CONSOLIDATED FINANCIAL STATEMENTS

Western & Southern Financial Group, Inc.
(a wholly owned subsidiary of Western & Southern Mutual Holding Company)
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Western & Southern Financial Group

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Contents

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Report of Independent Auditors

The Board of Directors
Western & Southern Financial Group, Inc.

Opinion

We have audited the consolidated financial statements of Western & Southern Financial Group, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor’s Responsibilities for the Audit of the 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 Financial Statements

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

In preparing the 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 financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Ernst & Young LLP

April 17, 2023

Western & Southern Financial Group, Inc.
(a wholly-owned subsidiary of Western & Southern Mutual Holding Company)

Consolidated Balance Sheets

	December 31 2022	December 31 2021
	(In Thousands)	
Assets		
Investments:		
Debt securities, available-for-sale at fair value	**$ 40,368,502**	$ 41,700,175
Equity securities	**2,899,099**	3,439,994
Debt trading securities, at fair value [(1)]	**3,130,396**	3,457,555
Mortgage loans, net	**6,235,340**	4,880,678
Real estate [(1)]	**584,287**	588,184
Policy loans	**1,398,022**	1,284,357
Short-term investments [(1)]	**1,112,366**	1,490,173
Other invested assets [(1)] (measured at fair value under the fair value option: 2022 - $1,518,596 ; 2021 - $1,208,655)	**3,297,646**	2,967,162
Total investments	**59,025,658**	59,808,278
Cash and cash equivalents [(1)]	**229,806**	219,959
Accrued investment income [(1)]	**493,040**	400,017
Deferred acquisition costs, net	**2,210,603**	1,208,209
Goodwill and other intangible assets	**1,687,121**	1,707,413
Deferred income tax asset, net	**621,125**	—
Other assets [(1)]	**863,741**	694,712
Assets held in separate accounts	**2,350,678**	2,822,399
Total assets	**$ 67,481,772**	$ 66,860,987
Liabilities and equity		
Policy reserves	**$ 50,918,733**	$ 44,904,640
Policyholder dividend obligation	—	507,928
Total policy liabilities	**50,918,733**	45,412,568
Securities lending obligation	**838,186**	642,988
Deferred income tax liability, net	—	579,770
Nonrecourse trust and partnership obligations [(1)]	**1,036,319**	1,044,302
Notes payable	**1,482,766**	1,480,584
Employee benefit liabilities	**527,977**	684,039
Other liabilities and accrued expenses [(1)]	**1,296,795**	1,121,428
Liabilities related to separate accounts	**2,350,678**	2,822,399
Total liabilities	**58,451,454**	53,788,078
Equity:		
Paid-in capital	**5,000**	5,000
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	**(2,580,542)**	1,610,595
Net unrealized gains (losses) on other-than-temporarily impaired securities	**2,473**	16,660
Net unrecognized postretirement benefit obligation	**15,156**	(152,061)
Net currency translation adjustment	**929**	939
Total accumulated other comprehensive income (loss)	**(2,561,984)**	1,476,133
Retained earnings	**10,640,884**	10,581,576
Total equity attributable to Western & Southern Financial Group, Inc.	**8,083,900**	12,062,709
Noncontrolling interests	**946,418**	1,010,200
Total equity	**9,030,318**	13,072,909
Total liabilities and equity	**$ 67,481,772**	$ 66,860,987

(1) See Note 3 for details of balances associated with variable interest entities.

See accompanying notes.

Western & Southern Financial Group, Inc.
(a wholly-owned subsidiary of Western & Southern Mutual Holding Company)

Consolidated Statements of Income

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Revenue:		
Insurance premiums and other consideration	**$ 3,240,258**	$ 2,494,066
Universal life and investment-type product charges	**162,143**	151,119
Net investment income	**2,328,643**	2,291,476
Net investment gains (losses):		
Net investment gains (losses), excluding impairment losses	**(614,227)**	1,058,057
Other-than-temporary impairment losses	**(19,531)**	(19,711)
Portion of impairment losses on debt securities recognized in other comprehensive income	**685**	—
Net investment gains (losses)	**(633,073)**	1,038,346
Commissions, fees and other income	**448,248**	455,499
Total revenue	**5,546,219**	6,430,506
Benefits and expenses:		
Policy benefits	**3,336,519**	2,650,591
Interest credited to policyholder account balances	**721,067**	594,680
Dividends to policyholders	**142,360**	128,305
Amortization of policyholder related intangibles	**265,695**	229,903
Other operating expenses	**1,172,522**	1,228,821
Total benefits and expenses	**5,638,163**	4,832,300
Income (loss) before income tax expense (benefit)	**(91,944)**	1,598,206
Income tax expense (benefit)	**(22,574)**	279,852
Net income (loss)	**(69,370)**	1,318,354
Less net income (loss) attributable to noncontrolling interests	**(128,678)**	101,560
Net income attributable to Western & Southern Financial Group, Inc.	**$ 59,308**	$ 1,216,794

See accompanying notes.

Consolidated Statements of Comprehensive Income

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Net income (loss)	**$ (69,370)**	$ 1,318,354
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities:		
Change in net unrealized gains (losses) on available-for-sale securities not other-than-temporarily impaired	**(4,191,137)**	(611,240)
Change in net unrealized gains (losses) on available-for-sale securities other-than-temporarily impaired	**(14,187)**	(2,663)
Total net unrealized gains (losses) on securities	**(4,205,324)**	(613,903)
Change in net gains (losses) on cash flow hedging instruments	**—**	2,397
Change in unrecognized postretirement benefit obligation	**167,217**	109,619
Change in currency translation adjustment	**(10)**	172
Other comprehensive income (loss), net of tax	**(4,038,117)**	(501,715)
Total comprehensive income (loss), net of tax	**(4,107,487)**	816,639
Less comprehensive income (loss) attributable to noncontrolling interests	**(128,678)**	101,560
Comprehensive income (loss) attributable to Western & Southern Financial Group, Inc.	**$ (3,978,809)**	$ 715,079

See accompanying notes.

Consolidated Statements of Changes in Equity

	Western & Southern Financial Group, Inc.				
	Paid-in Capital	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Noncontrolling Interests**	**Total Equity**
			(In Thousands)		
Equity, January 1, 2021	$ 5,000	$ 1,977,848	$ 9,366,282	$ 1,053,673	$12,402,803
Change in noncontrolling interests' ownership	—	—	—	(145,033)	(145,033)
Dividend paid to parent	—	—	(1,500)	—	(1,500)
Net income	—	—	1,216,794	101,560	1,318,354
Other comprehensive income (loss)	—	(501,715)	—	—	(501,715)
Equity, December 31, 2021	5,000	1,476,133	10,581,576	1,010,200	13,072,909
Change in noncontrolling interests' ownership	—	—	—	**64,896**	**64,896**
Net income (loss)	—	—	**59,308**	**(128,678)**	**(69,370)**
Other comprehensive income (loss)	**—**	**(4,038,117)**	**—**	**—**	**(4,038,117)**
Equity, December 31, 2022	**$ 5,000**	**$ (2,561,984)**	**$ 10,640,884**	**$ 946,418**	**$ 9,030,318**

See accompanying notes.

Western & Southern Financial Group, Inc.
(a wholly-owned subsidiary of Western & Southern Mutual Holding Company)

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Operating activities		
Net income (loss)	**$ (69,370)**	$ 1,318,354
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Capitalization of acquisition costs	**(388,412)**	(313,947)
Amortization and depreciation	**271,784**	237,695
Net investment (gains) losses	**633,073**	(1,038,346)
Deferred federal income tax expense (benefit)	**(128,162)**	153,338
Purchases of debt trading securities, net of proceeds from sales	**(156,505)**	(645,847)
(Increase) decrease in other operating assets	**(48,531)**	(180,497)
Increase (decrease) in other operating liabilities and other policyholder balances	**1,556,207**	1,145,049
Net cash provided by operating activities	**1,670,084**	675,799
Investing activities		
Purchases:		
Debt securities, available-for-sale	**(12,036,520)**	(8,337,176)
Equity securities	**(601,875)**	(874,991)
Mortgage loans	**(1,863,718)**	(1,376,573)
Real estate and other invested assets	**(815,735)**	(798,366)
Proceeds from sales, call or maturities:		
Debt securities, available-for-sale		
Sales	**2,908,472**	1,389,274
Maturities, calls and pay downs	**3,411,566**	4,628,327
Equity securities	**783,941**	679,488
Mortgage loans	**513,738**	297,372
Real estate and other invested assets	**575,231**	1,205,141
(Increase) decrease in short-term investments	**374,163**	(37,568)
(Acquisitions) disposals of business, net of cash (acquired) sold	**(20,590)**	(142,255)
Net cash used in investing activities	**(6,771,327)**	(3,367,327)
Financing activities		
Deposits and interest credited to universal life and investment-type product account balances	**31,275,861**	23,129,010
Withdrawals from universal life and investment-type product account balances	**(26,438,745)**	(21,535,793)
Other financing activities	**273,974**	968,507
Net cash provided by financing activities	**5,111,090**	2,561,724
Net increase (decrease) in cash and cash equivalents	**9,847**	(129,804)
Cash and cash equivalents (including restricted cash) at beginning of year	**219,959**	349,763
Cash and cash equivalents (including restricted cash) at end of year	**$ 229,806**	$ 219,959

See accompanying notes.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Western & Southern Financial Group, Inc. (Western & Southern) is a wholly-owned subsidiary of Western & Southern Mutual Holding Company (Mutual Holding). Mutual Holding is an Ohio-domiciled mutual insurance holding company organized pursuant to the plan of reorganization of The Western and Southern Life Insurance Company (WSLIC) by which WSLIC converted from a mutual life insurance company to a stock life insurance company under a mutual insurance holding company structure pursuant to the Ohio Revised Code. Western & Southern and Mutual Holding were formed on the effective date of the conversion, September 19, 2000. Upon the conversion, WSLIC became a wholly-owned subsidiary of Western & Southern.

Western & Southern and its subsidiaries (collectively referred to herein as the Company) provide a broad array of insurance and financial products and services through a multi-channel distribution system. The Company provides a variety of traditional and non-traditional life insurance products, including whole life products, fixed and variable annuities, universal life contracts and other types of accumulation and protection products. The Company has two insurance subsidiaries, WSLIC and Lafayette Life Insurance Company (Lafayette Life). WSLIC has a number of direct and indirect insurance subsidiaries consisting of Western-Southern Life Assurance Company (WSLAC), Columbus Life Insurance Company (Columbus Life), Integrity Life Insurance Company (Integrity), National Integrity Life Insurance Company (National Integrity) and Gerber Life Insurance Company (Gerber Life). The Company sells its products and services to individuals of all income levels in all 50 states, the District of Columbia and Guam.

The Company’s primary non-life insurance operations include (i) the Company’s registered broker-dealer affiliates, Touchstone Securities, Inc. and W&S Brokerage Services, Inc.; (ii) the Company’s investment advisory affiliates, Fort Washington Investment Advisors, Inc. and Touchstone Advisors, Inc.; (iii) the Company’s real estate management affiliate, Eagle Realty Group, LLC; and (iv) the Company's insurance agency and third party administrator, Gerber Life Agency, LLC.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Closed Blocks

The Company operates two closed blocks. In conjunction with the formation of Mutual Holding, the Company formed a closed block for the benefit of participating individual ordinary and weekly premium industrial life insurance policyholders of WSLIC. A second closed block was formed as a result of the Company's 2005 merger with Lafayette Life for the benefit of participating life insurance policyholders of Lafayette Life.

The assets and liabilities allocated to the closed blocks are recorded in the Company's financial statements on the same basis as similar assets and liabilities. The carrying amounts of liabilities allocated to the closed blocks in excess of the carrying amounts of assets allocated to the closed blocks (adjusted to eliminate the impact of accumulated other comprehensive income) represent the maximum future earnings the Company may record into income over the duration of the closed blocks. The emergence of the earnings over the lives of the closed blocks has been developed through actuarial calculations and in conformity with related regulatory requirements.

If cumulative actual earnings are greater than expected, only expected earnings will be recognized in income. The excess earnings are recorded as a policyholder dividend obligation and will be paid to policyholders of the closed blocks through increased dividends unless offset by future results below expectations. If cumulative actual earnings are less than expected, only actual earnings will be recognized in income.

Changes in the policyholder dividend obligation arising from ordinary operations within the closed blocks are included in dividends to policyholders in the consolidated statements of income. Changes in the policyholder dividend obligation arising from realized gains (losses) within the closed blocks are included in net investment gains (losses) in the consolidated statements of income.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and, if applicable, variable interest entities (VIEs) in which the Company is the primary beneficiary and voting interest entities (VOEs) in which the Company controls the majority of voting interests. Intercompany balances and transactions have been eliminated.

A VIE is an entity that either has equity investors that lack certain essential characteristics of a controlling financial interest, including substantive voting rights, the obligation to absorb the entity's expected losses, or the rights to receive the entity's expected residual returns, or has

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE is consolidated by the variable interest holder that is determined to be the primary beneficiary based upon qualitative and/or quantitative analysis. The Company is required to assess the need to consolidate a VIE depending upon the characteristics of the entity. The Company performs the assessment of whether the Company is the primary beneficiary of a VIE on an ongoing basis. See Note 3, Variable Interest Entities, for further discussion of the Company's relationship with VIEs.

Investments

The Company's debt and equity securities are reported at their estimated fair values. Debt securities are classified in one of two categories at purchase: available-for-sale or trading. See Note 8, Fair Values of Financial Instruments, for policies related to the determination of fair values. The cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts, both computed using the interest method. Unrealized investment gains and losses on available-for-sale securities are recorded as a separate component of other comprehensive income, net of policyholder-related amounts and deferred income taxes. The cost of available-for-sale debt securities is adjusted for impairments in value deemed to be other than temporary. These adjustments are recorded as realized losses on investments in the period the determination is made, and for impairments of certain debt securities, the noncredit impairment loss is reported in other comprehensive income (loss). See further discussion in Note 2, Investments. Equity securities, excluding those that back certain employee benefit plans, and debt trading securities are carried at fair value and changes in fair value are recorded in net investment gains (losses) as they occur. Realized gains and losses on the sale or maturity of investments are based upon specific identification of the investments sold or matured and do not include amounts allocated to separate accounts. Equity securities used in certain employee benefit plans are accounted for at fair value with changes in fair value recorded as net investment income.

Short-term investments, other than cash and cash equivalents, are those investments used in the Company's investing activities and with a maturity of less than one year. These consist primarily of debt securities, commercial paper and money market funds. Short-term investments are reported at their estimated fair values.

Mortgage loans on real estate are carried at amortized cost less a valuation allowance for estimated uncollectible amounts. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate. Loans are evaluated for or placed on nonaccrual status when there is concern regarding the collectability of future payments or when a loan has matured without being paid off or extended. Interest payments received on loans on nonaccrual status are generally applied to principal or in accordance with the loan agreement unless the

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

remaining principal balance has been determined to be fully collectible. The Company resumes accruing interest once a loan complies with all of its original or restructured terms. The Company determines the adequacy of the allowance for loan losses based upon the overall loan portfolio composition, recent and historical loss experience and other pertinent factors. While the Company attributes portions of the allowance to specific loan pools as part of the estimation process, the entire allowance is available to absorb losses inherent in the total loan portfolio. The Company measures and assesses the credit quality of mortgage loans by using loan-to-value and debt-service coverage ratios. The loan-to-value ratio compares the principal amount of the loan to the fair value at origination of the underlying property collateralizing the loan and is commonly expressed as a percentage. Loan-to-value ratios greater than 100% indicate that the principal amount is greater than the collateral value. Therefore, all else being equal, a lower loan-to-value ratio generally indicates a higher quality loan. The debt-service coverage ratio compares a property's net operating income to its debt-service payments. Debt-service coverage ratios of less than 1.0 indicate that property operations do not generate enough income to cover its current debt payments. Therefore, all else being equal, a higher debt-service coverage ratio generally indicates a higher quality loan.

A loan is considered restructured when the Company makes certain concessionary modifications to contractual terms. When the interest rate, minimum payments, and/or due dates have been modified in an attempt to make the loan more affordable to the borrower, the modification is considered a troubled debt restructuring (TDR). The Company considers a loan to be impaired when, based on current information and events, it is probable the Company will not be able to collect all amounts due, both interest and principal, according to the contractual terms of the loan agreement. Impaired loans also include loans that have been modified in TDRs as a concession to borrowers experiencing financial difficulties. The Company evaluates for impairment all restructured loans and loans with higher impairment risk factors. The impairment recognized is measured as the excess of the loan's recorded investment over the present value of its expected principal and interest payments discounted at the loan's effective interest rate, the fair value of collateral or the loan's observable market price.

Real estate is carried at depreciated cost less adjustments for impairments in value. In those cases where it is determined that the carrying amount of the real estate is not recoverable, an impairment loss is recognized based on the difference between the depreciated cost and fair value of the asset. The Company reports impairment losses as part of net investment gains. Depreciation is computed by the straight-line method over the estimated useful life of the asset.

Policy loans are carried at outstanding indebtedness not in excess of policy cash surrender value.

Partnership and joint venture interests where the Company can exercise significant influence, but does not have a controlling interest, are accounted for using the equity method of accounting and

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

included in other invested assets. The Company has elected the fair value option for certain real estate and tax credit partnership interests because management believes that the fair value option more closely aligns the changes in value of the investments with the financial reporting for these investments. The fair value of the investments is determined based upon an internally developed net present value analysis of the expected cash flows. The investments for which the Company has elected the fair value option are included in other invested assets on the Company's consolidated balance sheets. Changes in the fair value of these investments, excluding certain real estate partnership interests used in certain employee benefit plans, are reported in net investment gains in the consolidated statements of income. Partnership and joint venture interests used in certain employee benefit plans, including certain real estate, private debt, and private equity interests, are accounted for at fair value with changes in fair value recorded as net investment income. Dividends received from these investments are recorded as investment income.

The Company uses derivatives to help manage exposures to certain equity and interest rate-related risks and to help manage overall investment yields while exposing the Company to acceptable credit risk. Freestanding derivative investments are recorded at fair value and are reflected as either assets or liabilities, in other invested assets or other liabilities and accrued expenses, respectively, in the consolidated balance sheets. The Company primarily uses derivatives as economic hedges that are not designated as accounting hedges or do not qualify for hedge accounting treatment. If a derivative does not qualify for hedge accounting, the changes in its fair value and all scheduled periodic settlement receipts and payments are reported in net investment gains in the period of the change. See Note 8, Fair Values of Financial Instruments, for policies related to the determination of fair values. See Note 2, Investments, for a detailed discussion of the types of derivatives utilized by the Company as part of its risk management strategy.

Cash and Cash Equivalents

The Company considers short-term investments with an original maturity of three months or less when purchased that do not support the Company's investing activities to be cash equivalents. Cash equivalents are stated principally at amortized cost, which approximates fair value.

Premium Revenue and Benefits to Policyholders

The premiums and benefits for whole life and term insurance products and certain annuities with life contingencies (immediate annuities) are fixed and guaranteed. Such premiums are recognized as premium revenue when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for policy benefits and the amortization of deferred acquisition costs.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Universal life policies and investment contracts are policies with terms that are not fixed and guaranteed. The terms that may be changed could include one or more of the amounts assessed to the policyholder, premiums paid by the policyholder or interest accrued to customer deposits. The amounts collected from policyholders for these policies are considered deposits, and only the deductions during the period for cost of insurance, policy administration and surrenders are included in revenue. Policy benefits and claims that are charged to expense include interest credited to contracts and benefit claims incurred in the period in excess of related policy account balances.

Deferred Acquisition Costs

The Company defers costs that are directly related to the successful acquisition or renewal of insurance contracts. Capitalized costs include incremental direct costs of contract acquisition such as commissions and premium taxes, as well as certain third-party and employee costs related directly to acquisition activities such as underwriting, policy issuance and processing, medical and inspection fees and sales force contract selling.

Deferred acquisition costs for traditional dividend paying life insurance products are amortized over the lifetime of the policy in relation to the present value of estimated gross margins from expenses, investments and mortality, discounted using the expected investment yield.

For universal life-type policies and investment contracts, deferred acquisition costs are amortized, with interest, in relation to the present value of estimated gross profits from surrender charges and investment, mortality and expense margins, discounted using the interest rate credited to the policy.

Amortization patterns of deferred acquisition costs are periodically adjusted for (1) realized investment gains and losses to provide information regarding the impact of such gains and losses on the amount of the amortization, (2) unrealized investment gains and losses to provide information regarding the amount of deferred acquisition costs that would have been amortized if such gains and losses had been realized, and (3) amortization expense to provide amounts related to the gross margins or profits originating from transactions other than investment gains and losses.

Realized investment gains and losses related to certain products have a direct impact on the amortization of deferred acquisition costs. The Company presents realized investment gains and losses net of related amortization of deferred acquisition costs because management believes it provides information useful in evaluating the operating performance of the Company.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangibles

The excess of cost over the fair value of tangible and other intangible net assets acquired (goodwill) is recognized as an indefinite-lived intangible asset, which is included in goodwill and other intangible assets in the consolidated balance sheets. Goodwill is evaluated for impairment on an annual basis, or more frequently whenever significant events occur or changes in circumstances indicate that an impairment may have occurred in relation to the intangible asset.

Other intangible assets, including the value of business acquired (VOBA), the value of customer relationships acquired (VOCRA), the value of distribution networks acquired (VODA), a trademark license agreement and mutual fund advisory contracts, are also included in the goodwill and other intangible assets in the consolidated balance sheets. VOBA is amortized based on estimated gross profits or insurance inforce depending on the underlying insurance product characteristics. VOCRA is amortized based on insurance inforce. VODA is amortized straightline over the expected life of the acquired managing general underwriter relationships. The trademark license agreement is amortized straightline over its contractual life and the mutual fund advisory contracts are amortized straightline over the expected life of the managed funds. Intangible assets are evaluated for impairment on an annual basis, or more frequently whenever significant events occur or changes in circumstances indicate that an impairment may have occurred in relation to the intangible asset.

Impairments are recognized in current operating results to the extent future cash flows are insufficient to recover the value of goodwill or other intangible assets. No impairments were recognized during 2022 or 2021.

Sales Inducements

The Company offers enhanced crediting rates or bonus payments to contractholders on certain fixed annuity products. The expense associated with the bonus is deferred and amortized over the life of the related contract in a pattern that is consistent with the amortization of deferred acquisition costs. The Company has recorded a deferred sales inducements (DSI) asset of $38.2 million and $4.4 million in other assets on its consolidated balance sheets as of December 31, 2022 and 2021, respectively. The Company deferred $1.4 million of sales inducements in 2022 and $0.8 million in 2021. Amortization expense related to DSI is included with interest credited to policyholder account balances in the consolidated income statements, and was $6.1 million and $7.8 million for the years ended December 31, 2022 and 2021, respectively.

Reserves for Future Policy and Contract Benefits

Liabilities for future policy benefits for traditional life contracts are calculated using the net level premium method using assumptions as to interest and mortality. For dividend-paying traditional

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

life contracts, the guaranteed mortality and dividend fund interest rate used is that generally equivalent to the statutory interest rate and the mortality rates guaranteed in the calculation of cash surrender values described in the contract. For all other traditional life contracts, assumptions for investment yields, mortality and withdrawals are principally based on expenses projected at the time of policy issue, with provision for possible adverse deviations. Liabilities for future policy benefits on universal life and investment contracts consist principally of policy account values plus certain deferred policy fees, which are amortized using the same assumptions and factors used to amortize related deferred acquisition costs.

Liabilities for indexed annuity products are equal to the accumulation of host contract values covering guaranteed benefits and the fair value of embedded equity options.

If the future benefits on investment contracts are guaranteed (immediate annuities with benefits paid for a period certain), the liability for future benefits is the present value of such guaranteed benefits.

Assets Held in Separate Accounts

The Company maintains separate account funds on which investment income and gains or losses accrue directly to certain policyholders of variable annuity contracts and group variable life insurance products. The assets of these accounts are legally segregated and are carried at fair value. See Note 8, Fair Values of Financial Instruments, for policies related to the determination of fair values. The related liabilities are recorded at amounts equal to the underlying assets. Investment income and gains or losses from those separate account assets accrue directly to the policyholder and are not included in income of the Company. The majority of variable annuity contracts offer various guaranteed death benefits. The death benefit under the group variable life insurance policies may vary with the investment performance of the underlying investments in the separate accounts. The Company has established reserves for these guarantees, with changes in such reserve balances recorded through a charge to earnings and not as activity within the separate accounts. The fees earned for administrative and contractholder maintenance services performed for these separate accounts are included in other income.

The Company also maintains separate account assets and liabilities for the assets supporting the Company-sponsored defined benefit plan.

Dividend Paying Traditional Insurance

Dividend paying traditional insurance represents approximately 16.2% and 16.1% of the Company’s life insurance in force and 38.4% and 38.1% of the life insurance premiums in 2022 and 2021, respectively.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Dividends to policyholders are determined annually by the Board of Directors. The amount of the dividend is determined using factors based on approved dividend scales.

Federal Income Taxes

The Company files a consolidated income tax return with its eligible subsidiaries. The provision for federal income taxes is allocated to the individual companies using a separate return method based upon a written tax-sharing agreement. Under the agreement, the benefits from losses of subsidiaries are retained by the subsidiary companies. WSLIC pays all federal income taxes due for all members of the group. WSLIC then immediately charges or reimburses, as the case may be, the members of the group an amount consistent with the method described in the tax-sharing agreement.

The Company includes interest and penalties in the federal income tax line on the consolidated statements of income, including the after-tax cost of interest and penalties related to unrecognized tax benefits. The effect of a change in tax rates on deferred tax assets and liabilities is recorded in the federal income tax line on the consolidated statements of income in the period that includes the enactment date.

The provision for federal income taxes includes amounts currently payable and deferred income taxes resulting from the temporary differences in the assets and liabilities determined on a tax and financial reporting basis.

The Company evaluates uncertain tax positions on an eligible subsidiary basis and establishes a reserve for each eligible subsidiary where sustainability of the deduction is deemed uncertain.

Comprehensive Income

Comprehensive income encompasses all changes in equity, excluding transactions with owners, and includes net income and the change in unrealized appreciation (depreciation) in the fair value of investment securities, among other items.

Risks and Uncertainties

The Company is exposed to risk associated with the ongoing outbreak of coronavirus ("COVID-19") and is actively monitoring developments through governmental briefings and the relevant health authorities. The effects of the outbreak on the Company are uncertain and difficult to predict, as the situation continues to evolve. Risks include (but are not limited to) the disruption of business operations due to changing work environments for employees, agents and distributors, and business partners; potential economic hardship of policyholders and issuers of investments held by the Company; and disruptions of product marketing and sales efforts. The

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Company has business continuity plans in place to mitigate the risks posed to business operations by disruptive incidents such as these.

Subsequent Events

Note 7 includes the details of a transaction involving a line of credit that was paid off subsequent to the December 31, 2022, financial statement date.

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through April 17, 2023, the date the consolidated financial statements were available to be issued.

Future Adoption of New Accounting Standards

Reference Rate Reform Practical Expedients

In March 2020, the FASB issued new accounting guidance to provide optional relief for certain contracts impacted by reference rate reform. The standard permits an entity to consider contract modification due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. The accounting guidance also temporarily (from March 12, 2020 through December 31, 2024) allows hedge relationships to continue even upon changes of critical terms, if the changes are due to reference rate reform. The ASU has not had a material impact to the Company's consolidated financial statements. The Company continues to consider the released guidance as it updates its portfolio of LIBOR based contracts.

Financial Instruments- Credit Losses

In June 2016, the FASB issued new accounting guidance to measure and recognize credit losses on certain types of financial instruments. The new model requires that an allowance be recognized for the estimated lifetime expected credit losses and applies to most debt instruments not measured at fair value. While the guidance does not change the method used to estimate credit losses for available-for-sale debt securities, it does require that credit losses be recognized through an allowance rather than a reduction to the amortized cost of those securities. Additionally, that allowance is permitted to be reduced due to improvements in credit loss estimates on available-for-sale securities by recognizing that amount immediately through earnings. The standard is effective for fiscal years beginning after December 15, 2022, through a cumulative effect adjustment to the consolidated balance sheet as of the beginning of the fiscal year of adoption. The Company adopted the guidance effective January 1, 2023. The Company evaluated items within scope of the guidance and developed CECL models for assets determined to be in scope and material. As a result the Company recorded a cumulative effect adjustment in

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

2023 of $18.8 million, net of associated deferred tax impacts, representing an increase in the Company's commercial mortgage loan reserves.

Goodwill

In January 2017, the FASB issued new accounting guidance simplifying the accounting for goodwill impairment. The guidance eliminates Step 2 of the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of the goodwill to the carrying amount. Under the new guidance, goodwill impairment is determined based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. Early adoption is permitted. The guidance is effective on a prospective basis for fiscal years beginning after December 15, 2022. The Company currently anticipates a minimal immediate impact from this guidance in the year of adoption.

Long Duration Contracts

In August 2018, the FASB issued new accounting guidance that impacts accounting for long duration insurance contracts. The main provision of the guidance requires the periodic update of cash flow assumptions that have historically been locked-in at contract issue upon evaluating the liability for future policyholder benefits for traditional and limited pay contracts, and prescribes the discount rate used to discount cash flows used in valuation. In addition, the guidance simplifies the accounting for DAC amortization, requires more product guarantees that subject the reporting entity to market volatility to be accounted for at fair value, and will increase disclosure requirements related to long duration contracts. The guidance is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact the adoption of the standard is expected to have on its consolidated financial statements.

2. Investments

Debt Securities

As of December 31, 2022, the amortized cost, gross unrealized gains and losses, the noncredit portion of OTTI included in accumulated other comprehensive income (loss), and fair values of securities available-for-sale are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Noncredit OTTI	Fair Value
			(In Thousands)		
December 31, 2022					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 241,442**	**$ 490**	**$ (7,513)**	**$ —**	**$ 234,419**
Debt securities issued by states of the U.S. and political subdivisions of the states	**907,050**	**5,480**	**(94,346)**	**—**	**818,184**
Non-U.S. government securities	**623,484**	**1,522**	**(109,012)**	**—**	**515,994**
Corporate securities	**26,606,031**	**172,425**	**(2,622,272)**	**—**	**24,156,184**
Residential mortgage-backed securities	**3,214,947**	**7,204**	**(315,086)**	**5,230**	**2,912,295**
Commercial mortgage-backed securities	**6,088,005**	**2,595**	**(417,147)**	**(86)**	**5,673,367**
Asset-backed securities	**6,528,807**	**3,277**	**(473,937)**	**(88)**	**6,058,059**
Total debt securities	**$ 44,209,766**	**$ 192,993**	**$ (4,039,313)**	**$ 5,056**	**$ 40,368,502**

2. Investments (continued)

As of December 31, 2021, the amortized cost, gross unrealized gains and losses, the noncredit portion of OTTI included in accumulated other comprehensive income (loss), and fair values of securities available-for-sale are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Noncredit OTTI	Fair Value
			(In Thousands)		
December 31, 2021					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 260,889	$ 2,922	$ (804)	$ —	$ 263,007
Debt securities issued by states of the U.S. and political subdivisions of the states	1,068,732	103,481	(1,505)	—	1,170,708
Non-U.S. government securities	737,897	44,511	(10,267)	—	772,141
Corporate securities	25,561,217	2,972,057	(56,768)	—	28,476,506
Residential mortgage-backed securities	2,425,243	68,063	(12,639)	30,124	2,510,791
Commercial mortgage-backed securities	4,181,536	85,274	(24,869)	—	4,241,941
Asset-backed securities	4,231,639	46,926	(13,422)	(62)	4,265,081
Total debt securities	$ 38,467,153	$ 3,323,234	$ (120,274)	$ 30,062	$ 41,700,175

The amortized cost and fair values of debt securities at December 31, 2022, 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.

	Amortized Cost	Fair Value
	(In Thousands)	
Years to maturity:		
One or less	$ 743,282	$ 740,087
After one through five	6,044,790	5,768,194
After five through ten	9,055,879	8,290,551
After ten	12,534,056	10,925,948
Mortgage-backed and asset-backed securities	15,831,759	14,643,722
Total	$ 44,209,766	$ 40,368,502

2. Investments (continued)

The Company monitors its portfolio closely to ensure that other-than-temporary impairments are identified and recognized in the income statement as they occur. At December 31, 2022 and 2021, 4,475 and 875, respectively, of the Company's securities were in an unrealized loss position. The aggregate amounts of unrealized losses, including the noncredit portion of OTTI, and the related fair values of investments with unrealized losses for securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are shown below:

	Unrealized Losses Less Than or Equal to 12 Months		Unrealized Losses Greater Than 12 Months	
	Unrealized Losses	**Fair Value**	**Unrealized Losses**	**Fair Value**
	(In Thousands)			
December 31, 2022				
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ (4,085)**	**$ 75,401**	**$ (3,428)**	**$ 34,842**
Debt securities issued by states of the U.S. and political subdivisions of the states	**(89,891)**	**589,973**	**(4,455)**	**18,596**
Non-U.S. government securities	**(78,748)**	**387,369**	**(30,264)**	**81,984**
Corporate securities	**(2,170,711)**	**18,714,840**	**(451,561)**	**1,717,424**
Residential mortgage-backed securities	**(207,895)**	**2,104,460**	**(119,120)**	**586,555**
Commercial mortgage-backed securities	**(265,627)**	**4,111,298**	**(151,606)**	**1,316,234**
Asset-backed securities	**(361,829)**	**4,582,428**	**(112,226)**	**1,191,960**
Total debt securities	**$ (3,178,786)**	**$ 30,565,769**	**$ (872,660)**	**$ 4,947,595**

2. Investments (continued)

	Unrealized Losses Less Than or Equal to 12 Months		Unrealized Losses Greater Than 12 Months	
	Unrealized Losses	**Fair Value**	**Unrealized Losses**	**Fair Value**
	(In Thousands)			
December 31, 2021				
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ (687)	$ 83,058	$ (117)	$ 3,836
Debt securities issued by states of the U.S. and political subdivisions of the states	(975)	84,603	(530)	7,481
Non-U.S. government securities	(9,598)	167,685	(669)	10,960
Corporate securities	(49,027)	2,645,894	(7,741)	120,304
Residential mortgage-backed securities	(11,760)	737,630	(2,083)	52,164
Commercial mortgage-backed securities	(20,352)	1,765,372	(4,517)	124,415
Asset-backed securities	(11,858)	1,685,799	(1,659)	267,524
Total debt securities	$ (104,257)	$ 7,170,041	$ (17,316)	$ 586,684

Each reporting period, all debt securities are reviewed to determine whether an other-than-temporary decline in fair value exists and whether losses should be recognized. The Company considers relevant facts and circumstances in evaluating whether a credit or interest rate-related impairment of a security is other than temporary. Relevant facts and circumstances considered include: (1) the extent that fair value is below amortized cost; (2) the reasons for the decline in value; (3) specific credit issues related to the issuer and current economic conditions, including the current and future impact of any specific events; and (4) the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost which, in some cases, may extend to maturity. In addition, for structured investments (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and other structured investments), the Company also considers factors such as overall deal structure and its position within the structure, quality of underlying collateral, delinquencies and defaults, loss severities, recoveries, prepayments and cumulative loss projections, and an evaluation of the present value of expected future cash flows in assessing potential other-than-temporary impairments of these investments.

2. Investments (continued)

The way in which impairment losses are recognized in the financial statements is dependent on the facts and circumstances related to the specific security. If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, the Company recognizes an other-than-temporary impairment in net income for the difference between amortized cost and fair value. If the Company does not expect to recover the amortized cost basis, does not plan to sell the security and if it is not more likely than not that the Company would be required to sell a security before the recovery of its amortized cost, the recognition of the other-than-temporary impairment is bifurcated. The credit loss portion is recognized in net income and the noncredit loss portion is recognized in accumulated other comprehensive income (loss).

In 2022, the Company recorded other-than-temporary credit loss impairments on debt securities of $14.3 million, which included $10.9 million related to corporate securities and $3.4 million related to structured securities. In 2021, the Company recorded other-than-temporary credit loss impairments on debt securities of $9.6 million, which included $7.0 million related to corporate securities and $2.6 million related to structured securities.

Net Investment Income

The major components of net investment income are summarized as follows:

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Debt securities	**$ 1,747,538**	$ 1,549,582
Equity securities	**30,276**	123,968
Debt trading securities	**169,145**	126,800
Mortgage loans	**243,753**	185,682
Real estate	**144**	(445)
Policy loans	**77,279**	74,290
Other invested assets	**99,127**	283,214
Short-term investments and other	**15,857**	3,984
Gross investment income	**2,383,119**	2,347,075
Investment expenses	**54,476**	55,599
Net investment income	**$ 2,328,643**	$ 2,291,476

2. Investments (continued)

Net Investment Gains (Losses)

The major components of net investment gains (losses) are summarized as follows:

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Sales of debt securities, available-for-sale:		
Gross gains	**$ 24,617**	$ 54,997
Gross losses (excluding impairments)	**(73,677)**	(3,163)
Gains on sales of real estate	**5,068**	47,888
Change in carrying value of:		
Equity securities	**(332,362)**	588,195
Debt trading securities	**(453,586)**	(58,894)
Other invested assets	**176,024**	457,272
Impairment write-downs and increases in loss reserves	**(20,692)**	(20,111)
Impact on policyholder related intangibles	**11,821**	(32,179)
Other	**29,714**	4,341
Net investment gains (losses)	**$ (633,073)**	$ 1,038,346

Proceeds from sales of investments in debt securities, available-for-sale during 2022 and 2021 were $2,908.5 million and $1,389.3 million, respectively. Proceeds from sales of investments in equity securities during 2022 and 2021 were $783.9 million and $679.5 million, respectively.

Unrealized gains (losses) on equity securities still held at the reporting date recorded within net investment gains (losses) were $(260.5) million and $485.8 million for the years ended December 31, 2022 and 2021, respectively.

2. Investments (continued)

The following represents the activity for credit losses recognized in net income on debt securities where an other-than-temporary impairment was identified and the noncredit portion of other-than-temporary impairments was included in accumulated other comprehensive income (loss) as of the periods indicated:

	Year Ended December 31 2022	2021
	(In Thousands)	
Cumulative credit loss beginning balance	**$ 147,672**	$ 150,083
Additions:		
Other-than-temporary impairments not previously recognized	**87**	—
Increases related to other-than-temporary impairments previously recognized	**430**	—
Negative changes in cash flows expected to be collected	**7,733**	8,763
Reductions:		
Securities sold, paid down, or intended to be sold	**(6,884)**	(11,174)
Cumulative credit loss ending balance	**$ 149,038**	$ 147,672

Derivatives

Derivative instruments enable the Company to hedge or reduce exposure to various market risks associated with assets held or expected to be purchased or sold and liabilities incurred or expected to be incurred. The Company primarily enters into derivative agreements for risk management purposes related to the Company's products and operations.

Equity Indexed Products

The Company utilizes options to economically hedge the market risk associated with its indexed annuity and universal life liabilities. The options are designed to correlate with the market return portion of the equity indexed products. Options are contracts that give the option purchaser the right, but not the obligation, to buy or sell securities at a specified price during a specified period. The Company's options are call options that are based on the S&P 500 index, Goldman Sachs Multi-Asset Class index and the J.P. Morgan Strategic Balanced^{SM} Index. The Company's maximum exposure on options is limited to the fair market value as of the reporting date. As a purchaser or seller of options, the Company pays or receives, at the beginning of the contract, a premium for transferring the risk of a change in the price of the indices discussed above.

2. Investments (continued)

The fair value of the Company's call options as of December 31, 2022 and 2021, was $50.0 million and $133.1 million, respectively. The fair value of the Company's embedded derivatives as of December 31, 2022 and 2021, was $355.7 million and $471.7 million, respectively. The Company has recorded the fair value of purchased call options in other invested assets, the fair value of written call options in other liabilities and accrued expenses and the fair value of the embedded derivative on indexed annuities and universal life policies in policy reserves on the consolidated balance sheets. The Company records the changes in fair value of these instruments in net investment gains on the consolidated statements of income. The Company recognized gains of $72.1 million and $38.5 million for the years ended December 31, 2022 and 2021, respectively.

The Company has entered into a collateral agreement with the counterparty whereby, under certain conditions, the counterparty is required to post collateral on the Company's behalf. The posted amount is equal to the difference between the net positive fair value of the options and the agreed upon thresholds that are based on the credit rating of the counterparty. Inversely, if the net fair value of the option is negative, then the Company may be required to post collateral instead using similar thresholds. At December 31, 2022 and 2021, $28.9 million and $92.2 million cash collateral had been posted by the counterparty, respectively.

Equity Hedge

The Company entered into an equity hedge program designed to hedge the market value risks associated with the broad equity market in the third quarter of 2018. Hedging this risk reduces the economic sensitivity to price declines. At the beginning of these contracts, a premium is either paid or received for transferring the related risk. The Company has recorded the fair value of purchased call options in other invested assets and the fair value of written call options in other liabilities. The Company records the changes in fair value of these instruments in net investment gains on the consolidated statements of income. The Company recognized gains of $0.0 million and losses of $(46.6) million for the years ended December 31, 2022 and 2021, respectively. The Company closed the hedge in the first quarter of 2021.

Counterparty Exposure

Counterparties to derivative instruments expose the Company to credit risk in the event of nonperformance. The Company limits this exposure by diversifying among counterparties with high credit ratings. The Company's credit risk exposure is limited to the fair value of the call options, credit default swaps or interest rate swaps that it has recorded as an asset. The Company does not expect any counterparty to fail to meet its obligations.

2. Investments (continued)

The Company's derivative instruments are subject to master netting agreements and are eligible for offset in the consolidated balance sheets. A master netting agreement with a counterparty creates a right of offset for amounts due to and from that same counterparty that is enforceable in the event of a default or bankruptcy. The Company's policy is to recognize amounts subject to master netting agreements on a gross basis in the consolidated balance sheets. The following table presents the gross and net information about the Company's derivatives subject to master netting arrangements for the years ended December 31:

	2022	2021
	(In Thousands)	
Derivative assets:		
Gross amount of recognized assets	**$ 97,213**	$ 268,200
Gross amounts offset	**—**	—
Net amount of assets	**97,213**	268,200
Gross amounts not offset:		
Financial instruments	**(45,383)**	(134,630)
Collateral received	**(28,890)**	(92,170)
Net amount	**$ 22,940**	$ 41,400
Derivative liabilities:		
Gross amount of recognized liabilities	**$ (45,423)**	$ (134,630)
Gross amounts offset	**—**	—
Net amount of liabilities	**(45,423)**	(134,630)
Gross amounts not offset:		
Financial instruments	**45,383**	134,630
Collateral pledged	**—**	—
Net amount	**$ (40)**	$ —

2. Investments (continued)

Mortgage Loans

The Company's mortgage loan portfolio includes commercial mortgage loans which consist of general purpose income-producing properties, including office buildings, retail facilities, apartments, hotels and industrial properties, and credit tenant loans where the Company relies on the credit analysis of the tenant for the repayment of the loan. Also included in the Company's mortgage loan portfolio are Government National Mortgage Association "early buyout" (GNMA EBO) residential mortgage loans. GNMA EBO's are Federal Housing Administration, U.S. Department of Veterans Affairs or U.S. Department of Agriculture insured loans that were subject to an early buyout by a mortgage servicer from a GNMA mortgage-backed security pool due to delinquency. GNMA EBO's are either partially or fully guaranteed by the full faith and credit of the U.S. government. The carrying amount of the Company's mortgage loan portfolio was as follows:

	December 31	
	2022	**2021**
	(In Thousands)	
Commercial mortgage loans	**$ 6,081,812**	$ 4,893,486
Residential mortgage loans	**166,336**	—
Valuation allowance	**(12,808)**	(12,808)
Total carrying value	**$ 6,235,340**	$ 4,880,678

2. Investments (continued)

As described in Note 1, the Company updates, at least annually, and analyzes the loan-to-value and debt-service coverage ratios as credit quality indicators for its commerical mortgage loans, which were as follows:

	December 31, 2022		
Loan-to-Value	**Carrying Amount**	**Percent of Subtotal**	**Debt-Service Coverage Ratio**
	(In Thousands)		
Less than 65%	**$ 5,089,200**	**83.7%**	**1.88**
65% to 74%	**822,944**	**13.5**	**1.72**
75% to 100%	**169,668**	**2.8**	**1.65**
Greater than 100%	**—**	**—**	**—**
Total	**$ 6,081,812**	**100.0%**	**1.85**

	December 31, 2021		
Loan-to-Value	**Carrying Amount**	**Percent of Subtotal**	**Debt-Service Coverage Ratio**
	(In Thousands)		
Less than 65%	$ 3,549,210	72.5%	2.06
65% to 74%	907,740	18.6	1.83
75% to 100%	436,536	8.9	1.95
Greater than 100%	—	—	—
Total	$ 4,893,486	100.0%	2.00

2. Investments (continued)

The Company's commercial mortgage loan portfolio is diversified by geographic region and specific collateral property type as follows:

	December 31			
	2022		2021	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
	(In Thousands)			
Geographic distribution				
New England	**$ 70,605**	**1%**	$ 71,764	2%
Middle Atlantic	**185,751**	**3**	79,089	2
East North Central	**1,557,429**	**26**	1,383,759	28
West North Central	**197,898**	**3**	250,732	5
South Atlantic	**1,869,875**	**31**	1,320,636	27
East South Central	**442,956**	**7**	396,564	8
West South Central	**643,999**	**11**	557,940	11
Mountain	**646,548**	**11**	500,139	10
Pacific	**466,751**	**8**	332,863	7
Valuation allowance	**(12,808)**	**(1)**	(12,808)	0
Total	**$ 6,069,004**	**100%**	$ 4,880,678	100%
Property-type distribution				
Medical office	**$ 90,125**	**1%**	$ 104,208	2%
Office	**93,035**	**2**	87,897	2
Retail	**603,628**	**10**	521,394	11
Industrial	**1,009,253**	**17**	596,517	12
Hotel	**219,217**	**4**	163,862	3
Apartment	**4,001,659**	**66**	3,280,403	67
Other	**64,895**	**1**	139,205	3
Valuation allowance	**(12,808)**	**(1)**	(12,808)	0
Total	**$ 6,069,004**	**100%**	$ 4,880,678	100%

2. Investments (continued)

The Company periodically purchases and sells commercial mortgage loans it has originated; however, there were no commercial mortgage loan purchases or sales in 2022 and 2021.

The Company places commercial mortgage loans on nonaccrual status if there is concern regarding the collectability of future payments or if a loan has matured without being paid off or extended; however, there were no commercial mortgage loans on nonaccrual status as of December 31, 2022 and 2021.

The aging of commercial mortgage loans on nonaccrual status and commercial mortgage loans that were 90 days or more past due and still accruing interest were as follows:

	December 31, 2022						
	30–59 Days Past Due	**60–89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Current**	**Total Mortgage Loans (Amortized Cost)**	**90 Days or More Past Due and Accruing**
	(In Thousands)						
Commercial	**$ —**	**$ —**	**$ —**	**$ —**	**$ 6,081,812**	**$ 6,081,812**	**$ —**

	December 31, 2021						
	30–59 Days Past Due	**60–89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Current**	**Total Mortgage Loans (Amortized Cost)**	**90 Days or More Past Due and Accruing**
	(In Thousands)						
Commercial	$ —	$ —	$ —	$ —	$ 4,893,486	$ 4,893,486	$ —

2. Investments (continued)

The following represents the activity related to the Company's valuation allowance for credit losses on mortgage loans and the loan balance by basis of impairment method for the years indicated:

	2022	2021
	(In Thousands)	
Beginning balance	**$ 12,808**	$ 12,808
Provision	**—**	—
Charge-offs	**—**	—
Recoveries	**—**	—
Ending balance	**$ 12,808**	$ 12,808
Allowance ending balance by basis of impairment method:		
Individually evaluated for impairment	**$ —**	$ —
Collectively evaluated for impairment	**12,808**	12,808
Allowance ending balance	**$ 12,808**	$ 12,808
Loan balance by basis of impairment method:		
Individually evaluated for impairment - Residential	**$ 166,336**	$ —
Collectively evaluated for impairment - Commercial	**6,081,812**	4,893,486
Loan ending balance	**$ 6,248,148**	$ 4,893,486

2. Investments (continued)

The following presents the Company's recorded investment in and unpaid principal balance of impaired commercial mortgage loans along with the related loan-specific allowance for credit losses, if any, and the average recorded investment and interest income recognized during the time the loans were impaired for the years indicated.

	2022				
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
	(In Thousands)				
With no related allowance recorded	$ —	$ —	$ —	$ —	$ —
With an allowance recorded	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —

	2021				
	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
	(In Thousands)				
With no related allowance recorded	$ —	$ —	$ —	$ —	$ —
With an allowance recorded	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —

3. Variable Interest Entities

Consolidated Variable Interest Entities

Affiliate Managed Investment Entities

The Company has investments with certain limited liability company (LLC), limited partnership (LP), and collateralized loan obligation (CLO) investment entities that qualify as VIEs (see Note 1) in which a subsidiary of the Company both performs investment management services as a central decision maker, and has a more-than-insignificant interest in investor interests. The Company is required to consolidate a VIE when the Company is determined to be the primary beneficiary of the entity. The guidance identifies the primary beneficiary of a VIE as the enterprise with the power to direct the activities of a VIE that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In these circumstances, the management fee is considered a variable interest, and as both the asset manager with a variable interest and a more-than-insignificant investment interest, the Company has concluded it is the primary beneficiary of these VIEs.

Real Estate

The Company has relationships with certain LLCs and LPs that qualify as VIEs that invest in hospitality, multifamily and other commercial real estate. The Company is required to consolidate a VIE when the Company is determined to be the primary beneficiary of the entity. In these circumstances, the voting and other rights held by the Company give it the power to direct the activities that most significantly impact the entity's economic performance, and the Company has concluded that it is the primary beneficiary of these VIEs.

3. Variable Interest Entities (continued)

The total assets, which can only be used to settle obligations of the respective VIE, and liabilities of the Company's consolidated VIEs are summarized in the table below:

	2022		2021	
	Affiliate Managed Investment Entities	**Real Estate**	**Affiliate Managed Investment Entities**	**Real Estate**
	(In Thousands)			
Debt trading securities	**$ 2,522,056**	**$ —**	$ 2,903,055	$ —
Real estate	**—**	**115,746**	—	185,999
Short-term investments	**38,751**	**79**	86,359	83
Other invested assets	**424,336**	**—**	287,610	—
Cash and cash equivalents	**4,978**	**14,978**	9,728	9,477
Accrued investment income	**17,355**	**—**	15,546	—
Other assets	**4,597**	**22,868**	2,661	30,033
Total assets of consolidated VIEs	**$ 3,012,073**	**$ 153,671**	$ 3,304,959	$ 225,592
Nonrecourse trust and partnership obligations	**$ 957,608**	**$ —**	$ 1,043,354	$ —
Other liabilities and accrued expenses	**25,618**	**86,609**	39,788	7,411
Total liabilities of consolidated VIEs	**$ 983,226**	**$ 86,609**	$ 1,083,142	$ 7,411

Unconsolidated Variable Interest Entities

Private Equity and Private Debt Investment Entities

The Company holds variable interests in partnerships and other investment entities classified as VIEs that are managed by unaffiliated parties. These investment entities are considered VIEs due to investors' lack of both substantive rights to remove the central decision maker and substantive participating rights. Lacking the power to direct the activities that most impact the economics of the entity, the Company has determined that it is not the primary beneficiary. The total exposure to loss on these VIEs is limited to the amount of the Company's investment in the VIE.

In addition, certain investment entities, in which a subsidiary of the Company performs investment management services as a central decision maker, are not consolidated as the

3. Variable Interest Entities (continued)

Company is not the primary beneficiary due to lacking the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Real Estate

The Company holds variable interests in real estate entities, in the form of LPs/LLCs, where the Company is not the primary beneficiary. This decision is primarily centered on whether the Company has substantive removal rights in relation to the central decision maker, or unilateral rights in relation to the activities that most impact the economics of the entity. The Company's decision making ability in these LPs/LLCs is primarily shared amongst its partners and substantive removal rights do not exist; therefore the Company has determined that it is not the primary beneficiary. The total exposure to loss on these VIEs is limited to the amount of the Company's investment in the VIE.

In addition, the Company holds investments in funds that, similar to the unconsolidated private equity and debt entities, are managed by a third party whereby the third party cannot be removed by a simple majority of fund investors. These are backed by a portfolio of mortgage loans, a portfolio of direct real estate investments, or a portfolio of entities that hold direct real estate investments. These funds are unconsolidated as the Company does not control the activities that most impact the economics of the VIE. Included in this category of investments, the Company has investments in low income housing tax credit ("LIHTC") partnerships. These partnerships have a similar investment structure, with a central party having decision making authority over the activities that most impact the economics of the entity and that cannot be removed by a simple majority of investors. The main source of return on investment within LIHTC partnerships comes from tax credits earned by the investments and not the underlying equity of the investments.

The carrying value of the Company's investment in unconsolidated VIEs by financial statement line items as of December 31, 2022 and 2021, respectively, is shown in the table below:

	December 31	
	2022	**2021**
	(In Thousands)	
Other invested assets:		
Private Equity and Private Debt Entities	**$ 778,055**	$ 713,886
Real Estate Entities	**1,331,244**	1,101,520
Total assets	**$ 2,109,299**	$ 1,815,406

3. Variable Interest Entities (continued)

Structured Securities

The Company has investments in structured securities issued by VIEs that are managed by unaffiliated parties. These structured securities include residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. These investment entities are considered VIEs due to lacking equity to finance the activities of the entity. Lacking the power to direct the activities that most impact the economics of the entity, the Company has determined that it is not the primary beneficiary. The total exposure to loss on these VIEs is limited to the amount of the Company's investment in the VIE. For information about these investments, see Note 2.

4. Deferred Acquisition Costs

A summary of deferred acquisition costs follows:

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Deferred acquisition costs, January 1	**$ 1,208,209**	$ 988,500
Capitalization of acquisition costs	**388,412**	313,947
Amortization allocated to:		
Net realized investment losses (gains)	**(25,661)**	(21,875)
Change in unrealized investment losses (gains)	**875,398**	124,818
Amortization expense	**(235,755)**	(197,181)
Deferred acquisition costs, December 31	**$ 2,210,603**	$ 1,208,209

5. Goodwill and Other Intangible Assets

The following tables provide information on the changes in the goodwill, other intangible assets and VOBA assets for the years indicated:

	Goodwill	
	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Net balance, January 1	**$ 785,208**	$ 785,208
Acquisition	**—**	—
Disposition	**—**	—
Other	**—**	—
Net balance, December 31	**$ 785,208**	$ 785,208

	Other Intangible Assets with Definite Lives	
	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Net balance, January 1	**$ 157,441**	$ 137,654
Capitalization	**270**	31,648
Disposition	**—**	—
Amortization expense	**(13,261)**	(11,861)
Net balance, December 31	**$ 144,450**	$ 157,441
Accumulated amortization	**$ 66,911**	$ 53,650

5. Goodwill and Other Intangible Assets (continued)

	Other Intangible Assets with Indefinite Lives	
	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Net balance, January 1	**$ 211,044**	$ 100,084
Acquisition	**1,662**	110,960
Disposition	**(14)**	—
Other	**—**	—
Net balance, December 31	**$ 212,692**	$ 211,044

The Company's acquisition of select mutual fund advisory contracts from AIG Life & Retirement during 2021 resulted in a total increase in other intangible assets of $142.3 million, which is included in the Other Intangible Assets with Definite Lives and the Other Intangible Assets with Indefinite Lives tables above. In 2022, an additional amount of $1.7 million was paid by the Company to AIG Life & Retirement under provisions of the asset purchase agreement which has been included in the Other Intangible Assets with Indefinite Lives table above.

	VOBA Assets	
	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Net balance, January 1	**$ 553,720**	$ 579,393
Capitalization	**—**	—
Disposition	**—**	—
Amortization allocated to:		
Net realized investment gains	**—**	—
Unrealized investment (gains) losses	**17,774**	3,564
Amortization expense	**(26,723)**	(29,237)
Net balance, December 31	**$ 544,771**	$ 553,720
Accumulated amortization	**$ 167,810**	$ 141,087

5. Goodwill and Other Intangible Assets (continued)

The Company estimates its future amortization expense for VOBA, VOCRA/VODA, its trademark license and its mutual fund advisory contracts to be as follows for the years ending December 31 (in thousands):

	VOBA	VOCRA/ VODA	Trademark License	Mutual Fund Advisory Contracts
2023	$ 28,751	$ 3,256	$ 3,400	$ 5,758
2024	26,963	3,087	3,400	5,544
2025	25,754	2,934	3,400	4,473
2026	24,720	2,790	3,400	4,473
2027	23,842	2,649	3,400	4,473

The estimated weighted-average amortization period for the Company's VOBA, VOCRA/VODA, trademark license and mutual fund advisory contract intangible assets are 15 years, 8 years, 14 years, and 5 years, respectively, as of December 31, 2022.

6. Closed Blocks

Closed block assets and liabilities are as follows:

	December 31 2022	December 31 2021
	(In Thousands)	
Closed block liabilities:		
Policy reserves	**$ 2,707,077**	$ 2,757,495
Other policyholder funds	**54,192**	54,833
Policyholder dividend obligation	**—**	507,928
Other accrued liabilities	**29,597**	34,323
Total closed block liabilities	**2,790,866**	3,354,579
Closed block assets:		
Investments:		
Debt securities available-for-sale, at fair value	**2,187,185**	2,915,613
Mortgage loans, net	**24,403**	25,731
Policy loans	**212,139**	223,920
Cash and other invested assets	**24,901**	24,804
Accrued investment income	**28,271**	28,308
Deferred tax asset	**65,100**	32,700
Other assets	**47,293**	27,519
Total closed block assets	**2,589,292**	3,278,595
Closed block liabilities in excess of closed block assets	**201,574**	75,984
Amounts representing other accumulated comprehensive income (loss):		
Unrealized gains (losses), net of income tax expense (benefit) of ($36,209) and $93,886 in 2022 and 2021, respectively	**(136,216)**	353,190
Allocated to policyholder dividend obligation, net of income tax expense (benefit) of $1,777 and $(93,886) in 2022 and 2021, respectively	**6,686**	(353,190)
Maximum future earnings to be recognized from closed block assets and liabilities	**$ 72,044**	$ 75,984

6. Closed Blocks (continued)

Closed block revenue and expenses are as follows:

	Year Ended December 31 2022	2021
	(In Thousands)	
Insurance premiums and other considerations	**$ 98,526**	$ 103,111
Net investment income	**127,480**	138,280
Total revenue	**226,006**	241,391
Policy benefits	**149,053**	153,442
Dividends to policyholders	**56,437**	52,806
Change in policyholder dividend obligation	**(14,724)**	(1,395)
Other operating expenses	**29,178**	30,358
Total benefits and expenses	**219,944**	235,211
Closed block earnings before income taxes	**6,062**	6,180
Income taxes	**2,122**	2,163
Closed block earnings	**$ 3,940**	$ 4,017
Maximum future earnings to be recognized from closed block assets and liabilities:		
Beginning of year	**$ 75,984**	$ 80,001
Funding adjustment	**—**	—
End of year	**72,044**	75,984
Change in maximum future earnings	**$ 3,940**	$ 4,017

6. Closed Blocks (continued)

The change in policyholder dividend obligation is as follows:

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Balance at beginning of year	**$ 507,928**	$ 639,518
Amount resulting from and allocated to net investment gains (losses)	**(38,259)**	6,871
Amount allocated to policyholder dividends	**(14,724)**	(1,395)
Amount resulting from and allocated to unrealized gains (losses)	**(455,539)**	(137,967)
Amount resulting from tax rate adjustment	**594**	901
Balance at end of year	**$ —**	$ 507,928

7. Debt

Debt and other liabilities consist of the following:

	December 31	
	2022	**2021**
	(In Thousands)	
Securities lending obligations	**$ 838,186**	$ 642,988
Nonrecourse trust and partnership obligations	**1,036,319**	1,044,302
Senior notes, 5.75% interest rate, due 2033	**496,116**	495,754
Surplus notes, 5.15% interest rate, due 2049	**491,719**	491,574
Surplus notes, 3.75% interest rate, due 2061	**491,867**	491,775
Other notes payable	**3,064**	1,481
Short-term line of credit[1]	**255,000**	—
	$ 3,612,271	$ 3,167,874

[1] On December 23, 2022, the Company completed a draw on a short-term line of credit (LOC). The LOC had a principal amount of $255.0 million at an interest rate of 5.63%. The LOC liability is included in other liabilities and accrued expenses on the consolidated balance sheets. On March 31, 2023, the Company paid back the $255.0 million principal balance on the LOC.

On July 7, 2003, the Company completed a senior notes offering (The Notes) pursuant to Rule 144A under the Securities Act of 1933, as amended. The Notes consist of unsecured senior obligations with an aggregate principal amount of $350.0 million at an interest rate of 5.75%.

7. Debt (continued)

The Notes mature on July 15, 2033. Interest is paid semiannually on January 15 and July 15 of each year, beginning January 15, 2004.

On January 15, 2004, the Company completed a reopening of The Notes issued on July 7, 2003. The reopening constituted a further issuance of, and has been consolidated with, The Notes issued on July 7, 2003. The reopening was sold with an original issue discount of $3.9 million creating an effective yield for the reopening of 5.94%. The aggregate amount of principal in the reopening was $150.0 million, for a total amount of $500.0 million unsecured senior obligations under The Notes, as of January 15, 2004.

The Company completed two surplus notes issuances (collectively the Surplus Notes), the first on January 23, 2019 (the 2019 Surplus Notes) and the second on April 28, 2021 (the 2021 Surplus Notes), pursuant to Rule 144A as defined by the Securities Act of 1933, as amended. Each issuance consisted of unsecured obligations with an aggregate principal amount of $500.0 million in exchange for $497.4 million and $497.6 million in cash, respectively, for the 2019 Surplus Notes and the 2021 Surplus Notes. The 2019 Surplus Notes have an annual interest rate of 5.15%, with interest paid semi-annually on January 15 and July 15 of each year, and a maturity date of January 15, 2049. The 2021 Surplus Notes have an annual interest rate of 3.75%, with interest paid semi-annually on April 28 and October 28 of each year, and a maturity date of April 28, 2061. Each payment of principal, of interest on or redemption price with respect to the Surplus Notes, may be made only with the prior approval of the Ohio Director of Insurance.

The nonrecourse trust and partnership obligations are primarily related to CLO, real estate partnerships and limited liability companies. At December 31, 2022 and 2021, the non-recourse debt associated with CLO totaled $957.6 million and $1,043.4 million, respectively, and the non-recourse debt associated with real estate partnerships and limited liability companies totaled $78.7 million and $0.9 million, respectively.

Included in other liabilities and accrued expenses on the Company's consolidated balance sheets are other partnership obligations, which are primarily related to real estate partnerships and limited liability companies, with certain recourse provisions up to $96.6 million and $154.9 million at December 31, 2022 and 2021, respectively.

During 2022 and 2021, the Company engaged in certain securities lending transactions for the purpose of enhancing the yield on its investment securities portfolio. The securities lending program is administered by Deutsche Bank. The Company loaned $816.6 million and $628.4 million of various U.S. Treasury securities, corporate securities and equity securities as part of a securities lending program as of December 31, 2022 and 2021, respectively. The Company requires collateral in the amount of 102% of fair value of the applicable securities loaned. The Company monitors the fair value of the underlying securities as compared with the related

7. Debt (continued)

receivable or payable, including accrued interest, and requests additional collateral as necessary. The Company maintains effective control over all loaned securities and, therefore, continues to report such securities as invested assets in the consolidated balance sheets. The collateral received is primarily invested in debt securities and short-term investments with an offsetting liability recognized in securities lending obligations for the obligation to return the collateral. The Company had $833.1 million and $641.4 million of collateral as of December 31, 2022 and 2021, respectively.

The remaining contractual maturities for securities lending transactions accounted for as secured borrowings were as follows:

	As of December 31, 2022				
	Overnight and Continuous	**Up to 30 Days**	**30-90 Days**	**Greater than 90 Days**	**Total**
	(In Thousands)				
Securities Lending Transactions					
Corporate securities	**$ 384,190**	**$ —**	**$ —**	**$ —**	**$ 384,190**
Asset-backed securities	**19,580**	**—**	**—**	**—**	**19,580**
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**118,857**	**—**	**—**	**—**	**118,857**
Debt securities issued by states of the U.S. and political subdivisions of the states	**47,045**	**—**	**—**	**—**	**47,045**
Short-term investments	**268,514**	**—**	**—**	**—**	**268,514**
Total	**$ 838,186**	**$ —**	**$ —**	**$ —**	**$ 838,186**
Gross amount of recognized liabilities for securities lending:					**$ 838,186**
Amounts related to agreements not included in offsetting disclosures:					**$ 838,186**

7. Debt (continued)

	As of December 31, 2021				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
	(In Thousands)				
Securities Lending Transactions					
Corporate securities	$ 314,955	$ —	$ —	$ —	$ 314,955
Asset-backed securities	6,555	—	—	—	6,555
U.S. Treasury securities and obligations of U.S. government corporations and agencies	79,304	—	—	—	79,304
Debt securities issued by states of the U.S. and political subdivisions of the states	57,515	—	—	—	57,515
Short-term investments	184,659	—	—	—	184,659
Total	$ 642,988	$ —	$ —	$ —	$ 642,988
Gross amount of recognized liabilities for securities lending:					$ 642,988
Amounts related to agreements not included in offsetting disclosures:					$ 642,988

Interest paid by the Company on total debt was $115.2 million and $84.1 million, and interest expensed by the Company was $116.1 million and $88.9 million for 2022 and 2021, respectively. Interest expense is included in other operating expenses within the Company's consolidated statements of income. Included in interest paid was $28.8 million and $28.8 million and included in interest expensed was $29.1 million and $30.1 million in 2022 and 2021, respectively, related to The Notes. Included in interest paid was $44.5 million and $35.1 million and included in interest expensed was $44.7 million and $38.6 million in 2022 and 2021, respectively, related to the Surplus Notes. The remaining amounts of interest paid and interest expensed relate primarily to nonrecourse trust and partnership obligations.

Aggregate maturities of the Company's long-term debt (excluding securities lending obligations) are as follows: 2023 – $84.0 million; 2024 – $14.4 million; 2025 – $0.1 million; 2026 – $0.8 million; 2027 – $38.0 million and thereafter – $2,478.3 million.

8. Fair Values of Financial Instruments

The Company uses fair value measurements to record the fair value of certain assets and liabilities and to estimate the fair value of financial instruments not recorded at fair value but required to be disclosed at fair value. The Company follows fair value measurement principles in determining fair value disclosure amounts. Certain financial instruments, particularly policyholder liabilities other than investment-type contracts, are excluded from this fair value discussion.

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company's Level 1 assets and liabilities primarily include U.S. Treasury securities, exchange-traded equity securities, mutual funds and short-term investments.

- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. The Company's Level 2 assets and liabilities primarily include certain debt and equity securities, debt trading securities and freestanding derivatives for which public price quotations are not available but that use other market observable inputs from third-party pricing service quotes or internal valuation models using observable inputs.

- Level 3 – Significant unobservable inputs for the asset or liability. The Company's Level 3 assets and liabilities primarily include certain debt securities, certain real estate and tax credit partnership interests, freestanding derivatives and embedded derivatives that must be priced using non-binding broker quotes or other valuation techniques that utilize significant unobservable inputs.

The following discussion describes the valuation methodologies utilized by the Company for assets and liabilities measured or disclosed at fair value. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including discount rates, estimates of timing, amount of expected future cash flows and the credit standing of the issuer. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial instrument.

As described below, certain fair values are determined through the use of third-party pricing services. The Company does not adjust prices received from third parties; however, the Company does analyze the third-party pricing services' valuation methodologies and related inputs and perform additional evaluation to determine the appropriate level within the fair value hierarchy. The Company performs annual due diligence of third-party pricing services, which includes

8. Fair Values of Financial Instruments (continued)

assessing the vendor's valuation qualifications, control environment, analysis of asset class specific valuation methodologies and understanding of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology.

For Level 3 investments, the fair value estimates cannot be substantiated by comparison to independent markets. Care should be exercised in deriving conclusions about the Company's business, its value or financial position based on the fair value information of financial instruments presented below.

Debt Securities

The fair values of actively traded debt securities have been determined through the use of third-party pricing services utilizing market observable inputs. Private placement securities trading in less liquid or illiquid markets with limited or no pricing information are valued using either broker quotes or by discounting the expected cash flows using current market-consistent rates applicable to the yield, credit quality and maturity of each security.

Equity Securities

The fair values of actively traded equity securities have been determined utilizing publicly quoted prices obtained from third-party pricing services. The fair values of certain equity securities for which no publicly quoted prices are available have been determined through the use of third-party pricing services utilizing market observable inputs. Actively traded mutual funds are valued using the net asset values of the funds.

Debt Trading Securities

The fair values of these assets have been determined using the same methodologies outlined above for debt and equity securities.

Short-Term Investments

The fair values of short-term investments are based on quoted market prices.

Other Invested Assets

The fair values of private equity investments have been determined using available sales prices, the net asset values of the funds or internal valuation methodologies appropriate for the specific assets.

The fair values of freestanding derivative instruments, primarily call options, are determined using market observable inputs from third-party pricing service quotes or internal valuation

8. Fair Values of Financial Instruments (continued)

models using observable inputs, when available. When market observable inputs are unavailable the Company utilizes valuation models incorporating significant unobservable inputs, including projected discounted cash flows, applicable swap curves and implied volatilities.

The fair values of certain real estate partnership investments have been determined utilizing third-party appraisals or internal valuation methodologies appropriate for the specific assets.

Assets Held in Separate Accounts

Assets held in separate accounts include debt securities, equity securities, mutual funds, private funds that invest primarily in domestic debt securities and private equity investments. The fair values of these assets have been determined using the same methodologies outlined above for debt and equity securities.

Policy Reserves

Equity indexed annuity contracts and universal life policies include embedded derivatives that have been bifurcated from the host contract. The fair value of embedded derivatives is calculated based on actuarial and capital market assumptions reflecting the projected cash flows over the life of the contract and incorporating expected policyholder behavior and the Company's own credit risk.

Nonrecourse Trust and Partnership Obligations

Nonrecourse trust and partnership obligations held at fair value consist of debt issued by CLOs consolidated by the Company. The Company has elected to use a practical expedient, allowing the Company to calculate the carrying value of the CLO liabilities based on the fair value of the associated CLO assets (which have more observable fair values) as an alternative to reporting those liabilities at a separately measured fair value. As a result, the liabilities are reported within the fair value hierarchy on the same proportional basis as the CLO assets.

Other Liabilities and Accrued Expenses

Other liabilities and accrued expenses include certain freestanding derivatives, primarily written call options, and certain embedded derivatives related to modified coinsurance arrangements. The fair values of these freestanding derivative instruments have been determined using the same methodologies outlined above for derivative assets. The fair values of the embedded derivatives are determined using the fair values of the underlying securities of the agreement.

8. Fair Values of Financial Instruments (continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2022 and 2021, are outlined below:

	December 31, 2022				
	Assets/ (Liabilities) Measured at Fair Value	Amount Measured at Net Asset Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
Assets		*(In Thousands)*			
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 234,419	$ —	$ 112,797	$ 121,622	$ —
Debt securities issued by states of the U.S. and political subdivisions of the states	818,184	—	—	817,184	1,000
Non-U.S. government securities	515,994	—	—	515,994	—
Corporate securities	24,156,184	—	—	23,819,001	337,183
Residential mortgage-backed securities	2,912,295	—	—	2,691,076	221,219
Commercial mortgage-backed securities	5,673,367	—	—	5,625,828	47,539
Asset-backed securities	6,058,059	—	—	5,961,784	96,275
Total debt securities	40,368,502	—	112,797	39,552,489	703,216
Equity securities:					
Common equity	2,563,394	31,947	2,502,610	—	28,837
Mutual funds	173,271	—	173,271	—	—
Preferred stock	162,434	—	—	138,844	23,590
Total equity securities	2,899,099	31,947	2,675,881	138,844	52,427
Debt trading securities	3,130,396	—	2,213	3,128,183	—
Short-term investments	1,112,366	—	1,112,366	—	—
Other invested assets	2,055,325	420,206	5,883	49,282	1,579,954
Assets held in separate accounts	2,350,678	287,651	1,835,324	227,703	—
Total assets	$ 51,916,366	$ 739,804	$ 5,744,464	$ 43,096,501	$ 2,335,597
Liabilities					
Policy reserves	$ (355,717)	$ —	$ —	$ —	$ (355,717)
Nonrecourse trust and partnership obligations	(957,608)	—	—	(957,608)	—
Other liabilities and accrued expenses	(45,423)	—	—	(31,102)	(14,321)
Total liabilities	$ (1,358,748)	$ —	$ —	$ (988,710)	$ (370,038)

8. Fair Values of Financial Instruments (continued)

	December 31, 2021				
	Assets/ (Liabilities) Measured at Fair Value	Amount Measured at Net Asset Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
Assets			*(In Thousands)*		
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 263,007	$ —	$ 115,010	$ 147,997	$ —
Debt securities issued by states of the U.S. and political subdivisions of the states	1,170,708	—	—	1,169,708	1,000
Non-U.S. government securities	772,141	—	—	772,141	—
Corporate securities	28,476,506	—	—	28,281,569	194,937
Residential mortgage-backed securities	2,510,791	—	—	2,506,978	3,813
Commercial mortgage-backed securities	4,241,941	—	—	4,227,295	14,646
Asset-backed securities	4,265,081	—	—	4,265,081	—
Total debt securities	41,700,175	—	115,010	41,370,769	214,396
Equity securities:					
Common equity	2,854,494	24,016	2,808,962	—	21,516
Mutual funds	413,236	—	413,236	—	—
Preferred stock	172,264	—	—	158,219	14,045
Total equity securities	3,439,994	24,016	3,222,198	158,219	35,561
Debt trading securities	3,457,555	—	132,260	3,325,295	—
Short-term investments	1,490,173	—	1,490,173	—	—
Other invested assets	1,783,262	286,758	8,605	120,587	1,367,312
Assets held in separate accounts	2,822,399	294,649	2,315,430	212,320	—
Total assets	$ 54,693,558	$ 605,423	$ 7,283,676	$ 45,187,190	$ 1,617,269
Liabilities					
Policy reserves	$ (471,653)	$ —	$ —	$ —	$ (471,653)
Nonrecourse trust and partnership obligations	(1,043,354)	—	—	(1,043,354)	—
Other liabilities and accrued expenses	(134,118)	—	—	(78,478)	(55,640)
Total liabilities	$ (1,649,125)	$ —	$ —	$ (1,121,832)	$ (527,293)

8. Fair Values of Financial Instruments (continued)

Included in other invested assets in the tables above are the Company's investments in certain private equity funds held at fair value. The Company invests in private equity funds that primarily make direct and indirect venture capital and buyout investments. The fair values of private equity investments are, in most cases, determined based upon the net asset value of the funds and have not been classified in the fair value hierarchy. The private equity funds are primarily closed-end funds in which the Company's investments are not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated and it is estimated that substantially all of the underlying assets of existing funds will be liquidated over the next 15 years. The fair values of the Company's investments in these private equity funds were $440.5 million and $306.4 million and unfunded commitments to these private equity funds were $238.1 million and $172.2 million as of December 31, 2022 and 2021, respectively.

8. Fair Values of Financial Instruments (continued)

The reconciliation, including gross purchases, issuances, sales and settlements, for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2022, is as follows:

	Beginning Asset/ (Liability) as of January 1, 2022	Total Realized/ Unrealized Gains (Losses)	Purchases	Issuances	Sales and Settlements	Transfers Into Level 3[(1)]	Transfers Out of Level 3[(1)]	Ending Asset/ (Liability) as of December 31, 2022
	(In Thousands)							
Assets								
Debt securities:								
Debt securities issued by states of the U.S. and political subdivisions of the states	$ 1,000	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,000
Corporate securities	194,937	(2,457)	164,481	—	(19,778)	—	—	337,183
Residential mortgage-backed securities	3,813	(35,175)	191,673	—	(30,771)	91,679	—	221,219
Commercial mortgage-backed securities	14,646	(12,578)	—	—	(1,551)	47,022	—	47,539
Asset-backed securities	—	(28,057)	79,750	—	(4,117)	48,699	—	96,275
Common equity	21,516	5,975	—	—	—	1,346	—	28,837
Preferred stock	14,045	(638)	10,361	—	(178)	—	—	23,590
Other invested assets	1,367,312	(10,530)	428,246	—	(205,074)	—	—	1,579,954
Assets held in separate accounts	—	—	—	—	—	—	—	—
Liabilities								
Policy reserves	(471,653)	95,747	—	(35,715)	58,261	(2,357)	—	(355,717)
Other liabilities and accrued expenses	(55,640)	74,276	—	(32,957)	—	—	—	(14,321)

(1) Transfers into/out of Level 3 are recognized as of the beginning of the reporting period. Transfers into Level 3 are due to securities where the price source has changed to utilizing a valuation methodology that incorporates significant unobservable inputs.

8. Fair Values of Financial Instruments (continued)

The reconciliation, including gross purchases, issuances, sales and settlements, for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021, is as follows:

	Beginning Asset/ (Liability) as of January 1, 2021	Total Realized/ Unrealized Gains (Losses)	Purchases	Issuances	Sales and Settlements	Transfers Into Level 3[1]	Transfers Out of Level 3[1]	Ending Asset/ (Liability) as of December 31, 2021
	(In Thousands)							
Assets								
Debt securities:								
Debt securities issued by states of the U.S. and political subdivisions of the states	$ 1,000	$ —	$ 1,000	$ —	$ (1,000)	$ —	$ —	$ 1,000
Corporate securities	126,680	6,636	112,286	—	(52,991)	3,060	(734)	194,937
Residential mortgage-backed securities	5,213	28	—	—	(1,428)	—	—	3,813
Commercial mortgage-backed securities	—	(737)	16,505	—	(1,122)	—	—	14,646
Common equity	10,034	17,491	13,325	—	(19,334)	—	—	21,516
Preferred stock	10,110	3,435	3,000	—	(2,500)	—	—	14,045
Other invested assets	1,234,430	352,241	327,305	—	(529,951)	—	(16,713)	1,367,312
Assets held in separate accounts	21,297	(5,970)	—	—	(15,327)	—	—	—
Liabilities								
Policy reserves	(457,407)	(30,280)	—	(30,978)	47,012	—	—	(471,653)
Other liabilities and accrued expenses	(91,860)	61,645	—	(25,459)	34	—	—	(55,640)

[1] Transfers into/out of Level 3 are recognized as of the beginning of the reporting period. Transfers into Level 3 are due to securities where the price source has changed to utilizing a valuation methodology that incorporates significant unobservable inputs. Transfers out of Level 3 include the consolidation of an other invested asset previously held at fair value. Transfers out of Level 3 are also due to securities where the price source has changed to utilizing third-party pricing services utilizing market observable inputs.

During 2022 and 2021, the Company did not experience any transfers between Level 1 and Level 2 of the fair value hierarchy. During 2022 and 2021, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

9. Funding Agreements

Through its association with the Federal Home Loan Bank (FHLB), the Company can enter into funding agreements or deposit contracts. The FHLB had outstanding deposits with the Company of $3,029.9 million and $2,793.2 million as of December 31, 2022 and 2021, respectively. The contracts are recorded in policy reserves on the consolidated balance sheets, and will mature between 2023 and 2032. Interest is credited monthly at fixed annual rates ranging between 0.48% and 5.45% in 2022 and 0.21% and 5.45% in 2021. The Company maintained restricted collateral for these deposit contracts, which consisted of investments with a carrying value of $4,603.4 million and $4,150.7 million at December 31, 2022 and 2021, respectively.

10. Pension and Other Postretirement Benefit Plans

The Company has a noncontributory pension plan under a deposit administration group annuity contract covering substantially all employees and field representatives that meet eligibility requirements while working for the Company and attaining normal retirement age. In addition, the Company provides certain healthcare and life insurance benefits for certain retired employees or their beneficiaries.

Information regarding the funded status of the pension plan and other postretirement healthcare and life insurance benefits as a whole is as follows:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
	(In Thousands)			
Change in projected benefit obligation:				
Benefit obligation, beginning of year	**$ 1,208,163**	$ 1,208,854	**$ 272,431**	$ 280,154
Service cost	**33,641**	35,815	**1,813**	1,928
Interest cost	**29,615**	25,031	**5,946**	5,515
Actuarial loss (gain)	**(334,481)**	(9,487)	**(88,531)**	(4,577)
Plan amendments	**—**	—	**—**	—
Settlements	**—**	—	**—**	—
Contributions by plan participants	**—**	—	**4,626**	4,524
Benefits paid during year	**(53,572)**	(52,050)	**(16,254)**	(15,113)
Benefit obligation, end of year	**$ 883,366**	$ 1,208,163	**$ 180,031**	$ 272,431
Change in plan assets:				
Fair value of assets, beginning of year	**$ 1,284,221**	$ 1,172,208	**$ 619**	$ 653
Actual return on assets	**(160,605)**	164,063	**(24)**	(34)
Employer contribution	**—**	—	**11,627**	10,589
Plan participants' contributions	**—**	—	**4,626**	4,524
Settlements	**—**	—	**—**	—
Benefits paid	**(53,572)**	(52,050)	**(16,253)**	(15,113)
Fair value of assets, end of year	**$ 1,070,044**	$ 1,284,221	**$ 595**	$ 619
Funded status	**$ 186,678**	$ 76,058	**$ (179,436)**	$ (271,812)
Assets (liabilities) recognized in the consolidated balance sheets	**$ 186,678**	$ 76,058	**$ (179,436)**	$ (271,812)

10. Pension and Other Postretirement Benefit Plans (continued)

Information regarding the amounts recognized in accumulated other comprehensive income (loss), net of income taxes, related to the pension plan and other postretirement healthcare and life insurance benefits plan is as follows at December 31, 2022 and 2021:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
	(In Thousands)			
Actuarial loss (gain)	**$ 50,358**	$ 141,007	**$ (65,948)**	$ (59)
Prior service cost (credit)	**2,333**	2,713	**(217)**	(248)
Total	**$ 52,691**	$ 143,720	**$ (66,165)**	$ (307)

Information regarding the amounts recognized in other comprehensive income, net of income taxes, related to the pension plan and other postretirement healthcare and life insurance benefits plan is as follows for the years ended December 31, 2022 and 2021:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
	(In Thousands)			
Change in actuarial loss (gain)	**$ (90,649)**	$ (104,360)	**$ (65,889)**	$ (3,665)
Change in prior service cost (credit)	**(380)**	469	**31**	31
Total	**$ (91,029)**	$ (103,891)	**$ (65,858)**	$ (3,634)

The accumulated benefit obligation for the defined benefit pension plan was $817.6 million and $1,085.8 million at December 31, 2022 and 2021, respectively.

10. Pension and Other Postretirement Benefit Plans (continued)

The assumptions used to determine net periodic benefit cost for the year ended December 31 were as follows:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
Discount rate	**3.00%**	2.80%	**2.95%**	2.74%
Rate of compensation increase	**4.60%**	4.60%	**N/A**	N/A
Expected return on plan assets	**7.25%**	7.25%	**N/A**	N/A

The assumptions used to determine the benefit obligation as of December 31 were as follows:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
Discount rate	**5.46%**	3.00%	**5.45%**	2.95%
Rate of compensation increase	**4.60%**	4.60%	**N/A**	N/A

The Company utilizes a full yield curve approach in the estimation of liabilities, service cost, and interest cost for pension and postretirement benefits by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The yield curve utilized in the cash flow analysis is comprised of highly rated (Aaa or Aa) corporate bonds. The discount rate was increased from 3.00% at December 31, 2021 to 5.46% at December 31, 2022 which resulted in a $327.6 million decrease in the pension benefit obligation in 2022. The discount rate was increased from 2.80% at December 31, 2020 to 3.00% at December 31, 2021 which resulted in a $23.5 million decrease in the pension benefit obligation in 2021.

The Company employs a prospective building block approach in determining the long-term expected rate of return for plan assets. Historical returns are determined by asset class. The historical relationships between equities, fixed income securities, and other assets are reviewed. The Company applies long-term asset return estimates to the plan's target asset allocation to determine the weighted-average long-term return. The Company's long-term asset allocation was determined through modeling long-term returns and asset return volatilities and is guided by an investment policy statement created for the plan.

10. Pension and Other Postretirement Benefit Plans (continued)

For purposes of measuring the benefit obligation, a 5.275% rate of increase in the cost of covered healthcare benefits was assumed for 2023. The rate was assumed to decrease gradually to 4.75% for 2030 and remain at that level thereafter.

The Company uses a December 31 measurement date for all plans.

The actual asset allocation for the defined benefit pension plan at the end of 2022 and 2021, and the target allocation for 2022, by asset category, are as follows:

	Target Allocation Percentage	Actual Percentage of Plan Assets	
		2022	**2021**
Asset category			
Equity securities	**55%**	**64%**	65%
Debt securities	**18%**	**12**	10
Other	**27%**	**24**	25
Total		**100%**	100%

The plan employs a total return investment approach whereby a mix of fixed income and equity investments is used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The total portfolio is structured with multiple sub-portfolios, each with a specific fixed income or equity asset management discipline. Each sub-portfolio is subject to individual limitations and performance benchmarks as well as limitations at the consolidated portfolio level. Quarterly asset allocation meetings are held to evaluate portfolio asset allocation and to establish the optimal mix of assets given current market conditions and risk tolerance. Investment mix is measured and monitored on an ongoing basis through regular investment reviews, annual liability measurements and periodic asset/liability studies.

The Company's pension plan assets consist primarily of debt and equity securities, mutual funds and private equity funds, all of which are carried at fair value.

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company's Level 1 assets primarily include exchange-traded equity securities and mutual funds.

10. Pension and Other Postretirement Benefit Plans (continued)

- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. The Company's Level 2 assets primarily include certain debt securities for which public price quotations are not available, but that use other market observable inputs from third-party pricing service quotes or internal valuation models using observable inputs. Level 2 assets also include private funds that invest primarily in domestic debt securities where the Company has the right to redeem its interest at net asset values. The underlying debt securities within these funds employ similar valuation methodologies as the Company's other investments in debt securities.

- Level 3 – Significant unobservable inputs for the asset or liability. The Company's Level 3 assets primarily include real estate partnership interests.

Debt Securities

The fair values of actively traded debt securities have been determined through the use of third-party pricing services utilizing market observable inputs.

Equity Securities

The fair values of actively traded equity securities have been determined utilizing publicly quoted prices from third-party pricing services.

Mutual Funds

The fair values of mutual funds have been determined utilizing the net asset values of the funds.

Private Equity and Fixed Income Funds

The Company invests in private equity funds, which primarily make direct and indirect venture capital and buyout investments, and fixed income funds, which primarily make direct investments in fixed income securities across various sectors. The fair values of private equity and fixed income funds have been determined utilizing the net asset values of the funds. The unfunded commitment to private equity funds was approximately $61.9 million and $43.6 million at December 31, 2022 and 2021, respectively.

10. Pension and Other Postretirement Benefit Plans (continued)

The fair value of the pension plan's assets by asset category is as follows:

	December 31, 2022				
	Assets Measured at Fair Value	Amount Measured at Net Asset Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
	(In Thousands)				
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ —	$ —	$ —	$ —	$ —
Debt securities issued by states of the U.S. and political subdivisions of the states	2,040	—	—	2,040	—
Corporate securities	114,743	—	—	114,743	—
Residential mortgage-backed securities	777	—	—	777	—
Asset-backed securities	11,843	—	—	11,843	—
Equity securities:					
Common equity	513,330	—	513,330	—	—
Mutual funds	165,320	41,760	123,560	—	—
Preferred stock	2,597	—	—	2,597	—
Other invested assets:					
Private equity and fixed income funds	225,570	225,570	—	—	—
Other assets	33,824	20,321	11,856	1,647	—
Total plan assets	$ 1,070,044	$ 287,651	$ 648,746	$ 133,647	$ —

10. Pension and Other Postretirement Benefit Plans (continued)

	December 31, 2021				
	Assets Measured at Fair Value	Amount Measured at Net Asset Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
			(In Thousands)		
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ —	$ —	$ —	$ —	$ —
Debt securities issued by states of the U.S. and political subdivisions of the states	3,019	—	—	3,019	—
Corporate securities	118,494	—	—	118,494	—
Residential mortgage-backed securities	1,042	—	—	1,042	—
Asset-backed securities	2,852	—	—	2,852	—
Equity securities:					
Common equity	659,769	48,026	611,743	—	—
Mutual funds	174,122	—	174,122	—	—
Other invested assets:					
Private equity and fixed income funds	239,447	239,447	—	—	—
Other assets	85,476	7,176	77,193	1,107	—
Total plan assets	$ 1,284,221	$ 294,649	$ 863,058	$ 126,514	$ —

10. Pension and Other Postretirement Benefit Plans (continued)

The reconciliation for all plan assets measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2022, is as follows:

	Beginning Assets as of January 1, 2022	Actual Return Gains (Losses) on Plan Assets: Relating to Assets Still Held at the Reporting Date	Actual Return Gains (Losses) on Plan Assets: Relating to Assets Sold During the Period	Purchases, Sales and Settlements	Transfers Into Level 3[(1)]	Transfers Out of Level 3[(1)]	Ending Assets as of December 31, 2022
				(In Thousands)			
Debt securities:							
Corporate securities	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Asset-back securities	—	—	—	—	—	—	—
Other invested assets:							
Private equity and fixed income funds	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(1) Transfers into/out of Level 3 are recognized as of the beginning of the reporting period.

The reconciliation for all plan assets measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2021, is as follows:

	Beginning Assets as of January 1, 2021	Actual Return Gains (Losses) on Plan Assets: Relating to Assets Still Held at the Reporting Date	Actual Return Gains (Losses) on Plan Assets: Relating to Assets Sold During the Period	Purchases, Sales and Settlements	Transfers Into Level 3[(1)]	Transfers Out of Level 3[(1)]	Ending Assets as of December 31, 2021
				(In Thousands)			
Debt securities:							
Corporate securities	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Asset-back securities	—	—	—	—	—	—	—
Other invested assets:							
Private equity and fixed income funds	—	—	—	—	—	—	—
Other assets	21,296	(5,970)	—	(15,326)	—	—	—
Total	$ 21,296	$ (5,970)	$ —	$ (15,326)	$ —	$ —	$ —

(1) Transfers into/out of Level 3 are recognized as of the beginning of the reporting period.

10. Pension and Other Postretirement Benefit Plans (continued)

Components of net periodic benefit cost for the pension plan and the other postretirement healthcare and life insurance benefits are as follows:

	Pension Benefits		Postretirement Healthcare and Life Insurance Benefits	
	2022	**2021**	**2022**	**2021**
	(In Thousands)			
Service cost	**$ 33,641**	$ 35,816	**$ 1,813**	$ 1,928
Interest cost [2]	**29,615**	25,031	**5,946**	5,515
Expected return on assets [2]	**(79,419)**	(72,924)	**(10)**	(10)
Amount of recognized loss (gain) [1] [2]	**20,290**	31,474	**(5,094)**	106
Amortization of prior service cost (credit) [1] [2]	**482**	(595)	**(39)**	(39)
Net periodic benefit cost	**$ 4,609**	$ 18,802	**$ 2,616**	$ 7,500

[1] Reclassifications from other comprehensive income to net investment gains (losses).
[2] Included in net investment gains (losses).

The assets of the Company’s pension included approximately $67.0 million and $106.5 million invested in Touchstone Funds - mutual funds administered by a subsidiary of the Company - as of December 31, 2022 and December 2021, respectively. The assets of the Company's pension also included approximately $251.4 million and $229.1 million invested in private equity and fixed income funds managed by Fort Washington Investment Advisors, Inc. as of December 31, 2022 and December 31, 2021, respectively.

The Company did not contribute to the pension plan in 2022 and 2021. The Company does not expect to make contributions to the pension plan during 2023.

The Company contributed $13.3 million to the postretirement healthcare and life insurance benefits plan in 2022.

As of December 31, 2022, future benefit payments for the pension plan are expected as follows: 2023 – $56.3 million; 2024 – $57.0 million; 2025 – $57.6 million; 2026 – $58.2 million; 2027 – $59.0 million; and the five years thereafter – $308.0 million. Future net benefit payments for the postretirement healthcare and life insurance benefits plan, which will be made by the Company, are expected as follows: 2023 – $13.4 million; 2024 – $13.1 million; 2025 – $13.0 million; 2026 – $12.7 million; 2027 – $12.6 million; and the five years thereafter – $61.1 million.

The Company sponsors a defined contribution plan covering substantially all eligible, full-time employees. This plan is subject to the provisions of the Employee Retirement Income Security

10. Pension and Other Postretirement Benefit Plans (continued)

Act of 1974 (ERISA). The Company's contributions to the plan are based on a combination of the employee's contributions to the plan and a percentage of the employee's earnings for the year. Total Company contributions to the defined contribution plan were $5.0 million and $4.8 million for 2022 and 2021, respectively.

11. Income Taxes

The components of income taxes are as follows:

	Year Ended December 31 2022	2021
	(In Thousands)	
Current federal income tax expense	**$ 90,995**	$ 119,607
Deferred federal income tax expense (benefit)	**(128,162)**	153,339
State income tax expense (net of federal income tax benefit)	**14,593**	6,906
Income tax expense (benefit)	**$ (22,574)**	$ 279,852

A reconciliation of the income tax attributable to continuing operations computed at the U.S. statutory tax rates to the income tax expense (benefit) included in the consolidated statements of income follows:

	Year Ended December 31 2022	2021
	(In Thousands)	
Income tax computed at statutory tax rate	**$ (19,308)**	$ 335,246
Income tax attributable to noncontrolling interests	**27,022**	(21,328)
Current and deferred beginning balance adjustment	**(541)**	(5,253)
Tax credits	**(35,198)**	(29,553)
Dividends received deduction	**(6,658)**	(5,726)
Prior year tax	**24**	(113)
State income tax (net of federal income tax benefit)	**14,593**	6,906
Other, net	**(2,508)**	(327)
Income tax expense (benefit)	**$ (22,574)**	$ 279,852

Income taxes paid were $174.7 million and $114.9 million in 2022 and 2021, respectively.

11. Income Taxes (continued)

The Company recognizes the after-tax cost of interest and penalties related to income taxes in state and federal income tax expense.

The following table provides a reconciliation of the beginning and ending amounts of the Company's unrecognized tax benefits:

	December 31	
	2022	**2021**
	(In Thousands)	
Unrecognized tax benefits at January 1	**$ 4,862**	$ 4,862
Gross increases for tax positions taken during the prior period	—	—
Gross decreases for tax positions taken during the prior period	—	—
Gross increases for tax positions taken during the current period	—	—
Settlements with taxing authorities from positions taken in the prior period	—	—
Unrecognized tax benefits at December 31 (1)	**$ 4,862**	$ 4,862

(1) With the exception of $2.7 million and $2.7 million in 2022 and 2021, respectively, all amounts represent unrecognized tax benefits that, if recognized, would affect the annual effective tax rate.

The Company's unrecognized tax benefits as of December 31, 2022 and 2021 primarily related to federal income tax items that IRS examiners have indicated their disagreement with the Company's treatment on original and amended tax returns. While it is reasonably possible that the amount of the unrecognized tax benefits with respect to certain of the Company's uncertain tax positions could increase or decrease during the next twelve months, the Company believes it is unlikely that its unrecognized tax benefits will change by a material amount in the next twelve months.

The Company's 2014 through 2021 tax years remain subject to examination by the IRS and/or other tax jurisdictions.

11. Income Taxes (continued)

The main components of the deferred tax amounts are as follows:

	December 31	
	2022	**2021**
	(In Thousands)	
Deferred tax assets:		
Deferred acquisition costs	**$ 179,364**	$ 157,944
Debt and equity securities	**630,275**	2,690
Future policy and contract benefits	**359,409**	438,283
Accrued dividends and policyholder dividend obligation	**10,275**	125,670
Benefits for employees and agents	**80,938**	137,186
Reinsurance	**—**	—
Separate accounts	**53,499**	—
Trademark license	**27,286**	30,772
Other	**3,965**	3,788
Gross deferred tax assets	**1,345,011**	896,333
Deferred tax liabilities:		
Deferred acquisition costs	**472,247**	254,646
Debt and equity securities	**—**	897,660
Future policy and contract benefits	**32,582**	44,115
Other invested assets	**142,298**	191,433
Reinsurance	**3,957**	2,884
Separate accounts	**—**	26,361
VOBA intangible	**34,864**	26,628
Other	**37,938**	32,376
Gross deferred tax liabilities	**723,886**	1,476,103
Net deferred income tax (asset) liability	**$ (621,125)**	$ 579,770

12. Equity

The components of the Company's capital structure at December 31, 2022 and 2021, are as follows (in thousands):

Equity Type	Par Value	Number of Shares Authorized	Number of Shares Issued	Number of Shares Outstanding	Voting Rights
Class A Common Stock	$ —	500,000	—	—	Yes
Class B Common Stock	—	350,000	350,000	350,000	Yes
Class A Preferred Stock	—	100,000	—	—	No
Class B Preferred Stock	—	100,000	—	—	No

13. Comprehensive Income (Loss)

The following summarizes the changes in other comprehensive income (loss) by component (in thousands):

	Year Ended December 31	
	2022	**2021**
Securities not other-than-temporarily impaired		
Unrealized holding gains (losses) on securities arising during the period	**$ (7,118,516)**	$ (1,242,109)
Additional amount related to deferred acquisition costs and deferred sales inducements	**1,278,660**	365,553
Additional amount related to policyholder dividend obligation	**445,912**	122,934
Additional amount related to other intangible (assets) liabilities	**17,773**	3,563
Reclassification adjustment for investment (gains) losses realized in net income	**70,934**	(23,663)
Income tax benefit (expense)	**1,114,100**	162,482
Change in net unrealized gains (losses) on securities not other-than-temporarily impaired included in comprehensive income (loss)	**$ (4,191,137)**	$ (611,240)

13. Comprehensive Income (Loss) (continued)

	Year Ended December 31	
	2022	**2021**
Other-than-temporarily impaired securities		
Unrealized holding gains (losses) on securities arising during the period	**$ (25,522)**	$ (2,886)
Additional amount related to deferred acquisition costs, deferred sales inducements and unearned revenue	**2,916**	(949)
Additional amount related to policyholder dividend obligation	**4,064**	462
Reclassification adjustment for investment (gains) losses realized in net income	**584**	2
Income tax benefit (expense)	**3,771**	708
Change in net unrealized gains (losses) on securities not other-than-temporarily impaired included in comprehensive income (loss)	**$ (14,187)**	$ (2,663)
Derivatives qualifying as hedges		
Unrealized holding gains (losses) on derivatives arising during the period	**$ —**	$ 3,034
Income tax benefit (expense)	**—**	(637)
Change in derivatives qualifying as hedges included in comprehensive income (loss)	**$ —**	$ 2,397
Currency translation adjustment		
Unrealized holding gains (losses) on currency translation arising during the period	**$ (13)**	$ 218
Income tax benefit (expense)	**3**	(46)
Change in currency translation included in comprehensive income (loss)	**$ (10)**	$ 172
Unrecognized postretirement benefit obligation		
See components of net periodic benefit cost table in Note 10 for information regarding the amounts recognized in other comprehensive income related to the pension plan		

13. Comprehensive Income (Loss) (continued)

The following summarizes reclassifications out of other comprehensive income for the year ended December 31, 2022 (in thousands):

Unrealized gain (loss) on:	**Securities not other-than-temporarily impaired**	**Other-than-temporarily impaired securities**
Gross reclassification	**$ 69,236**	**$ 516**
Change in DAC, DSI and PDO	**1,698**	**68**
Reclassification before income tax benefit (expense) [1]	**70,934**	**584**
Income tax benefit (expense) [2]	**(14,896)**	**(123)**
Reclassification, net of income tax	**$ 56,038**	**$ 461**

[1] Amount reported in net investment gains (losses) on the consolidated statements of income.
[2] Amount reported in income tax expense (benefit) on the consolidated statements of income.

The following summarizes reclassifications out of other comprehensive income for the year ended December 31, 2021 (in thousands):

Unrealized gain (loss) on:	**Securities not other-than-temporarily impaired**	**Other-than-temporarily impaired securities**
Gross reclassification	$ (42,267)	$ 2
Change in DAC, DSI and PDO	18,604	—
Reclassification before income tax benefit (expense) [1]	(23,663)	2
Income tax benefit (expense) [2]	4,969	—
Reclassification, net of income tax	$ (18,694)	$ 2

[1] Amount reported in net investment gains (losses) on the consolidated statements of income.
[2] Amount reported in income tax expense (benefit) on the consolidated statements of income.

14. Regulatory Matters

The Company's insurance subsidiaries are required by statutory regulations to meet minimum risk-based capital standards. Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations, considering its size and risk profile. Insurance companies are also required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). At December 31, 2022 and 2021, WSLIC had statutory-basis capital and surplus of $6,901.1 million and $6,756.1 million, respectively, and Lafayette Life had statutory-basis capital and surplus of $443.8 million and $404.3 million, respectively. These amounts significantly exceeded the minimum risk-based capital requirements for WSLIC and Lafayette Life.

State regulatory authorities have powers relating to granting and revoking licenses to transact business, the licensing of agents, the regulation of premium rates and trade practices, the form and content of insurance policies and the content of advertising material. These regulatory authorities also limit the amount of dividends based on earnings and surplus, which can be paid to a parent in a holding company structure. Based on these limitations, WSLIC is able to pay Western & Southern dividends of up to $690.1 million in 2023 without seeking prior regulatory approval. Lafayette Life can pay Western & Southern dividends of up to $44.4 million in 2023 without seeking prior regulatory approval.

15. Related-Party Transactions

At December 31, 2022 and 2021, the Company had $344.4 million and $190.6 million, respectively, invested in the Touchstone Funds, mutual funds administered by a subsidiary of the Company.

16. Commitments and Contingencies

The Company is named as a defendant in various legal actions arising principally from claims made under insurance policies and contracts. The Company believes the resolution of these actions will not have a material effect on the Company's financial position or results of operations.

At December 31, 2022, the Company does not have any material lease agreements as a lessee for office space or equipment.

The Company has future commitments to joint ventures, limited partnerships and limited liability companies, excluding those related to Low Income Housing Tax Credits, in the amount of $1,303.5 million.

16. Commitments and Contingencies (continued)

As of December 31, 2022, the Company had commitments to fund $480.1 million of commercial mortgage loans. In addition, the Company had commitments to fund $354.4 million of debt capital.

17. Reinsurance

The Company routinely enters into reinsurance transactions with other insurance companies. This reinsurance involves either ceding risks to or assuming risks from other insurance companies. The primary purpose of ceded reinsurance is to protect the Company from potential losses in excess of levels that it is prepared to accept. The Company's general practice is to retain no more than $2.0 million of risk on any one person's life. The Company reinsures certain of its risks to reinsurers under yearly renewable term, coinsurance and modified coinsurance arrangements. Yearly renewable term and coinsurance arrangements result in passing a portion of the risk to the reinsurer. Generally, the reinsurer receives a proportionate amount of the premiums less an allowance for commissions and expenses and is liable for a corresponding proportionate amount of all benefit payments. Modified coinsurance is similar to coinsurance except that the cash and investments and the related liabilities contract benefits are not transferred to the assuming company, and settlements are made on a net basis between the companies. Reinsurance accounting is followed for ceded transactions when risk transfer provisions have been met.

Assets and liabilities related to reinsurance ceded are reported on a gross basis. Premiums and expenses are reported net of reinsurance ceded. The effects of reinsurance on premiums and other considerations and policy and contract benefits and expenses, excluding the change in policyholder reserves, were as follows:

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Insurance premiums and other considerations:		
Direct	**$ 3,544,358**	$ 2,803,520
Assumed	**67,815**	67,133
Ceded	**(371,915)**	(376,587)
Net insurance premiums and other considerations	**$ 3,240,258**	$ 2,494,066

17. Reinsurance (continued)

	Year Ended December 31	
	2022	**2021**
	(In Thousands)	
Benefits and expenses:		
Direct	**$ 1,876,723**	$ 1,876,662
Assumed	**52,015**	47,832
Ceded	**(288,428)**	(290,971)
Net benefits and expenses	**$ 1,640,310**	$ 1,633,523

Reinsurance does not discharge the Company from its primary liability to policyholders and to the extent that a reinsurer should be unable to meet its obligations, the Company would be liable to policyholders. The Company enters into reinsurance agreements only with highly rated reinsurers and monitors ratings during the life of the agreements. The Company has not incurred any significant credit losses from reinsurance activities in 2022 or 2021. At December 31, 2022 and 2021, the Company had $208.5 million and $222.2 million of net reinsurance recoverables, respectively, from its various reinsurance arrangements. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. At December 31, 2022 and 2021, respectively, the Company had reinsured $45.6 billion and $44.1 billion of life insurance in force, representing 30.1% and 29.7% of the Company's total life insurance in force, respectively.