

**AMERITAS MUTUAL  
HOLDING COMPANY  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2023 AND 2022 AND FOR EACH OF THE  
THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2023  
AND INDEPENDENT AUDITOR'S REPORT**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Ameritas Mutual Holding Company  
Lincoln, Nebraska

### **Opinion**

We have audited the consolidated financial statements of Ameritas Mutual Holding Company and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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.

*Deloitte & Touche LLP*

March 8, 2024  
Omaha, Nebraska

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

ASSETS	December 31	
	2023	2022
Investments:		
Fixed maturity securities	\$ 11,782,394	\$ 10,982,636
Equity securities	532,752	499,319
Mortgage loans on real estate, net	2,409,431	2,506,985
Loans on insurance policies	674,566	543,604
Real estate, less accumulated depreciation	14,777	14,144
Other investments	1,178,172	881,604
Total investments	16,592,092	15,428,292
Cash and cash equivalents	252,595	99,910
Accrued investment income	147,325	132,068
Deferred acquisition costs (DAC) and identifiable intangibles	1,634,138	1,768,605
Property and equipment, less accumulated depreciation	87,876	66,333
Current income taxes	116	13,630
Deferred income taxes	120,150	208,017
Reinsurance receivables	863,570	851,879
Goodwill	125,359	125,359
Other assets	299,648	240,557
Separate accounts	10,582,804	9,678,234
Total assets	\$ 30,705,673	\$ 28,612,884
<b>LIABILITIES AND EQUITY</b>		
Policy and contract liabilities	\$ 4,434,138	\$ 4,473,854
Policyholder account balances	10,845,764	10,208,253
Deposit liability	868,349	911,640
Borrowings	61,821	157,268
Other liabilities	697,093	521,020
Separate accounts	10,582,804	9,678,234
Total liabilities	27,489,969	25,950,269
COMMITMENTS AND CONTINGENCIES (Note 13)		
Retained earnings	3,842,766	3,654,472
Accumulated other comprehensive income (loss) (AOCI)	(627,062)	(991,857)
Total members' equity	3,215,704	2,662,615
Total liabilities and equity	\$ 30,705,673	\$ 28,612,884

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands)

	<b>Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>INCOME</b>			
Insurance revenues			
Premium income	\$ 1,771,229	\$ 1,680,337	\$ 1,565,068
Contract charges	508,156	429,698	450,061
Reinsurance, net	(191,127)	(187,115)	(187,174)
Broker dealer and investment advisor revenues	132,139	147,840	163,148
Other income	118,707	114,087	105,602
Net investment income	787,393	505,530	750,528
Realized gains and (losses)			
Total other-than-temporary-impairment losses and provision for loan losses	(7,970)	(1,480)	(1,645)
Portion recognized in other comprehensive income (loss)	—	—	21
Total credit loss impairment recognized in earnings	(7,970)	(1,480)	(1,624)
Sales, other realized gains (losses) and fair value adjustments, net	94,643	(82,151)	130,720
Total realized gains (losses), net	86,673	(83,631)	129,096
	<u>3,213,170</u>	<u>2,606,746</u>	<u>2,976,329</u>
<b>BENEFITS AND EXPENSES</b>			
Policy benefits	1,522,346	1,318,934	1,276,767
Interest credited to policyholder account balances	319,682	249,310	342,439
Sales and operating expenses	958,916	878,301	887,705
Interest expense	35,673	37,017	36,575
Amortization of DAC and identifiable intangibles	141,010	88,976	113,994
	<u>2,977,627</u>	<u>2,572,538</u>	<u>2,657,480</u>
Income before income taxes	235,543	34,208	318,849
Income tax expense (benefit)	41,662	(2,935)	58,638
Net income attributable to members	<u>\$ 193,881</u>	<u>\$ 37,143</u>	<u>\$ 260,211</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)

	<b>Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net income attributable to members	\$ 193,881	\$ 37,143	\$ 260,211
Other comprehensive income (loss), before tax			
Change in unrealized gains/losses on securities			
Unrealized holding gains/losses arising during the period	501,708	(2,297,026)	(364,194)
Reclassification adjustments from AOCI	(42,135)	24,048	(3,600)
Allocation from Closed Block policyholder dividend obligation (PDO)	—	24,766	21,425
Allocation of unrealized gains/losses to DAC	(211,715)	744,171	46,088
Allocation of unrealized gains/losses to policy and contract liabilities	212,960	(417,246)	1,402
Change in unrealized gains/losses on defined benefit plan obligations			
Unrecognized defined benefit plans obligation	1,681	(1,459)	10,563
Reclassification adjustments from (to) AOCI	(325)	(417)	(158)
Other comprehensive income (loss)	462,174	(1,923,163)	(288,474)
Income tax benefit (expense) related to items of other comprehensive income (Note 16)	(97,379)	405,537	60,259
Other comprehensive income (loss), net of tax	364,795	(1,517,626)	(228,215)
Comprehensive income (loss) attributable to members	\$ 558,676	\$ (1,480,483)	\$ 31,996

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(in thousands)

	<b>Retained</b>	<b>Accumulated Other Comprehensive</b>	<b>Total</b>
	<b>Earnings</b>	<b>Income (Loss)</b>	<b>Members' Equity</b>
BALANCE, January 1, 2021	\$ 3,357,118	\$ 753,984	\$ 4,111,102
Net income attributable to members	260,211	—	260,211
Other comprehensive loss	—	(228,215)	(228,215)
BALANCE, December 31, 2021	3,617,329	525,769	4,143,098
Net income attributable to members	37,143	—	37,143
Other comprehensive loss	—	(1,517,626)	(1,517,626)
BALANCE, December 31, 2022	3,654,472	(991,857)	2,662,615
Cumulative effect of adoption of accounting changes, net of taxes (Note 1)	(5,587)	—	(5,587)
BALANCE, January 1, 2023	3,648,885	(991,857)	2,657,028
Net income attributable to members	193,881	—	193,881
Other comprehensive income	—	364,795	364,795
BALANCE, December 31, 2023	<u>\$ 3,842,766</u>	<u>\$ (627,062)</u>	<u>\$ 3,215,704</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Years Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES:</b>			
Net income (loss) attributable to members	\$ 193,881	\$ 37,143	\$ 260,211
Adjustments to reconcile net income (loss) attributable to members to net cash provided by operating activities:			
Depreciation and amortization	15,035	13,061	10,302
Amortization of DAC and identifiable intangibles	141,010	88,976	113,994
Acquisition costs deferred	(218,258)	(199,206)	(190,779)
Interest credited to policyholder account balances	319,682	249,310	342,439
Policy charges and fee income on policyholder account balances	(390,409)	(380,595)	(359,282)
Interest expense on deposit liability	31,109	32,434	31,024
Amortization of discounts or premiums, net	6,228	7,554	(15,660)
Net realized losses (gains) on investment transactions	(86,673)	83,631	(129,096)
Unrealized losses (gains) on other investments	(187,883)	177,745	5,489
Deferred income taxes	(8,028)	(27,543)	26,183
Change in assets and liabilities:			
Fixed maturity securities trading	49,096	(7,211)	(7,668)
Accrued investment income	(15,257)	(16,403)	(2,761)
Current income taxes	22,163	22,882	(1,862)
Reinsurance receivables	(11,691)	(28,739)	(63,050)
Other assets	(59,091)	42,670	(25,332)
Policy and contract liabilities	173,243	293,894	244,029
Other liabilities	155,483	(196,657)	10,657
Net cash from operating activities	<u>129,640</u>	<u>192,946</u>	<u>248,838</u>
<b>INVESTING ACTIVITIES:</b>			
Purchase of investments:			
Fixed maturity securities	(1,274,026)	(2,081,771)	(2,798,411)
Equity securities	(95,464)	(90,828)	(99,262)
Mortgage loans on real estate	(163,856)	(374,779)	(464,245)
Real estate	(3,342)	(683)	(1,553)
Other investments	(405,138)	(483,589)	(371,278)
Proceeds from sales, maturities or repayment of investments:			
Fixed maturity securities	875,416	1,334,895	2,122,125
Equity securities	144,901	96,194	85,876
Mortgage loans on real estate	253,271	327,214	320,141
Real estate	8,061	210	10,506
Other investments	314,734	294,482	312,428

The accompanying notes to the consolidated financial statements are an integral part of these statements.



**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Years Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>INVESTING ACTIVITIES (continued):</b>			
Purchase of property and equipment	(38,910)	(17,199)	(2,897)
Proceeds from sale of property and equipment	19	625	327
Acquisition of company	—	—	(34,807)
Net change in loans on insurance policies	(130,962)	(79,768)	(16,247)
Net cash used in investing activities	<u>(515,296)</u>	<u>(1,074,997)</u>	<u>(937,297)</u>
<b>FINANCING ACTIVITIES:</b>			
Deposits credited to policyholder account balances	2,506,657	2,546,686	2,548,244
Withdrawals from policyholder account balances	(1,180,571)	(1,130,516)	(1,126,265)
Net transfers to separate accounts	(617,848)	(700,067)	(882,195)
Proceeds from borrowings	167,500	95,000	—
Repayment of borrowings	(262,997)	(478)	(460)
Proceeds from deposit liability	36,759	53,874	49,952
Repayment of deposit liability	(111,159)	(128,256)	(113,789)
Net cash from financing activities	<u>538,341</u>	<u>736,243</u>	<u>475,487</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	152,685	(145,808)	(212,972)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	99,910	245,718	458,690
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 252,595</u>	<u>\$ 99,910</u>	<u>\$ 245,718</u>
<b>Supplemental cash flow information:</b>			
Cash paid for income taxes, net	\$ 27,527	\$ 5,768	\$ 34,454
Cash paid for interest	\$ 4,567	\$ 4,585	\$ 4,603
<b>Non-cash transactions:</b>			
Low-income housing tax credit amortization	\$ 8,649	\$ 6,978	\$ 10,284
Recognition of commitments for low-income housing partnerships	\$ 18,069	\$ 15,000	\$ —

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For The Years Ended December 31, 2023, 2022 and 2021**  
**(in thousands)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of Ameritas Mutual Holding Company (AMHC), a mutual insurance holding company and its subsidiaries (the Company). AMHC's wholly-owned holding company, Ameritas Holding Company (AHC), owns Ameritas Life Insurance Corp. (Ameritas Life), a stock company, and Ameritas Investment Partners, Inc. (AIP), an advisor providing investment management services. Primary subsidiaries of Ameritas Life are Ameritas Life Insurance Corp. of New York (Ameritas-NY), a New York domiciled life insurance subsidiary, Select Benefits Group, LLC dba Dental Select (Dental Select), a third-party administrator (TPA) for dental and vision plans, and Ameritas Investment Company LLC (AIC), a broker dealer. Ameritas Life and its insurance subsidiary operate in all 50 states and the District of Columbia.

Effective October 1, 2023, Dental Select was dissolved with net assets distributed to Ameritas Life. Effective September 30, 2021, Ameritas Life acquired BlueStar Retirement Services (BlueStar), a defined contribution and defined benefit plans recordkeeper and third-party administrator. Effective October 31, 2022, BlueStar was dissolved with net assets distributed to Ameritas Life.

The consolidated financial statements include the accounts of AMHC and its majority owned subsidiaries and all variable interest entities (VIEs) for which the Company is the primary beneficiary, but exclude the effects of all intercompany transactions as these amounts have been eliminated in consolidation.

Certain reclassifications have been made to prior-year disclosures to match current year presentation.

**Nature of Operations**

The Company provides life and health insurance and annuities to individual customers and health insurance and annuity contracts to group customers. Owners of designated policies issued by Ameritas Life and Ameritas-NY have membership interests in AMHC, while contractual rights remain with each respective insurance company.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates susceptible to significant change include investment valuations, DAC, goodwill and intangible assets and related impairments, unearned revenue, pension plan liabilities, policy and contract liabilities, and income taxes.

**Risks and Uncertainties**

The Company operates in a business environment which is subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, interest rate risk, market risk, credit risk and legal and regulatory changes, including policies and related impacts from pandemics or other public health issues (such as the COVID-19 pandemic).

Interest rate risk is the potential for interest rates to change, which may result in fluctuations in the value of investments, policy and contract liabilities, net periodic benefit costs and the carrying amount of deferred acquisition costs. Market risk is the potential for market values to change, which can cause fluctuations in certain policy and contract liabilities including future policy benefits and contract charges. Credit risk is the risk that issuers of investments owned by the Company may default or that other parties may not be able to pay amounts due to the Company. The Company is also subject to oversight by various state and federal regulatory authorities. The potential exists for changes in regulatory initiatives, which can result in additional, unanticipated impacts to the Company. Pandemics and other public health issues may result in stress and disruption in the economy and financial markets, and may impact results of operations, financial condition and cash flows.

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Subsequent Events**

The Company has evaluated events subsequent to December 31, 2023 and through March 8, 2024, the date the consolidated financial statements were available to be issued. No subsequent events were noted.

**Investments**

Available for sale fixed maturity securities are carried at fair value on the consolidated balance sheets with unrealized gains and losses excluded from operations and reported as a component of AOCI, net of related deferred acquisition costs, policy and contract liabilities, and income tax effects. Fixed maturity trading securities are carried at fair value with unrealized gains and losses included in sales, other realized gains and fair value adjustments, net on the consolidated statements of operations. Held to maturity securities are carried at amortized cost.

The Company regularly reviews its securities in an unrealized loss position for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value as described in Note 4. Prior to January 1, 2023, the Company applied other-than-temporary-impairment (OTTI) guidance for securities in an unrealized loss position. An OTTI was recognized in earnings within realized gains and (losses) when it was anticipated that the amortized cost would not be recovered. When the Company had the intent to sell the security or it was more likely than not that the Company would be required to sell the security before recovery, the reduction of amortized cost and the OTTI recognized in earnings was the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions existed, the Company monitored several factors to determine if an unrealized loss should be recorded in OTTI, including the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected for residential and commercial mortgage-backed and asset-backed securities, which was recognized as a reduction of amortized cost and an OTTI in earnings. If the estimated fair value was less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors was recorded in accumulated other comprehensive income.

On January 1, 2023, the Company adopted *ASU 2016-13, Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, using a modified retrospective approach. Under ASU 2016-13, for securities in an unrealized loss position, a credit loss is recognized in earnings within realized gains and (losses) when it is anticipated that the amortized cost will not be recovered. When the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized cost and the loss recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as a credit loss by establishing an allowance for credit loss with a corresponding charge to earnings in realized gains and (losses), total credit loss impairment recognized in earnings. However, the allowance is limited by the amount the fair value is less than the amortized cost. If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to non-credit factors is recorded in accumulated other comprehensive income.

For residential and commercial mortgage-backed and asset-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Equity securities are carried at fair value with changes in unrealized gains and losses recognized in sales, other realized gains and fair value adjustments, net on the consolidated statements of operations.

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Mortgage loans on real estate are carried at amortized cost less an allowance based on expected lifetime credit loss using a probability of default and loss given default model, or alternatively, the fair value of the collateral when the Company determines foreclosure is probable. The allowance for loan losses is established through the provision for loan losses included in sales and other realized gains and fair value adjustments, net on the consolidated statements of operations. Loan losses are charged against the allowance for loan losses when the uncollectibility of a loan balance is confirmed. Interest income is accrued on the unpaid principal balance of mortgage loans. Loan origination fees, net of direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest or straight-line methods. The accrual of interest on mortgage loans is placed on nonaccrual status when collection of principal and interest is considered doubtful. Interest received on nonaccrual loans is accounted for on the cash basis or cost-recovery method until returned to accrual status. Mortgage loans are returned to accrual status when collectability of past due and future payments is reasonably assured.

Prior to the adoption of the new credit loss guidance on January 1, 2023, the allowance for loan losses represented the estimate of probable losses inherent in the loan portfolio based on current information and events. Measurement of the expected lifetime credit loss over the contractual term, or expected term, was not considered in the estimate.

Realized investment gains and losses on sales of securities are determined on the specific identification method.

Loans on insurance policies are recorded at the unpaid principal balance.

Real estate is carried at cost less accumulated depreciation of \$38,625 and \$38,100 at December 31, 2023 and 2022, respectively.

Under agreements with the Federal Home Loan Banks (FHLB) of Topeka and New York, the Company pledges certain assets as collateral in exchange for extensions of credit. At December 31, 2023 and 2022, the Company pledged fixed maturity securities of \$205,321 and \$234,771, and mortgage loans of \$1,017,179 and \$1,006,137, respectively. As of both December 31, 2023 and 2022, the Company had \$700,000 of funding agreements outstanding with the FHLB of Topeka, and \$30,000 with the FHLB of New York, which are reported in policyholder account balances on the consolidated balance sheets. Information on FHLB borrowings is disclosed in Note 13 (Commitments and Contingencies).

Other investments primarily include investments in venture capital partnerships accounted for using the cost or equity method, depending on ownership percentages; equity method investments in real estate limited partnerships and real estate limited liability companies; FHLB stock carried at cost; and call options, foreign currency swaps and private equity securities carried at fair value. The carrying value of venture capital partnerships, real estate limited partnerships and real estate limited liability companies is determined using a one-quarter lag adjusted for capital contributions, distributions, and impairment charges for the most recent quarter. Equity in earnings is included in net investment income in the consolidated statements of operations. The limited partnership agreements restrict investment redemptions prior to the termination of the partnership.

**Variable Interest Entities (VIE)**

The Company invests through normal investment activities in entities that are considered VIEs. The Company determines whether it is the primary beneficiary of its VIEs upon its initial involvement with the VIE and performs an ongoing assessment to identify the primary beneficiary of its VIEs. The primary beneficiary of a VIE is required to consolidate the VIE on its consolidated financial statements when it holds both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

*Consolidated VIEs*

The Company consolidates four grantor trusts for reinsurance transactions which were determined to be VIEs. The VIEs were formed to provide a security interest in the grantor trusts' assets to ceding entities which were a party to the reinsurance transactions. The Company is the investment manager of each VIE's assets and receives all investment income and gains and losses on these assets. As the Company has both the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs and the obligation to absorb losses, or the right to receive benefits that could potentially be significant to the VIEs, the Company determined it was the primary beneficiary of the VIEs. The following table presents total assets held by type for the Company's consolidated VIEs:

	<i>Years Ended December 31</i>	
	<i>2023</i>	<i>2022</i>
Fixed maturity securities available for sale	\$ 849,787	\$ 877,609
Cash and cash equivalents	30,457	18,277
Accrued investment income	10,823	11,513

*Nonconsolidated VIEs*

The Company passively invests in structured securities issued by VIEs for which the Company is not the manager. The securities are included in residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and collateralized debt obligations included in fixed maturities in Note 4. The Company determined that it is not the primary beneficiary of these investments after considering the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss related to VIEs for which the Company is not the primary beneficiary. The Company determined the maximum exposure to loss was equivalent to the carrying value of the assets as the Company is not required to provide additional financial support in the future and other investors have no recourse against the Company in the event of a default.

	<i>December 31, 2023</i>			<i>December 31, 2022</i>		
	<i>Total Assets</i>	<i>Total Liabilities</i>	<i>Maximum Exposure To Loss</i>	<i>Total Assets</i>	<i>Total Liabilities</i>	<i>Maximum Exposure To Loss</i>
Other Investments:						
Alternative limited partnerships	\$ 299,637	\$ —	\$ 299,637	\$ 261,464	\$ —	\$ 261,464
Real estate partnerships	150,839	—	150,839	111,676	—	111,676
Low-income housing partnerships	25,152	2,582	25,152	25,334	1,493	25,334
Bridge loan partnerships	27,320	—	27,320	41,505	—	41,505
Total	\$ 502,948	\$ 2,582	\$ 502,948	\$ 439,979	\$ 1,493	\$ 439,979

The Company has made unconditional commitments to provide additional capital contributions in low-income housing partnerships of \$16,789, \$10,778, and \$4,349 in 2024, 2025 and 2026, respectively, and \$2,583 through 2038. The carrying value of the largest VIE in which the Company is not the primary beneficiary is not material to the Company's total assets or equity as of December 31, 2023.

**Cash Equivalents**

The Company considers all highly liquid debt securities purchased with a maturity of less than three months to be cash equivalents.

## **NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Deferred Acquisition Costs and Identifiable Intangibles**

The direct costs of acquiring new insurance contracts are deferred to the extent that they relate to successful acquisitions and are recoverable from future premiums. Such costs include commissions, certain costs of policy issuance and underwriting, and certain agency expenses. All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Costs deferred related to term life and disability income insurance are amortized over the premium-paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. Costs deferred related to participating life, universal life-type policies and investment contracts are generally amortized over the lives of the policies, in relation to the present value of estimated gross profits from mortality, investment and expense margins. The estimated gross profits are reviewed and adjusted periodically based on actual experience and changes in assumptions. Deferred acquisition costs related to policies issued are subject to recoverability testing at the end of the year. When future gross premiums and the related policy liabilities are insufficient to cover deferred acquisition costs and expected future benefits determined using current assumptions, deferred acquisition costs are charged to expense to the extent they are not recoverable.

To the extent that unrealized gains or losses on available for sale securities would result in an adjustment of deferred acquisition costs had those gains or losses actually been realized, the related unamortized deferred acquisition costs are recorded as an adjustment to the unrealized investment gains or losses included in AOCI.

Identifiable intangible assets primarily consist of the amortized value of customer relationships acquired (VOCRA), trade name and provider network values acquired, and internal-use software licenses. The VOCRA is amortized in relation to customer persistency or gross profits. If customer persistency or gross profits differ from the expected experience, the amortization of intangible assets will be adjusted accordingly. Internally developed software and software licenses acquired are amortized over a useful life determined at acquisition and periodically reassessed.

### **Property and Equipment**

Property and equipment are carried at cost of \$221,074 and \$203,417 less accumulated depreciation of \$133,198 and \$137,084 at December 31, 2023 and 2022, respectively. Property and equipment (net) primarily includes properties occupied by the Company of \$25,384 and \$32,709 at December 31, 2023 and 2022, respectively, and also includes electronic data processing equipment, software, furniture and equipment, and right-of-use (ROU) leased assets. The Company provides for depreciation of property and equipment using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for property and equipment is included in sales and operating expenses on the consolidated statements of operations at \$12,760, \$8,929, and \$5,633 in 2023, 2022 and 2021, respectively.

### **Reinsurance Receivables**

Reinsurance receivables include amounts due from reinsurers relating to paid and unpaid losses, reinsurance ceded reserves and the unexpired or unearned portion of reinsured policies. Amounts due from reinsurers are evaluated for expected losses on a quarterly basis based on the credit quality of the reinsurance counterparty and are generally determined based on the probability of default. An allowance is established based on the expected lifetime credit loss. Losses are charged against the allowance when the uncollectability of amounts recoverable from reinsurers is confirmed. Prior to the new credit loss guidance, amounts due from reinsurers were evaluated for collectability, with an allowance established for probable amounts deemed uncollectible.

### **Goodwill**

Goodwill is the excess of cost over the fair value of net assets acquired in a merger or acquisition transaction and is not amortized. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company tests goodwill annually by performing a qualitative analysis to determine whether it is more likely than not that the fair value of net assets acquired is less than the carrying amount of those assets, or if the qualitative analysis is bypassed, impairment testing will be performed using the fair value approach, which requires the use of estimates and judgment. At December 31, 2023 and 2022, there was no impairment indicated for goodwill.

## **NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Other Assets**

Other assets include cash surrender value on a Company-owned life insurance policy, receivables for uncollected premium income, prepaid expenses, and other miscellaneous receivables.

### **Separate Accounts**

The Company operates separate accounts on which the earnings or losses accrue exclusively to policyholders. The assets (principally investments) and liabilities of each account are segregated from other assets and liabilities of the Company. Separate accounts are stated at fair value based on the underlying assets of the portfolios of each individual separate account.

### **Insurance Revenues and Expense Recognition**

Premiums from participating and term life products and certain annuities with life contingencies (immediate annuities) are recognized as premium income when due. Accident and health insurance premiums are recognized on a pro rata basis over the applicable contract term. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the premium-paying period of the contracts. Deposits related to universal life and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related policyholder account balances.

Contracts that do not subject the Company to significant risks arising from policyholder mortality or morbidity are referred to as investment contracts and include deposit administration plans and certain deferred annuities, including funding agreements. Payments received for such contracts are reflected as deposits in policyholder account balances and are not reported as premium revenues. Revenues for investment contracts consist of investment income and policy administration charges. Contract benefits charged to expense include benefit claims incurred in the period in excess of related contract balances and interest credited to contract balances.

### **Reinsurance, net**

Reinsurance premiums are reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts.

### **Broker Dealer and Investment Advisor Revenues**

Broker dealer revenues consist of commissions, underwriting income and service and investment advisory fees. Commissions are based on set rates. Fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable a significant revenue reversal will not occur once the uncertainty is resolved. Underwriting income is recognized on the date on which the Company purchases the securities from the issuer as there are no significant actions which the Company needs to take subsequent to this date and the issuer obtains the control and benefit of the capital markets offering at that point. Fees for general financial services and personal investment advisory services are recognized as they are earned.

### **Other Income**

Other income includes administrative and claims service fees, mutual fund management fees, revenue sharing income and other miscellaneous income.

### **Policy and Contract Liabilities**

Liabilities for future policy and contract benefits for participating and term life contracts and additional coverages offered under policy riders and disability income policies are calculated using the net level premium method and assumptions as to investment yields, mortality or morbidity, withdrawals and dividends. The term life assumptions are based on anticipated experience at the issue year of policy sale and include provisions for possible unfavorable deviation. Interest assumptions for participating traditional life reserves for all policies ranged from 2.0% to 6.0% for the years ended December 31, 2023 and 2022.

## **NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Unearned revenue liabilities relate to universal life-type products and represent front-loaded policy charges. The charges are deferred as unearned revenue and are recorded in policy and contract liabilities on the consolidated balance sheets and are amortized using the same basis as DAC. Such amortization is recorded in contract charges revenue on the consolidated statements of operations. Reserves for unpaid claims are estimated using individual case basis valuations and statistical analysis.

Estimates are reviewed and adjusted as experience develops or new information becomes known and such adjustments are included in current operations.

### **Policyholder Account Balances**

Liabilities for future policy and contract benefits on universal life-type and investment contracts equal the policy account balance. Policy account balances represent an accumulation of gross premium payments plus credited interest or other investment credits less withdrawals, fees for mortality and policy administration charges.

### **Deposit Liability**

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Under deposit accounting, a deposit liability is recorded based on the consideration paid or received. The amount of deposit liability is adjusted at subsequent reporting dates by calculating the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest income or expense.

### **Dividends Payable To Policyholders**

A portion of the Company's business has been issued on a participating basis, which is 10.2% and 10.0% of in force at December 31, 2023 and 2022, respectively. The amount of policyholders' dividends to be paid is determined annually by the respective insurance subsidiaries' Board of Directors.

### **Income Taxes**

The provision for income taxes includes amounts currently paid and accrued and deferred income taxes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The principal assets and liabilities giving rise to such differences are unrealized gains and losses on certain investments, policy and contract liabilities, deferred acquisition costs and employee benefits. A deferred tax asset valuation allowance is established when there is uncertainty that such assets will be realized. The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Uncertain tax positions are evaluated based upon the facts and circumstances that exist at each reporting measurement. Adjustments may result from new information, resolution of an issue with the taxing authorities, or changes in laws or regulations. The Company files a life/non-life consolidated federal income tax return with its eligible affiliates. For the tax years 2023, 2022, and 2021, AMHC AHC, and Ameritas Life and affiliates were included in the consolidated federal tax return. The Company's income tax allocation is based upon a written agreement which uses a modified separate return method, which adjusts the separate return method so that the net operating losses are characterized as realized by subsidiaries when those attributes are realized (or realizable) by the consolidated group.

### **Other Liabilities**

Other liabilities include benefit plan and deferred compensation liabilities, general expense and payroll accruals, negative cash reclassifications, investment commitments, suspense items, written call options and foreign currency swaps carried at fair value, operating lease liability, and other miscellaneous payables.



**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Accounting Pronouncements**

*Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued guidance which revises the credit loss recognition criteria for certain financial assets measured at amortized cost. The new guidance replaces the existing incurred loss recognition model with an expected loss recognition model. The objective of the expected credit loss model is for the reporting entity to recognize its estimate of expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. The reporting entity must consider all available relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts over the contractual life of an asset. Financial assets may be evaluated individually or on a pooled basis when they share similar risk characteristics. The measurement of credit losses for available-for-sale debt securities measured at fair value is not affected, except that credit losses recognized are limited to the amount by which fair value is below amortized cost and the carrying value adjustment is recognized through an allowance and not as a direct write-down. The guidance is effective for reporting periods beginning after December 15, 2022, and for most affected financial assets must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained earnings. In 2023, the Company adopted the guidance with a cumulative effect adjustment to beginning retained earnings of \$(5,587), net of tax, primarily related to the Company's mortgage loan investments. See previous discussion in this Note and Note 4 for further disclosures from the adopted pronouncement.

*Targeted Improvements to the Accounting for Long-Duration Contracts*

In August 2018, the FASB issued new guidance on long-duration insurance contracts. The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated at least annually after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) changes the amortization of deferred acquisition costs for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The new guidance is effective for fiscal years beginning after December 15, 2024, with required retrospective application as of January 1 of the earliest year presented. Early adoption is permitted. The Company continues to evaluate this guidance and expects a material impact on its consolidated financial statements.

*Troubled Debt Restructurings and Vintage Disclosures*

In March 2022, the FASB issued amendments to eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the current expected credit loss guidance while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The guidance was adopted as of January 1, 2023 and had no impact on the consolidated financial statements.

*Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*

In June 2022, the FASB amended guidance to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. In addition, the amendments clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require entities that hold equity securities subject to contractual sale restrictions to make disclosures about the fair value of such equity securities, the nature and remaining duration of the restriction(s) and the circumstances that could cause a lapse in the restriction(s). The guidance is effective for fiscal years beginning after December 15, 2024 with early adoption is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

*Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*

In March 2023, the FASB amended guidance to permit reporting entities to elect to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method, if certain conditions are met. The guidance is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

## NOTE 2 - FAIR VALUE HEDGING INSTRUMENTS

Derivative contracts are carried at fair value. Over-the-counter (OTC) derivatives are adjusted for the effects, if any, of enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the consolidated balance sheets.

The Company purchases and sells call options (OTC Index call options) to hedge insurance contracts whose credited interest is linked to returns on multiple equity indices based on a formula which applies participation rates and/or cap rates to the returns in the indices. The OTC Index call options expire monthly until December 23, 2025. The purchased OTC Index call options are carried at fair value.

The Company purchases and sells exchange traded index call options based on multiple equity indices to hedge fixed index annuity and universal life contracts. The Company has purchased and written exchange traded index call options that expire through December 20, 2024. The purchased Exchange traded index call options are carried at fair value.

The Company purchases and sells exchange traded put options (Equity put options) based on multiple equity indices to hedge variable annuity contracts with a guaranteed lifetime withdrawal benefit rider attached. The Company had no outstanding Equity put options as of December 31, 2023 and 2022. Purchased Equity put options are carried at fair value.

The Company paid and received initial fees (the option premium) to enter the option contracts. The purchased OTC Index call options and Exchange traded index call options give the Company the right to receive cash at settlement if the closing index value is above the strike price, while the written OTC Index call options and exchange traded index call options require the Company to pay cash at settlement if the closing index value is above the strike price. If the closing index value is below the strike price, the Exchange traded index call options expire without value. Purchased Equity put options give the Company the right to receive cash at settlement if the closing index value is below the strike price, while the written Equity put options require the Company to pay cash at settlement if the closing index value is below the strike price. If the closing index value is above the strike price, the Equity put options expire without value.

The Company is exposed to credit-related losses in the event of nonperformance by counter-parties to the Index call options. To minimize this risk, the Company enters into private options contracts with counterparties having Standard & Poor's credit ratings of AA- or above or listed contracts guaranteed by the Chicago Board Options Exchange. The Company posted collateral to the brokering bank of \$0 and \$3,904 as of December 31, 2023 and 2022, respectively, which is included in fixed maturity securities on the consolidated balance sheets.

The Company uses OTC foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with holding foreign currency denominated investments. The notional amount of each currency is exchanged at inception and upon termination of the currency swap by each party. When the currency swaps meet specific criteria, they may be designated as accounting hedges and accounted for as foreign currency fair value hedges. In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship.

The Company designates and accounts for foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities when they have met the requirements of fair value hedging. The carrying amount of the items designated and qualifying as hedged items in fair value hedges at December 31, 2023 and 2022, was \$160,369 and \$111,464, respectively, which is included in fixed maturity securities on the consolidated balance sheets.

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements (MNAs) and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions, and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of December 31, 2023, the Company had no collateral pledged to or from counterparties. There are no losses on derivative financial instruments due to counterparty nonperformance.

## NOTE 2 - FAIR VALUE HEDGING INSTRUMENTS (continued)

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contract and all collateral, if any, becomes worthless. The credit exposure was limited to value of the options and foreign currency swaps as follows:

		<i>Fair Values of Derivative Instruments</i>			
		<i>Asset Derivatives</i>			
<i>Consolidated</i>		<i>Notional Amount</i>		<i>Fair Value</i>	
<i>Balance Sheets</i>	<i>Location</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Derivatives Not Designated as Hedging Instruments:					
OTC equity call option contracts owned	Other investments	\$ 3,070,551	\$ 2,326,454	\$ 232,186	\$ 70,244
OTC equity call option contracts written	Other investments	(1,352,371)	(1,173,605)	(123,527)	(33,324)
Exchange traded equity call option contracts owned	Other investments	1,242,351	1,226,323	178,574	56,098
Derivatives Designated as Hedging Instruments:					
Foreign currency swaps - gross asset	Other investments	—	86,758	—	—
Foreign currency swaps - gross liability	Other investments	—	(29,190)	—	—
Total asset derivatives		\$ 2,960,531	\$ 2,436,740	\$ 287,233	\$ 93,018

The liabilities listed on the balance sheet are adjusted based on the fair value of the related embedded derivatives and were as follows:

		<i>Fair Values of Derivative Instruments</i>			
		<i>Liability Derivatives</i>			
<i>Consolidated</i>		<i>Notional Amount</i>		<i>Fair Value</i>	
<i>Balance Sheets</i>	<i>Location</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Derivatives Not Designated as Hedging Instruments:					
Fixed index annuities	Policyholder account balances	\$ —	\$ —	\$ 544,323	\$ 432,540
Fixed index universal life	Policyholder account balances	—	—	40,615	1,311
Variable annuity with guaranteed lifetime withdrawal benefit	Policyholder account balances	—	—	40,412	43,426
Exchange traded equity call options written	Other liabilities	1,257,633	1,222,391	117,929	36,507
Derivatives Designated as Hedging Instruments:					
Fair value hedges:					
Foreign currency swaps-gross liability	Other liabilities	158,753	—	1,194	—
Total liability derivatives		\$ 1,416,386	\$ 1,222,391	\$ 744,473	\$ 513,784

Information on derivatives is also disclosed in Note 11 (Liabilities for Contract Guarantees) and Note 14 (Fair Value Measurements).

The Company purchases and sells futures contracts to hedge against principal losses on variable annuity contracts with a guaranteed lifetime withdrawal benefit rider attached. The gains and losses of futures contracts are derived from the daily movement of the underlying markets and are settled in cash through a daily margin. The Company sells futures contracts on certain equity indices with expiration dates of less than 6 months as well as buys and sells futures contracts on certain treasury notes and bonds, ranging in maturities between 1 and 30 years, with expiration dates of less than 6 months. The Company does not receive cash on the initial purchase or sale of futures contracts, but will receive or pay cash daily based on the movement of the underlying indices or Treasury notes. The notional amount of the Equity and Treasury Futures at December 31, 2023 and 2022 was \$1,094 and \$28,994, respectively.

## NOTE 2 - FAIR VALUE HEDGING INSTRUMENTS (continued)

The Company is required to post collateral to ensure performance of its obligations under the futures contracts. To comply with this requirement, the Company posts short-term Treasury bills. Collateral of \$26,657 and \$26,562 are included in fixed maturity securities available for sale on the consolidated balance sheets as of December 31, 2023 and 2022, respectively. The futures contracts are not considered an effective hedge and the total variation margin on open and closed contracts is reflected in net investment income on the consolidated statements of operations.

The gain (loss) on call and put options, futures, interest rate swaps and foreign currency swaps included in net investment income in the consolidated statements of operations was as follows:

	<i>Amount Recognized in Income</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Derivatives Not Designated as Hedging Instruments:			
Call and put option contracts - open	\$ 70,403	\$ (72,773)	\$ (14,101)
Call and put option contracts - closed	(7,784)	(46,800)	69,359
Futures contracts - open	8,028	3,886	(1,185)
Futures contracts - closed	(36,224)	(41,108)	(30,960)
Interest rate swap contracts - open	—	—	11,668
Interest rate swap contracts - closed	—	—	(22,723)
Foreign currency swap contracts - open	—	—	50
Derivatives Designated as Fair Value Hedges:			
Foreign currency swap contracts - open	(2,521)	4,408	1,404
Total	\$ 31,902	\$ (152,387)	\$ 13,512

## NOTE 3 - CLOSED BLOCKS

The Company has established three Closed Blocks of policies: (a) the first on October 1, 1998, in connection with the reorganization of Ameritas Life from a mutual company to a stock company, (b) the second on July 1, 2005, in connection with the reorganization of The Union Central Life Insurance Company from a mutual company to a stock company, and (c) the third on July 1, 2007, in connection with the reorganization of Acacia Life Insurance Company that occurred in 1999 from a mutual company to a stock company (collectively, the Closed Blocks). The Company formed these closed blocks of policies, under arrangements approved by the Insurance Departments of the State of Nebraska, Ohio or the District of Columbia, as appropriate, to provide for dividends on policies that were in force on each respective effective date and which were within the classes of individual policies, for which the Company had a dividend scale in effect at those dates. The Closed Blocks were designed to give reasonable assurance to owners of affected policies that the assets will be available to support such policies, including maintaining dividend scales in effect at the effective dates, if the experience underlying such scales continues. The assets, including income thereon, will accrue solely to the benefit of the owners of policies included in each block until the respective block is no longer in effect.

The financial results of the Closed Blocks, while prepared in accordance with GAAP, reflect the provisions of the approved arrangement and not the actual results of operations and financial position. The arrangement provides for the level of expenses charged to the Closed Blocks and actual expenses related to the Closed Blocks' operations are charged to Company operations; therefore, the contribution or loss from the Closed Blocks does not represent the actual operations of the Closed Blocks.

**NOTE 3 - CLOSED BLOCKS (continued)**

Summarized financial information for the Closed Blocks included in the consolidated financial statements was as follows:

	<i>December 31</i>	
	2023	2022
<b>Liabilities:</b>		
Policy and contract liabilities	\$ 680,368	\$ 710,994
Policyholder account balances	37,766	40,002
Dividends payable to policyholders	3,618	3,185
Other liabilities (including policyholder dividend obligation (PDO) of \$0 and \$0, respectively)	3,358	4,171
<b>Total Closed Block liabilities</b>	<b>725,110</b>	<b>758,352</b>
<b>Assets:</b>		
Fixed maturity securities	407,902	406,768
Mortgage loans on real estate	120,606	134,625
Loans on insurance policies, net	58,738	62,394
Cash and cash equivalents	10,128	7,824
Accrued investment income	6,955	7,138
Other assets	19,461	20,189
<b>Total Closed Block assets</b>	<b>623,790</b>	<b>638,938</b>
Excess of reported Closed Block liabilities over Closed Block assets	101,320	119,414
Amounts included in accumulated other comprehensive income:		
Unrealized investment gains (losses), net of tax	(27,702)	(38,687)
Maximum future earnings to be recognized from Closed Block assets and liabilities	\$ 73,618	\$ 80,727

Fixed maturity securities include securities classified as available for sale with a fair value of \$407,902 and \$406,766 and an amortized cost of \$442,968 and \$432,578 at December 31, 2023 and 2022, respectively.

	<i>Years ended December 31</i>		
	2023	2022	2021
<b>Change in policyholder dividend obligation:</b>			
Balance at beginning of period	\$ —	\$ 24,766	\$ 46,191
Net unrealized investment activity	—	(24,766)	(21,425)
<b>Balance at end of period</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24,766</b>
<b>Income:</b>			
Premiums	\$ 20,826	\$ 17,037	\$ 20,443
Net investment income	26,776	28,212	32,172
<b>Total Closed Block income</b>	<b>47,602</b>	<b>45,249</b>	<b>52,615</b>
<b>Benefits and expenses:</b>			
Policy benefits	31,112	31,400	35,269
Policyholder dividends	5,027	5,531	6,576
Sales and operating expenses	2,352	2,522	2,552
<b>Total Closed Block benefits and expenses</b>	<b>38,491</b>	<b>39,453</b>	<b>44,397</b>
Closed Block income before income taxes	9,111	5,796	8,218
Income taxes	1,914	1,150	3,038
<b>Closed Block net income</b>	<b>\$ 7,197</b>	<b>\$ 4,646</b>	<b>\$ 5,180</b>

## NOTE 4 - INVESTMENTS

Investment income summarized by type of investment was as follows:

	<i>Years Ended December 31</i>		
	2023	2022	2021
Fixed maturity securities	\$ 558,005	\$ 471,550	\$ 451,031
Equity securities	12,740	10,881	13,661
Mortgage loans on real estate, net	108,146	114,678	117,957
Loans on insurance policies	28,355	23,601	22,571
Real estate	6,489	5,720	9,216
Derivatives	31,902	(152,387)	13,512
Other investments and cash and cash equivalents	86,188	73,279	168,952
Gross investment income	831,825	547,322	796,900
Investment expenses	44,432	41,792	46,372
Net investment income	\$ 787,393	\$ 505,530	\$ 750,528

Realized gains (losses), net were as follows:

	<i>Years Ended December 31</i>		
	2023	2022	2021
Net gains (losses) on disposals, calls and fair value adjustments			
Fixed maturity securities	\$ (3,629)	\$ (4,788)	\$ 17,463
Equity securities	82,673	(104,162)	96,454
Mortgage loans on real estate, net	(1,876)	—	—
Real estate	—	56	4,501
Real estate held for sale	2,285	—	—
Other investments	15,602	26,735	12,513
Property and equipment	(412)	8	(211)
Net gains (losses) on writedowns and changes in credit allowances			
Fixed maturity securities	(5,414)	(2,046)	(1,581)
Mortgage loans on real estate, net	820	566	1,443
Other investments	(3,256)	—	—
Property and equipment	(120)	—	(1,486)
Total realized gains (losses), net	\$ 86,673	\$ (83,631)	\$ 129,096

The net gains (losses) recognized during 2023, 2022 and 2021 on fixed maturity securities trading held at December 31, 2023, 2022 and 2021 were \$2,156, \$(9,421) and \$11,206, respectively. The net gains (losses) recognized during 2023, 2022 and 2021 on equity securities held at December 31, 2023, 2022 and 2021 were \$24,105, \$(106,490) and \$54,330, respectively.

Proceeds from sales of fixed maturity securities and gross gains and losses realized on those sales were as follows:

	<i>Years Ended December 31</i>		
	2023	2022	2021
Proceeds	\$ 294,514	\$ 612,143	\$ 543,286
Gains	522	7,575	6,236
Losses	8,377	4,215	1,058

Fixed maturity securities by investment category were as follows:

	<i>Years Ended December 31</i>	
	2023	2022
Available for sale	\$ 11,696,392	\$ 10,850,743
Trading	85,725	131,594
Held to maturity	277	299
Fixed maturity securities	\$ 11,782,394	\$ 10,982,636

**NOTE 4 - INVESTMENTS (continued)**

The cost/amortized cost and fair value of fixed maturity securities by type of investment were as follows:

	<i>December 31, 2023</i>			
	<i>Cost/ Amortized Cost</i>	<i>Gross Unrealized</i>		<i>Fair Value</i>
		<i>Gains</i>	<i>Losses</i>	
Fixed maturity securities held to maturity				
U.S. corporate securities	\$ 268	\$ 5	\$ —	\$ 273
Residential mortgage-backed securities	9	—	—	9
<b>Total fixed maturity securities held to maturity</b>	<b>\$ 277</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 282</b>
Fixed maturity securities available for sale				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 44,416	\$ 107	\$ 521	\$ 44,002
Debt securities issued by state of the U.S. and political subdivisions of the states	42,694	—	3,089	39,605
Foreign government securities	1,998	—	85	1,913
U.S. corporate securities	7,484,576	85,147	742,877	6,826,846
Residential mortgage-backed securities	444,720	2,199	50,788	396,131
Commercial mortgage-backed securities	42,554	4	2,633	39,925
Asset-backed securities	1,266,627	4,577	99,484	1,171,720
Collateralized debt obligations	1,230,095	2,036	39,759	1,192,372
Foreign corporate securities	2,107,594	31,704	155,420	1,983,878
<b>Total fixed maturity securities available for sale</b>	<b>\$ 12,665,274</b>	<b>\$ 125,774</b>	<b>\$ 1,094,656</b>	<b>\$ 11,696,392</b>

At December 31, 2023, the Company recorded no allowance for expected credit loss on fixed maturity securities available for sale. At December 31, 2023, the Company had fixed maturity securities with a carrying amount of \$131,204 and cash of \$1,992 on deposit with various state insurance departments. Deposits with states include fixed maturity securities with a carrying value of \$123,289 at December 31, 2023, that the Company placed into a Regulation 109 deposit account with the State of New York.

	<i>December 31, 2022</i>			
	<i>Cost/ Amortized Cost</i>	<i>Gross Unrealized</i>		<i>Fair Value</i>
		<i>Gains</i>	<i>Losses</i>	
Fixed maturity securities held to maturity				
U.S. corporate securities	\$ 284	\$ 4	\$ —	\$ 288
Residential mortgage-backed securities	15	—	—	15
<b>Total fixed maturity securities held to maturity</b>	<b>\$ 299</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ 303</b>
Fixed maturity securities available for sale				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 52,924	\$ 87	\$ 731	\$ 52,280
Debt securities issued by state of the U.S. and political subdivisions of the states	49,471	—	4,715	44,756
Foreign government securities	2,057	—	106	1,951
U.S. corporate securities	7,238,867	20,581	976,077	6,283,371
Residential mortgage-backed securities	409,360	1,179	47,761	362,778
Commercial mortgage-backed securities	47,826	—	2,927	44,899
Asset-backed securities	1,309,576	2,330	141,699	1,170,207
Collateralized debt obligations	1,259,198	491	79,250	1,180,439
Foreign corporate securities	1,916,051	7,339	213,328	1,710,062
<b>Total fixed maturity securities available for sale</b>	<b>\$ 12,285,330</b>	<b>\$ 32,007</b>	<b>\$ 1,466,594</b>	<b>\$ 10,850,743</b>

At December 31, 2022, the Company had fixed maturity securities with a carrying amount of \$140,464 and cash of \$1,534 on deposit with various state insurance departments. Deposits with states include fixed maturity securities with a carrying value of \$119,817 at December 31, 2022, that the Company placed into a Regulation 109 deposit account with the State of New York.

**NOTE 4 - INVESTMENTS (continued)**

An aging of unrealized losses on the Company's fixed maturity securities and cost method investments were as follows:

	<i>December 31, 2023</i>					
	<i>Less than 12 months</i>		<i>12 months or more</i>		<i>Total</i>	
	<i>Unrealized</i>		<i>Unrealized</i>		<i>Unrealized</i>	
	<i>Fair Value</i>	<i>Losses</i>	<i>Fair Value</i>	<i>Losses</i>	<i>Fair Value</i>	<i>Losses</i>
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 4,369	\$ 3	\$ 12,976	\$ 518	\$ 17,345	\$ 521
Debt securities issued by state of the U.S. and political subdivisions of the states	—	—	39,605	3,089	39,605	3,089
Foreign government securities	—	—	1,913	85	1,913	85
U.S. corporate securities	1,646,048	73,146	4,720,317	669,731	6,366,365	742,877
Residential mortgage-backed securities	63,120	2,435	330,290	48,353	393,410	50,788
Commercial mortgage-backed securities	5,930	414	31,996	2,219	37,926	2,633
Asset-backed securities	320,804	12,226	824,550	87,258	1,145,354	99,484
Collateralized debt obligations	533,776	9,165	546,884	30,594	1,080,660	39,759
Foreign corporate securities	607,288	17,113	1,278,983	138,307	1,886,271	155,420
Total fixed maturity securities	3,181,335	114,502	7,787,514	980,154	10,968,849	1,094,656
Cost method investments	—	—	6	6	6	6
Total	\$ 3,181,335	\$ 114,502	\$ 7,787,520	\$ 980,160	\$10,968,855	\$1,094,662

	<i>December 31, 2022</i>					
	<i>Less than 12 months</i>		<i>12 months or more</i>		<i>Total</i>	
	<i>Unrealized</i>		<i>Unrealized</i>		<i>Unrealized</i>	
	<i>Fair Value</i>	<i>Losses</i>	<i>Fair Value</i>	<i>Losses</i>	<i>Fair Value</i>	<i>Losses</i>
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 21,434	\$ 673	\$ 401	\$ 58	\$ 21,835	\$ 731
Debt securities issued by state of the U.S. and political subdivisions of the states	37,724	3,326	7,031	1,389	44,755	4,715
Foreign government securities	1,951	106	—	—	1,951	106
U.S. corporate securities	3,965,723	400,023	1,791,702	576,054	5,757,425	976,077
Residential mortgage-backed securities	258,951	22,407	98,681	25,354	357,632	47,761
Commercial mortgage-backed securities	43,975	2,816	924	111	44,899	2,927
Asset-backed securities	444,354	33,907	692,526	107,792	1,136,880	141,699
Collateralized debt obligations	531,684	36,294	616,930	42,956	1,148,614	79,250
Foreign corporate securities	1,223,619	103,785	394,600	109,543	1,618,219	213,328
Total fixed maturity securities	6,529,415	603,337	3,602,795	863,257	10,132,210	1,466,594
Cost method investments	77	50	—	—	77	50
Total	\$ 6,529,492	\$ 603,387	\$ 3,602,795	\$ 863,257	\$ 10,132,287	\$ 1,466,644



#### NOTE 4 - INVESTMENTS (continued)

Of the \$1,094,656 and \$1,466,594 of total unrealized losses on fixed maturity securities as of December 31, 2023 and 2022, approximately \$1,058,584 and \$1,401,851 was related to unrealized losses on investment grade fixed maturity securities. Of the \$980,154 and \$863,257 of unrealized losses of 12 months or more as of December 31, 2023 and 2022, approximately \$947,765 and \$804,591 was related to unrealized losses on investment grade securities.

The Company does not intend to sell fixed maturity securities, and it is not more likely than not the Company will be required to sell the fixed maturity securities with unrealized losses before recovery of the amortized cost. The Company has the intent and ability to hold the cost method investments with unrealized losses for a period of time sufficient for them to recover.

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

	<i>Available for Sale</i>		<i>Held to Maturity</i>	
	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
Due in one year or less	\$ 274,659	\$ 272,510	\$ —	\$ —
Due after one year through five years	1,643,894	1,598,512	268	273
Due after five years through ten years	2,290,676	2,142,261	—	—
Due after ten years	5,286,880	4,711,310	—	—
Mortgage-backed and asset-backed securities	2,983,996	2,800,148	9	9
Other securities with multiple repayment dates	185,169	171,651	—	—
Total	\$ 12,665,274	\$ 11,696,392	\$ 277	\$ 282

Mortgage loans on real estate were as follows:

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
Commercial real estate	\$ 2,417,860	\$ 2,471,276
Residential first mortgages	—	37,064
Second trusts and home equity	—	1,312
Total loans - gross	2,417,860	2,509,652
Net deferred loan costs	—	166
Allowance for credit losses	(8,429)	(2,833)
Mortgage loans on real estate, net	\$ 2,409,431	\$ 2,506,985

The Company sold their residential mortgage loan portfolio during 2023. The loss on the sale was immaterial.

The allowance for credit losses in our mortgage loan portfolio is calculated using probability of default and loss given default assumptions to estimate expected credit losses for pooled loans with similar risk characteristics as well as unfunded commitments. Probability of default and loss given default assumptions are derived from debt service coverage ratios (DSCR) and loan to values, adjusted for current and forecasted economic conditions impacting each pool of loans. Other key loan characteristics impacting the allowance for credit losses in the mortgage loan portfolios include the current state of the borrower's credit quality, delinquency status, and underlying collateral value when evaluated on an individual basis.

Management regularly reviews credit quality indicators including the composition of the loan portfolio, net charge-offs, nonperforming loans, performance of loans modified for borrowers experiencing financial difficulties, and general economic conditions in its market. This review process is assisted by frequent internal reporting of loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans.

#### NOTE 4 - INVESTMENTS (continued)

The Company considers a loan impaired when it is probable that it will be unable to collect all amounts due according to the contractual terms of the note agreement, including principal and interest. Loans on nonaccrual status and that have been modified for borrowers experiencing financial difficulties are considered impaired. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. Management determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. When a loan is impaired or nonperforming, a specific credit loss allowance is established for the excess carrying value of the loan over its estimated value. The loan's estimated value is based on the fair value of the loan's collateral, the present value of expected future cash flows discounted at the loan's effective interest rate, or the loan's observable market price.

For commercial real estate mortgages, the Company requires collateral on original loans with a loan-to-value ratio of no greater than 75% at the time of origination. The amount of collateral on non-real estate loans is based on management's credit assessment of the customer.

The Company's key credit quality indicators as discussed below for its loans were as follows:

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
Debt service coverage ratio grade	\$ 2,404,220	\$ 2,454,456
Loan to value grade	13,640	16,820
Loans based on payment activity grade	—	38,376
Total loans - gross	\$ 2,417,860	\$ 2,509,652

For the commercial mortgage loans, DSCR is considered a key credit quality indicator for loans that are income dependent while loan to value and borrower financial strength are considered key credit quality indicators for borrower-occupied loans. DSCRs compare a property's net operating income to the borrower's principal and interest payments. Loan to value and DSCRs are updated annually or as warranted by economic conditions or impairment considerations.

Debt service coverage ratios for income dependent loans on commercial real estate were as follows:

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
DSCR Distribution		
Below 1.0	\$ 83,465	\$ 62,252
1.0 - 1.2	193,906	233,843
1.2 - 1.5	405,910	478,847
Greater than 1.5	1,720,939	1,679,514
Total	\$ 2,404,220	\$ 2,454,456

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable future, the decrease in cash flows is considered temporary, or there are other risk-mitigating factors.

Loan to value for borrower-occupied commercial loans was summarized as follows:

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
Loan to Value		
Below 60%	\$ 11,273	\$ 13,111
60-75%	2,367	2,710
Above 75%	—	999
Total	\$ 13,640	\$ 16,820

**NOTE 4 - INVESTMENTS (continued)**

There were no nonperforming commercial mortgage loans as of December 31, 2023 or 2022, and no commercial real estate properties that foreclosed during 2023 or 2022.

All mortgage loan assets are reviewed as appropriate to their size and presentation of risk. In general, large, individual loans which represent a greater element of risk are reviewed quarterly. Any mortgage loan asset not reviewed in detail as a single item is reviewed as part of an asset class.

The activity in the allowance for loan losses was summarized as follows:

<i>December 31, 2023</i>	<i>Residential First Mortgages</i>	<i>Commercial Real Estate</i>	<i>Construction and Land Development</i>	<i>Total</i>
Allowance for loan losses:				
Balance at December 31, 2022	\$ (608)	\$ (2,224)	\$ (1)	\$ (2,833)
Cumulative effect of adoption of ASU 2016-13	—	(7,067)	—	(7,067)
Balance at January 1	(608)	(9,291)	(1)	(9,900)
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Provisions	608	862	1	1,471
Balance at December 31	\$ —	\$ (8,429)	\$ —	\$ (8,429)

<i>December 31, 2022</i>	<i>Residential First Mortgages</i>	<i>Commercial Real Estate</i>	<i>Construction and Land Development</i>	<i>Total</i>
Allowance for loan losses:				
Balance at January 1	\$ (721)	\$ (2,175)	\$ —	\$ (2,896)
Charge-offs	31	—	(1)	30
Recoveries	(533)	—	—	(533)
Provisions	615	(49)	—	566
Balance at December 31	\$ (608)	\$ (2,224)	\$ (1)	\$ (2,833)

An aging analysis of the loans held by the Company at December 31, 2023 and 2022, was summarized as follows:

<i>December 31, 2023</i>	<i>Current</i>	<i>31-59 days</i>	<i>60-89 days</i>	<i>90 days and greater</i>	<i>Total Past Due</i>	<i>Total Gross</i>	<i>Loans &gt; 90 days and accruing</i>
Commercial Real Estate	\$2,417,860	—	—	—	—	\$2,417,860	—
Total	\$2,417,860	\$ —	\$ —	\$ —	\$ —	\$2,417,860	\$ —

<i>December 31, 2022</i>	<i>Current</i>	<i>31-59 days</i>	<i>60-89 days</i>	<i>90 days and greater</i>	<i>Total Past Due</i>	<i>Total Gross</i>	<i>Loans &gt; 90 days and accruing</i>
Residential First Mortgage	\$ 34,024	\$ 949	\$ 568	\$ 1,523	\$ 3,040	\$ 37,064	\$ —
Commercial Real Estate	2,471,276	—	—	—	—	2,471,276	—
Second Trusts & Home Equity	1,255	57	—	—	57	1,312	—
Total	\$2,506,555	\$ 1,006	\$ 568	\$ 1,523	\$ 3,097	\$2,509,652	\$ —

## NOTE 5 - INCOME TAXES

The items that gave rise to deferred tax assets and liabilities relate to the following:

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
Future policy and contract liabilities	\$ 122,794	\$ 156,229
Deposit liability	77,515	49,209
Net unrealized investment losses	122,072	235,387
Policyholder dividends	—	638
Pension and post-retirement benefits	37,510	34,712
Provision for loan losses	1,770	595
State income taxes	412	974
Incentive compensation	3,996	3,480
Other	9,231	6,784
Net operating/capital losses and credits	225	243
Gross deferred tax asset	375,525	488,251
Deferred acquisition costs	235,830	268,351
Other	19,545	11,883
Gross deferred tax liability	255,375	280,234
Net deferred tax asset (liability)	\$ 120,150	\$ 208,017

The difference between the U.S. federal income tax rate and the consolidated tax provision rate was summarized as follows:

	<i>Years ended December 31</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Federal statutory tax rate	21.00 %	21.00 %	21.00 %
Dividend received deduction	(2.02)	(15.55)	(1.87)
Tax credits	(1.50)	(12.94)	(1.06)
Other	0.21	(1.09)	0.32
Effective tax rate	17.69 %	(8.58)%	18.39 %

Ameritas Life has \$1,072 and \$1,155 net operating loss (NOL) carryforwards as of December 31, 2023 and 2022, respectively. The 2023 and 2022 NOL carryforwards will expire in 2036. A valuation allowance is established to reduce the deferred tax asset to the amount expected to be realized. The Company has no valuation allowance as of December 31, 2023 or 2022.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. At December 31, 2023 and 2022, the Company had no accrual for the payments of interest and penalties on the consolidated balance sheets and no expense recognized for the years ended December 31, 2023, 2022 and 2021, respectively, for interest and penalties on the consolidated statements of operations.

The Company has recorded a current income tax expense of \$49,691, \$24,608 and \$32,455 for the years ended December 31, 2023, 2022 and 2021, respectively. Additionally, the Company has recognized deferred tax items as a (benefit) expense of \$(8,028), \$(27,543) and \$26,183 for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company is subject to taxation in the United States and various states. In 2018, the Internal Revenue Service (IRS) started a limited scope examination of the Company's consolidated federal income tax return for tax year 2015. Additionally, the 2017 net operating loss carryback claim filed amending tax years 2015 and 2016 is currently under examination as part of the Joint Committee on Taxation process. This examination has reached the IRS appeals process and any potential tax changes required are not expected to be material. Due to the IRS examinations, the Company has extended the statute of limitations for tax years 2015 through 2017. The Company is no longer subject to examinations by tax authorities for years before 2015.

## NOTE 6 - EMPLOYEE AND AGENT BENEFIT PLANS

### Defined Benefit Plans

AHC and certain of its subsidiaries (the Sponsors) are sponsors and/or administrators of non-contributory qualified and non-qualified defined benefit plans (collectively the Plans) covering eligible employees. Benefits vary depending on the Plan and are based on either the employees' five highest consecutive compensation years during their last ten years of credited service, a career average calculation, or a final average calculation.

The Sponsors use a December 31 measurement date for their Plans.

### Obligations and Funded Status at December 31:

	2023	2022	2021
Projected benefit obligation	\$ 282,438	\$ 282,595	\$ 425,718
Fair value of plan assets	257,978	257,690	418,978
Funded status	(24,460)	(24,905)	(6,740)
Benefit payments	23,102	21,059	21,235
Accumulated benefit obligation	276,926	277,824	413,484
Net periodic benefit cost <sup>1</sup>	3,480	20,733	5,344
Amounts recognized in the balance sheet consist of:			
Other assets	\$ 7,316	\$ 9,460	\$ 37,398
Other liabilities	31,776	34,365	44,138
Amounts recognized as net periodic benefit cost, net of tax, consist of:			
Service costs	\$ 1,552	\$ 2,696	\$ 3,581
Interest costs	11,269	8,822	8,440
Expected return on plan assets	(10,376)	(8,992)	(8,653)
Amount of recognized losses	240	6,693	58
Settlement loss	—	6,113	551
Amounts recognized in other comprehensive income, net of tax, arising during the period consist of:			
Net gain (loss)	\$ (271)	\$ (1,337)	\$ 7,955
Amounts recognized in accumulated other comprehensive income, net of tax, not yet recognized in net periodic benefit cost consist of:			
Net loss	\$ (17,220)	\$ (16,949)	\$ (15,612)
Information for pension plans with an accumulated benefit obligation in excess of plan assets <sup>2</sup> :			
Projected benefit obligation	\$ 31,776	\$ 34,365	\$ 44,138
Accumulated benefit obligation	31,776	34,365	44,138

<sup>1</sup>Net periodic benefit costs are included with sales and operating expenses on the consolidated statements of operations.

<sup>2</sup>The qualified pension plan with an accumulated benefit obligation of \$245,150 and \$243,459 is not included above for December 31, 2023 and 2022, as the fair value of plan assets of \$257,978 and \$257,690, respectively are in excess of the benefit obligation. The projected benefit obligation for this qualified pension plan is \$250,662 and \$248,230 at December 31, 2023 and 2022. There are no pension plan assets expected to be returned to the Company during the twelve month period ending December 31, 2024.

### Investment Policies and Strategies

The current investment objective of the Plans is to align the Plans' assets to the Plans' duration characteristics while generating a positive real rate of return. The current asset allocation mix between equity and fixed income asset classes is targeted at 10% equity and 90% fixed income. Except where prudence dictates otherwise, the assets of the Plans will be reviewed monthly and will be rebalanced when the ratio of equity to fixed income varies by more than 2% from the current approved asset allocation mix.

## NOTE 6 - EMPLOYEE AND AGENT BENEFIT PLANS (continued)

All assets of the Plans may be allocated to and invested in any one or more of these basic forms of investment:

- Fixed income securities, including, but not limited to, fixed income or general account options under an insurance company contract.
- Equity issues, including but not limited to, common stocks or units of beneficial interest in one or more pooled separate accounts of an insurance company.
- Cash or cash equivalents, including but not limited to, units of beneficial interest in one or more pooled separate accounts of an insurance company.

### Risk Management Practices

On a quarterly basis, the Plans' Trustees, who are certain officers of the Company, review the performance of the assets in the Plans relative to expectations in order to determine if the Plans' investment goals and overall investment objectives are being met.

### Fair Value Measurements of Plan Assets

The following is a description of the valuation methodologies used for instruments measured at fair value in accordance with fair value measurement guidance (see Note 14), including the general classification of such instruments pursuant to the valuation hierarchy.

#### *Pooled Separate Accounts*

Pooled separate accounts are measured at fair value using net asset value (NAV) as a practical expedient. The funds in the separate accounts are considered open-end mutual funds, meaning that the fund is ready to redeem its shares at any time and offers its shares for sale to the public, either through retail outlets or through institutional investors continuously. For institutional funds, NAVs are received daily from fund managers, and the managers stand ready to transact at these quoted amounts. The Plans' custodian transacts in these funds on a daily basis as part of the separate account trading activity. The calculation of the NAV for funds composed of other funds (e.g., retirement target date funds) is essentially the same as the calculation of the NAV for any other fund: the total fair value of assets across all underlying funds less any liabilities is divided by the outstanding shares. Again, this resulting NAV is published and/or the fund managers are ready to transact at the quoted prices. The Plan does not have any unfunded commitments.

The pooled separate accounts carried at fair value in the Plans are \$257,978 and \$257,690 at December 31, 2023 and 2022, respectively, and include separate account assets invested in mutual funds which were advised by affiliates of \$0 and \$16,986 at December 31, 2023 and 2022, respectively.

The long-term expected return for the Plans' assets is 5.3%, 5.5% and 3.03% for 2023, 2022 and 2021, respectively. The expected return was based on historical data of equity and fixed income benchmarks. It was also based on current market valuations and forecasted market returns. The allocation ranges are determined to be the most consistent at providing the expected return, limiting risk and covering the Plans' benefit obligation considering the size, duration, and nature of the Plans' obligations.

The allocation ratio at December 31 was:

	2023	2022
Equities - affiliated	— %	6.0 %
Equities - unaffiliated	10.2	4.0
Fixed income - unaffiliated	89.8	90.0

## NOTE 6 - EMPLOYEE AND AGENT BENEFIT PLANS (continued)

### Contributions

There were no contributions to the qualified plan in 2023, 2022 and 2021. The qualified plan is subject to the minimum funding requirements of ERISA.

### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Plans:

<i>Fiscal Year</i>	<i>Amount</i>
2024	\$ 23,901
2025	24,459
2026	25,219
2027	24,440
2028	24,749
2029 - 2033	114,946

### Assumptions

Weighted-average assumptions used to determine benefit obligations and net periodic pension cost at December 31:

	2023	2022	2021
Discount rate for benefit obligation	5.22 %	5.44 %	2.89 %
Discount rate for net periodic pension cost	5.44	2.89	2.54
Rate of compensation increase for benefit obligation	2.83	3.00	2.85
Rate of compensation increase for net periodic pension cost	2.82	2.85	3.05
Expected long-term rate of return on assets for next year	5.32	5.53	3.03
Expected long-term rate of return on assets for net periodic pension cost	5.53	3.03	2.70

### Defined Contribution Plans

Substantially all full-time employees and agents participate in defined contribution plans sponsored by AHC. In addition, certain of the Company's employees participate in an unfunded, non-qualified defined contribution plan sponsored by AHC. Company matching contributions under the defined contribution plan ranged from 0.5% to 3.0% in 2023, 2022 and 2021. In addition, for eligible employees who do not participate in the Plans, the Company makes an additional contribution of 6.0% of the participants' eligible compensation on a quarterly basis for those hired prior to January 1, 2006, and 5.0% for those hired after January 1, 2006. Contributions by the Company to the employee and agents defined contribution plans were \$18,281, \$16,954 and \$15,013 in 2023, 2022 and 2021, respectively.

The defined contribution plans' assets also include investments in deposit administration contracts which include underlying investments in separate accounts of Ameritas Life.

### Postretirement Benefit Plans

The Company provides certain health care and life insurance benefits for its eligible retired employees. Substantially all employees who had been employees of a previously un-merged subsidiary may become eligible for these benefits if they reach normal retirement age while employed by the Company. Benefits for all other eligible employees are limited to those employees hired before January 1, 2005. Employer contributions for all pre-65 age retirees are capped and post-65 age retirees receive a fixed subsidy amount; therefore, these amounts are not impacted by changes in health care costs.

The Sponsors used a December 31 measurement date for their plans.

## NOTE 6 - EMPLOYEE AND AGENT BENEFIT PLANS (continued)

### Obligations and Funded Status at December 31:

	2023	2022	2021
Projected benefit obligation	\$ 12,652	\$ 13,186	\$ 16,897
Fair value of plan assets	15,388	13,969	16,865
Funded status	2,736	783	(32)
Participant contributions	522	374	484
Benefit payments	1,251	1,265	1,409
Net periodic benefit cost <sup>1</sup>	183	2	(50)
Amounts recognized in the balance sheet consist of:			
Other assets (liabilities)	\$ 2,736	\$ 783	\$ (32)
Amounts amortizing into net periodic benefit cost, net of tax, consist of:			
Prior service cost	\$ —	\$ —	\$ (48)
Net gain	247	309	(68)
Amounts recognized as net periodic benefit cost, net of tax, consist of:			
Service costs	\$ 179	\$ 195	\$ 191
Interest costs	522	329	297
Expected return on plan assets	(562)	(523)	(525)
Amounts recognized in other comprehensive income, net of tax, arising during the period consist of:			
Net gain (loss)	\$ 1,531	\$ 507	\$ (127)
Amounts recognized in accumulated other comprehensive income, net of tax, consist of:			
Net gain	5,202	3,910	3,712

<sup>1</sup>Net periodic benefit costs are included with sales and operating expenses on the consolidated statements of operations.

### Investment Policies and Strategies

The investment objective of the Postretirement Plan is to provide sufficient assets and liquidity to meet the distribution requirements of the Postretirement Plan through capital appreciation of assets. The Postretirement Plan's Trustees require investment opportunities that offer equity, fixed income and money market or other cash equivalent investment options. The current asset allocation is targeted at 48% equity and 52% cash and short-term fixed income investments.

All assets of the Postretirement Plan may be allocated to and invested in any one or more of these basic forms of investments:

- Unallocated insurance contracts
- Common stocks listed on U.S. exchanges
- Indexed mutual funds
- Cash or cash equivalents

### Risk Management Practices

On a quarterly basis, the Postretirement Plan's Trustees, who are certain officers of the Company, review the performance of the assets in the Postretirement Plan relative to expectations in order to determine if the Postretirement Plan's investment goals and overall investment objectives are being met.

### Fair Value Measurements of Plan Assets

The following is a description of the valuation methodologies used for instruments measured at fair value in accordance with fair value measurement guidance (see Note 14), including the general classification of such instruments pursuant to the valuation hierarchy.

#### Money Market Funds

Money market funds are classified in Level 1 of the fair value hierarchy as fair value is based on quoted prices in active markets for identical securities.

#### Common Stocks

Common stocks are valued based on quoted prices in active markets for publicly traded securities at year-end and are classified in Level 1. These assets can be redeemed at any time and their shares are offered for sale to the public.



**NOTE 6 - EMPLOYEE AND AGENT BENEFIT PLANS (continued)**

The following table presents the financial instruments carried at fair value in the Postretirement Plan by the fair value measurement valuation hierarchy:

	<i>December 31, 2023</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Money market funds	3,729	—	—	3,729
Common stocks	8,860	—	—	8,860
<b>Total assets at fair value</b>	<b>\$ 12,589</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 12,589</b>

	<i>December 31, 2022</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Money market funds	3,286	—	—	3,286
Common stocks	7,779	—	—	7,779
<b>Total assets at fair value</b>	<b>\$ 11,065</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 11,065</b>

The allocation will be maintained on a continuous basis with a target range of 56% equity and 44% cash and short-term fixed income investments.

The actual allocation ratio at December 31 was:

	<i>2023</i>	<i>2022</i>
Equities - unaffiliated	57.6 %	55.7 %
Fixed income - unaffiliated	18.0	20.7
Cash equivalents	24.2	23.5

The Sponsors do not expect to contribute to the Postretirement Plan during 2024.

**Estimated Future Benefit Payments**

The following benefit payments are expected to be paid by the Postretirement Plan:

<i>Fiscal Year</i>	<i>Amount</i>
2024	\$ 1,413
2025	1,360
2026	1,296
2027	1,222
2028	1,164
2029 - 2033	4,879

**Assumptions**

Weighted-average assumptions used to determine postretirement benefit obligations at December 31:

	<i>2023</i>	<i>2022</i>	<i>2021</i>
Discount rate - postretirement benefit obligation	5.25 %	5.46 %	2.78 %
Discount rate - net periodic postretirement benefit cost	5.46	2.78	2.26
Expected long-term rate of return on assets for next year	4.99	5.57	4.32
Expected long-term rate of return on assets - net periodic postretirement benefit cost	5.57	4.32	4.79

## NOTE 7 - DEFERRED ACQUISITION COSTS AND INTANGIBLE ASSETS

A rollforward of the amounts reflected on the consolidated balance sheets as deferred acquisition costs was as follows:

	<i>Years Ended December 31</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Beginning balance	\$ 1,710,866	\$ 846,761	\$ 713,937
Acquisition costs deferred	218,258	199,206	190,779
Amortization of deferred acquisition costs	(133,470)	(79,272)	(104,043)
Adjustment for unrealized investment (gain) loss	(211,715)	744,171	46,088
Ending balance	\$ 1,583,939	\$ 1,710,866	\$ 846,761

The identifiable amortized intangible assets was as follows:

	<i>December 31, 2023</i>		
	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>
Value of customer relationships acquired	\$ 101,302	\$ (55,565)	\$ 45,737
Trade name and provider networks	4,700	(1,723)	2,977
Internally developed software	5,190	(3,705)	1,485
Ending balance	\$ 111,192	\$ (60,993)	\$ 50,199

	<i>December 31, 2022</i>		
	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net Book Value</i>
Value of customer relationships acquired	\$ 101,302	\$ (49,312)	\$ 51,990
Trade name and provider networks	4,700	(1,253)	3,447
Internally developed software	5,190	(2,888)	2,302
Ending balance	\$ 111,192	\$ (53,453)	\$ 57,739

Amortization expense for other intangible assets included in sales and operating expenses is \$7,540, \$9,704, and \$9,951 for the years ended December 31, 2023, 2022, and 2021, respectively. The Company has no intangible assets with indefinite lives.

Future amortization of the intangible assets was estimated to be recognized as follows:

	<i>December 31</i>
2024	\$ 6,939
2025	6,822
2026	6,604
2027	6,130
2028	6,082
2029 and thereafter	17,622

## NOTE 8 - REGULATORY MATTERS

The Company and its subsidiaries are regulated primarily by, but not limited to, the various domiciliary state insurance or financial services departments as indicated below, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and various other governmental authorities.

Combined net income of the Company's insurance subsidiaries, as determined in accordance with statutory accounting practices prescribed by the NAIC or permitted by the Insurance Departments of the states of Nebraska and New York, as applicable, was \$34,332, \$102,156, and \$129,184 for 2023, 2022, and 2021, respectively, and combined statutory capital and surplus was \$1,906,891 and \$1,899,565 at December 31, 2023 and 2022, respectively. Insurance companies are required to maintain a certain level of surplus to be in compliance with state laws and regulations. Surplus is monitored by state regulators to ensure compliance with risk based capital (RBC) requirements. All state insurance regulators have adopted RBC requirements developed by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life and health company is to be determined based on various risk factors related to it. At December 31, 2023, the Company's insurance subsidiaries exceed the minimum RBC requirements.

## NOTE 8 - REGULATORY MATTERS (continued)

Ameritas Life is subject to regulation by the Insurance Department of the State of Nebraska (DOI-NE), which restricts the advancement of funds to parent and affiliated companies as well as the amount of dividends that may be paid without prior approval. Dividend payments by Ameritas Life, when aggregated with all other dividends in the preceding 12 months, cannot exceed the greater of 10% of surplus as of the preceding year-end or the statutory net gain from operations for the previous calendar year, without prior approval from the DOI-NE. Based on this limitation, Ameritas Life would be able to pay \$190,439 in dividends in 2024 without prior approval. No dividends to AHC were paid in 2023, 2022, and 2021.

Ameritas-NY is subject to regulation by the New York Department of Financial Services (NY-DFS), which restricts the advancement of funds to parent and affiliated companies as well as the amount of dividends that may be paid without prior approval. Dividend payments by Ameritas-NY cannot exceed the lesser of 10% of surplus as of the preceding year-end or the statutory net gain from operations for the previous calendar year, without prior approval from the NY-DFS. Based on this limitation, Ameritas-NY would not be able to pay dividends in 2024 without prior approval. No dividends to Ameritas Life were paid in 2023, 2022 and 2021.

## NOTE 9 - REINSURANCE

In the ordinary course of business, the Company assumes and cedes reinsurance with other insurers and reinsurers. These arrangements provide greater diversification of business and limit the maximum net loss potential on large or hazardous risks.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances would be established for amounts deemed or estimated to be uncollectible.

To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers. At December 31, 2022, the Company had determined that certain balances related to a reinsurer under an order of rehabilitation would most likely be uncollectible, and as such had included an allowance of \$7,627 in reinsurance receivables on the consolidated balance sheets. The Company recaptured the reinsurance from the reinsurer who was previously under an order of rehabilitation, due to a liquidation order effective September 30, 2023. At December 31, 2023, a receivable of \$6,983 was included in reinsurance receivables on the consolidated balance sheets related to amounts expected as settlement from the reinsurer's estate. The allowance for expected losses on reinsurance receivables was not material at December 31, 2023.

Reinsurance premium transactions with other insurance companies were as follows:

Premiums:	<i>Years Ended December 31</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Assumed	\$ 85,554	\$ 82,702	\$ 83,417
Ceded	(276,681)	(269,817)	(270,591)
Reinsurance, net	\$ (191,127)	\$ (187,115)	\$ (187,174)

The Company has two coinsurance treaties where the treaties do not result in the transfer of a reasonable possibility of significant loss from insurance risk. As such, the treaties are accounted for under the deposit method of accounting. Deposit liabilities of \$868,349 and \$911,640 were included on the consolidated balance sheets at December 31, 2023 and 2022, respectively.

## NOTE 10 - LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The following tables present information about incurred and paid claims development as of December 31, 2023, net of reinsurance, and the total incurred but not reported (IBNR) liabilities plus expected development on reported claims included within the net incurred claims amounts. The development tables are presented for dental business, which represents the Company's significant short-duration product liability. The information about incurred and paid claims development prior to 2023 is presented as supplemental unaudited information.

			<i>December 31, 2023</i>	
			<i>Total IBNR Liabilities Plus Expected Development on Reported Claims</i>	<i>Cumulative Number of Reported Claims</i>
<i>Incurred Claim Development</i>				
<u>Accident Year</u>	<u>Years Ended December 31</u>			
	<u>2022</u>	<u>2023</u>		
2022	\$ 721,236	\$ 697,450	\$ —	5,242
2023		744,465	52,314	5,085
Total		1,441,915	\$ 52,314	

Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance	(1,389,601)
Total unpaid claims and claim adjustment expenses, net of reinsurance	\$ 52,314

<i>Paid Claim Development</i>				
<u>Accident Year</u>	<u>Years Ended December 31</u>			
	<u>2022</u>	<u>2023</u>		
2022	\$ 663,986	\$ 697,450		
2023		692,151		
Total cumulative paid claims and paid claim adjustment expenses, net of reinsurance		\$ 1,389,601		

The Company develops the estimate of reserve using actuarial principles and assumptions that consider numerous factors. Of those factors, the Company considers the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) to be the most critical assumptions. In developing the estimate of reserve, the Company consistently applies these actuarial principles and assumptions each period, with consideration to the variability of related factors. The reserve for unpaid claims for group and individual dental insurance includes claims in course of settlement and incurred but not reported claims. The cumulative number of reported claims represents the total number of claims submitted for the accident year. There have been no significant changes to the methodologies or assumptions used to calculate the reserve in 2023.

The following table provides a reconciliation of the net incurred and paid claims development tables to the gross liability for unpaid accident and health claims and claims adjustment expenses which is reported within policy and contracts liabilities on the consolidated balance sheets. Other short-duration insurance lines include vision, hearing, student accident, and group health. Insurance lines other than short-duration include disability income coverages.

		<i>December 31, 2023</i>
Net outstanding liabilities		
Dental	\$	52,314
Other short-duration insurance lines		18,575
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance		70,889
Reinsurance recoverable on unpaid claims		
Other short-duration insurance lines		5,983
Total reinsurance recoverable on unpaid claims		5,983
Insurance lines other than short-duration		505,990
Total gross liability for unpaid claims and claims adjustment expenses		\$ 582,862

**NOTE 10 - LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES (continued)**

The following table provides an analysis of the activity in the liability for unpaid accident and health claims and claim adjustment expenses, which are reported within policy and contract liabilities on the consolidated balance sheets.

	<i>Years Ended December 31</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Balance at January 1	\$ 571,815	\$ 548,730	\$ 509,220
Less reinsurance recoverables	(197,821)	(191,072)	(176,499)
Net balance at January 1	373,994	357,658	332,721
Incurred related to:			
Current year	896,026	864,294	851,678
Prior year	(6,323)	(4,799)	(4,905)
Total incurred	889,703	859,495	846,773
Paid related to:			
Current year	787,036	749,769	735,844
Prior year	96,747	93,390	85,992
Total paid	883,783	843,159	821,836
Net balance at December 31	379,914	373,994	357,658
Plus reinsurance recoverables	202,948	197,821	191,072
Total reserve for unpaid claims	\$ 582,862	\$ 571,815	\$ 548,730

During 2023, 2022 and 2021, incurred claims related to prior year were negative primarily due to favorable claim runout for group dental products partially offset by unfavorable claim runout for disability products.

**NOTE 11 - LIABILITIES FOR CONTRACT GUARANTEES**

The Company offers various guarantees to variable annuity (VA) and fixed index annuity (FIA) contract holders. Guarantees include benefits that are payable in the event of death or as guaranteed periodic withdrawals. Depending on the product, guarantees may be based on a combination of the following: account values, prior cash flows including premiums and withdrawals, a specified percentage of gains, and the age and gender of the client. The Company currently reinsures certain guaranteed minimum death benefits (GMDB) greater than the sum of all premium payments less prior withdrawals.

The withdrawal benefits are provided through activated guaranteed lifetime withdrawal benefit (GLWB) riders. Prior to the start of the periodic withdrawals, various minimum return guarantees are tracked. At the start of the periodic withdrawals, a benefit base is determined such that it is the greatest of the tracked minimum return guarantees. The guaranteed periodic withdrawal amount is a percentage of the benefit base at the time periodic withdrawals begin. Once periodic withdrawals begin, the benefit base is increased by premium payments; the benefit base can be reset on an annual basis to the anniversary account value, if it is greater, and will be reduced for any withdrawals in excess of the guaranteed periodic withdrawal, but the percentage applied to the base benefit will not change.

Guarantees related to the variable annuity withdrawal benefits are considered to be derivative financial instruments; therefore, the liability for these benefits is based on its fair value. The liability for these benefits was \$40,412 and \$43,426 at December 31, 2023 and 2022, respectively. No guaranteed withdrawal payments were made in 2023 and 2022 with an account balance less than the payment amount.

Variable and non-variable universal life-type contracts were sold with secondary guarantees that the policy will not lapse, even if the account value is reduced to zero, as long as the policyholder makes scheduled premium payments. If benefits arise from these secondary guarantees, they do so in the latter durations of a contract's lifetime.

The liability for universal life-type contracts with secondary guarantees or other excess benefits is established equal to a benefit ratio multiplied by the cumulative assessments earned, plus accrued interest less the secondary guarantee benefit payments. The benefit ratio is calculated as the estimated present value of all expected secondary guarantee benefit payments divided by the present value of all expected assessments. The secondary guarantee benefit payments are primarily defined as death benefits paid on policies with an account value of zero that were still in force due to the presence of the secondary guarantee. At December 31, 2023 and 2022, the Company's reserve for these guarantees were \$227,841 and \$229,768, respectively, and are recorded in policy and contract liabilities on the consolidated balance sheets.

## NOTE 12 - LEASES

The Company leases office space and equipment under operating leases. The Company had no financing leases as of December 31, 2023 or 2022. Non-lease components, including common area maintenance expenses for office space leases, were not capitalized and were expensed as incurred. The Company's operating leases may include options to extend or terminate the lease, which are not included in the determination of the ROU asset or lease liability unless they are reasonably certain to be exercised. At December 31, 2023 and 2022, ROU assets of \$7,409 and \$9,274, respectively, were included in property and equipment on the consolidated balance sheets. At December 31, 2023 and 2022, lease liabilities of \$8,737 and \$10,816, respectively, were included in other liabilities on the consolidated balance sheets.

Lease expenses are charged to income on a straight-line basis over the term of the lease including interest expense and ROU asset amortization. Lease expense for 2023 and 2022 were \$3,006 and \$3,634, respectively, and were included in sales and operating expenses on the consolidated statements of operations. Cash payments for leases for 2023 and 2022 were \$3,199 and \$3,558, respectively, and were included in change in other liabilities in the net cash from operating activities on the cash flow statement. The leases have a weighted-average term of 51.66 months and a weighted-average discount rate of 1.99% as of December 31, 2023.

Future minimum payments under noncancellable operating leases consist of the following:

	<i>December 31</i>	
2024	\$	2,822
2025		2,399
2026		1,862
2027		1,406
2028		1,180
Thereafter		637
	\$	10,306

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

### Borrowings

As of December 31, 2023, the Company has FHLB lines of credit available up to \$142,224 if an immediate liquidity need would arise. The Company had outstanding balances of \$0 and \$95,000 as of December 31, 2023 and 2022, respectively, related to these lines of credit. Additionally, Ameritas Life has an unsecured line of credit available in the amount of \$150,000 with an unaffiliated bank. No balance was outstanding at any time during 2023 and 2022. The unsecured line of credit includes covenants requiring the Company to maintain a certain debt to capitalization ratio and a minimum Statutory Surplus.

In 2015, Ameritas Life entered into a ten-year, 4.00% non-recourse loan of \$15,500 on a real estate property with scheduled maturities of \$518 and \$11,388 during the years ended December 31, 2024 and 2025, respectively.

On November 1, 1996, Ameritas Life issued \$50,000 of 8.20% Surplus Notes (Notes). The Notes mature on November 1, 2026, and may not be redeemed prior to maturity. The Notes are unsecured and subordinated to all present and future policy claims, prior claims and senior indebtedness. Subject to prior written approval of the Commissioner of the DOI-NE, these Notes pay interest semi-annually on May 1 and November 1. Interest expense of \$4,100 was incurred in 2023, 2022 and 2021, and was recorded in interest expense on the consolidated statements of operations.

### Off Balance Sheet Instruments

Commitments on financial instruments were as follows:

	<i>December 31</i>	
	<u>2023</u>	<u>2022</u>
Securities commitments	\$ 403,171	\$ 588,764
Loan and real estate commitments	148,266	80,991

### **NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)**

Securities commitments of \$96,186 and \$145,001 and loan and real estate commitments of \$61,456 and \$48,575 at December 31, 2023 and 2022, respectively, were related to non-consolidated VIEs. These commitments have been made in the normal course of business. The Company's exposure to credit loss is represented by the contractual amount of these instruments. The Company uses the same credit policies and collateral requirements in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer based upon the customer's fulfilling certain conditions as established in the loan agreement. These conditions are dependent on the type of loan. Commitments to extend credit under consumer lines of credit are generally dependent upon payments in accordance with the loan agreement. Adherence to the loan agreement as to prompt payment is also required for commercial and construction lines of credit. In addition, most of these credit lines require that collateral be identified and evaluated according to the terms of the loan agreement in order for additional amounts to be advanced. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the normal course of business the Company's brokerage activities involve, principally through its clearing firm, various securities transactions. These activities may expose the Company to off balance sheet risk in the event the customer or clearing firm is unable to fulfill its contractual obligations.

#### **Litigation and Regulatory Examination**

From time to time, the Company and its subsidiaries are subject to litigation and regulatory examination in the normal course of business. Management does not believe that the Company is party to any such pending litigation or examination which would have a material adverse effect on its financial condition or results of its operations.

## NOTE 14 - FAIR VALUE MEASUREMENTS

Fair value measurement guidance requires that financial and nonfinancial assets and liabilities carried at fair value in the financial statements be included in a fair value hierarchy for disclosure purposes. The guidance defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

In determining fair value of financial assets and liabilities, the Company utilizes market data, evaluated pricing models, cash flow, and loan performance data as available. The degree of judgment used in measuring fair value of financial instruments generally correlates with the level of pricing observability. That is, financial instruments with quoted prices in active markets have more pricing observability and therefore less judgment is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using the valuation models or other pricing techniques that require more judgment. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable techniques.

Fair values are monitored by a working group (the Working Group) comprised of investment, operations and accounting professionals on a monthly basis. Prices from third-party pricing services are validated through comparison to internal pricing information and economic indicators including observed interest rates, credit spreads and market events as well as back testing and tolerance reviews. Non-binding broker quotes are reviewed for reasonableness based on the Company’s understanding of the market, and are generally considered unobservable inputs. Under certain conditions, the Company may conclude the prices received from independent third-party pricing services or brokers are not reasonable or reflective of market activity. In those instances, the Company may choose to apply internally developed values to the related assets or liabilities. Overrides of third-party pricing information and the rationale for the overrides are approved by the Working Group. The Company challenges third-party vendor prices for certain securities and requests additional information as appropriate.

The Company categorizes financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level disclosed is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

- Level 1 – Quoted prices in active markets for identical assets/liabilities. The Company’s Level 1 assets include: Equity securities, exchange traded call and put options, money market funds, and retail and institutional mutual funds.
- Level 2 – Includes prices based on other observable inputs, including quoted prices for similar assets/liabilities. The Company’s Level 2 assets include the following fixed maturity securities: U.S. Treasury securities and obligations of U.S. government agencies (other than residential and commercial mortgage-backed securities and asset-backed securities), fixed maturity securities issued by states and political subdivisions of the U.S., U.S. agency residential and commercial mortgage-backed and asset-backed securities, collateralized debt obligations, and U.S. and foreign public corporate securities. Level 2 assets also include over-the-counter call and put options and foreign currency swaps.
- Level 3 – Includes unobservable inputs and may include the entity's own assumptions about market participant assumptions. The Company’s Level 3 assets include: non-agency residential mortgage-backed and asset-backed fixed maturity securities, private U.S. and foreign corporate fixed maturity and private equity securities, certain public U.S. and foreign corporate fixed maturity securities, collateralized debt obligations, municipal warrants and liabilities for products with embedded derivatives.



**NOTE 14 - FAIR VALUE MEASUREMENTS (continued)**

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis by input level as of December 31, 2023:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial Assets:</b>				
Fixed maturity securities available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ —	\$ 44,002	\$ —	\$ 44,002
Debt securities issued by states of the United States and political subdivisions of the states	—	39,605	—	39,605
Foreign government securities	—	1,913	—	1,913
U.S. corporate securities	—	5,562,497	1,264,349	6,826,846
Residential mortgage-backed securities	—	199,434	196,697	396,131
Commercial mortgage-backed securities	—	37,926	1,999	39,925
Asset-backed securities	—	486,338	685,382	1,171,720
Collateralized debt obligations	—	11,749	1,180,623	1,192,372
Foreign corporate securities	—	1,173,571	810,307	1,983,878
Fixed maturity securities trading:				
U.S. corporate securities	—	46,035	12,970	59,005
Foreign corporate securities	—	19,186	7,534	26,720
Equity securities	532,752	—	—	532,752
Other investments:				
Exchange traded call and put options	178,574	—	—	178,574
Over the counter index call options	—	108,659	—	108,659
Foreign currency swaps	—	1,047	—	1,047
Municipal warrants	—	—	2,998	2,998
Private equity securities	—	—	1,150	1,150
Cash equivalents	205,940	—	—	205,940
Subtotal excluding assets related to separate accounts	917,266	7,731,962	4,164,009	12,813,237
Assets related to separate accounts <sup>1</sup>	—	—	—	10,582,804
<b>Total</b>	<b>\$ 917,266</b>	<b>\$ 7,731,962</b>	<b>\$ 4,164,009</b>	<b>\$ 23,396,041</b>
<b>Financial Liabilities:</b>				
Exchange traded call and put options (written)	\$ (117,929)	\$ —	\$ —	\$ (117,929)
Foreign currency swaps	—	(1,194)	—	(1,194)
Liabilities for products with embedded derivatives and indexed products	—	—	(625,350)	(625,350)
<b>Total</b>	<b>\$ (117,929)</b>	<b>\$ (1,194)</b>	<b>\$ (625,350)</b>	<b>\$ (744,473)</b>

<sup>1</sup> Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified by input level. The input levels presented in this table are intended to permit reconciliation to the amounts presented in the consolidated balance sheets.

**NOTE 14 - FAIR VALUE MEASUREMENTS (continued)**

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis by input level as of December 31, 2022:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial Assets:</b>				
Fixed maturity securities available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ —	\$ 52,280	\$ —	\$ 52,280
Debt securities issued by states of the United States and political subdivisions of the states	—	44,756	—	44,756
Foreign government securities	—	1,951	—	1,951
U.S. corporate securities	—	5,188,289	1,095,082	6,283,371
Residential mortgage-backed securities	—	236,617	126,161	362,778
Commercial mortgage-backed securities	—	44,899	—	44,899
Asset-backed securities	—	525,410	644,797	1,170,207
Collateralized debt obligations	—	—	1,180,439	1,180,439
Foreign corporate securities	—	1,036,950	673,112	1,710,062
Fixed maturity securities trading:				
U.S. corporate securities	—	74,052	14,295	88,347
Foreign corporate securities	—	30,100	13,147	43,247
Equity securities	499,319	—	—	499,319
Other investments:				
Exchange traded call and put options	56,098	—	—	56,098
Over the counter index call options	—	36,920	—	36,920
Foreign currency swaps	—	1,047	—	1,047
Municipal warrants	—	—	3,178	3,178
Private equity securities	—	—	1,048	1,048
Cash equivalents	75,326	—	—	75,326
Subtotal excluding assets related to separate accounts	630,743	7,273,271	3,751,259	11,655,273
Assets related to separate accounts <sup>1</sup>	—	—	—	9,678,234
<b>Total</b>	<b>\$ 630,743</b>	<b>\$ 7,273,271</b>	<b>\$ 3,751,259</b>	<b>\$ 21,333,507</b>
<b>Financial Liabilities:</b>				
Exchange traded call and put options (written)	\$ (36,507)	\$ —	\$ —	\$ (36,507)
Liabilities for products with embedded derivatives and indexed products	—	—	(477,277)	(477,277)
<b>Total</b>	<b>\$ (36,507)</b>	<b>\$ —</b>	<b>\$ (477,277)</b>	<b>\$ (513,784)</b>

<sup>1</sup> Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified by input level. The input levels presented in this table are intended to permit reconciliation to the amounts presented in the consolidated balance sheets.

The market approach is utilized for the majority of the Company's fair value measurements; however, certain Level 2 and Level 3 measurements utilize a combination of the market and income approaches. The valuation techniques used to measure the fair values by type of investment and liabilities in the above table follow:

**Fixed maturity securities:**

- *U.S. Treasury securities and obligations of U.S. government agencies:* The primary inputs to valuation include reported trades, benchmark yields and credit spreads. The fair values of the agency securities are generally classified as Level 2 as the prices are based on observable market data.
- *Commercial and residential mortgage-backed and asset-backed securities:* The primary inputs to valuation include reported trades, bids, benchmark yields, credit spreads, estimated cash flows, prepayment speeds and collateral performance. Collateral performance is analyzed for each security and includes delinquency rates, loss severity rates and prepayment speeds. U.S. government agency securities are classified as Level 2 as the prices are based on observable market data. Non-agency commercial and residential mortgage-backed and asset-backed securities are classified as Level 2 if the prices are based on observable market data. If sufficient observable market data does not exist, such securities are classified as Level 3.

## NOTE 14 - FAIR VALUE MEASUREMENTS (continued)

Fixed maturity securities, (continued):

- *All other fixed maturity securities:* The primary inputs to valuation include reported trades, bids, benchmark yields, observations of credit default swap curves and credit spreads. A pricing matrix is used to price non-public fixed maturity securities. Fixed maturity securities are generally classified as Level 2 as the fair values are based on observable market data. Fixed maturity securities with a fair value based only on uncorroborated dealer quotes, partnership valuations or internal valuations are assigned to Level 3.

Equity securities and assets related to separate accounts:

- *Public equity securities and retail and institutional mutual funds:* Classified primarily as Level 1 as the fair values are based on quoted prices in active markets for identical securities for public equity securities and retail mutual funds, while fair values for institutional mutual funds represent NAV as a practical expedient received from fund managers who stand ready to transact at the quoted values.

Other investments:

- *Exchange traded call and put options:* Valuation is based on quoted net asset values in active markets for identical securities. Exchange traded call options and equity put options are classified as Level 1.
- *Over the counter index call options:* The primary inputs to valuation include broker quotes that utilize inputs tailored to the remaining term of each call option. Over the counter index call options are classified as Level 2.
- *Foreign currency swaps:* Valuation is based on models that rely on inputs such as basis curves and currency spot rates that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment. Over the counter foreign currency swaps are classified as Level 2.
- *Municipal warrants:* Municipal warrants are categorized as Level 3 as internal valuations are used to value the Company's municipal warrants investments and significant inputs are unobservable.
- *Private equity securities:* The primary inputs to valuation include widely accepted valuation techniques as detailed in the Level 3 fair value measurement unobservable input table. Private equity securities are categorized as Level 3 as internal valuations are required to value the securities.

Cash equivalents:

- *Money market funds:* Classified primarily as Level 1 as the valuation is based on quoted net asset values in active markets for identical securities.

Financial Liabilities:

- *Exchange traded call and put options:* Valuation is based on quoted net asset values in active markets for identical securities. Written exchange traded call options and written equity put options are classified as Level 1.
- *Liabilities for products with embedded derivatives:* The Company has three products with embedded derivatives: fixed index annuity, fixed index universal life, and variable annuity with a guaranteed lifetime withdrawal benefit rider. These liabilities are classified as Level 3 as observable market prices are not available and actuarial methods are used to estimate the fair values.

**NOTE 14 - FAIR VALUE MEASUREMENTS (continued)**

The following summarizes changes to financial instruments for the years 2023 and 2022 carried at fair value for which the Company used significant unobservable inputs (Level 3) to determine fair value measurements:

	<i>For Year Ended December 31, 2023</i>			<i>For Year Ended December 31, 2022</i>		
	<i>Purchases</i>	<i>Transfers</i>	<i>Transfers</i>	<i>Purchases</i>	<i>Transfers</i>	<i>Transfers</i>
	<i>and</i>	<i>into</i>	<i>out of</i>	<i>and</i>	<i>into</i>	<i>out of</i>
	<i>Issuances</i>	<i>Level 3</i>	<i>Level 3</i>	<i>Issuances</i>	<i>Level 3</i>	<i>Level 3</i>
Fixed maturity securities available for sale:						
U.S. corporate securities	205,578	12,086	—	409,390	2,995	(170)
Residential mortgage-backed securities	30,877	10,518	(1,814)	46,212	6,000	(4,100)
Asset-backed securities	88,948	25,457	—	289,807	—	(6,000)
Collateralized debt obligations	88,712	15,503	(12,000)	325,881	—	—
Foreign corporate securities	149,194	—	—	114,085	—	(3,005)
Fixed maturity securities trading:						
U.S. corporate securities	4,500	—	(4,002)	11,706	—	—
Foreign corporate securities	3,800	—	—	1,544	10,559	—
Other investments:						
Municipal warrants	2,729	—	—	3,163	—	—
Private equity securities	156	—	—	156	—	—
Embedded derivatives	(101,105)	—	—	(10,152)	—	—
<b>Total</b>	<b>\$ 473,389</b>	<b>\$ 63,564</b>	<b>\$ (17,816)</b>	<b>\$ 1,191,792</b>	<b>\$ 19,554</b>	<b>\$ (13,275)</b>

Purchases and issuances in the above table reflect purchases for the year ended December 31, 2023, except for issuances of \$(101,105). Transfers into and out of Level 3 typically occur due to changes in the valuation source and the availability of observable market inputs. Transfers into Level 3 in 2023 and 2022 included situations where a fair value quote based on observable market inputs was not available and the price was replaced with a broker quote that could not be corroborated to observable market inputs. Transfers out of Level 3 in 2023 and 2022 included situations where a fair value quote based on observable market inputs was available and the price had been based in the prior period on a broker quote that could not be corroborated to observable market inputs.

**NOTE 14 - FAIR VALUE MEASUREMENTS (continued)**

The following table presents information about significant unobservable inputs used in Level 3 fair value measurements at December 31, 2023:

<i>Assets accounted for at Fair Value on a recurring basis</i>	<i>Fair Value</i>	<i>Predominant Valuation Method</i>	<i>Significant Unobservable Input</i>	<i>Range of Values - Unobservable Inputs (Weighted Average) <sup>1</sup></i>	<i>Impact of Increase in Input on Fair Value <sup>2</sup></i>		
U.S. corporate securities <sup>3</sup>	\$ 12,855	Broker quote	Price	105-109 (107)	Increase		
	319,993	Vendor price	Price	51-100 (96)	Increase		
	944,471	Discounted cash flows	Spread	36 bps - 216 bps (154 bps)	Decrease		
Residential mortgage-backed securities <sup>4</sup>	\$ 166,829	Discounted cash flows	Constant prepayment rate	0% - 147% (9%)	Decrease		
			Constant default rate	0% - 10% (1%)	Decrease		
			Loss severity	0% - 100% (31%)	Decrease		
	29,868	Vendor price	Price	74-101 (89)	Increase		
Commercial mortgage-backed securities	\$ 1,999	Vendor price	Price	100-100 (100)	Increase		
Asset-backed securities <sup>5</sup>	\$ 500,735	Discounted cash flows	Constant prepayment rate	0%-100% (6%)	Decrease		
			Constant default rate	0%-0% (0%)	Decrease		
			Loss severity	0%-50% (0%)	Decrease		
	74,949	Broker quote	Price	89 - 101 (96)	Increase		
	108,701	Vendor price	Price	88-104 (99)	Increase		
997	Discounted cash flows	Spread	209 bps - 209 bps (209 bps)	Decrease			
Collateralized debt obligation securities <sup>6</sup>	\$ 76,059	Vendor price	Price	89-100 (97)	Increase		
	1,104,564	Broker quote	Price	63-100 (96)	Increase		
Foreign corporate securities <sup>7</sup>	\$ 784,850	Discounted cash flows	Spread	27 bps - 216 bps (150 bps)	Decrease		
			26,134	Vendor price	Price	58-169 (93)	Increase
			6,857	Broker quote	Price	92-109 (101)	Increase
Municipal warrants	\$ 2,998	Broker quote	Price	100	Decrease		
Private equity securities	\$ 1,150	Vendor price	Price	1-130 (65)	Increase		
VA GLWB Embedded Derivatives	\$ (40,412)	Stochastic Cash Flow Model	Mortality	104% -105% of 2012 IAM Basic with scale G2 improvement (104%)	Decrease		
			Base Surrenders	0.3% - 10.1% (4.0%)	Decrease		
			Delay Prior to Withdrawals	0 - 10 years (5.4)	Increase		
			Volatility	1.0% - 28.9% (14.8%)	Increase		
			Nonperformance Risk Spread	0.8% - 1.9% (0.8%)	Decrease		
Indexed Life Products	\$ (40,615)	Market Value of Hedge Assets less Unamortized Cost	Unamortized Cost	12-24 months straight-line amortization (12.8)	Decrease		
Indexed Annuity Products	\$ (544,323)	Option Budget Method	Projected Option Cost	2.4% - 5.0% (3.6%)	Increase		
			Base Withdrawals	0.4% - 18.4% (3.5%)	Decrease		
			Partial Withdrawals (Non-GLWB)	0.8% - 3.4% (2.6%)	Decrease		
			Mortality (Non-GLWB)	81% -130% of 1994 GAM with scale G2 improvement (103%)	Decrease		
			Mortality (GLWB)	104% -105% of 2012 IAM Basic with scale G2 improvement (104%)	Decrease		
			Nonperformance Risk Spread	0.8% - 0.9% (0.8%)	Decrease		

<sup>1</sup>The weighted average is determined based on the fair value of the securities.

<sup>2</sup>Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table above.

<sup>3</sup>Includes \$945,897 of privately placed securities and \$1,275,682 of investment grade securities based on NAIC rating.

<sup>4</sup>Primarily subordinated tranches of non-agency residential mortgage-backed securities and includes \$196,697 of investment grade securities based on NAIC rating.

<sup>5</sup>Securities are diversified by asset class and include \$672,649 of investment grade securities based on NAIC rating.

<sup>6</sup>Includes \$1,169,469 of investment grade securities based on NAIC rating.

<sup>7</sup>Includes \$784,850 of privately placed securities and \$817,841 of investment grade securities based on NAIC rating.

**NOTE 14 - FAIR VALUE MEASUREMENTS (continued)**

The following table presents information about significant unobservable inputs used in Level 3 fair value measurements at December 31, 2022:

<i>Assets accounted for at Fair Value on a recurring basis</i>	<i>Fair Value</i>	<i>Predominant Valuation Method</i>	<i>Significant Unobservable Input</i>	<i>Range of Values - Unobservable Inputs (Weighted Average) <sup>1</sup></i>	<i>Impact of Increase in Input on Fair Value <sup>2</sup></i>
U.S. corporate securities <sup>3</sup>	\$ 859,457	Discounted cash flows	Spread	40 bps - 233 bps (158 bps)	Decrease
	2,616	Broker quote	Price	87 - 87 (87)	Increase
	247,304	Vendor price	Price	85 - 116 (99)	Increase
Residential mortgage-backed securities <sup>4</sup>	\$ 98,848	Discounted cash flows	Constant prepayment rate	0% - 147% (9%)	Decrease
			Constant default rate	0% - 10% (1%)	Decrease
			Loss severity	0% - 100% (35%)	Decrease
	10,575	Broker quote	Price	95 - 97 (96)	Increase
	16,738	Vendor price	Price	28 - 100 (77)	Increase
Asset-backed securities <sup>5</sup>	\$ 157,878	Discounted cash flows	Constant prepayment rate	0% - 100% (18%)	Decrease
			Constant default rate	0% - 0% (0%)	Decrease
			Loss severity	0% - 50% (3%)	Decrease
	341,654	Broker quote	Price	80 - 100 (93)	Increase
	144,264	Vendor price	Price	15 - 99 (84)	Increase
	1,001	Discounted cash flows	Spread	100 bps - 100 bps (100 bps)	Decrease
Collateralized debt obligation securities <sup>6</sup>	\$ 60,187	Vendor price	Price	66 - 100 (85)	Increase
	1,120,252	Broker quote	Price	65 - 100 (93)	Increase
Foreign corporate securities <sup>7</sup>	\$ 673,112	Discounted cash flows	Spread	40 bps - 338 bps (152 bps)	Decrease
	13,147	Broker quote	Price	99 - 133 (112)	Increase
Municipal warrants	\$ 3,178	Broker quote	Price	100	Decrease
Private equity securities	\$ 1,048	Vendor Price	Price	1 - 96 (49)	Increase
VA GLWB Embedded Derivatives	\$ (43,426)	Stochastic Cash Flow Model	Mortality	104% -105% of 2012 IAM Basic with scale G2 improvement (104%)	Decrease
			Base Surrenders	0.3% - 10.1% (3.8%)	Decrease
			Delay Prior to Withdrawals	0 - 10 years (5.3)	Increase
			Volatility	1.0% - 30.7% (16.3%)	Increase
			Nonperformance Risk Spread	1.1% - 1.4% (1.1%)	Decrease
Indexed Life Products	\$ (1,311)	Market Value of Hedge Assets less Unamortized Cost	Unamortized Cost	12-24 months straight-line amortization (12.7)	Decrease
Indexed Annuity Products	\$ (432,540)	Option Budget Method	Projected Option Cost	1.4% - 4.7% (2.9%)	Increase
			Base Withdrawals	0.4% - 18.1% (3.5%)	Decrease
			Partial Withdrawals (Non-GLWB)	0.8% - 3.4% (2.7%)	Decrease
			Mortality (Non-GLWB)	81% -130% of 1994 GAM with scale G2 improvement (103%)	Decrease
			Mortality (GLWB)	104%-105% of 2012 IAM Basic with scale G2 improvement (104%)	Decrease
			Nonperformance Risk Spread	1.1% - 1.4% (1.1%)	Decrease

<sup>1</sup>The weighted average is determined based on the fair value of the securities.

<sup>2</sup>Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table above.

<sup>3</sup>Includes \$956,165 of privately placed securities and \$1,091,265 of investment grade securities based on NAIC rating.

<sup>4</sup>Primarily subordinated tranches of non-agency residential mortgage-backed securities and includes \$126,161 of investment grade securities based on NAIC rating.

<sup>5</sup>Securities are diversified by asset class and include \$628,248 of investment grade securities based on NAIC rating.

<sup>6</sup>Includes \$1,170,056 of investment grade securities based on NAIC rating.

<sup>7</sup>Includes \$673,112 of privately placed securities and \$686,259 of investment grade securities based on NAIC rating.

## NOTE 14 - FAIR VALUE MEASUREMENTS (continued)

### Nonrecurring Fair Value Measurements

The Company may be required to measure certain other financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the write-downs of individual assets, primarily impaired assets for the Company. There were no material fair value measurements on a nonrecurring basis at December 31, 2023 or 2022.

The Company considers a loan impaired when it is probable that it will be unable to collect all amounts due according to the contractual terms of the note agreement, including principal and interest. Impairment of loans on nonaccrual status or those with restructured terms is based on observable market prices, the estimated fair value of the collateral for collateral-dependent loans, or the present value of the expected future cash flows discounted at the loan's effective interest rate. Appraised values, adjusted for management's assumptions, are generally used on real estate collateral-dependent impaired loans, which the Company classifies as a Level 3 nonrecurring fair value measurement.

The Company may also be required to measure certain other nonfinancial assets at fair value on a nonrecurring basis. These fair value measurements are typically related to intangible assets acquired or goodwill which has been impaired to fair value after initial recognition. There were no nonfinancial assets at fair value on a nonrecurring basis after initial recognition at December 31, 2023 or 2022.

## NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques which are based on management estimates, including the discount rate and estimates of future cash flows. Derived fair value estimates may not be realized on immediate settlement of the instrument. All nonfinancial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Fair value estimates presented herein are based on pertinent information available to management as of December 31, 2023 and 2022. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for each class of financial instrument for which it is practicable to estimate a value:

*Fixed maturity securities* – Fair value is determined as described in Note 14 on available for sale and trading securities. For held to maturity securities which are publicly traded securities, fair value is determined utilizing methodologies consistent with those described in Note 14 for fixed maturity securities. For held to maturity securities without a readily ascertainable fair value, the value has been determined using an interest rate spread matrix based upon quality, weighted average maturity and U.S. Treasury yields.

*Mortgage loans on real estate, net* – The fair value of commercial mortgage loans is primarily determined by estimating expected future cash flows and discounting the cash flows using current interest rates for similar mortgage loans with similar credit risk. The fair value of residential mortgage loans is determined by the Yields-Based or Price-Based approach. The Yield-Based approach, applied to performing and sub-performing loans, estimates fair value by first modeling contractual cash flows and then discounting the cash flows at an appropriate discount rate that incorporates an appropriate base rate (e.g., Treasury) to which a risk premium (spread) is added. The Price-Based approach, applied to non-performing loans (greater than 90 days past due) along with certain sub-performing loans, utilizes a direct estimate of a loan's net present value or dollar price, largely based on underlying collateral values. The valuation techniques used to measure the fair value of impaired loans are described in Note 14.

*Loans on insurance policies* – The fair values for loans on insurance policies are estimated using discounted cash flow analysis at interest rates currently offered for similar loans. Loans on insurance policies with similar characteristics are aggregated for purposes of the calculations.

**NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

*Other investments* – Fair value for venture capital limited partnerships is based on the underlying net asset value of the partnerships, adjusted for significant market events if the net asset value was not calculated as of December 31, 2023 and 2022. The fair value for private equity securities is determined based on internal valuations. Venture capital partnerships and real estate partnerships that are carried on the equity method are excluded from the fair value disclosure.

*Cash and accrued investment income* - The carrying amounts approximate fair value due to the short maturity of these instruments.

*Policyholder account balances* – Only contracts defined as investment contracts where there is no risk arising from policyholder mortality or morbidity are included in the fair value disclosure. Funds on deposit with a fixed maturity are valued at discounted present value using market interest rates. Funds on deposit which do not have fixed maturities are carried at the amount payable on demand at the reporting date, which approximates fair value.

*Borrowings* - Fair value for the Company’s borrowed money was estimated using discounted cash flow calculations based on current interest rates consistent with the maturity of the obligation.

*Separate account liabilities* - Fair value is determined as described in Note 14. Separate account liabilities are carried at the fair value of the underlying assets.

Assets or liabilities where carrying amount equals fair value are previously disclosed in Note 14. Estimated fair values of assets or liabilities not carried at fair value were as follows:

	<i>December 31, 2023</i>		<i>December 31, 2022</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
<b>Financial assets:</b>				
Fixed maturity securities held to maturity	\$ 277	\$ 282	\$ 299	\$ 303
Mortgage loans on real estate, net	2,409,431	2,239,498	2,506,985	2,276,870
Loans on insurance policies	674,566	575,583	543,604	501,691
Other investments	27,140	27,140	31,553	31,564
Cash	46,655	46,655	24,584	24,584
Accrued investment income	147,325	147,325	132,068	132,068
<b>Financial liabilities:</b>				
Policyholder account balances	1,128,468	1,125,432	1,126,514	1,122,780
Borrowings	61,821	61,768	157,268	159,909
Liabilities related to separate accounts	10,582,804	10,582,804	9,678,234	9,678,234



## NOTE 16 – OTHER COMPREHENSIVE INCOME ACTIVITY AND BALANCES

The following table presents information about the tax effects allocated to each component of other comprehensive income:

	<i>Before-tax</i>	<i>Tax (Expense) Benefit</i>	<i>Net-of-Tax</i>
<i>December 31, 2023</i>			
Change in unrealized gains on securities:			
Unrealized holding gains (losses) arising during the period	\$ 501,708	\$ (105,631)	\$ 396,077
Reclassification adjustments from AOCI	(42,135)	8,849	(33,286)
Allocation of unrealized gains (losses) to DAC	(211,715)	44,460	(167,255)
Allocation of unrealized gains to policy and contract liabilities	212,960	(44,722)	168,238
Change in unrealized gains (losses) on defined benefit plan obligation:			
Unrecognized defined benefit plans obligation	1,681	(421)	1,260
Reclassification adjustments from AOCI	(325)	86	(239)
<b>Other Comprehensive Income</b>	<b>\$ 462,174</b>	<b>\$ (97,379)</b>	<b>\$ 364,795</b>
<i>December 31, 2022</i>			
Change in unrealized gains on securities:			
Unrealized holding gains (losses) arising during the period	\$ (2,297,026)	\$ 483,707	\$ (1,813,319)
Reclassification adjustments from AOCI	24,048	(5,050)	18,998
Allocation from (to) Closed Block PDO	24,766	(5,202)	19,564
Allocation of unrealized gains (losses) to DAC	744,171	(156,276)	587,895
Allocation of unrealized gains to policy and contract liabilities	(417,246)	87,621	(329,625)
Change in unrealized gains (losses) on defined benefit plan obligation:			
Unrecognized defined benefit plans obligation	(1,459)	629	(830)
Reclassification adjustments from AOCI	(417)	108	(309)
<b>Other Comprehensive Income</b>	<b>\$ (1,923,163)</b>	<b>\$ 405,537</b>	<b>\$ (1,517,626)</b>
<i>December 31, 2021</i>			
Change in unrealized gains on securities:			
Unrealized holding gains (losses) arising during the period	\$ (364,194)	\$ 76,667	\$ (287,527)
Reclassification adjustments from AOCI	(3,600)	756	(2,844)
Allocation from (to) Closed Block PDO	21,425	(4,499)	16,926
Allocation of unrealized gains (losses) to DAC	46,088	(9,678)	36,410
Allocation of unrealized gains to policy and contract liabilities	1,402	(294)	1,108
Change in unrealized gains (losses) on defined benefit plan obligation:			
Unrecognized defined benefit plans obligation	10,563	(2,735)	7,828
Reclassification adjustments from AOCI	(158)	42	(116)
<b>Other Comprehensive Income</b>	<b>\$ (288,474)</b>	<b>\$ 60,259</b>	<b>\$ (228,215)</b>

**NOTE 16 – OTHER COMPREHENSIVE INCOME ACTIVITY AND BALANCES (continued)**

The following table presents information about the changes in the balances for each component of accumulated other comprehensive income:

	<i>Net Unrealized Gains/(Losses) on Available for Sale Securities</i>	<i>Unrealized Losses on Defined Benefit Plan Obligations</i>	<i>Total Accumulated Other Comprehensive Income (Loss)</i>
Balance, January 1, 2021	773,596	(19,612)	753,984
Other comprehensive income before reclassifications, net of tax	(233,083)	7,828	(225,255)
Amounts reclassified from AOCI, net of tax	(2,844)	(116)	(2,960)
Balance, December 31, 2021	537,669	(11,900)	525,769
Other comprehensive income before reclassifications, net of tax	(1,535,485)	(830)	(1,536,315)
Amounts reclassified from AOCI, net of tax	18,998	(309)	18,689
Balance, December 31, 2022	(978,818)	(13,039)	(991,857)
Other comprehensive income before reclassifications, net of tax	397,060	1,260	398,320
Amounts reclassified from AOCI, net of tax	(33,286)	(239)	(33,525)
Balance, December 31, 2023	\$ (615,044)	\$ (12,018)	\$ (627,062)