STATUTORY-BASIS FINANCIAL STATEMENTS

Western-Southern Life Assurance Company
Years Ended December 31, 2022, 2021 and 2020
With Report of Independent Auditors

Western & Southern Life

Western-Southern Life Assurance Company

Statutory-Basis Financial Statements

Years Ended December 31, 2022, 2021 and 2020

Contents

Ernst & Young LLP
221 East 4th Street
Suite 2900
Cincinnati, OH 45202

Tel: +1 513 612 1400
ey.com

Report of Independent Auditors

The Board of Directors
Western-Southern Life Assurance Company

Opinion

We have audited the statutory-basis financial statements of Western-Southern Life Assurance Company (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in capital and surplus and cash flows for each of the three years ended December 31, 2022, and the related notes to the financial statements (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

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 three years ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2022 and 2021, or the results of its operations or its cash flows for the three years ended December 31, 2022.

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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Ohio Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Ohio Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 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 from 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 Life Assurance Company

Balance Sheets (Statutory-Basis)

	December 31	
	2022	**2021**
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Debt securities	**$ 17,777,133**	$ 14,083,493
Preferred and common stocks	**938,594**	946,986
Investment in common stock of subsidiaries	**2,809**	2,920
Mortgage loans	**3,760,559**	2,782,942
Policy loans	**23,350**	24,926
Cash, cash equivalents and short-term investments	**523,330**	326,300
Receivable for securities	**7,093**	6,726
Derivatives	**794**	34
Securities lending reinvested collateral assets	**45,424**	22,039
Other invested assets	**463,657**	428,043
Total cash and invested assets	**23,542,743**	18,624,409
Investment income due and accrued	**153,885**	107,563
Premiums deferred and uncollected	**19,085**	20,291
Net deferred income tax asset	**199,420**	87,245
Other admitted assets	**19,065**	17,161
Separate account assets	**1,429,234**	680,896
Total admitted assets	**$ 25,363,432**	$ 19,537,565
Liabilities and capital and surplus		
Liabilities:		
Policy and contract liabilities:		
Life and annuity reserves	**$ 19,394,847**	$ 14,756,868
Liability for deposit-type contracts	**1,807,934**	1,765,081
Policy and contract claims	**20,615**	26,380
Premiums received in advance	**137**	151
Total policy and contract liabilities	**21,223,533**	16,548,480
General expense due and accrued	**237**	160
Current federal income taxes payable to parent	**4,560**	12,641
Transfer to (from) separate accounts due and accrued, net	**(8,522)**	(10,804)
Asset valuation reserve	**367,953**	362,714
Interest maintenance reserve	**308**	17,011
Other liabilities	**95,618**	86,398
Derivatives	**834**	—
Payable for securities lending	**472,454**	300,773
Separate account liabilities	**1,429,234**	680,896
Total liabilities	**23,586,209**	17,998,269
Capital and surplus:		
Common stock, $1 par value, authorized 10,000 shares, issued and outstanding 2,500 shares	**2,500**	2,500
Paid-in surplus	**1,397,408**	1,077,408
Accumulated surplus	**377,315**	459,388
Total capital and surplus	**1,777,223**	1,539,296
Total liabilities and capital and surplus	**$ 25,363,432**	$ 19,537,565

See accompanying notes.

Statements of Operations (Statutory-Basis)

	Year Ended December 31		
	2022	**2021**	**2020**
	(In Thousands)		
Premiums and other revenues:			
Premiums and annuity considerations	**$ 6,660,230**	$ 2,988,200	$ 2,878,572
Net investment income	**856,014**	670,539	604,838
Considerations for supplementary contracts with life contingencies	**600**	851	1,197
Amortization of the interest maintenance reserve	**(753)**	984	(1,355)
Fees from management of separate accounts	**879**	971	915
Other revenues	**1,355**	1,766	1,934
Total premiums and other revenues	**7,518,325**	3,663,311	3,486,101
Benefits paid or provided:			
Death benefits	**133,355**	152,078	138,334
Annuity benefits	**488,520**	451,745	420,518
Disability and accident and health benefits	**1,814**	1,966	2,092
Surrender benefits	**1,222,883**	743,147	504,580
Payments on supplementary contracts with life contingencies	**2,788**	2,926	3,251
Other benefits	**2,402**	2,115	1,767
Increase (decrease) in policy reserves and other policyholders' funds	**4,679,285**	1,667,560	1,830,419
Total benefits paid or provided	**6,531,047**	3,021,537	2,900,961
Insurance expenses and other deductions:			
Commissions	**143,851**	69,269	74,708
General expenses	**124,604**	117,226	113,071
Net transfers to (from) separate accounts	**721,683**	295,924	256,034
Other deductions	**13,980**	5,589	6,645
Total insurance expenses and other deductions	**1,004,118**	488,008	450,458
Gain (loss) from operations before federal income tax expense and net realized capital gains (losses)	**(16,840)**	153,766	134,682
Federal income tax expense (benefit), excluding tax on capital gains	**65,520**	42,131	41,794
Gain (loss) from operations before net realized capital gains (losses)	**(82,360)**	111,635	92,888
Net realized capital gains (losses) (excluding gains (losses) transferred to IMR and capital gains tax)	**(2,189)**	6,786	(10,628)
Net income (loss)	**$ (84,549)**	$ 118,421	$ 82,260

See accompanying notes.

Statements of Changes in Capital and Surplus (Statutory-Basis)

	Common Stock	Paid-In Surplus	Accumulated Surplus	Total Capital and Surplus
	(In Thousands)			
Balance, January 1, 2020	$ 2,500	$ 827,408	$ 238,822	$ 1,068,730
Net income (loss)	—	—	82,260	82,260
Change in net deferred income tax	—	—	29,457	29,457
Net change in unrealized gains (losses) on investments (net of deferred tax expense (benefit) of $18,678)	—	—	64,340	64,340
Net change in nonadmitted assets and related items	—	—	7,453	7,453
Change in asset valuation reserve	—	—	(59,071)	(59,071)
Change in valuation basis	—	—	3,632	3,632
Balance, December 31, 2020	2,500	827,408	366,893	1,196,801
Net income (loss)	—	—	118,421	118,421
Change in net deferred income tax	—	—	30,146	30,146
Net change in unrealized gains (losses) on investments (net of deferred tax expense (benefit) of $19,201)	—	—	106,696	106,696
Net change in nonadmitted assets and related items	—	—	(72,985)	(72,985)
Change in asset valuation reserve	—	—	(88,176)	(88,176)
Change in valuation basis	—	—	(566)	(566)
Change in surplus in separate accounts	—	—	(1,041)	(1,041)
Capital contribution	—	250,000	—	250,000
Balance, December 31, 2021	2,500	1,077,408	459,388	1,539,296
Net income (loss)	**—**	**—**	**(84,549)**	**(84,549)**
Change in net deferred income tax	**—**	**—**	**88,826**	**88,826**
Net change in unrealized gains (losses) on investments (net of deferred tax expense (benefit) of ($18,180))	**—**	**—**	**(68,473)**	**(68,473)**
Net change in nonadmitted assets and related items	**—**	**—**	**(11,700)**	**(11,700)**
Change in asset valuation reserve	—	—	**(5,239)**	**(5,239)**
Change in surplus in separate accounts	**—**	**—**	**(938)**	**(938)**
Capital contribution	**—**	**320,000**	**—**	**320,000**
Balance, December 31, 2022	**$ 2,500**	**$ 1,397,408**	**$ 377,315**	**$ 1,777,223**

See accompanying notes.

Western-Southern Life Assurance Company

Statements of Cash Flow (Statutory-Basis)

	Year Ended December 31		
	2022	**2021**	**2020**
	(In Thousands)		
Operating activities			
Premiums collected net of reinsurance	**$ 6,666,375**	$ 2,990,060	$ 2,879,205
Net investment income received	**845,843**	686,190	637,883
Benefits paid	**(1,902,612)**	(1,367,531)	(1,080,232)
Net transfers from (to) separate accounts	**(720,340)**	(299,688)	(263,916)
Commissions and expense paid	**(279,084)**	(190,331)	(194,696)
Federal income taxes recovered (paid)	**(75,994)**	(61,237)	(15,828)
Other, net	**4,512**	2,474	930
Net cash from (for) operations	**4,538,700**	1,759,937	1,963,346
Investing activities			
Proceeds from investments sold, matured or repaid:			
Debt securities	**3,190,392**	2,857,435	2,611,292
Preferred and common stocks	**129,449**	124,357	136,161
Mortgage loans	**339,535**	84,482	89,746
Other invested assets	**17,368**	53,872	35,772
Net gains (losses) on cash, cash equivalents and short-term investments	**5**	(25)	(10)
Miscellaneous proceeds	**802**	57,250	—
Net proceeds from investments sold, matured or repaid	**3,677,551**	3,177,371	2,872,961
Cost of investments acquired:			
Debt securities	**(6,984,854)**	(3,990,181)	(3,817,797)
Preferred and common stocks	**(177,238)**	(268,344)	(290,861)
Mortgage loans	**(1,316,726)**	(903,416)	(659,850)
Real estate	**—**	—	—
Other invested assets	**(55,902)**	(78,842)	(73,795)
Miscellaneous applications	**(26,125)**	(30,664)	(146,439)
Total cost of investments acquired	**(8,560,845)**	(5,271,447)	(4,988,742)
Net change in policy and other loans	**1,576**	2,289	2,404
Net cash from (for) investments	**(4,881,718)**	(2,091,787)	(2,113,377)
Financing and miscellaneous activities			
Capital and paid in surplus, less treasury stock	**320,000**	250,000	—
Net deposits on deposit-type contract funds and other insurance liabilities	**42,853**	187,066	(53,063)
Other cash provided (applied)	**177,195**	(54,930)	59,353
Net cash from (for) financing and miscellaneous sources	**540,048**	382,136	6,290
Net change in cash, cash equivalents and short-term investments	**197,030**	50,286	(143,741)
Cash, cash equivalents and short-term investments:			
Beginning of year	**326,300**	276,014	419,755
End of year	**$ 523,330**	$ 326,300	$ 276,014

See accompanying notes.

1. Nature of Operations and Significant Accounting Policies

Western-Southern Life Assurance Company (the Company), a stock life insurance company, is a wholly-owned subsidiary of The Western and Southern Life Insurance Company (Western and Southern), a stock life insurance company. The Company is domiciled in Ohio.

The Company offers individual annuities and interest-sensitive life insurance products through Western and Southern agents and various financial institutions. The Company is licensed in 49 states and the District of Columbia. For the year ended December 31, 2022, approximately 40.9% of the gross premiums and annuity considerations for the Company were derived from California, Florida, Massachusetts, Ohio, and Texas.

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, the content of advertising material, financial statements and the nature of permitted practices.

Use of Estimates

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Ohio Department of Insurance (the Department). The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP or SSAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio. These practices differ in some respects from U.S. generally accepted accounting principles (GAAP). The more significant differences follow.

Investments

Investments in debt securities and mandatory redeemable preferred stocks are reported at amortized cost or fair value based on the NAIC's rating; for GAAP, such fixed maturity investments are designated at purchase as held-to-maturity, trading or available-for-sale. Held-to-maturity fixed investments are reported at amortized cost, and the remaining fixed maturity investments are reported at fair value with unrealized holding gains and losses reported in the statement of operations for those designated as trading and as a separate component of other comprehensive income (loss) for those designated as available-for-sale.

All single-class and multiclass mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective method. The prospective method is used to determine amortized cost for securities that experience a decline that is deemed to be other-than-temporary. Securities that are in an unrealized loss position which the Company intends to sell, or does not have the intent and ability to hold until recovery, are written down to fair value as a realized loss. Securities that are in an unrealized loss position which the Company has the intent and ability to hold until recovery are written down to the extent the present value of expected future cash flows using the security's effective yield is lower than the amortized cost. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS and ABS securities), other than high credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the extent the present value of expected future cash flows using the security's effective yield is lower than the amortized cost. If high credit quality securities are adjusted, the retrospective method is used.

The Company monitors other investments to determine if there has been an other-than-temporary decline in fair value. Factors that management considers for each identified security include the following:

- The extent the fair value has been below the book/adjusted carrying value;
- The reasons for the decline in value;
- Specific credit issues related to the issuer and current economic conditions, including the current and future impact of any specific events;
- For structured investments (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and other structured investments), factors such as overall deal structure and the Company's position within the structure, quality of underlying collateral, delinquencies and defaults, loss severities, recoveries, prepayments and cumulative loss projections are considered;
- For all equity securities and other debt securities with credit-related declines in fair value, the Company's intent and ability to hold the security long enough for it to recover its value to book/adjusted carrying value; and
- For all other debt securities with interest-related declines in fair value, the Company's intent to sell the security before recovery of its book/adjusted carrying value.

If the decline is judged to be other-than-temporary, an impairment charge to fair value is recorded as a net realized capital loss in the period the determination is made. Under GAAP, if the decline is judged to be other-than-temporary because the Company has the intent to sell the debt security or is more likely than not to be required to sell the debt security before its anticipated recovery, an impairment charge to fair value is recorded as a net realized capital loss. If the decline is judged to be other-than-temporary because the Company does not expect to recover the entire amortized cost basis of the security due to expected credit losses, an impairment charge is recorded to net realized capital loss as the difference between amortized cost and the net present value of expected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment.

Investments in real estate are reported net of required obligations rather than on a gross basis as for GAAP.

Under a formula prescribed by the NAIC, the Company defers the portion of realized capital gains and losses on sales of fixed income investments, principally debt securities and mortgage loans, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity based on groupings of individual security sold in five-year bands. The net deferral is reported as the interest maintenance reserve (IMR) in the accompanying balance sheets. Realized capital gains and losses are reported in income net of federal income tax and transfers to the IMR. Under GAAP, realized capital gains and losses are reported in the statements of operations on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

The asset valuation reserve (AVR) provides a valuation allowance for invested assets. The AVR is determined by an NAIC prescribed formula with changes reflected directly in capital and surplus. AVR is not recognized for GAAP.

Subsidiaries

The accounts and operations of the Company’s subsidiaries are not consolidated with the accounts and operations of the Company as would be required under GAAP.

Policy Acquisition Costs

The costs of acquiring and renewing business are expensed when incurred. Under GAAP, policy acquisition costs, related to traditional life insurance and certain long-duration accident and health insurance policies sold, to the extent recoverable from future policy revenues, would be deferred and amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves; for universal life insurance and investment products, to the extent recoverable from future gross profits, deferred policy acquisition costs are amortized generally in proportion to the present value of expected gross profits from surrender charges and investments, mortality, and expense margins.

Nonadmitted Assets

Certain assets designated as “nonadmitted” (principally investments in unaudited subsidiaries and controlled and affiliated entities), and other assets not specifically identified as admitted assets within the NAIC’s *Accounting Practices and Procedures Manual*, are excluded from the accompanying balance sheets and are charged directly to accumulated surplus. Under GAAP, such assets are included in the balance sheets.

Premiums and Benefits

Revenues for universal life and annuity policies with mortality or morbidity risk, except for guaranteed interest and group annuity contracts, consist of the entire premium received, and benefits incurred represent the total of death benefits paid and the change in policy reserves. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are recorded using deposit accounting, and credited directly to an appropriate policy reserve account, without recognizing premium income. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

Benefit Reserves

Certain policy reserves are calculated using statutorily prescribed interest and mortality assumptions rather than on estimated expected experience or actual account balances as would be required under GAAP.

Reinsurance

A liability for reinsurance balances is required to be provided for unsecured policy reserves ceded to reinsurers not authorized to assume such business. Changes to those amounts are credited or charged directly to capital and surplus. Under GAAP, an allowance for amounts deemed uncollectible would be established through a charge to earnings.

Policy and contract liabilities ceded to reinsurers have been reported as reductions of the related reserves rather than as assets as would be required under GAAP. Commissions allowed by reinsurers on business ceded are reported as income when incurred rather than being deferred and amortized with policy acquisition costs as required under GAAP.

Statutory accounting contains specific criteria related to risk transfer that must be met in order to qualify for reinsurance accounting. Under GAAP, the risk transfer criteria is less specific and focuses on whether or not the agreement exposes the company to the reasonable possibility of incurring a significant loss from the assumed insurance risk. Consequently, certain reinsurance contracts may qualify for reinsurance accounting for statutory purposes while not qualifying under GAAP. To the extent an agreement does not qualify for reinsurance accounting, deposit accounting is used.

Deferred Income Taxes

Deferred tax assets are recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets not meeting a more-likely-than-not realization threshold. Deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a time frame corresponding with Internal Revenue Service (IRS) tax loss carryback provisions, not to exceed three years, including amounts established in accordance with the provision of SSAP No. 5R, plus 2) for entities that meet the required realization threshold in SSAP No. 101, the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net deferred tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted. Under GAAP, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in all future years, and a valuation allowance is established for deferred tax assets not meeting a more-likely-than-not realization threshold.

Policyholder Dividends

Policyholder dividends are recognized when declared rather than over the term of the related policies.

Statements of Cash Flow

Cash, cash equivalents and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding captions of cash and cash equivalents include cash balances and investments with initial maturities of three months or less.

Other significant statutory accounting practices follow.

Restricted Assets

The Company has assets pledged as collateral, or otherwise not exclusively under control of the Company, totaling $3,084.8 million and $2,527.6 million as of December 31, 2022 and 2021, respectively. These assets are primarily collateral pledged to the Federal Home Loan Bank (FHLB), collateral held in relation to the Company's securities lending program, and FHLB stock. These restricted assets are discussed in more detail in their relevant sections.

Investments

Debt securities, common stocks, preferred stocks, and short-term investments are stated at values prescribed by the NAIC, as follows:

Debt securities not backed by other loans are principally stated at amortized cost using the interest method.

Single-class and multiclass mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from Bloomberg and broker-dealer prepayment models or derived from empirical data and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities except securities that are deemed to be other-than-temporarily impaired and securities that are principal-only or interest-only, which are valued using the prospective method.

Unaffiliated common stocks, other than FHLB stock, are unrestricted and reported at fair value utilizing publicly quoted prices from third-party pricing services and the related unrealized capital gains and losses are reported in capital and surplus along with any adjustment for federal income taxes. FHLB stock is carried at cost and is restricted. At December 31, 2022 and 2021, the Company owned $92.9 million and $90.2 million, of FHLB stock, respectively. The FHLB stock is held in conjunction with the issuance of deposit contracts to the FHLB. See Note 9 for further description.

Redeemable preferred stocks that have characteristics of debt securities and are rated as medium quality or better are reported or amortized cost. All other redeemable preferred stocks are reported at the lower of amortized cost or fair value. Perpetual preferred stocks are valued at fair value, not exceeding any currently effective call price, utilizing publicly quoted prices from third-party pricing services and the related unrealized capital gains and losses are reported in capital and surplus along with any adjustment for federal income taxes.

Short-term investments include investments with remaining maturities of one year or less at the date of acquisition and are principally stated at amortized cost, which approximates fair value.

Cash equivalents are short-term highly liquid investments with original maturities of three months or less and are principally stated at amortized cost, which approximates fair value.

The Company's noninsurance subsidiaries are reported based on underlying audited GAAP equity. The net change in the subsidiaries' equity is included in capital and surplus.

Joint ventures, partnerships, and limited liability companies are carried at the Company's interest in the underlying audited GAAP equity of the investee. Undistributed earnings allocated to the Company are reported in the change in net unrealized capital gains or losses. Distributions from earnings of the investees are reported as net investment income when received. Because of the indirect nature of these investments, there is an inherent reduction in transparency and liquidity and increased complexity in valuing the underlying investments. As a result, these investments are actively managed by the Company's management via detailed evaluation of the investment performance relative to risk.

Mortgage loans are reported at unpaid principal balances, less an allowance for impairment. A mortgage loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all principal and interest amounts due according to the contractual terms of the mortgage agreement. When management determines foreclosure is probable, the impairment is other than temporary; the mortgage loan is written down to realized value and a realized loss is recognized.

Policy loans are reported at unpaid principal balances.

Real estate held for the production of income is reported at depreciated cost net of related obligations. Real estate that the Company has the intent to sell is reported at the lower of depreciated cost or fair value, net of related obligations. Depreciation is computed by the straight-line method over the estimated useful life of the properties.

Property acquired in the satisfaction of debt is recorded at the lower of cost less accumulated depreciation or fair market value.

Debt securities and other loan interest are credited to income as it accrues. Dividends are recorded as income on ex-dividend dates. To the extent income is uncertain, due and accrued income is excluded and treated as nonadmitted through surplus.

Realized capital gains and losses are determined using the specific identification method.

Premiums

Life and accident and health premiums are recognized as revenue when due. Premiums for annuity policies with mortality and morbidity risk, except for guaranteed interest and group annuity contracts, are also recognized as revenue when due. Premiums received for annuity policies without mortality or morbidity risk and for guaranteed interest and group annuity contracts are recorded using deposit accounting.

Policy Reserves

Life and annuity reserves are developed by actuarial methods and are determined based on published tables using statutorily specified interest rates and valuation methods that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed policy cash values or the amounts required by the Department. The Company waives deduction of deferred fractional premiums on the death of life and annuity policy insureds and does return any premium beyond the date of death. Surrender values on policies do not exceed the corresponding benefit reserves. Policies issued subject to multiple table substandard extra premiums are valued on the standard reserve basis, which recognizes the nonlevel incidence of the excess mortality costs. Additional reserves are established when the results of cash flow testing under various interest rate scenarios indicate the need for such reserves, or the net premiums exceed the gross premiums on any insurance in-force.

For policies issued in 2020 or after, life insurance reserves are developed using principle-based policyholder and asset assumptions with margins and floored at formulaic reserves based upon published tables using statutorily specified interest rates and valuation methods.

Formulaic policy reserves for life insurance and supplemental benefits are computed on the Commissioner's Reserve Valuation Method. The following mortality tables and interest rates are used:

	Percentage of Reserves	
	2022	**2021**
Life Insurance:		
1958 Commissioners Standard Ordinary (CSO), 2-1/2% - 4-1/2%	**1.2 %**	1.7 %
1980 CSO, 4% - 6%	**1.5**	2.1
2001 CSO, 3-1/2% - 4-1/2%	**5.0**	6.3
2017 CSO, 3-1/2%	**2.4**	3.0
Annuities:		
Various, 2-1/4% - 8-1/4%	**89.7**	86.6
Supplemental benefits:		
Various, 2-1/2% - 6%	**0.2**	0.3
	100.0 %	100.0 %

The mean reserve method is used to adjust the calculated terminal reserve to the appropriate reserve at December 31. Mean reserves are determined by computing the regular mean reserve for the plan at the rated age and holding, in addition, one-half of the extra premium charge for the year. Policies issued after July 1 for substandard lives, are charged an extra premium plus the regular premium for the true age. Mean reserves are based on appropriate multiples of standard rates of mortality. An asset is recorded for deferred premiums net of loading to adjust the reserve for modal premium payments.

For substandard table ratings, mean reserves are based on 125% to 500% of standard mortality rates. For flat extra ratings, mean reserves are based on the standard or substandard mortality rates increased by 1 to 25 deaths per thousand.

As of December 31, 2022 and 2021, reserves of $6.8 million and $8.2 million respectively, were recorded on in-force amounts of $645.8 million and $771.0 million respectively, for which gross premiums are less than the net premiums according to the standard of valuation required by the Department.

Tabular interest, tabular less actual reserves released, and tabular cost have been determined by formula. Tabular interest on funds not involving life contingencies is calculated as one-hundredth of the product of such valuation rate of interest times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

The Company's variable annuities are reserved under VM-21. Policies reserved under VM-21 are based on principle-based policyholder and asset assumptions with margins and floored at cash values.

Contracts issued that do not incorporate mortality or morbidity risk, such as guaranteed interest contracts, are accounted for as deposit-type contracts. Amounts received as payments and amounts withdrawn on deposit-type contracts are recorded directly to the liability for deposit-type contracts.

The establishment of appropriate reserves is an inherently uncertain process, and there can be no assurance that the ultimate liability will not exceed the Company’s policy reserves and have an adverse effect on the Company’s results of operations and financial condition. Due to the inherent uncertainty of estimating reserves, it has been necessary, and may over time continue to be necessary, to revise estimated future liabilities as reflected in the Company’s policy reserves.

Policy and Contract Claims

Policy and contract claims in process of settlement represent the estimated ultimate net cost of all reported and unreported claims incurred through December 31, 2022 and 2021. The reserves for unpaid claims are estimated using individual case-basis valuations and statistical analysis. These estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Reinsurance

Reinsurance premiums and benefits paid or provided are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Securities Lending

At December 31, 2022, the Company had loaned various debt securities, preferred stocks and common stocks as part of a securities lending program administered by Deutsche Bank, of which the fair value was $460.1 million. At December 31, 2021, the Company had loaned various debt securities, preferred stocks and common stocks as part of a securities lending program administered by Deutsche Bank, of which the fair value was $293.9 million. The Company maintains effective control over all loaned securities and, therefore, continues to report such securities as invested assets in the balance sheets.

The Company requires at the initial transaction that the fair value of the cash collateral received must be equal to 102% of the fair value of the loaned securities. The Company monitors the ratio of the fair value of the collateral to loaned securities to ensure it does not fall below 100%. If the fair value of the collateral falls below 100% of the fair value of the securities loaned, the Company nonadmits that portion of the loaned security. At December 31, 2022 and 2021, the Company did not nonadmit any portion of the loaned securities.

The Company reports all collateral on the balance sheet with an offsetting liability recognized for the obligation to return the collateral. Collateral for the securities lending program is either managed by an affiliated agent of the Company or is managed by Deutsche Bank, an unaffiliated agent. Collateral managed by an affiliated agent, which approximated $424.2 million and $277.9 million at December 31, 2022 and 2021, respectively, is invested primarily in investment-grade debt securities and cash equivalents and is included in the applicable amount on the balance sheets because the funds are available for the general use of the Company. At December 31, 2022 and 2021, collateral managed by an unaffiliated agent, which approximated $45.4 million and $22.0 million, respectively, was invested in cash equivalents and was included in securities lending reinvested collateral assets on the balance sheet.

At December 31, 2022, the collateral for all securities on loan could be requested to be returned on demand by the borrower. At December 31, 2022 and 2021, the fair value of the total collateral is $469.6 million and $299.9 million, respectively.

The aggregate collateral broken out by maturity date is as follows at December 31, 2022:

	Amortized Cost	Fair Value
	(In Thousands)	
Open	$ —	$ —
30 days or less	190,406	190,385
31 to 60 days	43,501	43,456
61 to 90 days	36,135	36,013
91 to 120 days	13,360	13,354
121 to 180 days	14,485	14,411
181 to 365 days	25,700	25,701
1 to 2 years	2,984	2,984
2 to 3 years	1,848	1,848
Greater than 3 years	141,471	141,471
Total collateral	$ 469,890	$ 469,623

At December 31, 2022, all of the collateral held for the securities lending program was invested in tradable securities that could be sold and used to pay for the $472.5 million in collateral calls that could come due under a worst-case scenario where all collateral was called simultaneously.

The Company does not accept collateral that is not permitted by contract or custom to sell or repledge. The Company does not have any securities lending transactions that extend beyond one year from the reporting date.

Separate Accounts

Separate account assets and liabilities reported in the accompanying balance sheets represent funds that are separately administered, principally for group variable universal life, nonguaranteed variable annuity contracts, and guaranteed market value adjustment annuity contracts. Assets held in the separate account supporting variable annuities and group variable universal life are carried at fair value. Assets held in the separate account supporting market value adjusted annuities are carried at the general account basis. These separate account assets are considered legally insulated from the general account. Surrender charges collectible by the general account in the event of annuity contract surrenders are reported as a negative liability rather than an asset. Policy-related activity involving cash flow, such as premiums and benefits, are reported in the accompanying statements of operations in separate line items combined with related general account amounts. Investment income and interest credited on deposits held in guaranteed separate accounts are included in the accompanying statements of operations as a net amount included in net transfers to (from) separate accounts. The Company receives administrative fees for managing the nonguaranteed separate accounts and other fees for assuming mortality and certain expense risks.

Federal Income Taxes

Western and Southern files a consolidated income tax return with its eligible subsidiaries and affiliates, including the Company. The provision for federal income taxes is allocated to the Company using a separate return method based upon a written tax-sharing agreement. The benefits from losses of subsidiaries and affiliates, which are utilized in the consolidated return, will be retained by the subsidiaries and affiliates under the tax-sharing agreement. Western and Southern pays all federal income taxes due for all members of the consolidated group. The Company will then charge or reimburse, 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 statements of operations.

Accounting Changes

The Company had no material accounting changes in 2022 or 2021.

Effective January 1, 2020, the Company updated its valuation methodologies on certain pension risk transfer reserves. This resulted in a change of statutory reserve valuation that is required to be recorded directly to surplus rather than as a part of the reserve change recognized in the statements of operations. The Company has recorded $3.6 million as an increase to surplus as a result of the change in valuation bases through the Change in Reserve on Account of Change in Valuation Basis line on the Statements of Changes in Capital and Surplus.

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

Subsequent Events

The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Company is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. Management has evaluated subsequent events through the issuance of these financial statements on April 17, 2023.

Note 4 describes an event that occurred subsequent to the December 31, 2022, financial statement date; the Company paid an ordinary dividend to Western and Southern.

2. Investments

The book/adjusted carrying value and fair value of the Company's investments in debt securities are summarized as follows:

	Book/ Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
At December 31, 2022:				
U.S. Treasury securities and obligations of U.S. government corporation and agencies	**$ 98,675**	**$ —**	**$ (2,320)**	**$ 96,355**
Debt securities issued by states of the U.S. and political subdivisions of the states	**49,867**	**175**	**(4,827)**	**45,215**
Non-U.S. government securities	**170,772**	**1,171**	**(27,577)**	**144,366**
Corporate securities	**8,763,028**	**33,110**	**(760,308)**	**8,035,830**
Commercial mortgage-backed securities	**3,015,111**	**1,845**	**(221,906)**	**2,795,050**
Residential mortgage-backed securities	**1,664,885**	**11,612**	**(174,804)**	**1,501,693**
Asset-backed securities	**4,014,795**	**2,297**	**(327,821)**	**3,689,271**
Total	**$ 17,777,133**	**$ 50,210**	**$ (1,519,563)**	**$ 16,307,780**

	Book/ Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
At December 31, 2021:				
U.S. Treasury securities and obligations of U.S. government corporation and agencies	$ 68,485	$ 191	$ (188)	$ 68,488
Debt securities issued by states of the U.S. and political subdivisions of the states	57,198	7,343	(29)	64,512
Non-U.S. government securities	227,765	13,080	(4,689)	236,156
Corporate securities	7,729,000	633,586	(19,947)	8,342,639
Commercial mortgage-backed securities	2,087,149	35,014	(16,682)	2,105,481
Residential mortgage-backed securities	1,160,327	37,060	(6,905)	1,190,482
Asset-backed securities	2,753,569	43,717	(7,689)	2,789,597
Total	$ 14,083,493	$ 769,991	$ (56,129)	$ 14,797,355

At December 31, 2022 and 2021, the Company held unrated or below-investment-grade corporate debt securities with a book/adjusted carrying value of $2,112.3 million and $1,570.6 million, respectively, and an aggregate fair value of $1,898.7 million and $1,608.0 million, respectively. As of December 31, 2022 and 2021, such holdings amounted to 11.9% and 11.2%, respectively, of the Company's investments in debt securities and 8.3% and 8.0%, respectively, of the Company's total admitted assets. The Company performs periodic evaluations of the relative credit standing of the issuers of these debt securities. The Company considers these evaluations in its overall investment strategy.

Unrealized gains and losses on investments in unaffiliated common stocks, and common stocks of subsidiaries are reported directly in capital and surplus and do not affect net income. The unrealized gains and unrealized losses on, and the cost and fair value of those investments and preferred stocks are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
At December 31, 2022:				
Preferred stocks	**$ 33,899**	**$ 0**	**$ (7,677)**	**$ 26,222**
Common stocks, unaffiliated	**$ 614,910**	**$ 258,824**	**$ (21,276)**	**$ 852,458**
Common stocks, mutual funds	**70,090**	**—**	**(10,176)**	**59,914**
Common stocks, subsidiaries	**13,202**	**—**	**(10,393)**	**2,809**
	$ 698,202	**$ 258,824**	**$ (41,845)**	**$ 915,181**
At December 31, 2021:				
Preferred stocks	$ 35,000	$ 1,844	$ —	$ 36,844
Common stocks, unaffiliated	$ 506,745	$ 271,783	$ (4,514)	$ 774,014
Common stocks, mutual funds	116,696	19,432	—	136,128
Common stocks, subsidiaries	11,401	—	(8,481)	2,920
	$ 634,842	$ 291,215	$ (12,995)	$ 913,062

The following table shows unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Unrealized Losses Less Than 12 Months		Unrealized Losses Greater Than or Equal to 12 Months	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
	(In Thousands)			
At December 31, 2022:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ (1,446)**	**$ 19,082**	**$ (874)**	**$ 7,610**
Debt securities issued by states of the U.S. and political subdivisions of the states	**(4,827)**	**36,698**	**—**	**—**
Non-U.S. government securities	**(11,129)**	**67,068**	**(16,448)**	**43,960**
Corporate securities	**(620,124)**	**6,157,732**	**(140,184)**	**600,927**
Commercial mortgage-backed securities[1]	**(139,321)**	**1,975,520**	**(82,585)**	**741,842**
Residential mortgage-backed securities[1]	**(118,209)**	**1,116,668**	**(56,595)**	**285,964**
Asset-backed securities[1]	**(257,868)**	**2,858,951**	**(69,953)**	**692,190**
Total	**$(1,152,924)**	**$12,231,719**	**$ (366,639)**	**$ 2,372,493**
Preferred stocks	**$ (7,677)**	**$ 26,221**	**$ —**	**$ —**
Common stocks, unaffiliated	**$ (21,276)**	**$ 112,681**	**$ —**	**$ —**
Common stocks, mutual funds	**(10,176)**	**59,914**	**—**	**—**
Total	**$ (31,452)**	**$ 172,595**	**$ —**	**$ —**

[1] Amounts relate to securities subject to SSAP 43R.

	Unrealized Losses Less Than 12 Months		Unrealized Losses Greater Than or Equal to 12 Months	
	Unrealized Losses	**Fair Value**	**Unrealized Losses**	**Fair Value**
	(In Thousands)			
At December 31, 2021:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ (172)	$ 24,331	$ (16)	$ 540
Debt securities issued by states of the U.S. and political subdivisions of the states	(29)	4,801	—	—
Non-U.S. government securities	(4,689)	58,802	—	—
Corporate securities	(16,021)	851,920	(3,926)	55,971
Commercial mortgage-backed securities(1)	(13,251)	1,009,531	(3,431)	70,776
Residential mortgage-backed securities(1)	(6,311)	391,218	(594)	15,488
Asset-backed securities(1)	(7,165)	1,034,429	(524)	115,741
Total	$ (47,638)	$ 3,375,032	$ (8,491)	$ 258,516
Preferred stocks	$ —	$ —	$ —	$ —
Common stocks, unaffiliated	$ (4,514)	$ 46,757	$ —	$ —

(1) Amounts relate to securities subject to SSAP 43R.

Investments that are impaired at December 31, 2022 and 2021, for which other-than-temporary impairments have not been recognized, consist mainly of corporate debt securities, asset-backed securities, and residential mortgage-backed securities. The aggregated unrealized loss is approximately 9.5% and 1.6% of the carrying value of securities considered temporarily impaired at December 31, 2022 and 2021, respectively. At December 31, 2022, there were a total of 2,408 securities held that are considered temporarily impaired, 370 of which have been impaired for 12 months or longer. At December 31, 2021, there were a total of 567 securities held that are considered temporarily impaired, 82 of which have been impaired for 12 months or longer. The Company recorded other-than-temporary impairments on securities of $13.0 million, $6.8 million, and $23.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The following is a list of each loan-backed security held at December 31, 2022, with a recognized other-than-temporary impairment (OTTI) for the year ended December 31, 2022, where the present value of future cash flows expected to be collected was less than the amortized cost basis of the securities.

CUSIP	Book/Adj Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Future Cash Flows	Recognized Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value	Date of Other-Than-Temporary Impairment
			(In Thousands)			
For the year ended, December 31, 2022:						
059469-AF-3	$ 465	$ 446	$ 19	$ 446	$ 406	6/30/2022
225470-M6-7	1,205	1,174	31	1,174	1,144	6/30/2022
61749W-AK-3	770	755	15	755	753	6/30/2022
12628L-AJ-9	1,049	981	68	981	981	9/30/2022
02660T-ER-0	141	140	1	140	128	12/31/2022
12628K-AF-9	1,636	1,600	36	1,600	1,542	12/31/2022
12667G-AH-6	1,188	1,186	2	1,186	1,112	12/31/2022
61752R-AL-6	614	587	27	587	579	12/31/2022
Total	XXX	XXX	$ 199	XXX	XXX	XXX

The Company had no OTTI on loan-backed and structured securities for the year ended December 31, 2022, due to the intent to sell the security or the inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

A summary of the cost or amortized cost and fair value of the Company's debt securities at December 31, 2022, by contractual maturity, is as follows:

	Book/ Adjusted Carrying Value	**Fair Value**
	(In Thousands)	
Years to maturity:		
One or less	$ 233,248	$ 232,306
After one through five	2,088,780	1,980,806
After five through ten	3,951,016	3,603,162
After ten	2,809,298	2,505,492
Mortgage-backed securities	8,694,791	7,986,014
Total	$ 17,777,133	$ 16,307,780

The expected maturities may differ from contractual maturities in the foregoing table because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties and because asset-backed and mortgage-backed securities (including floating-rate securities) provide for periodic payments throughout their lives.

Proceeds from sales of investments in debt securities during 2022, 2021, and 2020 were $1,271.3 million, $626.6 million, and $726.1 million; gross gains of $3.9 million, $12.0 million, and $13.7 million and gross losses of $28.6 million, $1.5 million, and $17.1 million were realized on these sales, respectively.

Proceeds from sales of investments in equity securities during 2022, 2021, and 2020 were $114.7 million, $120.0 million, and $124.2 million; gross gains of $23.1 million, $27.9 million, and $27.3 million and gross losses of $4.6 million, $2.9 million, and $6.5 million were realized on these sales, respectively.

Realized capital gains (losses) are reported net of federal income taxes and amounts transferred to the IMR as follows for the years ended December 31:

	2022	**2021**	**2020**
		(In Thousands)	
Realized capital gains (losses)	**$ (17,252)**	$ 31,406	$ (8,336)
Less amount transferred to (from) IMR (net of related taxes (benefits) of $(4,640) in 2022, $2,908 in 2021, and $(203) in 2020)	**(17,456)**	10,938	(764)
Less federal income tax expense (benefit) of realized capital gains(losses)	**2,393**	13,682	3,056
Net realized capital gains (losses)	**$ (2,189)**	$ 6,786	$ (10,628)

Net investment income was generated from the following for the years ended December 31:

	2022	2021	2020
	(In Thousands)		
Debt securities	**$ 653,795**	$ 505,030	$ 490,732
Equity securities	**48,629**	34,844	45,439
Mortgage loans	**140,529**	85,636	66,592
Policy loans	**1,758**	1,931	2,093
Cash, cash equivalents and short-term investments	**5,065**	1,162	2,527
Other invested assets	**17,313**	50,788	4,305
Other	**3,327**	1,695	2,134
Gross investment income	**870,416**	681,086	613,822
Investment expenses	**14,402**	10,547	8,984
Net investment income	**$ 856,014**	$ 670,539	$ 604,838

The Company's investments in mortgage loans principally involve commercial real estate. At December 31, 2022, 52.0% of such mortgages, or $1,870.7 million, involved properties located in Florida, Indiana, Ohio, and Texas. Such investments consist of primarily first-mortgage liens on completed income-producing properties. The aggregate mortgage outstanding to any one borrower does not exceed $132.1 million. During 2022, the respective minimum and maximum lending rates for mortgage loans issued were 3.35% and 5.30%. At the issuance of a loan, the percentage of any one loan to value of security, exclusive of insured, guaranteed or purchase money mortgage did not exceed 80.0%. During 2022, the Company did not reduce interest rates on any outstanding mortgages.

The Company utilizes loan-to-value and debt-service coverage ratios as credit quality indicators for its commercial mortgage loans. The Company updates and analyzes these indicators at least annually. 93.32% of the Company's mortgage loans were less than 75% loan-to-value and the total portfolio's debt-service coverage ratio was 1.94 at December 31, 2022, based on the most recent data available.

3. Fair Values of Financial Instruments

Included in various investment-related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value such as when impaired or, for certain bonds and preferred stocks, when carried at the lower of cost or market.

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. 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 Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on the following hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels. The Company's policy is to recognize transfers in and transfers out of levels at the beginning of the quarterly reporting period.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company's Level 1 assets and liabilities primarily include exchange-traded equity securities and mutual funds, including those which are part of the Company's separate account assets.

- 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 investment grade municipal, corporate bonds, and surplus notes within the Company's separate account, preferred stock, stock warrants, interest rate swaps, to be announced (TBA) forward contracts, industrial and miscellaneous bonds, foreign government bonds, and initially rated NAIC 6 residential mortgage-backed securities representing senior and subordinated tranches in securitization trusts containing residential mortgage loans. The fair values of these instruments are determined through the use of third-party pricing services or models utilizing market observable inputs.

- Level 3 - Significant unobservable inputs for the asset or liability. The Company does not have any significant assets or liabilities carried at fair value that meet the definition of Level 3.

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.

For Level 3 investments, the fair value estimates cannot be substantiated by comparison to independent markets. 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. Management does not adjust prices received from third parties; however, the Company does analyze the third-party pricing services' valuation methodologies and related inputs and performs 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 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. 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. The following discussion describes the valuation methodologies utilized by the Company for assets and liabilities measured or disclosed at fair value.

Debt and Equity Securities

The fair values of debt securities and asset/mortgage-backed 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.

The fair values of actively traded equity securities and exchange traded funds (including exchange traded funds with debt like characteristics) 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. The fair value of preferred stock included in Level 3 has been determined by either broker quotes or by discounting the expected cash flows using current market-consistent rates applicable to the yield.

Mortgage Loans

The fair values for mortgage loans, consisting principally of commercial real estate loans, are estimated using discounted cash flow analyses, using interest rates currently being offered for similar loans collateralized by properties with similar investment risk. The fair values for mortgage loans in default are established at the lower of the fair value of the underlying collateral less costs to sell or the carrying amount of the loan.

Derivative Instruments

The fair values of free-standing derivative instruments, primarily interest rate swaps, TBA forward contracts, and stock warrants, are determined through the use of third-party pricing services or models utilizing market observable inputs.

Cash, Cash Equivalents and Short-Term Investments

The fair values of cash, cash equivalents and short-term investments are based on quoted market prices or stated amounts.

Securities Lending Reinvested Collateral Assets

The fair values of securities lending reinvested collateral assets are determined through the use of third-party sources utilizing publicly quoted prices.

Other Invested Assets

Other invested assets primarily include surplus debentures and fixed income residual tranches for which fair values have been determined through the use of third-party pricing services utilizing market observable inputs.

Assets Held in Separate Accounts

Assets held in separate accounts include debt securities, surplus notes, and mutual funds. The fair values of these assets have been determined using the same methodologies as similar assets held in the general account.

Life and Annuity Reserves for Investment-Type Contracts and Deposit Fund Liabilities

The fair value of liabilities for investment-type contracts is based on the present value of estimated liability cash flows, which are discounted using rates that incorporate risk-free rates and margins for the Company's own credit spread and the riskiness of cash flows. Key assumptions to the cash flow model include the timing of policyholder withdrawals and the level of interest credited to contract balances. Fair values for insurance reserves are not required to be disclosed. However, the estimated fair values of all insurance reserves and investment contracts are taken into consideration in the Company's overall management of interest rate risk.

Cash Collateral Payable

The payable represents the obligation to return cash collateral the Company has received relating to derivative instruments. The fair value is based upon the stated amount.

Securities Lending Liability

The liability represents the Company's obligation to return collateral related to securities lending transactions. The liability is short-term in nature and therefore, the fair value of the obligation approximates the carrying amount.

Separate Account Liabilities

Certain separate account liabilities are classified as investment contracts and are carried at an amount equal to the related separate account assets. Carrying value is a reasonable estimate of the fair value as it represents the exit value as evidenced by withdrawal transactions between contract holders and the Company.

Assets and liabilities measured at fair value on a recurring basis are outlined below:

	Assets/ (Liabilities) Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
		(In Thousands)		
At December 31, 2022				
Assets:				
Bonds, industrial and misc.	**$ 112**	**$ —**	**$ 112**	**$ —**
Bonds, foreign government	**155**	**—**	**155**	**—**
Residential mortgage-backed securities	**454**	**—**	**454**	**—**
Bonds, exchange traded funds	**6,722**	**6,722**	**—**	**—**
Common stocks, unaffiliated	**759,509**	**759,509**	**—**	**—**
Common stocks, mutual funds	**59,914**	**59,914**	**—**	**—**
Preferred stock	**26,222**	**—**	**26,222**	**—**
Derivative assets	**794**	**—**	**794**	**—**
Separate account assets*	**64,724**	**17,122**	**47,602**	**—**
Total assets	**$ 918,606**	**$ 843,267**	**$ 75,339**	**$ —**
Liabilities:				
Derivative liabilities	**$ (834)**	**$ —**	**$ (834)**	**$ —**

* Separate account assets measured at fair value in this table do not include assets backing market value adjusted annuities, which are held at amortized cost, with the exception of securities rated NAIC 6 where the security's fair value is below amortized cost.

	Assets/ (Liabilities) Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
		(In Thousands)		
At December 31, 2021				
Assets:				
Residential mortgage-backed securities	$ 623	$ —	$ 623	$ —
Bonds, exchange traded funds	58,101	58,101	—	—
Common stocks, unaffiliated	683,829	683,829	—	—
Common stocks, mutual funds	136,128	136,128	—	—
Preferred stock	36,844	—	36,844	—
Derivative assets	34	—	34	—
Separate account assets*	91,878	40,839	51,039	—
Total assets	$ 1,007,437	$ 918,897	$ 88,540	$ —

* Separate account assets measured at fair value in this table do not include assets backing market value adjusted annuities, which are held at amortized cost, with the exception of Bond ETF's, where fair value is utilized, and securities rated NAIC 6 where the security's fair value is below amortized cost.

The Company did not have any significant assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2022 and 2021.

The carrying amounts and fair values of the Company's significant financial instruments follow:

	December 31, 2022				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)		
Assets:					
Bonds	**$ 17,777,133**	**$ 16,307,780**	**$ 33,414**	**$ 15,749,601**	**$ 524,765**
Common stock:					
Unaffiliated**	**852,458**	**852,458**	**852,458**	**—**	**—**
Mutual funds	**59,914**	**59,914**	**59,914**	**—**	**—**
Preferred stock	**26,222**	**26,222**	**—**	**26,222**	**—**
Mortgage loans	**3,760,559**	**3,511,563**	**—**	**—**	**3,511,563**
Cash, cash equivalents and short-term investments	**523,330**	**523,507**	**523,507**	**—**	**—**
Other invested assets:					
Surplus notes	**46,835**	**45,291**	**—**	**45,291**	**—**
Fixed income residual tranche	**9,665**	**10,689**	**—**	**—**	**10,689**
Securities lending reinvested collateral assets	**45,424**	**45,424**	**45,424**	**—**	**—**
Derivative assets	**794**	**794**	**—**	**794**	**—**
Separate account assets	**1,429,234**	**1,331,610**	**31,191**	**1,277,647**	**22,772**
Liabilities:					
Life and annuity reserves for investment-type contracts and deposit fund liabilities	**$ (14,376,678)**	**$ (13,922,842)**	**$ —**	**$ —**	**$ (13,922,842)**
Derivative liabilities	**(834)**	**(834)**	**—**	**(834)**	**—**
Cash collateral payable	**(51)**	**(51)**	**—**	**(51)**	**—**
Securities lending liability	**(472,454)**	**(472,454)**	**—**	**(472,454)**	**—**
Separate account liabilities*	**(1,355,654)**	**(1,317,136)**	**—**	**—**	**(1,317,136)**

* Variable annuity contracts are considered insurance contracts and therefore, are not included in separate account liabilities for purposes of this disclosure.

** Includes FHLB common stock, which is held at cost.

	December 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Assets:					
Bonds	$ 14,083,493	$ 14,797,355	$ 87,047	$ 14,535,436	$ 174,872
Common stock:					
Unaffiliated**	774,014	774,014	774,014	—	—
Mutual funds	136,128	136,128	136,128	—	—
Preferred stock	36,844	36,844	—	36,844	—
Mortgage loans	2,782,942	2,855,306	—	—	2,855,306
Cash, cash equivalents and short-term investments	326,300	326,315	326,315	—	—
Other invested assets, surplus notes	46,931	60,330	—	60,330	—
Securities lending reinvested collateral assets	22,039	22,039	22,039	—	—
Derivative assets	34	34	—	34	—
Separate account assets	680,896	687,182	80,793	606,389	—
Liabilities:					
Life and annuity reserves for investment-type contracts and deposit fund liabilities	$ (10,824,453)	$ (11,511,062)	$ —	$ —	$ (11,511,062)
Securities lending liability	(300,773)	(300,773)	—	(300,773)	—
Separate account liabilities*	(592,738)	(647,150)	—	—	(647,150)

* Variable annuity contracts are considered insurance contracts and therefore, are not included in separate account liabilities for purposes of this disclosure.

** Includes FHLB common stock, which is held at cost.

4. Related-Party Transactions

The Company received payments of principal and interest under mortgage financing arrangements in the amount of $9.9 million, $32.1 million, and $8.6 million in 2022, 2021 and 2020, respectively, on behalf of certain partnerships in which Western and Southern has an equity interest. The principal balance of the mortgage financing arrangements was $132.1 million and $136.6 million at December 31, 2022 and 2021, respectively.

In March 2023, the Company paid a $150.0 million ordinary dividend to Western and Southern which was referenced in Note 1, *Subsequent Events*. The dividend was in the form of cash.

In December 2022, the Company received a capital contribution of $320.0 million from Western and Southern. The contribution was in the form of cash.

In December 2021, the Company received a capital contribution of $250.0 million from Western and Southern. The contribution was in the form of cash.

In September 2020, the Company entered into a Pension Risk Transfer agreement with Western and Southern, to transfer risk and administration costs associated with Western and Southern's pension benefit obligations in the amount of $38.7 million.

At December 31, 2022 and 2021, the Company had $192.6 million and $219.4 million respectively, invested in various private debt funds managed by Fort Washington Investment Advisors, Inc., an indirect subsidiary of Western and Southern.

The Company did not have any amounts receivable from parent, subsidiaries and affiliates as of December 31, 2022 or 2021. The Company had $18.0 million and $17.0 million payable to parent, subsidiaries and affiliates as of December 31, 2022 and 2021, respectively. The terms of the settlement generally require that these amounts be settled in cash within 30 days.

Western and Southern guarantees the payment of the Company’s policyholder obligations. In the unlikely event the guarantee would be triggered, Western and Southern may be permitted to take control of the Company’s assets to recover all or a portion of the amounts paid under the guarantee.

5. Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources.

The effects of reinsurance on premiums, annuity considerations and deposit-type funds are as follows for the years ended December 31:

	2022	2021	2020
	(In Thousands)		
Direct premiums	**$ 6,690,247**	$ 3,012,666	$ 2,904,287
Assumed premiums:			
Affiliates	—	—	—
Nonaffiliates	—	—	0
Ceded premiums:			
Affiliates	—	—	—
Nonaffiliates	**(30,017)**	(24,466)	(25,715)
Net premiums	**$ 6,660,230**	$ 2,988,200	$ 2,878,572

The Company's ceded reinsurance arrangements impacted certain other items in the accompanying financial statements by the following amounts as of and for the years ended December 31:

	2022	2021	2020
	(In Thousands)		
Policy and contract claims:			
Affiliates	**$ —**	$ —	$ —
Nonaffiliates	**30,444**	21,540	21,167
Policy and contract liabilities:			
Affiliates	—	—	—
Nonaffiliates	**28,101**	28,970	30,760
Amounts recoverable on reinsurance contracts:			
Affiliates	—	—	—
Nonaffiliates	**6,388**	2,328	2,979

In 2022, 2021 and 2020, the Company did not commute any ceded reinsurance.

At December 31, 2022, the Company has no significant reserves ceded to unauthorized reinsurers. Amounts payable or recoverable for reinsurance on policy and contract liabilities are not subject to periodic or maximum limits.

Neither the Company nor any of its related parties, control directly or indirectly, any reinsurers with whom the Company conducts business. No policies issued by the Company have been reinsured with a foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance. At December 31, 2022, there are no reinsurance agreements in effect such that the amount of losses paid or accrued exceed the total direct premium collected. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The Company has certain reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement under certain conditions. In addition, these reinsurance agreements reinsure contracts that had existing reserves as of the effective date of the agreements. There are no reinsurance credits associated with these agreements, and there would be no reduction in surplus if these reinsurance agreements were cancelled.

There would be no reduction in surplus at December 31, 2022, if all reinsurance agreements were cancelled.

6. Federal Income Taxes

The Company is included in the consolidated federal income tax return of Western and Southern. The Company had a receivable (payable) from (to) Western and Southern in the amount of $(4.6) million and $(12.6) million as of December 31, 2022 and 2021, respectively. The tax years 2014 through 2021 remain subject to examination by major tax jurisdictions.

The amount of federal income taxes incurred that will be available for recoupment at December 31, 2022, in the event of future net losses is $0.0 million, $15.6 million, and $1.5 million from 2022, 2021 and 2020, respectively.

The components of net deferred tax asset (liability) at December 31 are as follows:

	12/31/2022 (In Thousands)		
	(1)	**(2)**	**(3) (Col 1+2)**
	Ordinary	**Capital**	**Total**
(a) Gross deferred tax assets	**$ 255,626**	**$ 21,695**	**$ 277,321**
(b) Statutory valuation allowance adjustments	**—**	**—**	**—**
(c) Adjusted gross deferred tax assets (a – b)	**255,626**	**21,695**	**277,321**
(d) Deferred tax assets nonadmitted	**3,570**	**—**	**3,570**
(e) Subtotal net admitted deferred tax assets (c – d)	**252,056**	**21,695**	**273,751**
(f) Deferred tax liabilities	**21,991**	**52,340**	**74,331**
(g) Net admitted deferred tax asset/(net deferred tax liability) (e – f)	**$ 230,065**	**$ (30,645)**	**$ 199,420**

		12/31/2021 (In Thousands)		
		(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a)	Gross deferred tax assets	$ 168,817	$ 11,453	$ 180,270
(b)	Statutory valuation allowance adjustments	—	—	—
(c)	Adjusted gross deferred tax assets (a – b)	168,817	11,453	180,270
(d)	Deferred tax assets nonadmitted	8,740	—	8,740
(e)	Subtotal net admitted deferred tax assets (c – d)	160,077	11,453	171,530
(f)	Deferred tax liabilities	17,530	66,755	84,285
(g)	Net admitted deferred tax asset/(net deferred tax liability) (e – f)	$ 142,547	$ (55,302)	$ 87,245

		Change (In Thousands)		
		(7) Ordinary	(8) Capital	(9) 7+8 Total
(a)	Gross deferred tax assets	$ 86,809	$ 10,242	$ 97,051
(b)	Statutory valuation allowance adjustments	—	—	—
(c)	Adjusted gross deferred tax assets (a – b)	86,809	10,242	97,051
(d)	Deferred tax assets nonadmitted	(5,170)	—	(5,170)
(e)	Subtotal net admitted deferred tax assets (c – d)	91,979	10,242	102,221
(f)	Deferred tax liabilities	4,461	(14,415)	(9,954)
(g)	Net admitted deferred tax asset/(net deferred tax liability) (e – f)	$ 87,518	$ 24,657	$ 112,175

		12/31/2022 (In Thousands)		
	Admission Calculation Components SSAP No. 101	(7) Ordinary	(8) Capital	(9) (Col 1+2) Total
(a)	Federal income taxes paid in prior years recoverable through loss carrybacks	**$ —**	**$ 16,258**	**$ 16,258**
(b)	Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation (the lesser of (b)1 and (b)2 below)	**177,726**	**5,437**	**183,163**
	1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	**177,726**	**5,437**	**183,163**
	2. Adjusted gross deferred tax assets allowed per limitation threshold.	**XXX**	**XXX**	**251,452**
(c)	Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	**74,330**	**—**	**74,330**
(d)	Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((a) + (b) + (c))	**$ 252,056**	**$ 21,695**	**$ 273,751**

Admission Calculation Components SSAP No. 101	12/31/2021 (In Thousands) (4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ —	$ 11,453	$ 11,453
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation (the lesser of (b)1 and (b)2 below)	75,792	—	75,792
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	75,792	—	75,792
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	223,405
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	84,285	—	84,285
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((a) + (b) + (c))	$ 160,077	$ 11,453	$ 171,530

Admission Calculation Components SSAP No. 101	Change (In Thousands) (7) Ordinary	(8) Capital	(9) (Col 7+8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ —	$ 4,805	$ 4,805
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation (the lesser of (b)1 and (b)2 below)	101,934	5,437	107,371
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	101,934	5,437	107,371
2. Adjusted gross deferred tax assets allowed per limitation threshold.	XXX	XXX	28,047
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	(9,955)	—	(9,955)
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((a) + (b) + (c))	$ 91,979	$ 10,242	$ 102,221

	2022	2021
(a) Ratio percentage used to determine recovery period and threshold limitation amount	**581%**	704%

Impact of tax planning strategies	12/31/2022 (1) Ordinary	12/31/2022 (2) Capital
	(In Thousands)	
(a) Adjusted gross DTAs amount	**$255,626**	**$21,695**
(b) Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	**26.23%**	**7.82%**
(c) Net admitted adjusted gross DTAs amount	**$252,056**	**$21,695**
(d) Percentage of net admitted adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	**26.58%**	**7.92%**

Impact of tax planning strategies	12/31/2021 (3) Ordinary	12/31/2021 (4) Capital
	(In Thousands)	
(a) Adjusted gross DTAs amount	$168,817	$11,453
(b) Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	12.83%	6.35%
(c) Net admitted adjusted gross DTAs amount	$160,077	$11,453
(d) Percentage of net admitted adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	13.48%	6.68%

Impact of tax planning strategies	Change (5) Ordinary	Change (6) Capital
	(In Thousands)	
(a) Adjusted gross DTAs amount	$86,809	$10,242
(b) Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	13.40%	1.47%
(c) Net admitted adjusted gross DTAs amount	$91,979	$10,242
(d) Percentage of net admitted adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	13.10%	1.24%

The Company's tax planning strategies include the use of reinsurance.

Current income taxes incurred consist of the following major components:

	12/31/2022	12/31/2021	12/31/2020
		(In Thousands)	
(1) Current income tax			
(a) Federal	**$ 65,520**	$ 42,103	$ 41,794
(b) Foreign	**—**	28	—
(c) Subtotal	**65,520**	42,131	41,794
(d) Federal income tax on net capital gains	**2,393**	13,682	3,056
(e) Utilization of capital loss carryforwards			—
(f) Other			—
(g) Federal and foreign income taxes incurred	**$ 67,913**	$ 55,813	$ 44,850

	(1) 12/31/2022	(2) 12/31/2021	(3) (Col 1-2) Change
(2) Deferred tax assets:			
(a) Ordinary		*(In Thousands)*	
(1) Discounting of unpaid losses	**$ —**	$ —	$ —
(2) Unearned premium revenue	**—**	—	—
(3) Policyholder reserves	**214,202**	131,758	82,444
(4) Investments	**831**	1,841	(1,010)
(5) Deferred acquisition costs	**39,182**	33,799	5,383
(6) Policyholder dividends accrual	**—**	—	—
(7) Fixed assets	**—**	—	—
(8) Compensation and benefits accrual	**—**	—	—
(9) Pension accrual	**—**	—	—
(10) Receivables - nonadmitted	**1,060**	1,068	(8)
(11) Net operating loss carryforward	**—**	—	—
(12) Tax credit carryforward	**—**	—	—
(13) Other	**351**	351	—
(99) Subtotal	**255,626**	168,817	86,809
(b) Statutory valuation allowance adjustment	**—**	—	—
(c) Nonadmitted	**3,570**	8,740	(5,170)
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	**252,056**	160,077	91,979
(e) Capital			—
(1) Investments	**21,695**	11,453	10,242
(2) Net capital loss carryforward	**—**	—	—
(3) Real estate	**—**	—	—
(4) Other	**—**	—	—
(99) Subtotal	**21,695**	11,453	10,242
(f) Statutory valuation allowance adjustment	**—**	—	—
(g) Nonadmitted	**—**	—	—
(h) Admitted capital deferred tax assets (2e99- 2f - 2g)	**21,695**	11,453	10,242
(i) Admitted deferred tax assets (2d + 2h)	**$ 273,751**	$ 171,530	$ 102,221

	(1) 12/31/2022	(2) 12/31/2021	(3) (Col 1-2) Change
	(In Thousands)		
(3) Deferred tax liabilities:			
(a) Ordinary			
(1) Investments	**$ 10,958**	$ 2,985	$ 7,973
(2) Fixed assets	**—**	—	—
(3) Deferred and uncollected premium	**4,050**	4,129	(79)
(4) Policyholder reserves	**6,953**	10,402	(3,449)
(5) Other	**30**	14	16
(99) Subtotal	**21,991**	17,530	4,461
(b) Capital			
(1) Investments	**52,340**	66,755	(14,415)
(2) Real estate	**—**	—	—
(3) Other	**—**	—	—
(99) Subtotal	**52,340**	66,755	(14,415)
(c) Deferred tax liabilities (3a99 + 3b99)	**$ 74,331**	$ 84,285	$ (9,954)
(4) Net deferred tax assets/liabilities (2i - 3c)	**$ 199,420**	$ 87,245	$ 112,175

Among the more significant book-to-tax adjustments were the following:

	12/31/2022 *(In Thousands)*	Effective Tax Rate	12/31/2021 *(In Thousands)*	Effective Tax Rate	12/31/2020 *(In Thousands)*	Effective Tax Rate
Provision computed at statutory rate	**$ (7,159)**	**21.00 %**	$ 38,886	21.00 %	$ 26,693	21.00 %
Dividend received deduction	**(6,054)**	**17.76**	(4,431)	(2.39)	(7,153)	(5.63)
Tax credits	**(2,314)**	**6.79**	(1,296)	(0.70)	(3,702)	(2.91)
Other invested assets and nonadmitted change	**(5,824)**	**17.07**	(6,851)	(3.70)	78	0.06
IRS interest & audit adjustments	**—**	**—**	—	—	(19)	(0.01)
Other	**438**	**(1.28)**	(641)	(0.35)	(504)	(0.40)
Total statutory income taxes	**$ (20,913)**	**61.34 %**	$ 25,667	13.86 %	$ 15,393	12.11 %
Federal and foreign taxes incurred	**$ 67,913**	**(199.21)%**	$ 55,813	30.14 %	$ 44,850	35.28 %
Change in net deferred income taxes	**(88,826)**	**260.55**	(30,146)	(16.28)	(29,457)	(23.17)
Total statutory income taxes	**$ (20,913)**	**61.34 %**	$ 25,667	13.86 %	$ 15,393	12.11 %

At December 31, 2022, the Company had $0.0 million of net operating loss carryforwards, net capital loss carryforwards and tax credit carry forwards; the company had $0.0 million of deferred tax liabilities that are not recognized.

The Inflation Reduction Act (the "IRA") was enacted during the reporting period on August 16, 2022, and included a provision for a new Corporate Alternative Minimum Tax (CAMT), effective in 2023, that is based on the adjusted financial statement income set forth on the applicable financial statement of an "applicable corporation." The controlled group of corporations of which the reporting entity is a member has determined that it is not an "applicable corporation" for purposes of CAMT during the reporting period, and does not expect to be liable for the CAMT in 2023.

7. Capital and Surplus

The Company is 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 in consideration of its size and risk profile. At December 31, 2022 and 2021, the Company exceeded the minimum risk-based capital.

Ohio insurance law limits the amount of dividends that can be paid to a parent in a holding company structure without prior approval of the regulators to the greater of 10% of statutory surplus or statutory net income as of the preceding December 31 less any dividends paid in the preceding 12 months, but only to the extent of earned surplus as of the preceding December 31. Based on these limitations, the Company is able to pay dividends of up to $177.7 million by the end of 2023 without seeking prior regulatory approval based on capital and surplus of $1,777.2 million at December 31, 2022.

8. 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.

At December 31, 2022, the Company has future commitments to provide additional capital contributions of $229.0 million to investments in joint ventures, limited partnerships and limited liability companies. Additionally, the Company has commitments to fund $332.7 million of commercial mortgage loans and $265.5 million of debt capital.

9. Life and Annuity Reserves and Deposit-Type Contract Liabilities

At December 31, 2022, the Company's general and separate account annuity reserves and deposit-type contract liabilities that are subject to discretionary withdrawal (with adjustment), subject to discretionary withdrawal (without adjustment), and not subject to discretionary withdrawal provisions are summarized as follows:

Individual Annuities	General Account	Separate Account With Guarantees	Separate Account Non-guaranteed	Total	Percent
		(In Thousands)			
Subject to discretionary withdrawal:					
With market value adjustment	$ 8,561,976	$ 1,355,654	$ —	$ 9,917,630	56.8 %
At book value less current surrender charge of 5% or more	62,715	—	—	62,715	0.4
At fair value	—	—	15,618	15,618	0.1
Total with adjustment or at fair value	8,624,691	1,355,654	15,618	9,995,963	57.3
Subject to discretionary withdrawal at book value without adjustment (minimal or no charge or adjustment)	3,942,223	—	—	3,942,223	22.6
Not subject to discretionary withdrawal	3,520,500	—	—	3,520,500	20.1
Total individual annuity reserves (before reinsurance)	16,087,414	1,355,654	15,618	17,458,686	100.0 %
Reinsurance ceded	—	—	—	—	
Net individual annuity reserves	$ 16,087,414	$ 1,355,654	$ 15,618	$ 17,458,686	
Amount subject to greater than a 5% surrender charge that will be subject to minimal or no surrender charge after the statement date	$ 56,923	$ —	$ —	$ 56,923	

Group Annuities	General Account	Separate Account With Guarantees	Separate Account Non-guaranteed	Total	Percent
		(In Thousands)			
Not subject to discretionary withdrawal	$ 1,328,139	$ —	$ —	$ 1,328,139	100.0 %
Total group annuity reserves (before reinsurance)	1,328,139	—	—	1,328,139	100.0 %
Reinsurance ceded	—	—	—	—	
Net group annuity reserves	$ 1,328,139	$ —	$ —	$ 1,328,139	

Deposit-type contracts (no life contingencies)	General Account	Separate Account With Guarantees	Separate Account Non-guaranteed	Total	Percent
			(In Thousands)		
Subject to discretionary withdrawal at book value without adjustment (minimal or no charge or adjustment)	$ 329,154	$ —	$ —	$ 329,154	18.2 %
Not subject to discretionary withdrawal	1,478,780	—	—	1,478,780	81.8
Total deposit-type contract liability (before reinsurance)	1,807,934	—	—	1,807,934	100.0 %
Reinsurance ceded	—	—	—	—	
Total deposit-type contract liability	$ 1,807,934	$ —	$ —	$ 1,807,934	

Interest rate changes may have temporary effects on the sale and profitability of annuity products offered by the Company. Although the rates offered by the Company are adjustable in the long-term, in the short-term they may be subject to contractual and competitive restrictions, which may prevent timely adjustment. The Company's management constantly monitors interest rates with respect to a spectrum of product durations and sells annuities that permit flexible responses to interest rate changes as part of the Company's management of interest spreads. However, adverse changes in investment yields on invested assets will affect the earnings on those products with a guaranteed return.

At December 31, 2022, the Company's general and separate account life insurance account values, cash value, and reserves for policies subject to discretionary withdrawal, not subject to discretionary withdrawal, or with no cash value are summarized as follows:

	General Account			Separate Account - Nonguaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
	(In Thousands)					
Subject to discretionary withdrawal, surrender values, or policy loans:						
Term policies with cash value	$ —	$ —	$ —	$ —	$ —	$ —
Universal life	432,505	438,048	448,560	—	—	—
Universal life with secondary guarantees	769,292	792,217	1,295,507	—	—	—
Indexed universal life	—	—	—	—	—	—
Indexed universal life with secondary guarantees	—	—	—	—	—	—
Indexed life	—	—	—	—	—	—
Other permanent cash value life insurance	—	5,134	5,357	—	—	—
Variable life	—	—	—	—	—	—
Variable universal life	—	—	—	49,440	49,440	49,440
Miscellaneous reserves	—	—	—	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	XXX	XXX	237,998	XXX	XXX	—
Accidental death benefits	XXX	XXX	288	XXX	XXX	—
Disability - active lives	XXX	XXX	2,104	XXX	XXX	—
Disability - disabled lives	XXX	XXX	12,977	XXX	XXX	—
Miscellaneous reserves	XXX	XXX	—	XXX	XXX	—
Total life reserves (before reinsurance)	1,201,797	1,235,399	2,002,791	49,440	49,440	49,440
Reinsurance ceded	—	—	23,497	—	—	—
Net life reserves	$ 1,201,797	$ 1,235,399	$ 1,979,294	$ 49,440	$ 49,440	$ 49,440

Federal Home Loan Bank

The Company is a member of the FHLB of Cincinnati. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. It is part of the Company’s strategy to utilize these funds to increase profitability. The Company has determined the actual/estimated maximum borrowing capacity as $2.35 billion. The Company calculated this amount after a review of its pledgeable assets (both pledged and unpledged) and after applying the respective FHLB borrowing haircuts.

FHLB Capital Stock – General Account:

	December 31 2022	December 31 2021
	(In Thousands)	
Membership stock - Class A (not eligible for redemption)	**$ 15,630**	$ 17,043
Membership stock - Class B	**—**	
Activity stock	**66,205**	66,329
Excess stock	**11,114**	6,813
Aggregate total	**$ 92,949**	$ 90,185
Actual or estimated borrowing capacity as determined by the insurer	**$ 2,350,000**	$ 2,010,000

Collateral Pledged to FHLB – General Account:

	2022				2021			
	Fair Value	Carrying Value	Aggregate Total Borrowing	Borrowed at Time of Maximum Collateral	Fair Value	Carrying Value	Aggregate Total Borrowing	Borrowed at Time of Maximum Collateral
	(In Thousands)							
Total as of reporting date	**$ 2,339,900**	**$ 2,519,348**	**$ 1,479,736**	**XXX**	$ 2,224,805	$ 2,134,910	$ 1,487,239	XXX
Maximum during reporting period	**$ 2,567,555**	**$ 2,630,446**	**XXX**	**$ 1,551,352**	$ 2,261,221	$ 2,159,577	XXX	$ 1,549,471

Borrowing from FHLB - General Account:

	2022			2021	
	At Reporting Date	Reserves Established at Reporting Date	Maximum Amount During Period	At Reporting Date	Reserves Established at Reporting Date
	(In Thousands)				
Funding agreements	**$ 1,479,736**	**$ 1,478,780**	**$ 1,518,909**	$ 1,487,239	$ 1,479,811
Debt	**—**	**XXX**	**$ 307,084**	—	XXX
Aggregate total	**$ 1,479,736**	**$ 1,478,780**	**$ 1,825,993**	$ 1,487,239	$ 1,479,811

The Company does not have any prepayment obligations under these FHLB borrowing arrangements.

10. Separate Accounts

The Company's guaranteed separate account consists of non-indexed, guaranteed rate options that include market value adjustments. The guaranteed rate options were sold in a fixed annuity product. These options carry a minimum interest guarantee based on the guarantee period selected by the policyholder. The fixed annuity product provides a death benefit equal to the account value.

The Company's nonguaranteed separate accounts consist of subaccounts available through variable annuities and group variable universal life insurance. The net investment experience of each subaccount is credited directly to the policyholder and can be positive or negative. Variable annuities include guaranteed minimum death benefits that vary by product and include optional death benefits available on some products. The death benefits include the following: account value, return of premium paid, a death benefit that accumulates at a specified interest rate, a death benefit that is adjusted septennially to the current account value, and a death benefit that is adjusted annually to the current account value. The death benefit under the group variable universal life insurance policies may vary with the investment performance of the underlying investments in the separate accounts.

Information regarding the separate accounts of the Company as of and for the year ended December 31, 2022, is as follows:

	Nonindexed Guaranteed Less Than/ Equal to 4%	**Nonguaranteed Separate Accounts**	**Total**
		(In Thousands)	
Premiums, considerations or deposits	$ 765,165	$ 154	$ 765,319
Reserves for separate accounts with assets at:			
Fair value	$ —	$ 65,058	$ 65,058
Amortized cost	1,355,654	—	1,355,654
Total reserves	$ 1,355,654	$ 65,058	$1,420,712
Reserves for separate accounts by withdrawal characteristics:			
Subject to discretionary withdrawal:			
With fair value adjustment	$ 1,355,654	$ —	$1,355,654
At book value without fair value adjustment and with current surrender charge of 5% or more	—	—	—
At fair value	—	65,058	65,058
At book value without fair value adjustment and with current surrender charge of less than 5%	—	—	—
Subtotal	1,355,654	65,058	1,420,712
Not subject to discretionary withdrawal	—	—	—
Total separate accounts reserves	$ 1,355,654	$ 65,058	$1,420,712

A reconciliation of the amounts transferred to and from the separate accounts for the year ended December 31, 2022, is presented below:

	2022
	(In Thousands)
Transfers as reported in the Summary of Operations of the Separate Accounts Statement:	
Transfers to separate accounts	$ 765,319
Transfers from separate accounts	42,708
Net transfers to (from) separate accounts	722,611
Reconciling adjustments:	
Policy deductions and other expenses	11
Change in surplus in separate accounts	(938)
Other account adjustments	(1)
Transfers as reported in the Summary of Operations of the Company	$ 721,683

11. Premium and Annuity Considerations Deferred and Uncollected

Deferred and uncollected life insurance premiums and annuity considerations at December 31, 2022, were as follows:

	Gross	**Net of Loading**
	(In Thousands)	
Ordinary new business	$ 931	$ 16
Ordinary renewal	13,755	19,069
Total	$ 14,686	$ 19,085