in the process of foreclosure. The specific valuation allowance was equal to the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan's original effective interest rate, or, if the loan was in the process of foreclosure or otherwise collateral dependent, the estimated fair value of the loan's underlying collateral, less estimated selling costs. Mortgage loans that were deemed uncollectible were generally written-off against the valuation allowance, and recoveries, if any, were credited to the valuation allowance. The Company may recognize a general loan loss valuation allowance when it was probable that a credit event had occurred and the amount of the loss could be reasonably estimated. Changes in the valuation allowance were recorded in net realized investment gains (losses) on the consolidated statements of operations and comprehensive income (loss).

Under equity method accounting, investments in partnerships, consisting of both equity value of the investment and related goodwill, are evaluated annually regarding the necessity of recording impairment losses for an other-than-temporary impairment decline in the fair value of the asset.

Separate Accounts

Separate account assets and liabilities represent segregated funds administered by an unaffiliated asset management firm. These segregated funds are invested by both an unaffiliated asset management firm and the Company for the exclusive benefit of the Company's pension, variable annuity and variable life insurance policyholders and contractholders. Assets consist principally of marketable securities and are reported at the fair value of the investments held in the segregated funds. Investment income and gains and losses accrue directly to the policyholders and contractholders. The activity of the separate accounts is not reflected on the consolidated statements of operations and comprehensive income (loss) except for the fees the Company received, which are assessed on a daily or monthly basis and recognized as revenue when assessed and earned, and the activity related to guaranteed minimum death and withdrawal benefits.

The Company periodically invests money in its separate accounts. At December 31, 2023 and 2022, the fair value of these investments included within equity securities, at fair value on the consolidated balance sheets was $2,067 and $21,562, respectively.

Deferred Policy Acquisition Costs

The costs after the effects of reinsurance, which relate directly to the successful acquisition of new or renewal contracts, are generally deferred to the extent recoverable from future premiums or expected gross profits. Deferrable costs that can be capitalized in the successful acquisition of new or renewal contracts include incremental direct costs of acquisitions, as well as certain costs related directly to acquisition activities such as underwriting, policy issuance and processing, medical and inspection and sales force contract selling. Deferred policy acquisition costs (DAC) are subject to loss recognition and recoverability testing at least annually.

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Deferred Policy Acquisition Costs (Continued)

For traditional life insurance, accident and health and group life insurance products, DAC are amortized with interest over the premium paying period in proportion to the ratio of annual premium revenues to ultimate premium revenues. The ultimate premium revenues are estimated based upon the same assumptions used to calculate the future policy benefits and the assumptions are locked.

For nontraditional life insurance products and deferred annuities, DAC are amortized with interest over the expected life of the contracts in relation to the present value of actual and estimated future gross profits from investment, mortality, expense, and lapse margins. The Company reviews actuarial assumptions used to project estimated gross profits, such as mortality, persistency, expenses, future crediting rates, investment returns and separate account returns, periodically throughout the year. These assumptions reflect the Company's best estimate of future experience.

For future separate account return assumptions, the Company utilizes a mean reversion process. The Company determines an initial starting date (anchor date) to which a long-term separate account return assumption is applied in order to project an estimated mean return. The Company's future long-term separate account return assumptions ranged from 4.50% to 7.00% at December 31, 2023 and 2022 depending on the block of business, reflecting differences in contract holder fund allocations between fixed income and equity investments. Factors regarding economic outlook and management's current view of the capital markets along with a historical analysis of long-term investment returns are considered in developing the Company's long-term separate account return assumption. If the actual separate account return varies from the long-term assumption, a modified yield assumption is projected over the next five years such that the mean return equals the long-term assumption. The modified yield assumption is generally not permitted to be negative or in excess of 15% during the five-year reversion period.

Changes in assumptions can have a significant impact on the amount of DAC reported for nontraditional life insurance products and deferred annuities, and the related amortization patterns. In the event actual experience differs from expected experience or future assumptions are revised to reflect management's new best estimate, the Company records an increase or decrease in DAC amortization expense, which could be significant. Any resulting impact to financial results from a change in an assumption is included in amortization of DAC on the consolidated statements of operations and comprehensive income (loss).

DAC are adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available-for-sale. The adjustment represents the changes in amortization that would have been recorded had such unrealized amounts been realized. This adjustment is recorded through other comprehensive income (loss) on the consolidated statements of operations and comprehensive income (loss).

The Company assesses internal replacements on insurance contracts to determine whether such modifications significantly change the contract terms. An internal replacement represents a modification in product benefits, features, rights or coverages that occurs by the exchange of an insurance contract for a new insurance contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. If the modification substantially changes the contract, the remaining DAC on the original contract are immediately expensed and any new DAC on the replacement contract are deferred. If the contract modification does not substantially change the contract, DAC amortization on the original contract continues and any new acquisition costs associated with the modification are immediately expensed.

The estimated fair value of in–force contracts in a business combination is an intangible asset that represents the portion of the purchase price allocated to the value of the right to receive future cash flows from the business in force at the acquisition date. The Company amortizes the intangible asset over the anticipated life of the acquired contracts using similar actuarial methodology used to amortize DAC and the intangible asset is also subject to recoverability testing. The intangible asset is included as part of DAC on the consolidated balance sheets with related amortization included as part of DAC amortization on the consolidated statements of operations and comprehensive income (loss).

(Continued)

(in thousands)

(2) Summary of Significant Accounting Policies (Continued)

Sales Inducements

The Company defers sales inducements and amortizes them over the life of the policy utilizing the same methodology and assumptions used to amortize DAC. Deferred sales inducements are included in other assets on the consolidated balance sheets. The Company offers sales inducements for individual annuity products that credit the policyholder with a higher interest rate than the normal general account interest rate for the first year of the deposit and another sales inducement that offers an upfront bonus on variable annuities. Changes in deferred sales inducements for the periods ended December 31 were as follows:

	2023	2022
Balance at beginning of year	$ 39,096	$ 29,950
Capitalization	1,156	3,128
Amortization and interest	(1,770)	(4,535)
Adjustment for unrealized (gains) losses	(3,964)	10,553
Balance at end of year	$ 34,518	$ 39,096

Goodwill and Other Intangible Assets

In connection with acquisitions of operating entities, the Company recognizes the excess of the purchase price over the fair value of net assets acquired as goodwill. Goodwill is recorded in other assets on the consolidated balance sheets and is not amortized. The Company may choose to perform a qualitative assessment in which the Company determines if the fair value of the reporting unit is, more likely than not, greater than the carrying value of the reporting unit. If the fair value of the reporting unit is, more likely than not, greater than the carrying value of the reporting unit, then no further review or testing is required. If the fair value of the reporting entity is not, more likely than not, greater than the carrying value of the reporting unit, or if the Company chooses not to perform a qualitative assessment, the goodwill is tested for impairment at the reporting unit level.

The assessment or testing of goodwill is performed at least annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the 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 compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. When the Company chooses to perform or determines that testing is required, the fair value of the reporting unit is estimated using a combination of the income or discounted cash flows approach and the market approach, which utilizes comparable companies' data, when available. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the fair value of reporting unit goodwill to its carrying amount. An impairment loss would be recognized when the carrying amount of goodwill exceeds its fair value.

Other intangible assets acquired in connection with acquisitions of operating entities are recorded in other assets on the consolidated balance sheets. The Company evaluates the recoverability of other intangible assets with finite useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to: (1) a significant decrease in the fair value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected undiscounted future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be determined as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

(2) Summary of Significant Accounting Policies (Continued)

Software

Computer software costs incurred for internal use, including cloud computing costs, are capitalized and amortized over a three to five-year period. Computer software costs include application software, purchased software packages and significant upgrades to software and cloud computing cost which include implementation costs for cloud computing arrangements and is included in other assets on the consolidated balance sheets. The Company had unamortized software and cloud computing costs of $126,606 and $98,766 as of December 31, 2023 and 2022, respectively, and amortized software and cloud computing expense of $29,675 and $18,356 for the years ended December 31, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation of $185,432 and $168,588 at December 31, 2023 and 2022, respectively. Property and equipment is included in other assets on the consolidated balance sheets. Buildings are depreciated over 40 years and equipment is generally depreciated over 5 to 10 years. Depreciation expense for the years ended December 31, 2023 and 2022, was $36,055 and $23,262, respectively.

Reinsurance

Insurance liabilities are reported before the effects of ceded reinsurance. Reinsurance recoverables represent amounts due from reinsurers for paid and unpaid benefits, expense reimbursements, prepaid premiums and policyholder liabilities. Policyholder liabilities recoverable from reinsurers are estimated in a manner consistent with the policyholder liability associated with the reinsured business. Reinsurance premiums ceded and recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Reinsurance profit share income is classified in other income on the consolidated statements of operations and comprehensive income (loss).

The net cost of reinsurance from reinsuring several closed blocks of individual life and individual annuity products generally represent the upfront ceding commission in excess of the amount of deferred acquisition costs recovered, and is reported in other liabilities on the consolidated balance sheets. The net cost of reinsurance is amortized over the estimated remaining life of the underlying policies into other income on the consolidated statements of operations and comprehensive income (loss). The net cost of reinsurance was $90,168 and $90,014 as of December 31, 2023 and 2022, respectively.

Deposit receivables reported within other assets on the consolidated balance sheets include amounts due from the reinsurers for certain individual annuities and non-affiliated group annuities with insignificant life insurance risk that are recorded using the deposit method. Accretion on the deposit receivables is determined under the effective interest method and reported in other income on the consolidated statements of operations and comprehensive income (loss). The deposit receivables were $1,356,794 and $1,552,630 as of December 31, 2023 and 2022, respectively.

The modified coinsurance payable and receivables on separate accounts of a certain closed block of individual life products are presented within separate account assets and liabilities on the consolidated balance sheets and changes in modified coinsurance receivables and payables are presented net within policyholder benefits on the consolidated statements of operations and comprehensive income (loss). The modified coinsurance payables and receivables on associated separate accounts were each $2,758,903 and $2,413,282 at December 31, 2023 and 2022, respectively.

The Company generally secures large reinsurance recoverables and deposit receivables with various forms of collateral, primarily including secured (comfort) trusts, funds withheld accounts and irrevocable letters of credit.

After January 1, 2023, the Company records an allowance for credit losses on the consolidated balance sheets that reduces reinsurance recoverable and deposit receivable balances to present the net amount expected to be collected from reinsurers. When assessing the creditworthiness of the Company's reinsurance recoverable balances, the Company considers the financial strength of its reinsurers using public ratings and rating reports, current existing credit enhancements to reinsurance agreements and the financial statements of the reinsurers. Impairments are then determined based on probable and estimable defaults.

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Policyholder Liabilities

Policy and contract account balances represent the net accumulation of funds associated with nontraditional life insurance products and deferred annuities. Additions to account balances include premiums, deposits, sales inducements and interest credited by the Company. Deductions to account balances include surrenders, withdrawals, benefit payments and policy and contract fees. Policyholder liabilities also include host insurance contracts and embedded derivatives as described in Derivative Instruments above.

Future policy and contract benefits are comprised of reserves for traditional life insurance, group life insurance, accident and health products, and immediate annuities. The reserves are calculated using the net level premium method based upon assumptions regarding investment yield, mortality, morbidity and withdrawal rates determined at the date of issue, commensurate with the Company’s experience. Provision has been made in certain cases for adverse deviations from these assumptions. When estimating the expected gross margins for traditional life insurance products as of December 31, 2023, the Company has assumed an average rate of investment yields ranging from 3.73% to 5.22%.

Future policy and contract benefits also include reserves for guarantees on certain universal life and deferred annuity contracts that provide for potential benefits in addition to the account balance. The additional liabilities are determined by estimating the expected value of benefits in excess of projected account balances and recognizing the excess ratably over the accumulation period based on total expected assessments.

Certain future policy and contract benefits are adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available for sale. The adjustment to future policy benefits and claims represents the increase in policy reserves that would have been recorded had such unrealized amounts been realized. This adjustment is recorded through other comprehensive income (loss) on the consolidated statements of operations and comprehensive income (loss).

Pending policy and contract claims primarily represent amounts estimated for claims incurred but not reported and claims that have been reported but not settled. Such liabilities are estimated based upon the Company's historical experience and other actuarial assumptions that consider current developments and anticipated trends.

Other policyholder funds are comprised of dividend accumulations, premium deposit funds and supplementary contracts without life contingencies.

Foreign Currency

Assets, liabilities and operations of foreign subsidiaries located in Canada are recorded based on the functional currency of the subsidiary. The determination of the functional currency is made based on the appropriate economic facts and management indicators and generally represents the local currency of the subsidiary. Assets and liabilities of foreign subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and revenues and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to other comprehensive income (loss), net of applicable taxes. Gains and losses from foreign currency transactions are included in net income.

Participating Business

Dividends on participating policies and other discretionary payments are declared by the Board of Directors based upon actuarial determinations, which take into consideration current mortality, interest earnings, expense factors and federal income taxes. Dividends, which are recognized as expenses consistent with the recognition of premiums, were $2,861 and $3,103 for the years ended December 31, 2023 and 2022, respectively, and are included in general operating and other expenses on the consolidated statements of operations and comprehensive income (loss). Policyholder dividends payable were $13,668 and $13,868 at December 31, 2023 and 2022, respectively, and are included in other liabilities on the consolidated balance sheets. At December 31, 2023 and 2022, the total participating business in force was $2,107,324 and $1,835,185, respectively. As a percentage of total life insurance in force, participating business in force represents 0.13% and 0.20% at December 31, 2023 and 2022 respectively.

(2) Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company files a life/non-life consolidated federal income tax return with Minnesota Mutual Companies, Inc., the Company's ultimate parent. The Company utilizes a consolidated approach to the allocation of current taxes, whereby, the tax benefits resulting from any losses by the Company, which would be realized by Minnesota Mutual Companies, Inc. on a consolidated return, go to the benefit of the Company. Intercompany tax balances are settled annually when the tax return is filed with the Internal Revenue Service (IRS).

Inherent in the provision for federal income taxes are estimates regarding the deductibility of certain items and the realization of certain tax credits. In the event the ultimate deductibility of certain items or the realization of certain tax credits differs from estimates, the Company may be required to significantly change the provision for federal income taxes recorded on the consolidated financial statements. Any such change could significantly affect the amounts reported on the consolidated statements of operations and comprehensive income (loss). Management has used best estimates to establish reserves based on current facts and circumstances regarding tax exposure items where the ultimate deductibility is open to interpretation. Management evaluates the appropriateness of such reserves based on any new developments specific to their fact patterns. Information considered includes results of completed tax examinations, Technical Advice Memorandums and other rulings issued by the IRS or the tax courts.

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under this method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is determined that it is more likely than not that the deferred tax asset will not be fully realized. Current income taxes are charged to operations based upon amounts estimated to be payable as a result of taxable operations for the current year.

(3) Risks

The Company's consolidated financial statements are based on estimates and assumptions that are subject to significant business, economic and competitive risks and uncertainties, many of which are beyond the Company's control or are subject to change. As such, actual results could differ from the estimates used in the consolidated financial statements and the value of the Company's investments, and its financial condition and its liquidity could be adversely affected. The following risks and uncertainties, among others, may have such an effect:

- Economic environment and capital markets-related risks such as those related to interest rates, equity markets, credit spreads, real estate, derivatives and foreign currency.
- Investment-related risks such as those related to valuation, impairment, and concentration.
- Business and operational-related risks such as those related to mortality/longevity, morbidity and claims experience, reinsurers and counterparties, liquidity, ratings, competition, cyber or other information security, fraud, and overall risk management.
- Catastrophic and pandemic event related risks that may impact policyholder behavior and claims experience, volatility in financial markets and economic activity, and operations.
- Acquisition, disposition, or other structural change related risks.
- Regulatory and legal risks such as those related to changes in fiscal, tax and other legislation, insurance and other regulation, and accounting standards.

The Company actively monitors and manages risks and uncertainties through a variety of policies and procedures in an effort to mitigate or minimize the adverse impact of any exposures impacting the consolidated financial statements.

(Continued)

(4) New Accounting Pronouncements

Adoption of New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit losses (Topic 326) related to accounting for credit losses on certain types of financial instruments. ASU 2016-13 is effective for annual reporting periods beginning January 1, 2023. A modified retrospective cumulative adjustment to retained earnings is recorded as of January 1, 2023, for commercial mortgage loans, reinsurance and deposit receivables and other financial instruments subject to the new guidance. The standard replaces the current incurred loss model for estimating credit losses with a new model that requires an entity to estimate the credit losses expected over the life of the asset. At adoption, the initial estimate of the expected credit losses will be recorded through retained earnings and subsequent changes in the estimate will be reported in current period net income (loss) and recorded through an allowance for credit losses on the balance sheet. The credit loss model for available-for-sale debt securities did not change; however, the credit loss calculation and subsequent recoveries are required to be recorded through an allowance. Prospective adoption is required for establishing an allowance related to available-for-sale debt securities. The Company adopted this guidance and recorded an after-tax net decrease to retained earnings of $8,536 for establishing an allowance for credit losses on commercial mortgage loans, reinsurance and deposit receivables.

In February 2016, the FASB issued ASU 2016-02, leases (Topic 842). The new guidance requires an entity to recognize lease assets and liabilities on the balance sheet and to disclose key information regarding leasing agreements in the footnotes of the financial statements. Under the new guidance, lessees with operating leases are required to record a right of use asset and a corresponding lease liability measured as the present value of future minimum lease payments. Leases are classified as operating or finance leases. ASU 2016-02 is effective for annual reporting periods beginning January 1, 2022 and permits it to be applied on a modified retrospective basis that includes a number optional practical expedients that entities may elect upon adoption. On adoption, the Company recorded a $39,146 right of use asset and $46,483 lease liability. As permitted in the optional practical expedients, the Company did not reassess whether any expired or existing contracts are leases or change the classification of the existing or expired leases and did not reassess any initial direct costs for existing leases to determine if these should be written off or recorded upon adoption. See note 21 Commitments and Contingencies for required disclosures as a result of adoption.

(5) Fair Value of Financial Instruments

Financial Assets and Financial Liabilities Reported at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. To a lesser extent, the Company also uses the income approach which uses discounted cash flows to determine fair value. When applying either approach, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs reflect the assumptions market participants would use in valuing a financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's estimates about the assumptions market participants would use in valuing financial assets and financial liabilities based on the best information available in the circumstances. Considerable judgment is required to interpret market data to develop the estimates of fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Company is required to categorize its financial assets and financial liabilities recorded on the consolidated balance sheets according to a three-level hierarchy. Inputs used to measure fair value of an asset or liability may fall into different levels of the fair value hierarchy. A level is assigned to each financial asset and financial liability based on the lowest level input that is significant to the fair value measurement in its entirety. The levels of fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable in active markets for identical or similar assets and liabilities.

Level 3 – Fair value is based on at least one or more significant unobservable inputs. These inputs reflect the Company's assumptions about the inputs market participants would use in pricing the assets or liabilities.

(in thousands)

(5) Fair Value of Financial Instruments (Continued)

Financial Assets and Financial Liabilities Reported at Fair Value (Continued)

The Company uses prices and inputs that are current as of the measurement date. In periods of market disruption, the ability to observe prices and inputs may be reduced, which could cause an asset or liability to be reclassified to a lower level.

The following tables summarize the Company's financial assets and financial liabilities measured at fair value on a recurring basis:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 256,917	$ —	$ —	$ 256,917
Agencies not backed by the full faith and credit of the U.S. government	—	458,505	—	458,505
Foreign government securities	—	161,352	—	161,352
Corporate securities	769	12,928,068	3,831,948	16,760,785
Asset-backed securities	—	1,396,151	48,523	1,444,674
Commercial mortgage-backed securities (CMBS)	—	2,013,224	—	2,013,224
Residential mortgage-backed securities (RMBS)	—	1,293,870	—	1,293,870
Total fixed maturity securities, available-for-sale	257,686	18,251,170	3,880,471	22,389,327
Equity securities, at fair value	372,530	66,879	49,656	489,065
Derivative instruments	90	990,663	—	990,753
Total investments	630,306	19,308,712	3,930,127	23,869,145
Cash equivalents	694,924	—	—	694,924
Separate account assets	5,559,443	24,214,375	1,881	29,775,699
Total financial assets	$ 6,884,673	$ 43,523,087	$ 3,932,008	$ 54,339,768
Policy and contract account balances (1)	$ —	$ —	$ 857,001	$ 857,001
Future policy and contract benefits (1)	—	—	(2,617)	(2,617)
Derivative instruments (2)	52	548,188	—	548,240
Total financial liabilities	$ 52	$ 548,188	$ 854,384	$ 1,402,624

(1) Policy and contract account balances and future policy and contract benefits balances reported in this table relate to embedded derivatives associated with living benefit guarantees and indexed features on certain annuity and life insurance products. The Company's guaranteed minimum withdrawal benefits, guaranteed payout annuity floor, and fixed indexed annuity and fixed indexed universal life products contain embedded derivatives, resulting in the embedded derivatives being separated from the host contract and recognized at fair value.

(2) Included in other liabilities on the consolidated balance sheets.

(in thousands)

(5) Fair Value of Financial Instruments (Continued)

Financial Assets and Financial Liabilities Reported at Fair Value (Continued)

The following tables summarize the Company's financial assets and financial liabilities measured at fair value on a recurring basis (Continued):

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale:				
U.S. government securities	$ 490,101	$ —	$ —	$ 490,101
Agencies not backed by the full faith and credit of the U.S. government	—	658,753	—	658,753
Foreign government securities	—	64,592	—	64,592
Corporate securities	676	11,903,864	3,190,679	15,095,219
Asset-backed securities	—	1,079,445	57,835	1,137,280
CMBS	—	1,867,883	—	1,867,883
RMBS	—	1,350,356	—	1,350,356
Total fixed maturity securities, available-for-sale	490,777	16,924,893	3,248,514	20,664,184
Equity securities, at fair value	482,565	36,372	21,295	540,232
Derivative instruments	—	440,292	—	440,292
Total investments	973,342	17,401,557	3,269,809	21,644,708
Cash equivalents	270,038	—	—	270,038
Separate account assets	5,418,114	22,235,447	7,212	27,660,773
Total financial assets	$ 6,661,494	$ 39,637,004	$ 3,277,021	$ 49,575,519
Policy and contract account balances (1)	$ —	$ —	$ 438,167	$ 438,167
Future policy and contract benefits (1)	—	—	6,545	6,545
Derivative instruments (2)	—	308,973	—	308,973
Total financial liabilities	$ —	$ 308,973	$ 444,712	$ 753,685

(1) Policy and contract account balances and future policy and contract benefits balances reported in this table relate to embedded derivatives associated with living benefit guarantees and indexed features on certain annuity and life insurance products. The Company's guaranteed minimum withdrawal benefits, guaranteed payout annuity floor, and fixed indexed annuity and fixed indexed universal life products contain embedded derivatives, resulting in the embedded derivatives being separated from the host contract and recognized at fair value.

(2) Included in other liabilities on the consolidated balance sheets.

The methods and assumptions used to estimate the fair value of financial assets and liabilities are summarized as follows:

Fixed maturity securities, available-for-sale

When available, fair values of fixed maturity securities are based on quoted market prices of identical assets in active markets and are reflected in Level 1.

The market inputs utilized for Level 2 assets in the pricing evaluation depend on asset class and market conditions but typically include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, and industry and economic events.

Fixed maturity securities valued using pricing models with unobservable inputs or broker quotes are reflected in Level 3. The pricing models are developed by obtaining spreads versus the U.S. Treasury yield for similar corporate securities with varying weighted average lives and bond ratings. The estimated market yield, liquidity premium, and any adjustments for known credit risk, and other relevant factors are then used to estimate the fair value of the particular fixed maturity security. Certain other valuations are based on independent non-binding broker quotes.

(5) Fair Value of Financial Instruments (Continued)

Financial Assets and Financial Liabilities Reported at Fair Value (Continued)

Equity securities

The Company's equity securities consist primarily of investments in common stock of publicly traded companies. The fair values of equity securities are based on quoted market prices in active markets for identical assets and are classified within Level 1. The Company carries certain equity securities that are not priced on an exchange classified within Level 2. The Company receives these prices from third party pricing services using observable inputs for identical or similar assets in active markets. The Company carries a small amount of non-exchange traded equity securities classified within Level 3. The fair value of these securities is based on at least one or more significant unobservable inputs.

Derivative instruments

Derivative instrument fair values are based on quoted market prices when available. If a quoted market price is not available, fair value is estimated using current market assumptions and modeling techniques.

The majority of the Company's derivative positions are traded in the over-the-counter (OTC) derivative market and are classified as Level 2. The fair values of most OTC derivatives are determined using discounted cash flow or third party pricing models. The significant inputs to the pricing models are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs generally include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Significant unobservable inputs generally include: independent broker quotes and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other relevant market measure. OTC derivatives valued using significant unobservable inputs would be classified as Level 3.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC derivatives after taking into account the effects of netting agreements and collateral arrangements.

Cash equivalents

Cash equivalents include money market funds and highly rated commercial paper. Money market funds are generally valued using unadjusted quoted prices in active markets and are reflected in Level 1.

Separate account assets

Separate account assets are reported as a summarized total and are carried at estimated fair value based on the underlying assets in which the separate accounts are invested. Valuations for fixed maturity securities, equity securities and cash equivalents are determined consistent with similar instruments as previously described. Valuations for certain mutual funds and pooled separate accounts are classified as Level 2 as the values are based upon quoted prices or reported net asset values provided by the fund managers with little readily determinable public pricing information.

Policy and contract account balances and future policy and contract benefits

Policy and contract balances and future policy and contract benefits include liabilities for living benefit guarantees and indexed features on certain annuity contracts and life insurance policies accounted for as embedded derivatives. These guarantees take the form of guaranteed withdrawal and income benefits on variable annuities, a guaranteed payout floor on a variable payout annuity, and indexed interest credits on both fixed annuity and fixed universal life products.

The fair value for embedded derivatives related to fixed indexed annuity and indexed universal life products is based on the present value of future index returns in excess of guaranteed minimum returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business and uses standard capital market techniques, such as the Black-Scholes model, with certain unobservable inputs such as the Company's own credit risk, mortality and lapse.

(Continued)

(in thousands)

(5) Fair Value of Financial Instruments (Continued)

Financial Assets and Financial Liabilities Reported at Fair Value (Continued)

Policy and contract account balances and future policy and contract benefits (continued)

The fair value for living benefit guarantee embedded derivatives is estimated using the present value of future benefits less the present value of future attributable fees over the expected lives of the contracts using various capital market and policyholder and contractholder behavior assumptions. The cash flows are projected under multiple capital market scenarios using observable risk free rates. The valuation of these embedded derivatives includes an adjustment for the Company's own credit risk and other non-capital market inputs. The Company's own credit adjustment is determined taking into consideration publicly available information relating to peer companies' debt ratings and the Company's own claims paying ability.

Other significant inputs to the valuation models for the embedded derivatives associated with the optional living benefit features of the Company's variable annuity products include capital market assumptions, such as interest rate and implied volatility assumptions, as well as various policyholder behavior assumptions that are actuarially determined, including lapse rates, benefit utilization rates, mortality rates and withdrawal rates.

These assumptions are updated based upon historical experience. Since many of the assumptions utilized in the valuation of embedded derivatives are unobservable and are considered to be significant inputs to the valuations, the embedded derivatives have been reflected within Level 3.

The following table provides a summary of purchases, sales, settlements and transfers in to and out of Level 3 financial assets held at fair value on a recurring basis during the year ended December 31, 2023:

	Purchases	Sales	Settlements	Transfers in to Level 3 (1)	Transfers out of Level 3 (1)
Fixed maturity securities, available-for-sale					
Corporate securities	$ 667,972	$ (18,978)	$ (198,664)	$ —	$ —
Asset-backed securities	2,541	—	(12,952)	—	—
RMBS	—	—	—	—	—
Total fixed maturity securities, available-for-sale	670,513	(18,978)	(211,616)	—	—
Equity securities, at fair value	30,176	(1,119)	—	—	—
Separate account assets	3,455	(8,676)	—	—	—
Total financial assets	$ 704,144	$ (28,773)	$ (211,616)	$ —	$ —

(1) Transfers in to/out of Level 3 are primarily due to the availability of observable market prices.

(Continued)

(in thousands)

(5) Fair Value of Financial Instruments (Continued)

Financial Assets and Financial Liabilities Reported at Fair Value (Continued)

The following table provides a summary of purchases, sales, settlements and transfers in to and out of Level 3 financial assets held at fair value on a recurring basis during the year ended December 31, 2022:

	Purchases	Sales	Settlements	Transfers in to Level 3 (1)	Transfers out of Level 3 (1)
Fixed maturity securities, available-for-sale					
Corporate securities	$ 551,513	$ —	$ (200,170)	$ —	$ —
Asset-backed securities	31,539	—	(3,641)	—	—
RMBS	—	—	(556)	—	(4,672)
Total fixed maturity securities, available-for-sale	583,052	—	(204,367)	—	(4,672)
Equity securities, at fair value	694	—	10,758	—	—
Separate account assets	118	(7,504)	—	—	—
Total financial assets	$ 583,864	$ (7,504)	$ (193,609)	$ —	$ (4,672)

(1) Transfers in to/out of Level 3 are primarily due to the availability of observable market prices.

The following table provides a summary of issuances and settlements of Level 3 financial liabilities held at fair value on a recurring basis during the year ended December 31, 2023:

	Issuances	Settlements
Policy and contract account balances	$ 531,092	$ (433,965)
Future policy and contract benefits	(40)	—
Total financial liabilities	$ 531,052	$ (433,965)

The following table provides a summary of issuances and settlements of Level 3 financial liabilities held at fair value on a recurring basis during the year ended December 31, 2022:

	Issuances	Settlements
Policy and contract account balances	$ 453,326	$ (230,160)
Future policy and contract benefits	(39)	—
Total financial liabilities	$ 453,287	$ (230,160)

There were no transfers in to or out of Level 3 financial liabilities for the years ended December 31, 2023 and 2022.

(Continued)

(in thousands)

(5) Fair Value of Financial Instruments (Continued)

Quantitative Information Regarding Level 3 Assets and Liabilities

The following table provides a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities at December 31:

	2023	2022		
Level 3 instrument	Fair value	Fair value	Valuation technique	Unobservable input
Fixed maturity securities, available-for-sale:				
Corporate securities	$ 3,831,948	$ 3,190,679	Discounted cash flow	Yield/spread to U.S. Treasuries (1)
Asset-backed securities	48,523	57,835	Discounted cash flow	Yield/spread to U.S. Treasuries (1)
Liabilities:				
Policy and contract account balances	$ 857,001	$ 438,167	Discounted cash flow/ Option pricing techniques	Mortality rates (2) Lapse rates (3) Market volatility (6)
Future policy and contract benefits	(2,617)	6,545	Discounted cash flow/ Option pricing techniques	Mortality rates (2) Lapse rates (3) Utilization rates (4) Withdrawal rates (5) Market volatility (6) Nonperformance risk spread (7)

(1) The yield/spread to U.S. Treasuries input represents an estimated market participant composite adjustment attributable to liquidity premiums, expected durations, structures and credit quality that would be applied to the market observable information of an investment.

(2) The mortality rate input represents the estimate probability of when an individual belonging to a particular group categorized according to age or some other factor such as occupation, will die.

(3) The lapse rate input represents the estimated probability of a contract surrendering during a year, and thereby forgoing any future benefits.

(4) The utilization rate input represents the estimated percentage of contract holders that utilize the guaranteed withdrawal feature.

(5) The withdrawal rate input represents the estimated magnitude of annual contract holder withdrawals relative to the contracts' benefit base.

(6) The market volatility input represents overall volatilities assumed for underlying equity indexed and variable annuity funds, which include a mixture of equity and fixed income assets.

(7) The nonperformance risk spread input represents the estimated additional own credit spread that market participants would apply to the market observable discount rate when pricing a contract.

(5) Fair Value of Financial Instruments (Continued)

Quantitative Information Regarding Level 3 Assets and Liabilities (Continued)

Level 3 measurements not included in the tables above are obtained from non-binding broker quotes where observable inputs are not reasonably available to the Company.

Non-recurring Fair Value Measurements

The Company did not have any financial instruments measured at fair value on a non-recurring basis at December 31, 2023 and 2022.

(6) Investments

Fixed Maturity and Equity Securities

The Company invests in private placement fixed maturity securities to enhance the overall value of its portfolio, increase diversification and obtain higher yields than are possible with comparable publicly traded securities. Generally, private placement fixed maturity securities provide broader access to management information, strengthened negotiated protective covenants, call protection features and, frequently, improved seniority of collateral protection. Private placement securities generally are only tradable subject to restrictions by federal and state securities laws and are, therefore, less liquid than publicly traded fixed maturity securities.

The Company holds CMBS that may be originated by single or multiple issuers, which are collateralized by mortgage loans secured by income producing commercial properties such as office buildings, multi-family dwellings, industrial, retail, hotels and other property types.

The Company's RMBS portfolio consists of pass-through securities, which are pools of mortgage loans collateralized by single-family residences and primarily issued by government sponsored entities (*e.g.*, GNMA, FNMA and FHLMC), and structured pass-through securities, such as collateralized mortgage obligations, that may have specific prepayment and maturity profiles and are primarily issued by government sponsored entities. The Company's RMBS portfolio primarily contains loans made to borrowers with strong credit histories.

The Company's asset-backed securities investment portfolio consists of securities collateralized by the cash flows of receivables relating to credit cards, automobiles, manufactured housing and other asset class loans.

The equity securities portfolio is managed with the objective of capturing long-term capital gains with a moderate level of current income. The carrying value of the Company's equity security portfolio totaled $489,065 and $540,232 as of December 31, 2023 and 2022, respectively.

(Continued)

(in thousands)

(6) Investments (Continued)

Fixed Maturity and Equity Securities (Continued)

Fixed maturity securities by type of investment were as follows:

December 31, 2023	Amortized cost	Allowance for credit loss	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. government securities	$ 294,593	—	$ 4	$ 37,680	$ 256,917
Agencies not backed by the full faith and credit of the U.S. government	470,911	—	2,027	14,433	458,505
Foreign government securities	166,125	—	1,498	6,271	161,352
Corporate securities	18,644,085	—	159,332	2,042,632	16,760,785
Asset-backed securities	1,487,080	—	7,003	49,409	1,444,674
CMBS	2,215,140	1,778	3,580	203,718	2,013,224
RMBS	1,488,873	—	1,510	196,513	1,293,870
Total fixed maturity securities, available-for-sale	$ 24,766,807	$ 1,778	$ 174,954	$ 2,550,656	$ 22,389,327

December 31, 2022	Amortized cost	Gross unrealized gains	Gross unrealized losses	OTTI in AOCI (1)	Fair value
U.S. government securities	$ 535,720	$ 18	$ 41,465	$ 4,172	$ 490,101
Agencies not backed by the full faith and credit of the U.S. government	685,919	1,958	29,124	—	658,753
Foreign government securities	74,056	9	9,473	—	64,592
Corporate securities	17,774,871	15,929	2,695,600	(19)	15,095,219
Asset-backed securities	1,216,773	494	79,987	—	1,137,280
CMBS	2,110,246	3,693	246,056	—	1,867,883
RMBS	1,563,554	881	214,145	(66)	1,350,356
Total fixed maturity securities, available-for-sale	$ 23,961,139	$ 22,982	$ 3,315,850	$ 4,087	$ 20,664,184

(1) Amounts include net unrealized (gains) losses on OTTI fixed maturity securities subsequent to the impairment measurement date.

Accrued interest of $252,627 and $230,234 as of December 31, 2023 and 2022, respectively, is excluded from the amortized cost basis of available-for-sale securities in the tables above and is recorded in other assets on the consolidated balance sheets.

(in thousands)

(6) Investments (Continued)

Fixed Maturity and Equity Securities (Continued)

The amortized cost and fair value of fixed maturity securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale	
	Amortized cost	Fair value
Due in one year or less	$ 770,716	$ 760,665
Due after one year through five years	3,985,990	3,844,690
Due after five years through ten years	4,654,275	4,254,596
Due after ten years	10,164,733	8,777,608
	19,575,714	17,637,559
Asset-backed and mortgage-backed securities	5,191,093	4,751,768
Total	$ 24,766,807	$ 22,389,327

Fixed maturity securities in an unrealized loss position without an allowance for credit loss, by type and length of time that the securities have been in a continuous unrealized loss position, were as follows:

	December 31, 2023			
	Less than 12 months			
	Fair value	Amortized cost	Unrealized losses	Security count
U.S. government securities	$ 7,720	$ 7,774	$ (54)	4
Agencies not backed by the full faith and credit of the U.S. government	33,503	34,381	(878)	21
Foreign government securities	69,349	69,705	(356)	32
Corporate securities	733,179	742,398	(9,219)	155
Asset-backed securities	189,750	192,222	(2,472)	56
CMBS	155,153	158,883	(1,952)	21
RMBS	173,304	176,616	(3,312)	100

	December 31, 2023			
	12 months or greater			
	Fair value	Amortized cost	Unrealized losses	Security count
U.S. government securities	$ 233,342	$ 270,968	$ (37,626)	53
Agencies not backed by the full faith and credit of the U.S. government	206,078	219,633	(13,555)	113
Foreign government securities	25,824	31,739	(5,915)	24
Corporate securities	12,954,580	14,987,993	(2,033,413)	2062
Asset-backed securities	660,898	707,834	(46,937)	222
CMBS	1,559,723	1,761,489	(201,766)	146
RMBS	1,029,050	1,222,251	(193,201)	352

(Continued)

(in thousands)

(6) Investments (Continued)

Fixed Maturity and Equity Securities (Continued)

Fixed maturity securities in an unrealized loss position, by type and by length of time that the securities have been in a continuous unrealized loss position, were as follows (Continued):

	December 31, 2022			
	Less than 12 months			
	Fair value	Amortized cost	Unrealized losses and OTTI in AOCI	Security count
U.S. government securities	$ 259,895	$ 282,074	$ 22,179	50
Agencies not backed by the full faith and credit of the U.S. government	467,867	495,940	28,073	181
Foreign government securities	23,801	23,963	162	8
Corporate securities	12,159,174	13,954,296	1,795,122	2,246
Asset-backed securities	692,163	738,401	46,238	212
CMBS	1,351,233	1,483,927	132,694	142
RMBS	704,309	768,634	64,325	358

	December 31, 2022			
	12 months or greater			
	Fair value	Amortized cost	Unrealized losses and OTTI in AOCI	Security count
U.S. government securities	$ 139,537	$ 162,995	$ 23,458	29
Agencies not backed by the full faith and credit of the U.S. government	2,341	3,392	1,051	5
Foreign government securities	37,246	46,557	9,311	29
Corporate securities	2,427,759	3,328,247	900,488	527
Asset-backed securities	362,747	396,496	33,749	136
CMBS	472,491	585,853	113,362	50
RMBS	609,921	759,761	149,840	108

For fixed maturity securities in an unrealized loss position where the Company has not recorded an impairment, the Company expects to collect all principal and interest payments. In determining whether an impairment is necessary, the Company evaluates its intent and need to sell a security prior to its anticipated recovery in fair value. The Company performs ongoing analysis of liquidity needs, which includes cash flow testing. Cash flow testing includes duration matching of the investment portfolio and policyholder liabilities. As of December 31, 2023, the Company does not intend to sell and does not believe that it will be required to sell investments with an unrealized loss prior to recovery and had no material sales of these investments subsequent to December 31, 2023 or 2022.

The following paragraphs summarize the Company's evaluation of investment categories with unrealized losses as of December 31, 2023.

U.S. government securities are temporarily impaired due to current interest rates and not credit-related reasons. The Company expects to collect all principal and interest on these securities.

Agencies not backed by the full faith and credit of the U.S. government securities are temporarily impaired due to interest rates and not credit-related reasons. Although not backed by the full faith and credit of the U.S. government, these securities generally trade as if they are.

Foreign government securities are temporarily impaired due to current interest rates and not credit-related reasons. The Company expects to collect all principal and interest on these securities.

(in thousands)

(6) Investments (Continued)

Fixed Maturity and Equity Securities (Continued)

Unrealized losses related to corporate securities are due to interest rates that are higher, and current market spreads that are wider than at the securities' respective purchase dates. The Company performed an analysis of the financial performance of the underlying issuers and determined that the entire amortized cost for each temporarily-impaired security is expected to be recovered.

Asset-backed securities, CMBS and RMBS are impacted by both interest rates and the value of the underlying collateral. The Company utilizes discounted cash flow models using best estimate assumptions to determine if a credit loss allowance is warranted.

The Company's CMBS portfolio had initial ratings of AA or higher and are diversified by property type and geographic location. The Company's CMBS portfolio is primarily super senior and senior securities as opposed to mezzanine or below. Commercial real estate fundamentals have impacted most of the asset class and the Company has recognized an impairment when warranted. At December 31, 2023 the Company had CMBS securities that had been in an unrealized loss position for twelve months or longer and 100.0% were investment grade securities (BBB or better).

The Company's RMBS portfolio primarily consists of residential mortgages to prime borrowers. As of December 31, 2023, 97.0% of the RMBS portfolio was invested in agency pass-through securities. Of the RMBS securities that were in an unrealized loss position for twelve months or longer, 100.0% were investment grade securities. Credit support for the RMBS holdings remains high.

At December 31, 2023 and 2022, fixed maturity securities and cash equivalents with a carrying value of $20,968 and $20,924, respectively, were on deposit with various regulatory authorities as required by law.

Mortgage Loans

The Company underwrites commercial mortgages on general purpose income producing properties and the Company has defined its portfolio segment as the commercial mortgage loan portfolio in total with the class segments defined as office buildings, retail facilities, apartment, industrial and other properties. Geographic and property type diversification is also considered in analyzing investment opportunities, as well as property valuation and cash flow. The mortgage loan portfolio, net of allowance for credit loss, totaled $5,956,063 and $5,603,009 at December 31, 2023 and 2022, respectively.

The Company's commercial mortgage loan investments are owned by Minnesota Life Insurance Company and Securian Life Insurance Company and are managed and serviced directly by Securian Asset Management, Inc. (Securian AM), a wholly owned registered investment advisor.

The Company participates in programs to sell a percentage of ownership of certain newly originated mortgage loans to third parties in order to diversify and mitigate risk. These transactions are accounted for as sales and the portion of each asset sold is legally isolated from the Company with no exposure of loss. Securian AM services the assets for the third party. Certain portions of mortgage loans totaling $56,067 and $91,780 were sold during 2023 and 2022, respectively.

The following table shows the composition of the Company's commercial mortgage loan portfolio by class as of December 31:

	2023	2022
Industrial	$ 1,780,163	$ 1,561,674
Office buildings	907,009	911,264
Retail facilities	1,460,906	1,355,436
Apartment	1,571,845	1,500,414
Other	247,084	274,221
Total	$ 5,967,007	$ 5,603,009

(Continued)

(in thousands)

(6) Investments (Continued)

Mortgage Loans (Continued)

The allowance for credit losses is estimated using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for estimating expected credit losses. Adjustments to historical loss information are made for differences in current loan specific characteristics and economic conditions. A reasonable and supportable forecast period of three years is used with reversion to the macroeconomic information used to develop the forecasts beyond three years.

The Company measures and assesses the credit quality of our mortgage loans by using loan-to-value and debt-service coverage ratios. The loan-to-value ratio compares the amount of the loan to the estimated fair value of the underlying property collateralizing the loan and is commonly expressed as a percentage. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. A loan-to-value ratio greater than 100% indicates that the loan amount exceeds the collateral value. The debt-service coverage ratio compares a property's net operating income to its debt-service payments. Debt-service coverage ratios less than 1.00 times indicates that property operations do not generate enough income to cover the loan's current debt payments. A debt-service coverage ratio greater than 1.00 time indicates an excess of net operating income over the debt-service payments. The Company also considers the performance of its portfolio which includes evaluating its performing and nonperforming mortgage loans. Nonperforming mortgage loans include loans that are not performing to the contractual terms of the loan agreement. Nonperforming mortgage loans do not include restructured loans that are current with payments and thus are considered performing.

The following table provides the amortized cost basis of commercial mortgage loans by loan-to-value ratio and debt-service coverage ratio:

	December 31, 2023		
	Debt-service coverage ratio		
Loan-to-value ratio	Greater than 1.20x	1.00x - 1.20x	Less than 1.00x
Less than 65%	$ 5,586,286	$ 182,091	$ 50,881
65% - 100%	127,198	5,966	—
Greater than 100%	—	—	14,584
Total mortgage loans	$ 5,713,484	$ 188,057	$ 65,465

The values utilized in calculating the debt-service coverage ratio are updated annually based on income and expense data provided by borrowers. In addition, the loan-to-value ratio is routinely updated to incorporate the latest appraisal adjusted according to the most recent market data and loan values.

As of December 31, 2023 and 2022, there were no non-performing loans.

The following table provides a rollforward of the allowance for credit loss for the mortgage loan portfolio for the years ended December 31:

	2023	2022 (1)
Balance at beginning of year	$ —	$ 671
Cumulative effect of change in accounting principle	8,156	—
Addition to (release of) allowance	2,788	(671)
Balance at end of year	$ 10,944	$ —

(1) Prior to January 1, 2023, the allowance for credit losses was based on an incurred loss model that did not require estimating expected credit losses over the expected life of the asset.

As of December 31, 2023 and 2022, the Company had no delinquent mortgage loans.

(in thousands)

(6) Investments (Continued)

Mortgage Loans (Continued)

Periodically, the Company may acquire real estate in satisfaction of debt. The acquired real estate is recognized at the lower of the loan's amortized cost balance or the acquired property's fair value less expected selling costs.

There was no real estate acquired in satisfaction of mortgage loan debt for the years ended December 31, 2023 and 2022.

Alternative Investments

Alternative investments primarily consist of private equity funds, mezzanine debt funds and hedge funds. Alternative investments are diversified by type, general partner, vintage year, and geographic location – both domestic and international.

The Company's composition of alternative investments by type were as follows:

	December 31, 2023		December 31, 2022	
	Carrying value	Percent of total	Carrying value	Percent of total
Alternative investments				
Private equity funds	$ 787,571	69.1%	$ 792,759	71.4%
Mezzanine debt funds	351,434	30.9%	318,025	28.6%
Hedge funds	96	—%	108	—%
Total alternative investments	$ 1,139,101	100.0%	$ 1,110,892	100.0%

Net Investment Income

Net investment income for the years ended December 31 was as follows:

	2023	2022
Fixed maturity securities, available-for-sale	$ 898,622	$ 845,255
Equity securities	30,039	18,762
Mortgage loans	221,079	208,498
Policy loans	31,773	23,917
Cash equivalents	15,209	3,241
Alternative investments	18,426	17,525
Derivative instruments	556	(45)
Other invested assets	5,905	4,721
Gross investment income	1,221,609	1,121,874
Investment expenses	(11,475)	(9,928)
Total	$ 1,210,134	$ 1,111,946

(Continued)

(in thousands)

(6) Investments (Continued)

Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for the years ended December 31 were as follows:

	2023	2022
Fixed maturity securities, available-for-sale	$ (51,578)	$ (116,605)
Equity securities	20,216	(87,466)
Mortgage loans	(2,788)	671
Alternative investments	(1,760)	56,052
Derivative instruments	(78,270)	(279,558)
Other invested assets	8,997	2,260
Total	$ (105,183)	$ (424,646)

Gross realized gains (losses) on the sales of fixed maturity securities and equity securities and distributions related to alternative investments for the years ended December 31 were as follows:

	2023	2022
Fixed maturity securities, available-for-sale:		
Gross realized gains	$ 3,356	$ 57,040
Gross realized losses	(30,177)	(157,789)
Equity securities:		
Gross realized gains	33,941	48,016
Gross realized losses	(7,847)	(18,900)
Alternative investments:		
Gross realized gains	46,680	55,677
Gross realized losses	(7,097)	(6,603)

The net unrealized investment gains (losses) recognized for equity securities held as of December 31 for the year ended December 31 was as follows:

	2023	2022
Net realized investment gains (losses)	$ 20,216	$ (87,466)
Less: Net realized gains on sales	26,094	29,116
Net unrealized investment gains (losses) recognized on held equity securities	$ (5,878)	$ (116,582)

Net investment gains and losses on fixed maturity securities, available-for-sale, recognized in net realized losses for the years ended December 31 were as follows:

	2023	2022
Realized losses on sales and disposals	$ (26,821)	$ (100,749)
Net credit loss (change in allowance for credit loss recognized in earnings)	(5,829)	—
Other impairment losses (1)	(18,928)	(15,856)
Total net realized investment losses recognized on fixed maturity securities, available-for-sale	$ (51,578)	$ (116,605)

(1) After adoption of the new guidance on January 1, 2023 (refer to Note 4 New Accounting Pronouncements for further details), other impairment loss was comprised of intent-to-sell and direct write-off losses; prior to January 1, 2023, it was comprised of OTTI losses and intent-to-sell losses. Net OTTI loss by type for US government, corporate, asset-backed, CMBS, and RMBS for the year ended December 31, 2022 were $264, $8,045, $910, $4,602 and $2,035, respectively.

(Continued)

(in thousands)

(6) Investments (Continued)

Net Realized Investment Gains (Losses) (Continued)

The following table provides the activity of the allowance for credit losses on fixed maturity securities, available-for-sale, by type as of December 31:

2023	Corporate securities	CMBS	Total
Balance at beginning of year	$ —	$ —	$ —
Additions:			
Initial allowance for credit loss	(9,942)	(899)	(10,841)
Changes for securities with previously recorded allowance for credit loss	(650)	(879)	(1,529)
Reductions:			
Due to sales, maturities, pay downs or prepayments	4,050	—	4,050
Securities intended/required to be sold prior to recovery of amortized cost basis	—	—	—
Write-offs	6,542	—	6,542
Balance at end of year	$ —	$ (1,778)	$ (1,778)

(7) Derivative Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, or other financial indices. Derivatives may be exchange-traded or contracted in the OTC market. The Company currently enters into derivative transactions that do not qualify for hedge accounting, or in certain cases, elects not to utilize hedge accounting. The Company does not enter into speculative positions. Although certain transactions do not qualify for hedge accounting or the Company chooses not to utilize hedge accounting, they provide the Company with an assumed economic hedge, which is used as part of its strategy for certain identifiable and anticipated transactions. The Company uses a variety of derivatives including swaps, futures, forwards and option contracts to manage the risk associated with changes in estimated fair values related to the Company's financial assets and liabilities, to generate income and manage other risks due to the variable nature of the Company's cash flows. The Company also issues certain insurance policies and annuity contracts that have embedded derivatives.

Freestanding derivatives are carried on the Company's consolidated balance sheets either as assets within derivative instruments or as liabilities within other liabilities at estimated fair value as determined through the use of quoted market prices for exchange-traded derivatives or through the use of pricing models for OTC derivatives. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), volatility, liquidity and changes in estimates and assumptions used in the pricing models.

(in thousands)

(7) Derivative Instruments (Continued)

The Company is exposed to various risks relating to its ongoing business operations, including interest rate risk, foreign currency risk and equity market risk. The Company uses a variety of strategies to attempt to manage these risks. The following table presents the notional amount, estimated fair value, and primary underlying risk exposure of the Company's derivative financial instruments, excluding embedded derivatives held:

		December 31, 2023			December 31, 2022		
			Fair value			Fair value	
Preliminary underlying risk exposure	Instrument type	Notional amount	Assets	Liabilities (1)	Notional amount	Assets	Liabilities (1)
Interest rate	Interest rate						
	futures	342,532	—	—	1,774,600	—	—
	forwards	692,000	6,725	21,738	692,000	—	77,963
Foreign currency	Foreign currency						
	swaps	60,506	(510)	—	—	—	—
	forwards	—	—	—	197,597	—	12,867
Equity market	Equity market						
	futures	799,185	—	—	680,049	—	—
	options	16,906,487	984,538	526,502	17,756,028	440,292	218,143
Total derivatives		$ 18,800,710	$ 990,753	$ 548,240	$ 21,100,274	$ 440,292	$ 308,973

(1) The estimated fair value of all derivatives in a liability position is reported within other liabilities on the consolidated balance sheets.

The majority of the freestanding derivatives utilized by the Company are for specific economic hedging programs related to various annuity and life insurance product liabilities that have market risk. Management considers the sales growth of products and the volatility in the interest and equity markets in assessing the trading activity for these programs.

Interest rate forwards are used by the Company to economically hedge interest rate risks primarily associated with secondary guarantees on variable annuities. An interest rate forward is an agreement between two parties to exchange a future settlement based upon a predetermined notional amount and forward interest rate.

Interest rate futures are used by the Company to manage duration in certain portfolios within the general account of the Company. In exchange traded interest rate futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily fair market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate futures are used primarily to economically hedge mismatches between the duration of the assets in a portfolio and the duration of liabilities supported by those assets, to economically hedge against changes in value of securities the Company owns or anticipates acquiring, and to economically hedge against changes in interest rates on anticipated liability issuances. The value of interest rate futures is substantially impacted by changes in interest rates and they can be used to modify or economically hedge existing interest rate risk.

Foreign currency forwards are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency in the specified future date.

(7) Derivative Instruments (Continued)

Foreign currency swaps are used by the Company to offset foreign currency exposure on interest and principal payments of bonds denominated in a foreign currency. In a foreign currency swap transaction, the Company agrees with another party to exchange, at specific intervals, the difference between on currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party.

Equity futures include exchange-traded equity futures as well as VIX futures. VIX futures are used by the Company to reduce the variance of its portfolio of equity assets. The VIX is the index of the implied volatility of the index options and represents the expected stock market volatility over the next 30 day period. In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily fair market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge liabilities embedded in certain variable annuity, indexed annuity, and indexed universal life products offered by the Company.

Equity options are used by the Company to economically hedge certain risks associated with fixed indexed annuity and indexed universal life products, that allow the holder to elect an interest rate return or a market component, where interest credited to the contracts is linked to the performance of an index. Certain contract holders may elect to rebalance index options at renewal dates. As of each renewal date, the Company has the opportunity to re-price the indexed component by establishing participation rates, caps, spreads and specified rates, subject to contractual guarantees. The Company purchases equity options that are intended to be highly correlated to the portfolio allocation decisions of the contract holders with respect to returns for the current reset period.

Equity options are also used by the Company to economically hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To economically hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. In certain instances, the Company may enter into a combination of transactions to economically hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options.

(in thousands)

(7) Derivative Instruments (Continued)

The following tables present the amount and location of gains (losses) recognized in income from derivative financial instruments, excluding embedded derivatives:

	December 31, 2023		
	Net realized investment losses	Net investment income	Interest credited to policies and contracts
Interest rate futures	$ (3,079)	$ —	$ 460
Interest rate forwards	(12,766)	—	—
Foreign currency forwards	2,374	105	—
Foreign currency swaps	(561)	451	—
Equity futures	(73,400)	—	84,035
Equity options	1	—	250,318
Total gains (losses) recognized in income from derivative financial instruments	$ (87,431)	$ 556	$ 334,813

	December 31, 2022		
	Net realized investment losses	Net investment income	Interest credited to policies and contracts
Interest rate futures	(276,840)	—	3,499
Interest rate forwards	(77,963)	—	—
Foreign currency forwards	(12,945)	(45)	—
Equity futures	73,121	—	(81,590)
Equity options	84	—	(493,384)
Total gains (losses) recognized in income from derivative financial instruments	$ (294,543)	$ (45)	$ (571,475)

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received pursuant to credit support annexes.

The Company manages its credit risk related to OTC derivatives by entering into transactions with highly rated counterparties, maintaining collateral arrangements and through the use of master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Because exchange traded futures are purchased through regulated exchanges, and positions are settled on a daily basis, the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivative instruments.

(in thousands)

(7) Derivative Instruments (Continued)

The Company enters into various collateral arrangements, which require both the pledging and accepting of collateral in connection with its derivative instruments. The Company's collateral arrangements for its OTC derivatives generally require the counterparty in a net liability position, after considering the effect of netting arrangements, to pledge collateral when the fair value of that counterparty's derivatives reaches a pre-determined threshold. The Company received collateral from OTC counterparties in the form of securities amounting to $471,823 and $196,972 at December 31, 2023 and 2022, respectively. Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Credit agreements with counterparties permit the Company to sell or re-pledge this collateral; at December 31, 2023, none of the collateral had been sold or re-pledged. The Company delivered collateral to OTC counterparties in the form of fixed maturity securities with a carrying value of $10,557 and 9,708 and cash collateral of $31 and 39,303 at December 31, 2023 and 2022, respectively. The Company delivered collateral for futures contracts in the form of fixed maturity securities with a carrying value of $55,972 and $70,102 at December 31, 2023 and 2022, respectively. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Cash collateral pledged is reported as a receivable in other invested assets on the balance sheet.

Embedded Derivatives

The Company has certain embedded derivatives that are required to be separated from their host contracts and accounted for as derivatives. These embedded derivatives take the form of guaranteed withdrawal benefits on variable annuities, a guaranteed payout floor on a variable payout annuity, and indexed credits on both fixed indexed annuity and indexed universal life products.

The following table presents the fair value of the Company's embedded derivative assets (liabilities) at December 31:

	2023	2022
Embedded derivatives within annuity products:		
Minimum guaranteed withdrawal benefits	$ 2,539	$ (4,362)
Minimum guaranteed accumulation benefits	78	(1,353)
Guaranteed payout floors	—	(830)
Fixed indexed annuity	(226,693)	(156,402)
Embedded derivatives within life insurance products:		
Fixed indexed universal life	$ (630,308)	$ (281,765)

The following table presents the changes in fair value recorded as increases (decreases) in the consolidated statements of operations and comprehensive income (loss) related to embedded derivatives for the years ended December 31:

	2023	2022
Embedded derivatives within annuity products:		
Net realized investment losses	$ 9,161	$ 14,985
Interest credited to policies and contracts	(70,290)	38,640
Embedded derivatives within life insurance products:		
Interest credited to policies and contracts	$ (348,543)	$ 360,542

(in thousands)

(8) Variable Interest Entities

The Company is involved with various special purpose entities and other entities that are deemed to be variable interest entities (VIE). A VIE is an entity that either has investors that lack certain characteristics of a controlling financial interest or lacks sufficient equity to finance its own activities without financial support provided by other entities.

The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and is therefore the primary beneficiary. The Company is deemed to have controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company, through normal investment activities, makes passive investments in structured securities issued by VIEs. These structured securities typically invest in fixed income investments and include asset-backed securities, CMBS and RMBS. The Company has not provided financial or other support with respect to these investments other than its original investment. The Company has determined it is not the primary beneficiary of these investments due to the relative size of the Company’s investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination, which reduces the Company’s obligation to absorb losses or right to receive benefits, and the Company’s inability to direct the activities that most significantly impact the economic performance of the VIEs and as a result has not consolidated these VIEs. The Company’s maximum exposure to loss on these structured investments is limited to the amount of the investment. See note 6 Investments for details regarding the carrying amount and classification of these assets.

In addition, the Company invests in alternative investments that may or may not be VIEs. The Company has determined that it is not required to consolidate these entities because it does not have the ability to direct the activities of the entities and it does not have the obligation to absorb losses or the right to receive benefits from the entities that could be potentially significant. The maximum exposure to loss associated with the entities is equal to the carrying amounts of the investment in the VIE plus any unfunded commitments. The carrying amount was $1,139,101 and $1,110,892 and the maximum exposure was $1,647,301 and $1,708,682 at December 31, 2023 and 2022, respectively.

(9) Income Taxes

Income tax expense (benefit) varies from the amount computed by applying the federal income tax rate of 21% to income (loss) from operations before taxes. The significant components of this difference were as follows:

	2023	2022
Computed income tax expense (benefit)	$ 50,135	$ (32,131)
Difference between computed and actual tax expense:		
Dividends received deduction	(20,611)	(20,552)
Tax credits	(14,649)	(16,332)
Other, net	(2,947)	6,630
Total income tax expense (benefit)	$ 11,928	$ (62,385)

The current and deferred portions of income tax expense (benefit) for the years ending December 31 were as follows:

	2023	2022
Income tax expense (benefit):		
Current	$ 50,855	$ 16,106
Deferred	(38,927)	(78,491)
Total income tax expense (benefit)	$ 11,928	$ (62,385)

(in thousands)

(9) Income Taxes (Continued)

As of December 31, 2023 and 2022, the gross deferred income tax assets were $1,188,513 and $1,374,471 respectively, and the gross deferred income tax liabilities were $691,972 and $773,331, respectively. The primary temporary differences that give rise to the Company's net deferred income tax asset of $347,311 and $415,811 as of December 31, 2023 and 2022, respectively, relates to deferred policy acquisition costs, policyholder liabilities, realized investment losses, and unrealized holding gains (losses) on securities. As of December 31, 2023 and 2022, net current income tax recoverables are reported in other assets and net deferred income tax liabilities are reported in other liabilities on the consolidated balance sheets.

The Company has a capital deferred income tax asset attributable to the net unrealized capital losses on available for sale securities within the Company's capital asset portfolio due to changes in market conditions and rising interest rates. As of December 31, 2023 and 2022, the Company recorded a valuation allowance of $148,000 and $184,098, respectively, related to the realizability of a portion of the deferred income tax asset from unrealized tax capital losses. The change in valuation allowance was recorded through other comprehensive income (loss) on the consolidated statements of operations and comprehensive income (loss). The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that a certain portion of the deferred income tax asset for capital assets will not be realized. Management's assessment considers future reversals of existing temporary differences, taxable loss carrybacks where permitted, and applicable tax planning strategies, including the intent and ability of the Company to hold underlying securities to recovery.

The Company also recorded a valuation allowance of $1,230 as of December 31, 2023 and 2022, related to tax benefits of certain state operating loss carryforwards. The valuation allowance reflects management's assessment, based on available information, that it is more likely than not that the deferred income tax asset for certain state operating loss carryforwards will not be realized. Management's assessment considers future reversals of existing temporary differences and future state taxable income.

As of December 31, 2023 and 2022, the Company's total recorded deferred income tax asset valuation allowance was $149,230 and $185,328, respectively. The total change in the deferred income tax asset valuation allowance from the year ended December 31, 2022 to the year ended December 31, 2023 was $(36,097).

At December 31, 2023, net state operating loss carryforwards were $19,325 with the majority expiring beginning in 2030.

At December 31, 2023, net federal operating loss carryforwards were $26,146 with the majority of which was incurred subsequent to enactment of the Tax Cuts and Jobs Act and therefore is not subject to a 20 year carryforward limitation. The Company expects it will utilize all remaining net federal operating loss carryforwards in its consolidated return filing in the next 3 years.

Income taxes paid (refunded) for the years ended December 31, 2023 and 2022, were $9,555 and $(14,926), respectively.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	2023	2022
Balance at beginning of year	$ 2,084	$ 1,946
Additions based on tax positions related to current year	2,611	345
Reductions for tax positions of prior years	(165)	(207)
Balance at end of year	$ 4,530	$ 2,084

Included in the balance of unrecognized tax benefits at December 31, 2023 are potential benefits of $4,530 that, if recognized, would affect the effective tax rate on income from operations.

As of December 31, 2023, accrued interest and penalties of $147 are recorded in other assets on the consolidated balance sheets and $27 are recorded in income tax expense on the consolidated statements of operations and comprehensive income (loss).

(in thousands)

(9) Income Taxes (Continued)

At December 31, 2023, the Company does not expect a significant increase in tax contingencies within the 12 month period following the balance sheet date.

All tax years through 2019 are closed. A limited scope audit of the Company's 2018 tax year commenced in 2021. In connection with the audit, the Statute of Limitations for 2018 was extended to September 30, 2023. The Company settled the audit without a material impact to its financial position. The IRS has not stated its intention to audit the MMC 2020, 2021, or 2022 consolidated tax return.

(10) Employee Benefit Plans

Pension and Other Postretirement Plans

The Company has non-contributory defined benefit retirement plans covering substantially all employees and certain former agents. Benefits are based upon years of participation and the employee’s average monthly compensation or the agent’s adjusted annual compensation. In 2024, the Company expects to contribute the amounts necessary to meet the minimum funding requirements to its non-contributory defined benefit plans. In addition, it may contribute additional tax deductible amounts.

The Company also has an unfunded non-contributory defined benefit retirement plan, which provides certain employees with benefits in excess of limits for qualified retirement plans.

The Company also has postretirement plans that provide certain health care and life insurance benefits to substantially all retired employees and former agents. Eligibility is determined by age at retirement and years of service. Health care premiums are shared with retirees, and other cost-sharing features include deductibles and co-payments. The Company has a 401(h) account through its non-contributory defined benefit plan to partially fund retiree medical costs for non-key employees. The Company does not expect to contribute to the 401(h) account in 2024, but may contribute additional tax deductible amounts.

Due to curtailment and subsequent settlement events during 2023, the benefit obligation for the former agents other benefit plans was reduced by $3,506. Due to a curtailment event during 2022, the benefit obligations for the pension and other benefit plans were reduced by $10,981 and $2,609, respectively.

The funded status of the Company’s plans as of December 31 was as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Benefit obligation	$ 1,084,623	$ 1,005,432	$ 50,346	$ 49,914
Fair value of plan assets	1,254,747	1,160,036	16,043	15,756
Funded status	$ 170,124	$ 154,604	$ (34,303)	$ (34,158)

The amounts recognized in the consolidated balance sheets for the Company’s plans as of December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Prepaid benefit cost	$ 248,605	$ 232,008	$ —	$ —
Accrued benefit cost	(78,481)	(77,404)	(34,303)	(34,158)
Net amount recognized	$ 170,124	$ 154,604	$ (34,303)	$ (34,158)

Prepaid benefit costs are included in other assets and accrued benefit costs are included in other liabilities on the consolidated balance sheets.

(in thousands)

(10) Employee Benefit Plans (Continued)

Pension and Other Postretirement Plans (Continued)

The amounts recognized in accumulated other comprehensive loss for the Company's plans as of December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Net actuarial loss	$ (34,277)	$ (43,450)	$ (9,840)	$ (5,200)
Prior service benefit	1,770	3,922	36,704	41,346
Accumulated other comprehensive gain (loss)	$ (32,507)	$ (39,528)	$ 26,864	$ 36,146

Net periodic benefit costs for pension and other benefits for the years ended December 31, 2023 and 2022 were $(7,218) and $24,438, respectively, and are included in general operating and other expenses on the consolidated statements of operations and comprehensive income (loss).

For the years ended December 31, 2023 and 2022, net periodic costs for pension and other benefit costs consist of service costs of $24,712 and $48,315, respectively, and other components of $(31,930) and $(23,877), respectively. For the year ended December 31, 2023, the other components for the other benefit plans include a one-time curtailment credit of $(820) and a one-time settlement credit of $(6,081). For the year ended December 31, 2022, the other components for the pension and other benefit plans include a one-time curtailment credit of $(382) and $(4,084), respectively.

The accumulated benefit obligation as of December 31 was as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Accumulated benefit obligation	$ 959,481	$ 888,264	$ 50,346	$ 49,914

Plans with accumulated benefit obligation in excess of plan assets as of December 31 were as follows:

	Pension benefits	
	2023	2022
Plans with accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	$ 78,481	$ 77,404
Accumulated benefit obligation	67,964	63,991
Fair value of plan assets	—	—

The amounts of employer contributions and benefits paid for the years ending December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Employer contributions	$ 9,176	$ 7,070	$ 1,240	$ 540
Benefits paid	(44,184)	(39,770)	(3,278)	(2,104)

The Company updated its assumptions as of December 31, 2023 and 2022 with respect to its pension and postretirement benefit obligations after a review of plan experience. The assumption changes are a component of the net actuarial gain (loss).

(in thousands)

(10) Employee Benefit Plans (Continued)

Pension and Other Postretirement Plans (Continued)

The weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Discount rate (1)	5.15%	5.38%	5.15 %	5.38%
Rate of compensation increase	3.87%	3.87%	—	—
Health care cost trend rate (2)			6.66 %	6.16%

(1) The present value of expected future benefit payments used to determine the benefit obligation for each plan is calculated based on a theoretical yield curve consisting of AA rated corporate fixed maturity securities and Treasury spot curve data. The discount rate for each plan is the single rate which results in the same present value of obligations as that obtained using the yield curve.

(2) For 2023 year-end obligation measurement purposes, the 6.66% rate was assumed to decrease gradually to 3.90% for 2075 and remain at that level thereafter. For 2022 year-end obligation measurement purposes, the 6.16% rate was assumed to decrease gradually to 3.90% for 2075 and remain at that level thereafter. The health care cost trend rates reflected in the table above represent blended rates for prior to age 65 and after age 65.

The weighted average assumptions used to determine net periodic benefit costs for the years ending December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Expected long-term return on plan assets (1)	5.65%	5.67%	5.75%	5.75%
Discount rate (2)	5.38%	2.91%	5.00%	2.89%
Rate of compensation increase	3.87%	4.08%	—	—

(1) Historical rates of return for individual asset classes and future estimated returns are used to develop expected rates of return. These rates of return are applied to the plan's investment policy to determine a range of expected returns. The expected long-term rate of return on plan assets is selected from this range.

(2) The present value of expected future benefit payments used to determine the benefit obligation for each plan is calculated based on a theoretical yield curve consisting of AA rated corporate fixed maturity securities and Treasury spot curve data. The discount rate for each plan is the single rate which results in the same present value of obligations as that obtained using the yield curve.

The assumptions presented herein are based on pertinent information available to management as of December 31, 2023 and 2022. Actual results could differ from those estimates and assumptions.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) as of December 31 were as follows:

	Pension benefits		Other benefits	
	2023	2022	2023	2022
Net gain	$ 8,659	$ 61,593	$ 2,359	$ 19,308
Amortization of net gain	515	17,207	(7,000)	1,374
Amortization of prior service benefit	(2,153)	(2,534)	(4,641)	(9,188)
Total recognized in other comprehensive income (loss)	$ 7,021	$ 76,266	$ (9,282)	$ 11,494

(Continued)

(in thousands)

(10) Employee Benefit Plans (Continued)

Pension and Other Postretirement Plans (Continued)

Estimated future benefit payments for pension and other postretirement plans:

	Pension benefits	Other benefits
2024	$ 49,170	$ 3,131
2025	51,191	3,135
2026	54,856	3,128
2027	56,892	3,304
2028	57,880	3,239
2029-2033	324,995	16,903

Investment policies and *asset allocation*

Generally, the investment objective of the non-contributory defined benefit plans is to balance the elements of risk, return and volatility. This objective recognizes that assets should be sufficiently liquid to enable the plans to pay all benefits and expenses when due, that higher investment returns increase the plans' assets and therefore may enhance the ability to provide benefits to participants, and that the pursuit of higher returns over the long term may result in increased volatility of returns and the potential for increased investment losses over the short term. This objective is achieved by strategically allocating assets among equity securities, fixed maturity securities and other investments. The higher levels of risk entailed in equity securities are balanced by investing a significant portion of the plans' assets in high quality fixed maturity securities matching the characteristics of the plans' obligations, and the insurance company general account. The target allocation of the Company's non-contributory defined benefit plans is generally based on the proportion of the retiree obligations to the overall obligations of the plans.

The target asset allocation as of December 31, 2023, for each of the broad investment categories, weighted for all plans combined is as follows:

Equity securities	40% to 47%
Fixed maturity securities	48% to 55%
Insurance company general account	5 %

The target asset allocation varies based on the distribution of the underlying obligation.

The Company's non-contributory defined benefit plans weighted average asset allocations by asset category at December 31 are as follows:

	2023	2022
Equity securities	47%	46%
Fixed maturity securities	48%	49%
Insurance company general account	5%	5%

Equity securities, as classified in the above table, include direct investments in common stocks, mutual funds and pooled separate accounts. Fixed maturity securities include investments in pooled separate accounts. Pooled separate accounts are under either an immediate participation guaranteed contract or a group annuity contract with Minnesota Life Insurance Company and represent segregated funds administered by an unaffiliated asset management firm and consist principally of marketable fixed maturity and equity securities.

The insurance company general account, as classified in the above table, represents assets held within the general account of Minnesota Life Insurance Company. The assets of the insurance company, backing the insurance company general account, principally consist of fixed maturity securities, commercial mortgage loans and equity securities.

(Continued)

(in thousands)

(10) Employee Benefit Plans (Continued)

Pension and Other Postretirement Plans (Continued)

At times, investments may be made in nontraditional asset classes with the approval of the Company's non-contributory defined benefit plan trustees. Current investments include private equity limited partnerships which are classified as equity securities for asset allocation purposes.

The Company's investment policy includes various guidelines and procedures designed to ensure that the plans' assets can reasonably be expected to achieve the objective of the policy. The investment policy is periodically reviewed by the plans' respective trustees.

The primary investment objective of the postretirement plans is to balance capital appreciation and preservation. These plan assets are currently allocated to 53% equity securities and 47% fixed maturity securities. The target asset allocation as of December 31, 2023 is 50% equity securities and 50% fixed maturity securities.

In accordance with authoritative accounting guidance, the Company groups plan assets into a three-level hierarchy for valuation techniques used to measure their fair value based on whether the valuation inputs are observable or unobservable. Refer to note 5 Fair Value of Financial Instruments for further discussion on these levels.

The following tables summarize the Company's pension benefit plans' financial assets measured at fair value on a recurring basis:

December 31, 2023	Level 1	Level 2	Level 3	Total
Investments in pooled separate accounts	—	808,676	—	808,676
Insurance company general account	—	—	54,554	54,554
Private equity funds	—	—	102,637	102,637
Cash and cash equivalents	288,882	—	—	288,882
Total financial assets	$ 288,882	$ 808,676	$ 157,191	$ 1,254,749

December 31, 2022	Level 1	Level 2	Level 3	Total
Investments in pooled separate accounts	—	990,544	—	990,544
Insurance company general account	—	—	52,990	52,990
Private equity funds	—	—	112,248	112,248
Cash and cash equivalents	4,272	—	—	4,272
Total investments	4,272	990,544	165,238	1,160,054
Total financial assets	$ 4,272	$ 990,544	$ 165,238	$ 1,160,054

Refer to note 5 Fair Value of Financial Instruments for valuation methods and assumptions related to equity securities and cash and cash equivalents.

Investments in pooled separate accounts

Investments in pooled separate accounts are stated at the corresponding unit value of the pooled separate account, which represents fair value. Investments in pooled separate accounts are classified as Level 2 as the values are based upon quoted prices or reported net asset values provided by asset management firms with little readily determinable public pricing information.

(Continued)

(in thousands)

(10) Employee Benefit Plans (Continued)

Pension and Other Postretirement Plans (Continued)

Insurance company general account

Deposits in the insurance company general account are stated at cost plus accrued interest, which represents fair value. The assets of the insurance company, backing the insurance company general account, principally consist of fixed maturity securities, commercial mortgage loans and equity securities. The deposits in the insurance company general account are classified as Level 3, as fair value is based on unobservable inputs.

Private equity funds

Investment in private equity funds primarily include limited partnership investments. The fair value of these investments are determined using assumptions that are generally unobservable and the investments typically have significant liquidity restrictions and are therefore classified as Level 3.

The following table provides a summary of purchased, sales and settlements of Level 3 financial assets held at fair value on a recurring basis during the year ended December 31, 2023:

	Purchases	Sales	Settlements
Private equity funds	$ 4,630	$ (6,988)	$ —
Total financial assets	$ 4,630	$ (6,988)	$ —

The following table provides a summary of purchased, sales and settlements of Level 3 financial assets held at fair value on a recurring basis during the year ended December 31, 2022:

	Purchases	Sales	Settlements
Private equity funds	$ 2,657	$ (8,486)	$ —
Total financial assets	$ 2,657	$ (8,486)	$ —

Transfers of securities among the levels occur at the beginning of the reporting period. There were no transfers in to or out of level 3 for the years ending December 31, 2023 and 2022.

The following table summarizes the Company’s other postretirement benefit plan’s financial assets measured at fair value on a recurring basis:

December 31, 2023	Level 1	Level 2	Level 3	Total
Investments in pooled separate accounts	$ —	$ 16,043	$ —	$ 16,043
Total financial assets	$ —	$ 16,043	$ —	$ 16,043
December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in pooled separate accounts	$ —	$ 15,756	$ —	$ 15,756
Total financial assets	$ —	$ 15,756	$ —	$ 15,756

The Plans did not have any assets or liabilities reported at fair value on a nonrecurring basis.

Profit Sharing Plans

The Company also has profit sharing plans covering substantially all employees and former agents. The Company’s contribution rate to the employee plan is determined annually by the directors of the Company and is applied to each participant’s prior year earnings. The Company’s contribution to the former agent plan is made as a certain percentage based on voluntary contribution rates and applied to each eligible agent’s annual contribution. The Company recognized contributions to the plans during 2023 and 2022 of $11,578 and $21,227, respectively. Participants may elect to receive a portion of their contributions in cash.

(in thousands)

(11) Liability for Pending Policy and Contract Claims

Liability for Unpaid Claims and Claim Loss Adjustment Expenses

The following table provides activity in the liability for unpaid claims and loss adjustment expenses related to short and long duration insurance contracts:

	2023	2022
Balance at January 1	$ 1,497,917	$ 1,626,268
Less: reinsurance recoverable	722,999	750,269
Net balance at January 1	774,918	875,999
Acquisition of block of business (1)	3,838	—
Incurred related to:		
Current year	2,814,197	2,643,544
Prior years	65,933	6,419
Total incurred	2,880,130	2,649,963
Paid related to:		
Current year	2,182,045	2,037,897
Prior years	642,207	713,147
Total paid	2,824,252	2,751,044
Net balance at December 31	834,634	774,918
Plus: reinsurance recoverable	681,260	722,999
Balance at December 31	$ 1,515,894	$ 1,497,917

(1) See note 16 Business Combinations.

As a result of changes in estimates of claims incurred in prior years, the unpaid claims and claim and loss adjustment expenses incurred increased by $65,933 and $6,419 in 2023 and 2022, respectively. The amounts are the result of normal reserve development inherent in the uncertainty of establishing the liability for unpaid claims and claim and loss adjustment expenses, a portion of which are recaptured by the Company through profit sharing arrangements with certain business partners which is included in other income on the consolidated statements of operations and comprehensive income (loss).

Short-Duration Contracts

Certain short-duration contracts are offered within the Company's financial institution and group insurance products.

Claim and claim adjustment expense liabilities are set using a combination of actuarial methods. The liabilities are computed using assumptions for mortality, morbidity, and other performance. These assumptions are based on the Company's experience, industry results, emerging trends and future expectations. Claim frequency is primarily based on reported claims assigned to individual claimants. Claim counts may initially include claims that do not ultimately result in a liability. These claims are omitted from claim counts once it is determined that there is no liability. The information about incurred and paid loss development for all periods preceding year ended December 31, 2023 and the related historical claims payout percentage disclosure is unaudited and is presented as supplementary information.

(in thousands)

(11) Liability for Pending Policy and Contract Claims (Continued)

Short-Duration Contracts (Continued)

Incurred and paid claims, net of reinsurance, including allocated claim adjustment expenses, by product and by incurral year are summarized below along with the liability for incurred but not reported claims plus expected development on reported claims (IBNR) and the cumulative number of individual claims reported (reported claims) by incurral year as of December 31, 2023:

Financial Institution Products

	Net cumulative incurred claims (1)				
Incurral year	2021	2022	2023	IBNR	Reported claims
2021	$ 55,881	$ 52,830	$ 52,369	$ 862	68
2022	—	48,733	45,394	1,931	67
2023	—	—	269,106	68,134	74
Total			$ 366,869		

(1) 2021 and 2022 unaudited.

	Net cumulative paid claims (1)		
Incurral year	2021	2022	2023
2021	$ 34,405	$ 46,578	$ 49,203
2022	—	28,367	39,084
2023	—	—	247,506
Total			$ 335,793
Outstanding liabilities prior to 2021			$ 3,479
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance			$ 34,555

(1) 2021 and 2022 unaudited.

(Continued)

(in thousands)

(11) Liability for Pending Policy and Contract Claims (Continued)

Short-Duration Contracts (Continued)

Incurred and paid claims, net of reinsurance, including allocated claim adjustment expenses, by product and by incurral year are summarized below along with the liability for incurred but not reported claims plus expected development on reported claims (IBNR) and the cumulative number of individual claims reported (reported claims) by incurral year as of December 31, 2023 (Continued):

Group Insurance Products

	Net cumulative incurred claims (1)				
Incurral year	2021	2022	2023	IBNR	Reported claims
2021	$ 2,188,307	$ 2,174,988	$ 2,175,084	$ —	59
2022	—	1,907,172	1,924,388	—	50
2023	—	—	1,919,938	145,505	46
Total			$ 6,019,410		

(1) 2021 and 2022 unaudited.

	Net cumulative paid claims (1)		
Incurral year	2021	2022	2023
2021	$ 1,651,808	$ 2,114,028	$ 2,141,694
2022	—	1,479,822	1,852,004
2023	—	—	1,481,589
Total			$ 5,475,287

Outstanding liabilities prior to 2020	$ 34,001
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	$ 578,124

(1) 2021 and 2022 unaudited.

(Continued)

(in thousands)

(11) Liability for Pending Policy and Contract Claims (Continued)

Short-Duration Contracts (Continued)

The reconciliation by product of the liability for pending policy and contract claims relating to short-duration contracts to the total liability for pending policy and contract claims on the consolidated balance sheets as of December 31, 2023 is as follows:

	Financial institution products	Group insurance products	Total
Liability for short duration pending policy and contract claims, net of reinsurance	$ 34,555	$ 578,124	$ 612,679
Reinsurance recoverable on pending policy and contract claims	10,203	123,236	133,439
Less: other liabilities (1)	30,839	(44)	30,795
Short-duration claims recorded within pending policy and contract claims on the consolidated balance sheet	$ 13,919	$ 701,404	715,323
Long-duration pending policy and contract claims			266,063
Pending policy and contract claims			$ 981,386

(1) Includes contracts that are recorded in line items other than pending policy and contract claims on the consolidated balance sheet.

Supplementary information on the historical average annual percentage payoff of incurred claims, net of reinsurance, by product and accident year as of December 31, 2023 is as follows (1):

Incurral year	Financial institution products	Group insurance products
1	73.0%	77.3%
2	23.4%	19.8%
3	5.0%	1.2%

(1) Unaudited.

(Continued)

(in thousands)

(12) Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance companies. To the extent that a reinsurer is unable to meet its obligation under the reinsurance agreement, the Company remains liable. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies. At December 31, 2023, the Company had an allowance for credit loss of $3,970 on its reinsurance recoverable and deposit receivable balances.

Reinsurance is accounted for over the lives of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

The effect of reinsurance on premiums for the years ended December 31 was as follows:

	2023	2022
Direct premiums	$ 6,148,890	$ 4,966,357
Reinsurance assumed	7,826	8,380
Reinsurance ceded	(1,119,257)	(1,267,419)
Net premiums	$ 5,037,459	$ 3,707,318

Reinsurance recoveries on ceded reinsurance contracts included in policyholder benefits on the consolidated statements of operations and comprehensive income (loss) were $1,023,129 and $935,367 during 2023 and 2022, respectively.

During 2022, the Company closed transactions to reinsure several closed blocks of individual life and individual annuity products and certain non-affiliated group annuity contracts (collectively, "the Transactions"). The Transactions included coinsurance and modified coinsurance structures with certain of the counterparties reinsurance obligations secured via a trust established for the benefit of the Company. Closing of the Transactions resulted in an initial reinsurance ceded premium of $359,673 and net realized losses on transferred assets of $78,533 before taxes recorded on the consolidated statements of operations and comprehensive income (loss), and $3,072,525 of non-cash investing activities excluded from the consolidated statement of cash flows related to transferred investments.

Reinsurance recoverables at December 31, 2023 and 2022 included $1,841,055 and $1,886,639 respectively ceded to one reinsurer related to certain closed blocks of individual life and individual annuity products for which a trust is in place as discussed in note 21 - Commitments and Contingences.

(13) Certain Nontraditional Long-Duration Contracts and Separate Accounts

The Company issues certain nontraditional long-duration contracts including universal life, variable life and deferred annuities, and fixed deferred and indexed annuities that contain either certain guarantees or sales inducements.

The Company issues variable contracts through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contractholder. The Company also issues variable annuity contracts through separate accounts where the Company contractually guarantees to the contractholder either (a) return of no less than total deposits made to the contract adjusted for partial withdrawals, (b) total deposits made to the contract adjusted for partial withdrawals plus a minimum return, (c) the highest contract value on a specified anniversary date adjusted for withdrawals following the contract anniversary, or (d) a minimum payment on a variable immediate annuity. These guarantees include benefits that are payable in the event of death, withdrawal or annuitization based upon the specific contract selected. The Company also issues fixed indexed annuities through its general account where the Company guarantees to the contractholder either (a) return of no less than total deposits made to the contract adjusted for partial withdrawals, (b) total deposits made to the contract adjusted for partial withdrawals plus a minimum return, or (c) the highest contract value on a specified anniversary date adjusted for withdrawals following the contract anniversary. The Company also issues universal life and variable life contracts where the Company provides to the contractholder a no-lapse guarantee.

The assets supporting the variable portion of the traditional variable annuities, variable contracts with guarantees, universal life and variable life contracts are carried at fair value and reported as summary total separate account assets with an equivalent summary total reported for liabilities. For variable annuity contracts, amounts assessed against the contractholders for mortality, administrative, and other services are included in policy and contract fees, changes in liabilities for minimum guarantees on deferred annuities are included in policyholder benefits, and changes in liabilities for the minimum guaranteed payments on variable immediate annuities and the minimum withdrawal benefits on variable deferrable annuities are included in net realized investment gains (losses) on the consolidated statements of operations and comprehensive income (loss). For universal life and variable life contracts, the amounts assessed against the contractholders for mortality, administrative, and other services are included in policy and contract fees and changes in liabilities for guaranteed benefits are included in policyholder benefits on the consolidated statements of operations and comprehensive income (loss). For variable annuity, universal life and variable life contracts, separate account net investment income, net investment gains and losses and the related liability changes are offset within the same line item on the consolidated statements of operations and comprehensive income (loss). There were no investment gains or losses on transfers of assets from the general account to the separate account during 2023 and 2022.

The Company's variable annuity contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive. For guarantees of amounts in the event of death, the net amount at risk is defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date. For guaranteed withdrawal amounts, the net amount at risk is defined as the present value of future withdrawal benefits in excess of the current account balance. For guarantees of amounts at annuitization, the net amount at risk is defined as the present value of the minimum guaranteed annuity payments in excess of the current account balance. For the guaranteed payout annuity floor, the net amount at risk is defined as the guaranteed benefit in excess of the current benefit payable, assuming the guaranteed and current benefit amounts remain constant. For universal life and variable life contracts the net amount at risk is defined as the current death benefit in excess of the current balance, excluding reinsurance.

(Continued)

(in thousands)

(13) Certain Nontraditional Long-Duration Contracts and Separate Accounts (Continued)

At December 31, the Company had the following variable annuity contracts with guarantees:

	2023	2022
Return of net deposits:		
In the event of death		
Account value	$ 4,323,354	$ 4,349,204
Net amount at risk	$ 18,086	$ 60,938
Average attained age of contract holders	67.7	67.0
Return of net deposits plus a minimum return:		
In the event of death		
Account value	$ 423,992	$ 384,264
Net amount at risk	$ 42,785	$ 85,951
Average attained age of contract holders	72.2	71.8
At annuitization		
Account value	$ 207,119	$ 214,722
Net amount at risk	$ 119	$ 95
Weighted average period remaining until expected annuitization (in years)	0.1	0.3
As withdrawals are taken		
Account value	$ 3,024,299	$ 3,060,008
Net amount at risk	$ 12,098	$ 9,987
Average attained age of contract holders	69.0	68.3

(in thousands)

(13) Certain Nontraditional Long-Duration Contracts and Separate Accounts (Continued)

At December 31, the Company had the following variable annuity contracts with guarantees (Continued):

	2023	2022
Highest specified anniversary account value:		
In the event of death		
Account value	$ 460,924	$ 475,888
Net amount at risk	$ 18,839	$ 74,659
Average attained age of contract holders	69.3	68.6
Account value adjustment on 10th contract anniversary		
Account value	$ 69,856	$ 76,602
Net amount at risk	$ 295	$ 4,611
Weighted average period remaining until expected annuitization (in years)	64.2	63.6
As withdrawals are taken		
Account value	$ 182,114	$ 210,073
Net amount at risk	$ 244	$ 184
Average attained age of contract holders	72.5	72.1
Guaranteed payout annuity floor:		
Account value	$ 44,699	$ 40,441
Net amount at risk	$ —	$ —
Average attained age of contract holders	76.8	78.4

At December 31, the Company had the following fixed index annuity contracts with guarantees:

	2023	2022
As withdrawals are taken		
Account value	$ 618,639	$ 470,790
Net amount at risk	$ —	$ —
Average attained age of contract holders	66.6	65.7

At December 31, the Company had the following universal life and variable life contracts with guarantees:

	2023	2022
Account value (general and separate accounts)	$ 11,667,775	$ 10,940,392
Net amount at risk	$ 54,165,441	$ 54,361,106
Average attained age of policyholders	55.0	55.0

Liabilities for guarantees on variable annuity, indexed annuity, universal life and variable life contracts reflected in the general account as of December 31, 2023 were as follows:

	Minimum guaranteed death and income benefits	Guaranteed payout annuity floor	Minimum guaranteed withdrawal and accumulation benefit	No lapse guarantee universal life and variable life
Balance at beginning of year	$ 46,278	$ 830	$ 5,714	$ 283,896
Incurred guarantee benefits	5,390	(830)	(8,331)	37,646
Paid guaranteed benefits	(4,236)	—	—	(16,679)
Balance at end of year	$ 47,432	$ —	$ (2,617)	$ 304,863

(Continued)

(in thousands)

(13) Certain Nontraditional Long-Duration Contracts and Separate Accounts (Continued)

Liabilities for guarantees on variable annuity, indexed annuity, universal life and variable life contracts reflected in the general account as of December 31, 2022 were as follows:

	Minimum guaranteed death and income benefits	Guaranteed payout annuity floor	Minimum guaranteed withdrawal and accumulation benefit	No lapse guarantee universal life and variable life
Balance at beginning of year	$ 29,134	$ 1,017	$ 20,512	$ 265,797
Incurred guarantee benefits	21,329	(187)	(14,798)	33,477
Paid guaranteed benefits	(4,185)	—	—	(15,378)
Balance at end of year	$ 46,278	$ 830	$ 5,714	$ 283,896

The minimum guaranteed death benefit liability and the guaranteed minimum income liability is determined each period end by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. The guaranteed payout annuity floor and minimum guaranteed withdrawal benefits are considered to be derivatives and are recognized at fair value through earnings. The universal life and variable life no lapse guarantee liabilities are determined by estimating the expected value of death benefits in excess of projected account balances and recognizing the excess ratably over the accumulation period based on total expected assessments. For variable annuity, fixed indexed annuity, universal life and variable life contracts with guarantees, the Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the minimum guaranteed death and income benefit liability on variable annuities and fixed indexed annuities at December 31, 2023 and 2022 (except where noted otherwise):

- A sample selection tool was used to select 200 scenarios from a set of 10,000 stochastically generated investment performance scenarios.
- Mean investment performance was 6.37% and 6.35% for 2023 and 2022, respectively, and is consistent with DAC projections over a 10 year period.
- Annualized monthly standard deviation was 12.76%.
- Mortality assumption was at 100% of the 2012 Individual Annuity Mortality Basis table.
- Lapse rates varied by contract type and policy duration, ranging from 1.00% to 10.00% with an average of 8.00%.
- Discount rates varied by contract type and policy duration and were consistent with discount rates used in DAC models.

The following assumptions and methodology, which are consistent with those used for DAC models, were used to determine the universal life and variable life liability at December 31, 2023 and 2022 (except where noted otherwise):

- Separate account investment performance assumption was 7.00% for 2023 and 2022, respectively.
- Mortality assumption was at 100% of pricing levels.
- Lapse rates varied by policy duration, ranging from 0.00% to 9.00%.
- Long-term general account discount rate grades from the current yield curve up to 5.00% and 4.75% for 2023 and 2022, linearly over ten years.

(in thousands)

(13) Certain Nontraditional Long-Duration Contracts and Separate Accounts (Continued)

Account balances for contracts with guarantees were invested in variable separate accounts by mutual fund grouping as follows at December 31:

	Variable annuity contracts		Variable life contracts	
	2023	2022	2023	2022
Equity	$ 1,870,452	$ 1,832,434	$ 3,048,883	$ 2,282,078
Bond	661,272	697,878	252,936	221,058
Balanced	2,551,451	2,549,242	509,257	439,956
Money market	71,047	74,965	24,783	23,171
Mortgage	—	—	99,722	102,209
Real Estate	54,048	54,837	87,633	100,359
Total	$ 5,208,270	$ 5,209,356	$ 4,023,214	$ 3,168,831

(14) Unremitted Premiums and Claims Payable

The Company acts as an agent of certain insurance underwriters and has a fiduciary responsibility to remit the appropriate percentage of monies collected from each financial institution customer to the corresponding insurance underwriters. The remittance is equal to the premiums collected from the financial institution customer, less any commissions earned by the Company. The Company recognizes a liability equal to the amount of the premiums that have not yet been remitted to the insurance underwriters. At December 31, 2023 and 2022, the liability associated with unremitted premiums, claims payable was $99,333 and $80,839, respectively and is reported as part of other liabilities on the consolidated balance sheets. As described in note 2 Summary of Significant Accounting Policies, as of December 31, 2023 and 2022, the Company had restricted the use of $99,333 and $80,839, respectively, of its cash and cash equivalents to satisfy these payables.

(15) Debt

Liabilities for short-term and long-term debt are carried at an amount equal to unpaid principal balance. Short-term debt is debt coming due in the next 12 months.

The following table provides a summary of debt, net of unamortized issuance costs and discounts, and related collateral for that debt as of December 31, 2023:

	Liability			
	Short-term	Long-term	Total	Collateral
Surplus notes	$ —	$ 118,000	$ 118,000	$ —
Federal Home Loan Bank (FHLB) borrowings	—	—	—	1,764,067
Senior notes	—	493,171	493,171	—
Total	$ —	$ 611,171	$ 611,171	$ 1,764,067

(in thousands)

(15) Debt (Continued)

The following table provides a summary of debt and related collateral for that debt as of December 31, 2022:

	Liability			
	Short-term	Long-term	Total	Collateral
Surplus notes	$ —	$ 118,000	$ 118,000	$ —
Federal Home Loan Bank (FHLB) borrowings	120,000	—	120,000	990,785
Senior notes	—	493,025	493,025	—
Total	$ 120,000	$ 611,025	$ 731,025	$ 990,785

In September 1995, the Company issued surplus notes with a face value of $125,000, at 8.25%, due in 2025. The surplus notes are subordinate to all current and future policyholders interests, including claims, and indebtedness of the Company. All payments of interest and principal on the notes are subject to the approval of the Minnesota Department of Commerce (Department of Commerce). As of December 31, 2023 and 2022, the accrued interest was $2,832. Interest paid on the surplus notes for the years ended December 31, 2023 and 2022 was $9,735.

The Company has entered into a membership agreement with the FHLB, providing an efficient way to set up a borrowing facility with access to low cost funding. The total borrowing capacity is dependent on the amount and type of Company assets. There were no outstanding borrowings at December 31, 2023. The Company pledged $1,764,067 of fixed maturity securities as collateral as of December 31, 2023. At that time, the Company had the capacity for either long-term or short-term borrowings of approximately $1,443,603 without pledging additional collateral. If the fair value of the pledged collateral falls below the required collateral for the outstanding borrowed amount, the Company is required to pledge additional collateral. The Company also currently holds FHLB common stock of $11,425, as required. The FHLB common stock is carried at cost, which approximates fair value, and is recorded in other invested assets in the consolidated balance sheets.

In April 2018, the Company issued senior notes with a face value of $500,000, at 4.80%, due in 2048. The Company may redeem some or all of the senior notes at any time at the redemption price defined under the terms of the senior notes. As of December 31, 2023, the accrued interest was $5,000. Interest paid on the senior note for the years ended December 31, 2023 and 2022 was $24,031 and $24,000 respectively.

At December 31, 2023, the aggregate minimum annual long-term debt maturities for the next five years and thereafter are as follows: 2024, $0; 2025, $118,000; 2026, $0; 2027, $0; 2028, $0; thereafter, $500,000.

Total interest paid by the Company for the years ended December 31, 2023 and 2022 was $41,808 and $36,080, respectively. Interest expense is recognized in general operating and other expenses on the consolidated statements of operations and comprehensive income (loss).

(16) Business Combinations

During 2023, the Company made acquisitions of certain blocks of group creditor, association, and affinity insurance business, as well as certain companies that provide administration related technology solutions. The aggregate purchase price for these transactions of $110,172 was allocated to various assets and liabilities including $38,987 of finite-lived intangible assets and $81,599 of goodwill recorded in other assets of the consolidated balance sheets.

During 2022, the Company made acquisitions of certain companies that primarily market and sell a variety of credit and special property and casualty products

The amount of acquisition-related additional cash consideration the Company may have to pay in 2024 and future years if certain thresholds are attained is $27,571 of which $5,568 was accrued at December 31, 2023.

(in thousands)

(17) Goodwill and Intangible Assets

The amount of goodwill included on the consolidated balance sheets in other assets as of December 31, was as follows:

	2023	2022
Balance at beginning of year	$ 391,586	$ 388,602
Additions	86,715	14,491
Foreign currency translation	1,692	(11,507)
Balance at end of year	$ 479,993	$ 391,586

The amount of acquired finite-lived intangible assets, excluding the value of acquired inforce contracts within DAC, included on the consolidated balance sheets in other assets was as follows:

December 31, 2023	Customer relationships	Other	Total finite-lived intangible assets
Gross carrying amount	$ 158,626	$ 70,863	$ 229,489
Accumulated amortization	(91,433)	(43,844)	(135,277)
Foreign currency translation	(1,455)	(31)	(1,486)
Net carrying amount	$ 65,738	$ 26,988	$ 92,726

December 31, 2022	Customer relationships	Other	Total finite-lived intangible assets
Gross carrying amount	$ 150,507	$ 63,920	$ 214,427
Accumulated amortization	(77,556)	(34,205)	(111,761)
Foreign currency translation	(1,829)	(22)	(1,851)
Net carrying amount	$ 71,122	$ 29,693	$ 100,815

Finite-lived intangible assets acquired during the year ended December 31, 2023 was $15,020 with a weighted average amortization period of 7 years. Finite-lived intangible assets acquired during the year ended December 31, 2022 was $1,017 with a weighted average amortization period of 5 years.

The appropriate estimated useful life for each intangible asset class is reviewed annually. A change in expected useful life could potentially indicate impairment of these assets. The Company completes annual impairment testing of all intangible assets. The annual review resulted in impairment of certain intangible assets of $29,312 which was recognized in 2023 and is included in general operating expenses on the consolidated statements of operations and comprehensive income (loss). No changes to any expected useful lives and no intangible impairments were recognized in 2022.

Intangible asset amortization expense for 2023 and 2022 in the amount of $22,035 and $20,673, respectively, is included in general operating expenses on the consolidated statements of operations and comprehensive income (loss). Projected amortization expense for the next five years is as follows: 2024, $21,303; 2025, $20,893; 2026, $13,317; 2027, $9,356; 2028, $7,595.

(18) Related Party Transactions

The Company has agreements with its affiliates for expenses including allocations for occupancy costs, data processing, compensation, advertising and promotion, and other administrative expenses, which the Company incurs on behalf of its affiliates and is reimbursed. At December 31, 2023 and 2022, the amount payable to the Company was $1,702 and $1,624, respectively. The amount of expenses incurred by and reimbursed to the Company for the years ended December 31, 2023 and 2022 were $4,357 and $2,573, respectively.

(in thousands)

(19) Other Comprehensive Income (Loss)

Comprehensive income (loss) is defined as any change in equity originating from non-owner transactions. The Company has identified those changes as being comprised of net income, adjustments to pension and other postretirement plans, foreign currency translation, unrealized gains (losses) on securities and related adjustments.

The components of other comprehensive income (loss) and related tax effects, other than net income are illustrated below:

	December 31, 2023		
	Before tax	Tax benefit (expense)	Net of tax
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities arising during the period	$ 901,922	$ (150,568)	$ 751,354
Less: Reclassification adjustment for gains (losses) included in net income	19,656	(4,128)	15,528
Foreign currency translation adjustment	1,959	—	1,959
Adjustment to deferred policy acquisition costs	(38,920)	8,173	(30,747)
Adjustment to reserves	3,349	(703)	2,646
Adjustment to unearned premiums and fees	2,051	(431)	1,620
Adjustment to pension and other postretirement plans	11,018	(2,314)	8,704
Less: Reclassification adjustment for pension and other postretirement plans expenses included in net income	(13,279)	2,789	(10,490)
Other comprehensive income (loss)	$ 887,756	$ (147,182)	$ 740,574

	December 31, 2022		
	Before tax	Tax benefit (expense)	Net of tax
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities arising during the period	$ (4,914,464)	$ 849,350	$ (4,065,114)
Less: Reclassification adjustment for gains (losses) included in net income	87,489	(18,373)	69,116
Foreign currency translation adjustment	(16,124)	—	(16,124)
Adjustment to deferred policy acquisition costs	1,539,204	(323,233)	1,215,971
Adjustment to reserves	446,157	(93,693)	352,464
Adjustment to unearned premiums and fees	(1,279,729)	268,743	(1,010,986)
Adjustment to pension and other postretirement plans	80,901	(16,989)	63,912
Less: Reclassification adjustment for pension and other postretirement plans expenses included in net income	6,859	(1,440)	5,419
Other comprehensive income (loss)	$ (4,049,707)	$ 664,365	$ (3,385,342)

(in thousands)

(19) Other Comprehensive Income (Loss) (Continued)

Information regarding amounts reclassified out of each component of accumulated other comprehensive loss and related tax effects at December 31, 2023 were as follows:

	Amount reclassified from accumulated other comprehensive loss	Consolidated statement of operations and comprehensive income (loss) location
Net unrealized investment gains (losses):		
Unrealized gains (losses)	$ (728)	Net realized investment losses
Impairments on fixed maturity securities	(18,928)	Net realized investment losses
Unrealized investment gains (losses), before income tax	(19,656)	
Deferred income tax benefit (expense)	4,128	
Unrealized investment gains (losses), net of income tax	$ (15,528)	
Pension and other postretirement plans (1):		
Amortization of prior service benefit	$ (6,794)	General operating expenses
Amortization of net actuarial losses	(6,485)	General operating expenses
Amortization of pension and other postretirement plan items, before income tax	(13,279)	
Deferred income tax benefit (expense)	2,789	
Amortization of pension and other postretirement plan items, net of income tax	$ (10,490)	

(1) These accumulated other comprehensive income (loss) items are included in the computation of net periodic benefit costs. See note 10 Employee Benefit Plans for further details.

(in thousands)

(19) Other Comprehensive Income (Loss) (Continued)

Information regarding amounts reclassified out of each component of accumulated other comprehensive loss and related tax effects at December 31, 2022 were as follows:

	Amount reclassified from accumulated other comprehensive loss	Consolidated statement of operations and comprehensive income (loss) location
Net unrealized investment gains (losses):		
Unrealized gains (losses)	$ (71,633)	Net realized investment losses
Unrealized OTTI losses – OTTI on fixed maturity securities	(15,856)	Net realized investment losses
Unrealized investment gains (losses), before income tax	(87,489)	
Deferred income tax benefit (expense)	18,373	
Unrealized investment gains (losses), net of income tax	$ (69,116)	
Pension and other postretirement plans (1):		
Amortization of prior service benefit	$ (11,722)	General operating expenses
Amortization of net actuarial losses	18,581	General operating expenses
Amortization of pension and other postretirement plan items, before income tax	6,859	
Deferred income tax benefit (expense)	(1,440)	
Amortization of pension and other postretirement plan items, net of income tax	$ 5,419	

(1) These accumulated other comprehensive income (loss) items are included in the computation of net periodic benefit costs. See note 10 Employee Benefit Plans for further details.

The components of accumulated other comprehensive loss and related tax effects at December 31 were as follows:

	2023	2022
Gross unrealized gains	$ 174,954	$ 22,982
Gross unrealized losses	(2,550,656)	(3,315,850)
Gross unrealized gains (losses) – OTTI	—	(4,087)
Foreign currency translation	(5,622)	(7,906)
Adjustment to deferred policy acquisition costs	820,762	859,682
Adjustment to reserves	128,931	125,582
Adjustment to unearned premiums and fees	(701,249)	(703,300)
Adjustment to pension and other postretirement plans	(5,643)	(3,382)
	(2,138,523)	(3,026,279)
Deferred federal income tax expenses (benefits)	309,083	456,265
Net accumulated other comprehensive loss	$ (1,829,440)	$ (2,570,014)

(in thousands)

(20) Stock Dividends and Capital Contributions

The Company declared and paid dividends to SHC consisting of equity securities in the amount $4,993 and 4,998 during the years ended December 31, 2023 and 2022, respectively.

Dividend payments received by SFG from its subsidiary, Minnesota Life Insurance Company, cannot exceed the greater of 10% of Minnesota Life Insurance Company's statutory capital and surplus or the statutory net gain from operations as of the preceding year-end, as well as the timing and amount of dividends paid in the preceding 12 months, without prior approval from the Department of Commerce. Based on these limitations and 2023 statutory results, the maximum amount available for the payment of dividends during 2024 by Minnesota Life Insurance Company without prior regulatory approval is $327,596.

(21) Commitments and Contingencies

The Company is involved in various pending or threatened legal proceedings arising out of the normal course of business. In the opinion of management, the ultimate resolution of such litigation will likely not have a material adverse effect on consolidated operations or the financial position of the Company.

The Company has long-term commitments to fund alternative investments and real estate investments totaling $508,200 as of December 31, 2023. The Company estimates that $203,000 of these commitments will be invested in 2024, with the remaining $305,200 invested over the next four years.

As of December 31, 2023, the Company had committed to originate mortgage loans totaling $130,000 but had not completed the originations.

As of December 31, 2023, the Company had committed to purchase fixed maturity securities totaling $74,000 but had not completed the purchase transactions.

The Company leases space in downtown St. Paul to unaffiliated companies. Commitments to the Company from these agreements are as follows: 2024, $1,313; 2025, $1,324; 2026, $1,193; 2027, $1,115; 2028, $1,010. Income from these leases was $2,621 and $2,335 for the years ended December 31, 2023 and 2022, respectively and is reported in net investment income on the statements of operations and comprehensive income (loss).

The Company also has long-term lease agreements with unaffiliated companies for office facilities and equipment. As of December 31, 2023, the maturity of lease liabilities are as follows:

	Maturity of lease liabilities
2024	$ 9,071
2025	6,273
2026	5,661
2027	4,796
2028	4,206
Thereafter	11,149

As of December 31, 2023, the weighted-average remaining lease term was 7 years and the weighted-average discount rate was 3.18%.

Level expense (lease expense) for 2023 and 2022 in the amount of $8,584 and $9,364, respectively, is recorded in general operating and other expenses in the consolidated statements of operations and comprehensive income (loss).

(21) Commitments and Contingencies (Continued)

For the year ended December 31, 2023, operating cash flows included $10,091 of cash paid for amounts included in the measurement of operating lease liabilities.

The Company has a 100% coinsurance agreements for its individual disability line, certain closed blocks of individual life and individual annuity products and certain non-affiliated group annuity contracts. Under the terms of these agreements, assets supporting the reserves transferred to the reinsurers are held under trust agreements for the benefit of the Company in the event that the reinsurers are unable to perform their obligations. At December 31, 2023 and 2022, the assets held in trust were $3,687,287 and $3,881,446, respectively. These assets are not reflected on the accompanying consolidated balance sheets.

In connection with the dissolution of MIMLIC Life Insurance Company, the Company has agreed to guarantee all obligations and liabilities of MIMLIC Life Insurance Company that arise in the normal course of business. Management does not consider an accrual necessary relating to this guarantee.

The Company has minimum compensation agreements with certain sales and employee groups, the terms of which expire at various times through 2025. Such agreements, which have been revised from time to time, provide for minimum compensation for these groups. The aggregate future minimum commitment under these agreements at December 31, 2023 and 2022 was approximately $6,825 and $6,814, respectively.

The Company has guaranteed the payment of benefits under certain of its affiliates' non-qualified pension plans in the event that the affiliate is unable to make such payment. This guarantee is unfunded, unsecured and may be amended, modified or waived with written consent by the parties to the agreement. Management does not consider an accrual necessary relating to these guarantees.

The Company is contingently liable under state regulatory requirements for possible assessments pertaining to future insolvencies and impairments of unaffiliated insurance companies. The Company records a liability for future guaranty fund assessments based upon known insolvencies, according to data received from the National Organization of Life and Health Insurance Guaranty Association. At December 31, 2023 and 2022, this liability was $897 and $707, respectively. An asset is recorded for the amount of guaranty fund assessments paid, which can be recovered through future premium tax credits. This asset was $2,440 and $2,468 as of December 31, 2023 and 2022, respectively. These assets are being amortized over a five-year period.

(22) Subsequent Events

The Company evaluated subsequent events through March 8, 2024, the date these financial statements were issued. There were no other material subsequent events that required recognition or further disclosure in the Company's financial statements.