28 April 2023

FROM: Ben Gatting
DIRECT: +64 9 357 9178
EMAIL: ben.gatting@chapmantripp.com
PARTNER: Penny Sheerin
REF: 041422045/6262430.6

Registrar of Companies
New Zealand Companies Office
Level 18, 135 Albert Street
Auckland 1010

AMERICAN INCOME LIFE INSURANCE COMPANY – FINANCIAL STATEMENTS FOR FILING UNDER THE FINANCIAL MARKETS CONDUCT ACT 2013

1 Please find **enclosed** for registration under the Financial Markets Conduct Act 2013 for American Income Life Insurance Company (*AILIC*) for the year ended 31 December 2022:

1.1 AILIC New Zealand Branch Financial Statements and Audit Report, prepared in accordance with New Zealand Generally Accepted Accounting Practice;

1.2 AILIC Group Financial Statements and Audit report, prepared in accordance with Statutory Accounting Principles issued by the National Association of Insurance Commissioners (*US SAP*); and

1.3 the Appointed Actuary's reports prepared in accordance with section 78 of the Insurance (Prudential Supervision) Act 2010 in relation to the Group and Branch Financial Statements above.

2 AILIC gives **notice** to the Registrar of Companies of its reliance on the **enclosed** Financial Markets Conduct (Overseas Registered Banks and Licensed Insurers) Exemption Notice 2021, which exempts AILIC from:

2.1 sections 455(1)(c), 461B, 461D, and 461G of the FMCA; and

2.2 sections 460 and 461 of the FMCA to the extent that those sections require the exempt issuer to ensure that its financial statements, or group financial statements, comply with generally accepted accounting practice,

provided that *inter alia*, it files Group Financial Statements that have been prepared and audited in accordance with US SAP.

3 AILIC is an overseas licensed insurer. These Group Financial Statements have been prepared in accordance with the financial reporting requirements in the home jurisdiction of AILIC. Those requirements—

(a) are not equivalent to International Financial Reporting Standards (IFRS); and

(b) as such, are materially different to financial reporting requirements in New Zealand.

As a result, these financial statements may not be comparable in all material respects to financial statements prepared by a licensed insurer in accordance with New Zealand law.

4 Please charge the registration fee for the financial statements to our account (number 1001971). The reference number you should use is 041422045.

5 We would be grateful if you would confirm registration of these documents as soon as possible.

Yours faithfully

Penny Sheerin / Ben Gatting
PARTNER / SOLICITOR

DIRECT: +64 9 357 9660
EMAIL: ben.gatting@chapmantripp.com

American Income Life Insurance Company - New Zealand Branch

Financial Statements as of and for the Year Ended 31 December 2022, and Independent Auditor's Report

TABLE OF CONTENTS

Deloitte.

Independent Auditor's Report to the Shareholder of American Income Life Insurance Company – New Zealand Branch

Opinion

We have audited the financial statements of American Income Life Insurance Company – New Zealand Branch (the "Branch") which comprise the balance sheet as at 31 December 2022, the statement of comprehensive income, the statement of movements in the home office account, the statement of cash flows for the year then ended and notes to the financial statements, including the statement of significant accounting policies as set out on pages 7 to 28.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Branch's financial position as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). 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 independent of the Branch in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)(IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other than in our capacity as auditor and the provision of assurance services relating to the solvency return, we have no relationship with or interests in the Branch, except that partners and employees of our firm may deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch. These services have not impaired our independence as auditor of the Branch.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – New Zealand Branch

The New Zealand branch is part of American Income Life Insurance Company Limited ('the Company'). As described in Note 16, the assets of the Branch, other than those held in custodial fund, are legally available for the satisfaction of debts of the entire Company, not solely those appearing on the accompanying balance sheet and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of liability for future policy benefits As at 31 December 2022 valuation of outstanding claims totalled NZ$ 12,943,813. The net reserve for future policy benefits relating to life insurance contract liabilities is a key audit matter because of the judgement required in making the estimate. Specific actuarial experience is required to evaluate complex and judgemental actuarial methodologies and assumptions. As described in Note 15 to the financial statements, management sets assumptions for mortality, morbidity, rates of discontinuance, in: (1) estimating a liability for insurance contracts that will be incurred in the future ("policy liabilities"); and (2) determining the discount rate used to calculate the present value of future policy benefits payable. Assumptions are determined based upon published information, studies and analysis of Branch specific experience, adjusted for changes in exposure and other relevant factors. Given the inherent uncertainty for future assumptions, the development of such assumptions involves subjective judgement. The estimate of the liability for future policy benefits is a key input into the branch's solvency calculation for measuring compliance with its license conditions and is sensitive to changes in interest rates. This was a key audit matter due to the size of the balance (being 57% of total liabilities), and the specific audit and actuarial expertise required to evaluate the judgemental actuarial methodologies and assumptions.	Our audit procedures related to management's judgements regarding the assumptions used in the development of the liability for future policy benefits included, but were not limited to: • testing the design and implementation of relevant controls put in place by the management over the valuation of the liability for future policy benefits; • testing the completeness and accuracy of the underlying data used in the development of the assumptions as well as in the determination of the liability for future policy benefits; • assessing the appropriateness of estimates and judgements, valuation methodologies, processes and models with respect to actuarial and relevant accounting standards; • assessing whether the assumptions used were consistent with evidence obtained in other areas of the audit; • assessing with the assistance of our actuarial specialists, management's judgements regarding the assumptions used in the development of future policy benefits payable including the appropriateness of the valuation methodology; • assessing the appropriateness of the disclosures in the notes to the financial statements.

Deloitte.

Other Information

The Board of Directors of the Company, on behalf of the Branch, are responsible for the other information. The other information comprises the information included in the Branch's annual report for the year ended 31 December 2022 , but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors of the Company is responsible, on behalf of the Branch, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS), and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Company is responsible, on behalf of the Branch, for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Company or Branch or to cease operations, or has no realistic alternative but to do so.

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 a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- 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 Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Deloitte.

- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or Branch to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stuart Alexander.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 27 April 2023

AMERICAN INCOME LIFE INSURANCE COMPANY
NEW ZEALAND BRANCH

Financial Statements
As of and for the year ended 31 December 2022

APPROVAL BY DIRECTORS

The directors are pleased to present the financial statements of American Income Life Insurance Company - New Zealand Branch as of and for the year ended 31 December 2022.

The shareholders of the Company have exercised their rights under Section 211(3) of the Companies Act 1993 and unanimously agreed that the annual report need not comply with any of the Sections (a) and (e) to (j) of Section 211(1) and of Section 211(2) of the Act.

Director	Director
Michael Shane Henrie	Robert Brian Mitchell

For and on behalf of the Directors

Date: 27 April 2023

1. GENERAL ACCOUNTING POLICIES

General Information - The reporting entity is American Income Life Insurance Company - New Zealand Branch (the "Branch"). American Income Life Insurance Company (the "Company") is registered under the Companies Act 1993.

Effective 31 July 2013, the Company established a statutory fund in accordance with the Insurance (Prudential Supervision) Act 2010 ("IPSA-2010"). Note 16 to the financial statements provides further information in relation to the Statutory Fund. The Company was granted a full license by the Reserve Bank of New Zealand (RBNZ) under IPSA-2010 on 23 August 2013. The life insurance operations of the Branch are conducted as required by the IPSA - 2010 and are reported in aggregate in the statement of comprehensive income, balance sheet, statement of cash flows, and statement of movements in the home office account of the Branch. The life insurance operations of the Branch comprise the selling and administration of life insurance contracts. All contracts are non-investment linked business. All business written by the Branch is non-participating and all profits and losses are allocated to the statutory fund.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness.

The principal place of business is American Income Life Insurance Company, 1200 Wooded Acres, Waco, Texas, United States of America. The contact address for the Branch is c/o AIL New Zealand Ltd. (an independently owned company and independent contractor), AIL House, 2165 Great North Road, Avondale, Auckland, New Zealand.

The effects of the COVID-19 pandemic, and U.S. and international responses, are wide-ranging, costly, and disruptive, and has resulted in significant disruptions in economic activity and financial markets. Excess deaths from non-COVID causes have directly and indirectly adversely affected the Company and will likely continue to do so for an uncertain period of time. Despite these challenges, the Branch continues to effectively conduct business operations as it monitors the impact of the pandemic on underwriting results, solvency requirements, agency force and policyholders.

Basis of Preparation - The financial statements presented are those solely for the Branch and are prepared on the basis of historical costs except for certain assets and liabilities as noted. The financial statements comprise statements of the following: significant accounting policies, statement of comprehensive income, statement of movements in the home office account, balance sheet, statement of cash flows, as well as notes to these statements contained on pages 8 to 28. As stated in Note 16, the assets held in the Custodial Fund are only available to meet the liabilities of American Income Life Insurance Company - New Zealand Branch. Assets held in Other Account are legally available for the satisfaction of debts of the American Income Life Insurance Company, not solely those appearing on the balance sheet of the Branch and its debts may result in claims against assets not appearing thereon.

Statement of Compliance - The Branch is a profit-oriented entity and has applied all applicable standards for profit-oriented entities.

The Branch is an FMC reporting entity under the Financial Markets Conduct Act 2013. These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

Presentation and Functional Currency of the Branch - These financial statements have been prepared in New Zealand dollars, which is the functional currency of the Branch.

Overview of Insurance Risk - The financial assets and liabilities are subject to market and insurance risk and other changes of experience assumptions that may have a material effect on NZ IFRS basis profit or loss and equity. Market risk is the risk that the fair value or future cash flows of a financial instrument, or liability of insurance contracts will vary because of changes in market prices. Market risk involves four types of risk:

Credit Risk - is the risk that a counter-party will default on its contractual agreement exposing the Branch to potential financial loss. The Branch manages this risk in accordance with its investment management policies.

Currency Risk - is the risk of loss resulting from changes in exchange rate when applied to assets and liabilities or future transactions denominated in a currency that is not the Branch's functional currency. The Branch sets limits for the management of currency risk arising from the Branch's investments based on prudent international asset management practice.

Interest Rate Risk - is the risk that the value or future value of cash flows of a financial instrument will fluctuate because of changes in interest rates. The Branch manages interest rate risk arising from its interest bearing investments in accordance with Branch policies.

Other Price Risk - is the risk of loss resulting from the decline in prices of equity securities or other assets. The price risk is managed by diversification of the investment portfolio.

Policyholder liabilities and reserves are subject to the effects of changes in experience, or expected future experience, such as for mortality and rates of discontinuance.

Standards and Interpretations Not Yet Effective - NZ IFRS 17 "Insurance Contracts" is effective for balance dates beginning 1 January 2023. The standard replaces NZ IFRS 4 "Insurance Contracts". NZ IFRS 17 requires entities to identify portfolios of insurance contracts which are subject to similar risk and managed together. Each portfolio, at minimum shall be divided into three groups, a group of contracts that are onerous at initial recognition, a group of contracts that at initial recognition have no significant possibility of becoming onerous, and a group of the remaining contracts in the portfolio. The standard measures insurance contracts either under the general model or a simplified version of this called the Premium Allocation Approach. An entity shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach. Management has conducted an analysis regarding the application of this new standard to the products in its branch operations, considering items such as application of the general model and the expected likelihood of any onerous contracts at initial recognition. While the requirements of the new guidance represent a change from existing IFRS 4 and will be significant from a financial reporting perspective, the new guidance will not impact cash flows on our policies, or the underlying economics of our business. The Branch is finalising inputs for valuation and accounting policies, adjusting internal reporting processes, reviewing valuation calculations and following draft changes by the RBNZ to the Annual and Quarterly Insurer Return in order to make the necessary changes to our financial reporting system. Due to these ongoing efforts, the quantitative impact of the adoption of this standard will be provided at a later date.

Adoption of New and Revised Standards and Interpretations - All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.

2. PARTICULAR ACCOUNTING POLICIES

a) **Recognition of Premium Income and Policy Expenses** - Premiums on life and accident and health policies are recognised as revenues when due.

Policy acquisition costs are the fixed and variable costs of acquiring new business, including commission. Policy maintenance costs include all operating and management costs other than acquisition and investment management costs.

All expenses that are not directly attributable to the acquisition of life insurance contracts are classified as maintenance expenses.

b) **Investments** - The government and other debt securities are stated at fair values, which were obtained from third party pricing services, with any resultant gain or loss recognised in profit or loss.

c) **Taxation** - Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax - The tax currently payable is calculated on the basis that the Branch is a non-resident with no fixed establishment in New Zealand. As such, the Branch is subject to income tax as a non-resident life insurer; general insurance premiums are subject to the non-resident insurer regime; and interest income is subject to non-resident withholding tax or Approved Issuer Levy. Taxable profit differs from profit reported in profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Further, different tax rates apply under the non-resident insurer regime and to interest income for non-residents. The Branch's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax - Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

d) **Financial Instruments** - Assets and liabilities of the Branch are primarily financial instruments and are recognised in the Balance Sheet.

The Branch has determined that cash and bonds in the custodial account are the assets held in relation to insurance contracts for backing insurance contract liabilities. The Branch has provided additional protection for its New Zealand policy holders by ring-fencing a significant proportion of its financial assets in a trust structure, sufficient to cover its solvency liabilities in New Zealand.

The accounting policies applying to financial assets held to back life insurance activities are:

Financial assets are stated at fair value, with any resulting gain or loss recognised in profit or loss. All purchases or sales of financial assets carried at fair value through profit or loss that require delivery within the timeframe established by regulation or market convention ("regular way" purchase and sales) are recognised at trade date, which is the date the Company commits to purchase or sell the assets.

Loan and deposits are recognised at settlement date, which is the date that the assets are delivered or received.

Short term deposits and cash and cash equivalents are carried at amortised cost and are recorded using the effective interest method, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

Accrued investment income and receivables from affiliates that do not back insurance contract liabilities are measured at amortised cost, less any allowance for expected credit losses (ECL). Interest income is recognised by applying the effective interest rate. Receivables from affiliates primarily represent claw back commission, advances to agents and interest accrued on these amounts.

e) **Trade and Other Liabilities** - Trade payables and other liabilities are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services and are measured at amortized cost.

f) **Statement of Cash Flows** - The statement of cash flows has been prepared using the direct approach disclosed below.

Operating activities are the principal revenue producing activities of the Branch and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Branch.

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management.

g) **Impairment of Financial Assets** - Assets measured at fair value through profit or loss are not subject to impairment testing.

The amount of ECLs for financial assets, other than those at fair value through profit or loss, is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Branch applies a simplified approach in calculating ECLs for receivables from affiliates. Therefore, the Branch does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting dates. Where considered necessary, an ECL has been established and the asset is written down to its estimated recoverable amount.

The Branch applies a general approach in calculating ECLs for accrued investment income. Using the general approach, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Branch is required to measure the loss allowance for that financial instrument at an amount equal to twelve months of ECL.

h) **Policy Liabilities** - Policy liabilities consist of life insurance contract liabilities.

i) **Life Insurance Contract Liabilities** - The value of life insurance contract liabilities is calculated using the Margin on Services (MoS) methodology in accordance with New Zealand Society of Actuaries Professional Standard 20, *Determination of Life Insurance Policy Liabilities* (PS20). Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using best estimate assumptions at each reporting date, and acquisition costs are deferred over the life of the contract. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in Note 15.

MoS profit can be analysed into the following categories:

(i) *Planned Margins of Revenues over Expenses* - At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy.
(ii) *The Difference Between Actual and Assumed Experience* - Experience profits/(losses) are realized where actual experience differs from best estimate assumptions. Instances giving rise to experience profits/(losses) include variations in claims, expenses, mortality, discontinuance and

investment returns. For example, an experience profit will emerge when the expenses of maintaining all inforce business in a year are lower than the best estimate assumption in respect of those expenses.

(iii) *Changes to Underlying Assumptions* - The financial statement effect of all changes to underlying assumptions used for measuring policy liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year, except for changes in discount rates which are recognised in the year that the rates are changed. The financial effect of all other changes to the assumptions underlying the measurement of policy liabilities made during the reporting period is recognised in profit or loss over the future reporting periods during which services are provided to policyholders.

(iv) *Loss Recognition on Groups of Related Products* - If based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the total expected loss for that related product group is recognised in profit or loss immediately. When loss-making business becomes profitable, it is necessary to reverse previously recognised losses.

(v) *Investment Earnings on Assets in Excess of Policy Liabilities* - Profits are generated from investment assets, which are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

3. SIGNIFICANT JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

In the application of NZ IFRS management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

a) **Estimation of Insurance Contract Liabilities** - Insurance contract liabilities for life insurance contracts are computed using statistical or mathematical methods. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs are connected with the measurement basis of life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- Mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;

- Discontinuance experience, which affects the Branch’s ability to recover the cost of acquiring new business over the lives of the contracts;

- The cost of providing benefits and administering these insurance contracts;

- The discount rate applied to calculate the present value of future benefits;

In addition, factors such as regulation, inflation, interest rates, taxes, investment market conditions and general economic conditions affect the level of these liabilities. Refer to Note 15 for disclosure of assumptions.

b) **Policy and Contract Claims** - Policy and contract claims include provisions for reported claims and claims incurred but not reported. The provision for claims incurred but not reported is estimated based on the Branch’s experience.

Since this liability is based on estimates, the ultimate settlement of losses may vary from the amounts included in the financial statements. Although it is not possible to measure the degree of variability inherent in such estimates, the Branch believes the liability for claims is reasonable.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2022

	2022	**2021**
INCOME:		
Premiums (Note 1)	$ 23,908,912	$ 24,973,089
Interest income on investments (Note 2)	4,059,427	4,029,456
Change in liability for future policy benefits (Note 15)	12,797,247	4,012,083
Other interest	633,656	425,851
	41,399,242	33,440,479
EXPENDITURE:		
Claims (Note 3)	5,528,774	5,246,455
Commissions (Note 4)	4,553,578	6,058,422
Revaluation of debt securities	17,113,839	11,964,396
Management expenses (Note 5)	4,412,855	4,805,019
	31,609,046	28,074,292
PROFIT BEFORE TAXATION	9,790,196	5,366,187
TAXATION (Note 13)	5,087,766	1,634,754
PROFIT AFTER TAXATION ATTRIBUTABLE TO HEAD OFFICE (Note 6)	$ 4,702,430	$ 3,731,433
TOTAL COMPREHENSIVE INCOME	$ 4,702,430	$ 3,731,433

The Statement of Significant Accounting Policies and Notes to the Financial Statements form part of, and should be read in conjunction with, these financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY
NEW ZEALAND BRANCH

STATEMENT OF MOVEMENTS IN THE HOME OFFICE ACCOUNT
For the Year Ended 31 December 2022

	2022	2021
BALANCE — Beginning of the year	$125,863,977	$128,967,884
Contributions from the home office:		
General advances (Note 9) received / (paid)	(25,533,338)	(9,649,525)
Expenses paid on behalf of the Branch (Note 9)	2,216,458	2,814,185
	(23,316,880)	(6,835,340)
Profit after tax	4,702,430	3,731,433
Total comprehensive income	4,702,430	3,731,433
BALANCE — End of the year	$107,249,527	$125,863,977

The Statement of Significant Accounting Policies and Notes to the Financial Statements form part of, and should be read in conjunction with, these financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY
NEW ZEALAND BRANCH

BALANCE SHEET
As of 31 December 2022

	2022	2021
ASSETS		
CASH AND CASH EQUIVALENTS	$ 4,755,546	$ 11,753,813
INVESTMENTS (Note 8)	116,010,123	134,347,187
POLICY LOANS	4,449,005	4,283,114
OUTSTANDING PREMIUMS	187,110	257,882
ACCRUED INVESTMENT INCOME	1,387,205	1,364,762
RECEIVABLE FROM AFFILIATES	3,163,183	4,682,721
PREPAYMENTS	1,305	225
TOTAL	$129,953,477	$156,689,704
LIABILITIES AND HOME OFFICE ACCOUNT		
POLICY AND CONTRACT CLAIMS	$ 1,636,956	$ 1,445,558
UNEARNED PREMIUMS	50,468	55,142
TRADE AND OTHER LIABILITIES	1,406,706	1,776,014
NET RESERVE FOR FUTURE POLICY BENEFITS (Note 15)	12,943,813	25,741,060
CURRENT AND DEFERRED TAX LIABILITIES (Note 13)	6,666,007	1,807,953
Total liabilities	22,703,950	30,825,727
ADVANCES FROM HOME OFFICE (Note 9)	51,966,803	75,283,682
ACCUMULATED SURPLUS	55,282,724	50,580,295
Total home office account	107,249,527	125,863,977
TOTAL	$129,953,477	$156,689,704

The Statement of Significant Accounting Policies and Notes to the Financial Statements form part of, and should be read in conjunction with, these financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY
NEW ZEALAND BRANCH

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other considerations received from policyholders	$ 23,813,793	$ 24,785,253
Interest income	5,260,206	5,123,612
Other interest	633,656	425,851
Payment of claims	(5,342,048)	(5,277,495)
Payments of taxes	(229,712)	(231,915)
Payments of commissions	(3,034,039)	(4,585,586)
(Payments) / Receipts to suppliers, agents etc.	(2,200,123)	(1,452,586)
Net cash provided by operating activities (Note 12)	18,901,733	18,787,134
Net change in short term investments	$ —	—
Cash received for matured long-term investments	—	2,000,000
Cash paid for long term investments	—	(14,405,591)
Net cash (used) in investing activities	—	(12,405,591)
CASH FLOWS FROM FINANCING ACTIVITIES — Advances provided by / (repaid to) related parties	(25,900,000)	(10,000,000)
Net cash provided from / (used in) financing activities	(25,900,000)	(10,000,000)
NET (DECREASE) / INCREASE IN CASH ON HAND	(6,998,267)	(3,618,457)
CASH ON HAND — Beginning of year	11,753,813	15,372,270
CASH ON HAND — End of year	$ 4,755,546	$ 11,753,813

The Statement of Significant Accounting Policies and Notes to the Financial Statements form part of, and should be read in conjunction with, these financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY
NEW ZEALAND BRANCH

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

1. PREMIUMS

	2022	2021
Individual life	$ 19,589,505	$ 20,215,589
Accident and health	4,319,407	4,757,500
	$ 23,908,912	$ 24,973,089

2. INTEREST INCOME ON INVESTMENTS

	2022	2021
Government securities	$ 2,286,381	$ 2,277,350
Other debt securities	1,773,046	1,752,106
	$ 4,059,427	$ 4,029,456

3. CLAIMS

	2022	2021
Individual life	$ 4,897,686	$ 4,293,485
Accident and health	631,088	952,970
	$ 5,528,774	$ 5,246,455

4. COMMISSIONS (POLICY ACQUISITION EXPENSES)

	2022	2021
Individual life - First Year	$ 1,644,720	$ 2,857,777
Individual life - Renewal	2,258,726	2,305,825
Accident and health - First Year	154,714	396,808
Accident and health - Renewal	495,418	498,012
	$ 4,553,578	$ 6,058,422

5. MANAGEMENT EXPENSES

	2022	2021
Home office charges:		
General expenses	$ 1,128,332	$ 1,418,657
Salaries	1,088,126	1,395,528
General office expenses	1,211,108	1,017,085
Remuneration for services provided:		
Audit and assurance fees paid to Deloitte	329,362	280,267
Taxation Services - Other firms	10,727	37,012
Other expenses	628,358	634,405
Investment expenses	16,842	22,065
	$ 4,412,855	$ 4,805,019

6. PROFIT AFTER TAX

The profit for the year has arisen as follows:

	2022	2021
Planned margins	$ 2,272,212	$ 3,040,679
Actual less assumed experience	(3,839,741)	2,307,704
Basis change*	19,851,261	7,556,965
Investment earnings on assets in excess of policy liabilities	(13,581,302)	(9,173,915)
	$ 4,702,430	$ 3,731,433

* The basis change is the impact of changes to the discount rates used in valuation of policy liabilities.

7. CAPITAL COMMITMENTS

There are no commitments for capital expenditure entered into at 31 December 2022 and 2021.

8. INVESTMENTS

	2022	2021
Bonds		
Governments	$ 64,530,071	$ 78,790,500
Corporates	51,480,052	55,556,687
Total Bonds	$ 116,010,123	$ 134,347,187

These securities mature from 2023 to 2050 and carry an effective yield of approximately 2.91% (2021 - 2.91%).

9. RELATED PARTY TRANSACTIONS

American Income Life Insurance Company incurs expenses for the Branch at the Home Office in Waco, Texas. Those expenses, as well as additional start-up costs and contributions from Home Office to comply with regulatory solvency capital requirements are shown as advances from the Home Office to the Branch. Additionally, there are no members of management located at the Branch in New Zealand, therefore the Home Office bears the cost of management. The advance payable to the Home Office as at 31 December 2022 was $51,966,803 (2021: $75,283,682). The total value of these expenses for the year were $2,216,458 (2021: $2,814,185) and general advances were received (paid) during the year of $(25,533,338) (2021: $(9,649,525)).

10. LOANS TO DIRECTORS OR EMPLOYEES

None (2021: None)

11. FINANCIAL INSTRUMENTS

The financial condition and operating results of the Branch are affected by a number of financial and non-financial risks. Financial risks include interest rate risk, credit risk, and liquidity risk. Non-financial risks include insurance risks.

The Branch's objective is to prudently manage these risks.

Financial risks are managed via a conservative investment management strategy, with assets concentrated in liquid, investment grade bonds. The asset mix includes medium-term investments in government securities, aimed at immunizing the policy liabilities against interest rate fluctuations.

Insurance risks are managed via prudent underwriting of new business applications from prospective policyholders and via thorough selection of appropriate sales staff to act as the Branch's intermediaries.

Insurance Risks - Terms and conditions that affect the timing of cash-flows are as follows:

The Branch's products are predominantly long-term policies providing death and disablement benefits. The policy liabilities are calculated on the basis that the assumed rate of investment returns are able to be realized on policy reserves and on net cash-flows in future. If these returns are not achieved then the projected surpluses will be lower than expected.

The Branch's products provide death and disablement benefits that are significantly in excess of the policy liabilities. Consequently if claim levels are higher than expected then the projected surpluses will be lower than expected.

The Branch's products provide surrender values on product cancellation, and if more clients surrender than expected then the projected cash outflows will be accelerated.

The policy liabilities are based on the assumption that policies are able to be maintained for a certain level of administration costs. If these costs are exceeded there will be a resulting reduction in emerging profits.

The Branch does not write any group business, where there could be concentrations of lives insured in one work-place.

The total individual Life and Accident and Health claims paid in 2022 for claims incurred before 2022 is $810,349 which is lower by $626,077 compared to claim liabilities estimate of $1,436,426 provided in 2021.

Insurance risk can be quantified by showing the sensitivity of policy liabilities and future profit margins to changes in the main assumptions that affect insurance business risks. The table below shows the impact of variations to assumptions concerning discount rates, the major types of claims, policy discontinuances and administration costs.

2022

	Life		Life (Accident & Hospital Indemnity)	
Assumption variation	**Policy Liabilities**	**Margins**	**Policy Liabilities**	**Margins**
		Increase (Decrease)		
Discount rate 1% higher	$ (8,671,119)	$ (1,249,275)	$ (556,476)	$ (79,087)
Discount rate 1% lower	12,559,251	1,490,196	951,961	96,818
Deaths and disablements 10% higher		(6,269,996)	1,130,280	(852,317)
Deaths and disablements 10% lower		6,679,670		1,983,518
Annual surrenders 10% higher		(118,538)		(52,952)
Annual surrenders 10% lower		48,334		44,080
Administration costs 10% higher		(1,428,403)		(334,502)
Administration costs 10% lower		1,428,403		334,502

2021

	Life		Life (Accident & Hospital Indemnity)	
Assumption variation	**Policy Liabilities**	**Margins**	**Policy Liabilities**	**Margins**
		Increase (Decrease)		
Discount rate 1% higher	$ (13,293,546)	$ (1,826,449)	$ (1,080,869)	$ (128,815)
Discount rate 1% lower	19,538,215	2,217,252	1,809,335	161,048
Deaths and disablements 10% higher		(7,243,389)	1,476,561	(1,224,267)
Deaths and disablements 10% lower		7,761,928		2,702,241
Annual surrenders 10% higher		576,952		18,981
Annual surrenders 10% lower		(751,045)		(45,861)
Administration costs 10% higher		(1,806,436)		(452,961)
Administration costs 10% lower		1,806,436		452,961

Interest Rate Risk - Invested assets are subject to the customary risks of defaults, downgrades, and changes in market values. Factors that may affect these risks include interest rate levels, financial market performance, and general economic conditions. Significant increases in interest rates could cause a material temporary decline in the fair value of the fixed investment portfolio, reflecting unrealized fair value losses. This risk is mitigated by the Branch's operating strategy to generally hold investments to maturity recognizing the long-term nature of the life policy reserve liabilities supported by investments. The high credit quality of investments held, which are all NZ Government direct obligations and bonds of NZ agencies, municipals and corporates (refer to Note 8), greatly diminishes the need to liquidate investments prior to maturity.

The following table illustrates the market risk sensitivity of our interest-rate sensitive fixed-maturity portfolio at 31 December 2022 and 2021. This table measures the effect of a change in interest rates on the profit or loss and equity of the Branch. The data measures the effect on profit or loss and equity arising from an immediate and sustained change in interest rates in increments of 100 basis points.

	Increase (Decrease) in Profit and Equity For the Year	
	2022	**2021**
Change in interest rate (bps):		
-200	$ 12,181,326	$ 20,514,146
-100	5,678,686	9,438,680
0		
+100	(5,002,557)	(8,130,532)
+200	(9,445,363)	(15,205,408)

Credit Risk - The Branch's major categories of asset comprise the following:

Investments in government securities, corporate bonds, and cash and cash equivalents total $120.8 million as of 31 December 2022 (2021 - $146.1 million).

Receivables from affiliates of $3.2 million (2021 - $4.7 million) represent unexpensed agent commissions, which have been purchased by an affiliated party and have not been settled. The recoverability of unexpensed commissions depends on the continuation of the policies on which the commissions have been accrued. The recoverability of clawback amounts will be affected by whether the agent continues to write new business with the Branch, and whether the agent has assets that are able to contribute to any commission recovery.

Outstanding premiums and receivables from affiliates are relatively illiquid assets and are subject to a degree of credit risk. The risk is monitored by management for collectability and an expected credit loss is established as necessary.

Accrued investment income of $1.4 million (2021 - $1.4 million) represents interest income earned on the investment portfolio but not yet received as of the balance sheet date. This asset category is subject to a degree of credit risk. In assessing whether the credit risk has increased significantly since initial recognition, the Branch continually monitors the economic and credit status of each of its bond holdings and analyzes each issuer's ability to continue meeting its contractual debt obligations. Factors taken into consideration include:

- An actual or expected significant deterioration in the issuer's credit rating
- Existing or projected changes to the business, economic, financial, or regulatory environment under which the issuer operates that could adversely impact its ability to meet its debt obligations
- Actual or projected deterioration in operating results that could significantly impact the issuer's cash flows and thus, its ability to meet debt obligations
- Changes to, or removal of, financial guarantees from a third-party guarantor
- Actual or projected deterioration in any underlying collateral
- News and information, either released by the issuer or otherwise reported by the media or securities analysts who monitor the issuer, that indicate the issuer is unlikely to pay its creditors on time or in full

When, based upon the assessments above, it is determined that a contractual interest payment will not be received or is not expected to be received, the accrued interest receivable will be reversed. Since all of the bonds held by the Branch are obligated to pay interest either semi-annually or quarterly, the collectability of such interest is determinable at regular intervals throughout the year.

The Branch does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics.

Liquidity Risk - The Branch maintains adequate cash on an ongoing basis to meet anticipated liquidity needs. Long term securities are NZ government and corporate securities which are readily marketable in the event of unforeseen extraordinary liquidity needs.

The Branch's long-term securities mature from 2023 through 2050.

The average term of the Branch's liabilities for notified and unnotified claims, unearned premiums, premium taxes, and trade liabilities, totaling $3.1 million, is less than 12 months.

The average term of the Branch's policy liabilities is in excess of five years. Annual claim payments are expected to exceed $1 million per year, however these claims are expected to be met out of projected future net cash-flows, and policy liabilities are projected to increase rather than reduce over the next five years.

Fair Values - The Branch measures the fair value of its financial assets based on a hierarchy of three levels that indicate the quality of the fair value measurements as described below:

- Level 1 - fair values are based on quoted prices in active markets for identical assets or liabilities that the Branch has the ability to access as of the measurement date.
- Level 2 - fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.
- Level 3 - fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Branch has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Company which may include the Branch's own data or bid and ask prices in the dealer market.

All of the fair values reported at 31 December 2022 were determined using data provided by third-party pricing services. Prices provided by third-party services are not binding offers but are estimated exit values. They are based on observable market data inputs which can vary by security type. Such inputs include benchmark yields, available trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and other market data.

As part of the Branch's controls over pricing, management reviews and analyzes all prices obtained to insure the reasonableness of the values, taking all available information into account. One very important control is the corroboration of prices obtained from third-party sources against other independent sources. When corroborated prices produce small variations, the close correlation indicates observable inputs, and the median value of the available prices is used as the Branch's final valuation. When corroborated prices present greater variations, additional analysis is required to determine which value is the most appropriate. When one price is available, management evaluates observable inputs and performs additional analysis to confirm that the price is appropriate. All fair value measurements based on prices determined with observable market data are reported as Level 1 or Level 2 measurements. As of 31 December 2022 and 2021, all securities were classified as Level 2.

Fair value measurements at 31 December 2022:

Description	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Bonds: Fair Value through Profit and Loss				
Governments	$ —	$ 64,530,071	$ —	$ 64,530,071
Corporates	—	51,480,052	—	51,480,052
Total Bonds	$ —	$ 116,010,123	$ —	$ 116,010,123

Fair value measurements at 31 December 2021:

Description	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Bonds: Fair Value through Profit and Loss				
Governments	$ —	$ 78,790,500	$ —	$ 78,790,500
Corporates	—	55,556,687	—	55,556,687
Total Bonds	$ —	$ 134,347,187	$ —	$ 134,347,187

12. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO OPERATING SURPLUS AFTER TAXATION

	2022	2021
Operating surplus after taxation	$ 4,702,430	$ 3,731,433
Add (less) non cash items:		
Change in reserve for future policy benefits	(12,797,247)	(4,012,083)
Expenses and general advances paid on behalf of the Branch	2,583,120	3,164,657
Unrealized fair value change	17,113,839	11,964,396
Change in current and deferred taxes	5,087,766	1,634,754
Change in bond amortization	1,223,225	1,206,186
Total non cash items	13,210,703	13,957,910
	17,913,133	17,689,343
Movements in working capital:		
Change in receivables from affiliates	1,519,538	1,472,834
Change in accrued investment income	(22,443)	(112,026)
Change in policy loans	(165,891)	(160,967)
Change in outstanding premiums	70,772	(26,869)
Change in prepayments	(1,080)	37
Change in policy claims and unearned premiums	186,724	(31,042)
Change in other liabilities	(369,308)	187,739
Change in current tax liability	(229,712)	(231,915)
	988,600	1,097,791
Net cash provided by operating activities	$ 18,901,733	$ 18,787,134

13. INCOME TAXES

	2022	2021
Income taxes:		
Current tax expense/(benefit)	$ 230,044	$ 223,641
Deferred tax expense/(benefit)	4,857,722	1,411,113
Total expense	$ 5,087,766	$ 1,634,754

The income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2022	2021
Profit before taxation	$ 9,790,196	$ 5,366,187
Income tax expense calculated at 28% in 2022 and 2021	$ 2,741,255	$ 1,502,532
Effect of life insurance business - shareholder gain on savings business	3,751,462	2,812,100
Effect of non-life insurance business - non-deductible claims and commissions and other non-taxable items	(836,981)	(621,405)
Current year losses utilized against policyholder base	654,134	337,088
Schedular income permanent differences	(889,901)	(880,140)
Tax rate difference on schedular income	(332,203)	(294,797)
Utilisation of previously unrecognized tax losses	—	(1,220,624)
Income tax expense	$ 5,087,766	$ 1,634,754

	2022	2021
Deferred tax balances:		
Deferred tax asset comprise — tax losses	$ 11,437,321	$ 14,860,788
Deferred tax liability comprise — net reserve for future policy benefits	(17,812,946)	(16,459,621)
Other	106,790	187,720
Net deferred tax balance	$ (6,268,835)	$ (1,411,113)

Unrecognised Deferred Tax Balances - Deferred tax assets for tax losses available to be carried forward have only been recognised to the extent of the deferred tax liability balance, as it is reasonable to expect that those tax losses will be utilised in the future against the deferred tax liabilities. However, due to the uncertainty of future income from life insurance, the remaining deferred tax balance from tax losses has not been recognised.

	2022	2021
Shareholder base:		
Losses	$ —	$ —
Tax effect at 28%	—	—

The availability of the income tax losses is subject to minimum shareholder continuity or business continuity requirements being met.

Income Tax Payable	2022	2021
Opening balance	$ (396,840)	$ (405,114)
Provisional tax paid	229,712	231,915
Current year charge	(230,044)	(223,641)
Total income tax payable for the year	$ (397,172)	$ (396,840)

14. CONTROLLING ENTITIES

The controlling entity of American Income Life Insurance Company is Globe Life Inc., a Company incorporated in the U.S.A.

15. ACTUARY'S STATEMENT

The effective date of the actuarial report on policy liabilities and reserves is 31 December 2022. The actuarial policy liabilities and reserves were calculated by Mr. John O. Norton, FSA, of American Income Life Insurance Company.

Mr. Peter Davies of Davies Financial and Actuarial Services, a Fellow of the New Zealand Society of Actuaries, has certified that the amount of policy liabilities has been determined in accordance with Professional Standard No. 20 of the New Zealand Society of Actuaries. The actuarial report was prepared by Mr. Peter Davies.

The actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined.

	2022	2021
Policy liabilities:		
Balance at beginning of year	$ 25,741,060	$ 29,753,143
Movement in current year	(12,797,247)	(4,012,083)
Net reserve for future policy benefits	$ 12,943,813	$ 25,741,060

Policy liabilities comprises the following:

	2022	2021
Value of future claims	$ 137,793,843	$ 175,193,990
Value of future expenses	36,289,353	46,145,433
Value of future profit margins	15,832,151	20,682,518
Less value of future premiums	(176,971,534)	(216,280,881)
Net reserve for future policy benefits	$ 12,943,813	$ 25,741,060

The actuary has performed a liability adequacy test in accordance with NZ IFRS 4 and is satisfied as to the accuracy of the data using the assumptions below.

Disclosure of Assumptions - Policy liabilities were computed using a projection approach. Two separate projections were created for the Life business, Life plans and Accident and Hospital Indemnity plans.

Discount Rate - The 2022 discount rates are based on the Table of Risk-free Discount Rates at 31 December 2022 for Accounting Valuation Purposes published 09 January 2023 by the New Zealand Treasury. The 2021 discount rates are based on the Table of Risk-free Discount Rates at 31 December 2021 for Accounting Valuation Purposes published 6 January 2022 by the New Zealand Treasury. The 2022 rates range from 4.12% to 5.12% (2021: range from 1.30% to 4.30%).

Profit Carrier - The premium payable under each contract is the profit carrier. Future profits equal approximately 10.5% of the value of future premiums for Life plans and 2.5% of the value of future premiums for Accident & Hospital Indemnity plans.

Initial Expenses - For Life plans, 105% of issued premium plus 20% of first year commission. For Accident & Hospital Indemnity plans, 65% of premium.

Management Expenses - For Life plans, $30 per policy per annum plus 3% of premium. For Accident & Hospital Indemnity plans, $10 per policy per annum plus 13% of premium. These expenses are inclusive of maintenance, other and investment management expenses presented in Note 5. The rate of inflation is assumed to be 2%, applied to per policy expense.

All calculations have been computed gross of tax, with a deferred tax liability held in respect of the difference between published policy liabilities and policy tax reserves.

Mortality Rates - The mortality rates are based on the 2001 Valuation Basic Table with applicable factors.

Morbidity - The morbidity rates for 2009 issues and below have multiple factors ranging from 105% to 140%. The morbidity rates for issues 2010 and after are updated based on recent experience studies.

Rates of Discontinuance - Variable scales per expected portfolio experience. The Life plans and Accident & Hospital plans discontinuance rates were updated based on recent experience study.

Surrender Values - All Whole Life plans except "Permanent Life" plans have surrender values which are guaranteed upon issue and expressed in terms of unit of coverage. The surrender values are tabular and were calculated upon issue based on certain non-forfeiture interest rates, non-forfeiture factors and mortality tables.

The impact of change in discount rate on future profit margin is a decrease of $3.5 million. The impact of change in demographic and expense assumptions on future profit margin is a decrease of $0.9 million.

Sensitivity analyses for other assumptions were performed (refer to Note 11).

16. SOLVENCY

The solvency position has been calculated in accordance with the RBNZ Solvency Standard for Life Insurance Business 2014, issued under the Insurance (Prudential Supervision) Act 2010, effective up to and including 31 December 2022.

	2022			2021		
	Custodial Fund	Other	Total Statutory Fund	Custodial Fund	Other	Total Statutory Fund
Actual Solvency Capital	$ 95,089,000	$ 12,160,000	$ 107,249,000	$ 110,637,000	$ 15,227,000	$ 125,864,000
Minimum Solvency Capital	25,194,000	3,193,000	28,387,000	44,530,000	4,723,000	49,253,000
Solvency Margin	$ 69,895,000	$ 8,967,000	$ 78,862,000	$ 66,107,000	$ 10,504,000	$ 76,611,000
Solvency Ratio	377 %	381 %	378 %	248 %	322 %	256 %

Assets held in the Custodial Fund are only available to meet the liabilities of American Income Life Insurance Company - New Zealand Branch. Assets held in the Other Account are legally available for the satisfaction of debts of the American Income Life Insurance Company, not solely those appearing on the balance sheet of the Branch and its debts may result in claims against assets not appearing thereon.

17. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2022 and 2021.

18. NEW ZEALAND CUSTODY ACCOUNT

Assets (Cash and Securities) in the amount of $117.8 million (2021 - $141.5 million) are held in the Public Trust Custody account. This balance is sufficient to meet the solvency requirements set forth in IPSA 2010.

19. CREDIT RATING

American Income Life Insurance Company has an A credit rating from AM Best.

20. SUBSEQUENT EVENTS

The Company is not aware of any events occurring subsequent to the close of the books for this statement that may have a material effect on its financial condition.

American Income Life Insurance Company

Statutory-Basis Financial Statements as of and
for the Years Ended December 31, 2022 and 2021,
Supplemental Schedules as of and for the
Year Ended December 31, 2022, and
Independent Auditor’s Report

AMERICAN INCOME LIFE INSURANCE COMPANY

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue
Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
American Income Life Insurance Company

Opinions

We have audited the statutory-basis financial statements of American Income Life Insurance Company (the "Company"), which comprise the statutory-basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2022 and 2021, and the related statutory-basis statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory-basis financial statements (collectively referred to as the "statutory-basis financial statements").

Unmodified Opinion on Statutory-Basis of Accounting

In our opinion, the accompanying statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Indiana Department of Insurance described in Note 1.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

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

Basis for Opinions

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 Statutory-Basis Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

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

Responsibilities of Management for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of the statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the Indiana Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory-basis 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 statutory-basis financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory-Basis Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory-basis 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 statutory-basis 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 statutory-basis 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 statutory-basis 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 statutory-basis 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.

Report on Supplemental Schedules

Our 2022 audit was conducted for the purpose of forming an opinion on the 2022 statutory-basis financial statements as a whole. The supplemental schedule of investment risk interrogatories, the supplemental summary investment schedule, the supplemental schedule of reinsurance risks and the supplemental schedule of selected statutory-basis financial data as of and for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the 2022 statutory-basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2022 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2022 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

April 25, 2023

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS
AS OF DECEMBER 31, 2022 AND 2021
(Dollar amounts in thousands)

ADMITTED ASSETS

CASH AND INVESTMENTS:	**2022**	**2021**
Bonds—at amortized cost (fair value: 2022—$3,520,254; 2021—$4,523,760)	$ 3,939,220	$ 3,839,204
Preferred stock—affiliated (fair value: 2022—$39,169; 2021—$39,169)	39,169	39,169
Common stock—affiliated (amortized cost: 2022—$14,175; 2021—$14,175)	49,441	41,677
Common stock—unaffiliated (amortized cost: 2022—$2,096; 2021—$2,018)	3,314	3,124
Mortgage Loans	25,762	27,882
Cash, cash equivalents, and short-term investments	51,220	40,330
Contract loans—secured by cash values	256,274	236,472
Other invested assets—net (encumbrances: 2022—$45,750; 2021—$25,194)	325,428	278,698
Total cash and investments	4,689,828	4,506,556
INVESTMENT INCOME DUE AND ACCRUED	60,550	58,199
ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID	2,406	2,374
INSURANCE PREMIUMS DEFERRED AND UNCOLLECTED	168,085	172,852
CURRENT FEDERAL INCOME TAX RECOVERABLE	3,772	1,513
NET DEFERRED INCOME TAX ASSET	50,423	42,908
RECEIVABLES FROM PARENT, SUBSIDIARIES, AND AFFILIATES	2,907	3,731
AMOUNTS RECEIVABLE FROM REINSURANCE	56,022	92,889
OTHER ADMITTED ASSETS	8,789	8,854
TOTAL ADMITTED ASSETS	$ 5,042,782	$ 4,889,876

(Continued)

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS

AS OF DECEMBER 31, 2022 AND 2021

(Dollar amounts in thousands, except share and per share data)

LIABILITIES AND CAPITAL AND SURPLUS

LIABILITIES:	2022	2021
Aggregate reserves for future policy benefits:		
Life and annuity	$ 3,988,412	$ 3,820,248
Accident and health—including unearned premium: 2022—$5,698; 2021—$5,716	176,898	162,610
Policy and contract claims:		
Life and annuity	74,359	64,300
Accident and health	20,306	18,614
Deposit-type contracts	89,951	88,993
Amounts payable under reinsurance contracts (Note 4)	110,832	127,853
Interest maintenance reserve	20,813	34,729
Asset valuation reserve	49,921	48,110
General insurance expenses due and other liabilities	109,994	104,154
Funds held under reinsurance treaty	12,883	12,137
Total liabilities	4,654,369	4,481,748
COMMITMENTS AND CONTINGENCIES		
CAPITAL AND SURPLUS:		
Common stock, $1 par value per share—authorized: 23,360,214 shares (issued and outstanding: 2022 and 2021—11,680,107 shares)	11,680	11,680
Paid-in and contributed surplus	71,893	71,893
Surplus notes	25,000	25,000
Unassigned surplus	279,840	299,555
Total capital and surplus	388,413	408,128
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 5,042,782	$ 4,889,876

See notes to statutory-basis financial statements.

(Concluded)

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Dollar amounts in thousands)

REVENUE	**2022**	**2021**
Premiums	$ 1,078,941	$ 842,079
Net investment income—net of expenses: 2022—$43,681; 2021—$45,007	203,831	189,811
Amortization of interest maintenance reserve	2,819	3,306
Commissions and expense allowances on reinsurance ceded	126,464	271,283
Reserve adjustments on reinsurance ceded	3,408	4,569
Miscellaneous income	1,963	2,302
Total revenue	1,417,426	1,313,350
BENEFITS AND EXPENSES		
Death benefits	188,712	213,078
Disability and accident and health benefits	25,158	26,558
Surrender benefits	77,500	64,628
Annuity benefits	30,860	21,130
Interest and other benefits on policy and contract funds	8,846	7,609
Increase (decrease) in aggregate reserves for future policy benefits	213,776	105,628
Commissions on premiums	500,784	480,116
Commissions and expense allowances on reinsurance assumed	134	148
General expenses and insurance taxes, licenses, and fees	183,611	171,194
Change in loading on deferred and uncollected premiums	(1,266)	(8,597)
Interest on funds withheld	568	128
Total benefits and expenses	1,228,683	1,081,620
GAIN FROM OPERATIONS BEFORE FEDERAL INCOME TAXES AND NET REALIZED CAPITAL GAINS (LOSSES)	188,743	231,730
FEDERAL INCOME TAX EXPENSE (BENEFIT)	43,813	55,727
NET GAIN FROM OPERATIONS BEFORE NET REALIZED CAPITAL GAINS (LOSSES)	144,930	176,003
NET REALIZED CAPITAL GAINS (LOSSES)—Net of federal income tax expense (benefit): 2022—$(2,942); 2021—$1,324, and gains (losses) transferred to the interest maintenance reserve net of taxes: 2022—$(11,098); 2021—$5,095	244	2,470
NET INCOME	$ 145,174	$ 178,473

See notes to statutory-basis financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Dollar amounts in thousands)

	2022	2021
CAPITAL AND SURPLUS—Beginning of year	$ 408,128	$ 338,854
Net income	145,174	178,473
Change in net unrealized capital gains (losses)—net of tax	20,344	2,403
Change in net unrealized foreign exchange capital gains (losses)—net of tax	(8,650)	(2,722)
Change in net deferred income tax	26,196	10,502
Change in nonadmitted assets	(19,623)	(4,294)
Surplus adjustment on initial ceding allowance	—	83,436
Amortization of initial ceding allowance	(5,190)	—
Change in asset valuation reserve	(1,811)	(9,443)
Capital contribution from parent	—	5,004
Common stock dividends paid to stockholder	(176,002)	(193,932)
Initial commission and expense allowance on reinsurance assumed	(153)	(153)
Net change in capital and surplus	(19,715)	69,274
CAPITAL AND SURPLUS—End of year	$ 388,413	$ 408,128

See notes to statutory-basis financial statements.

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollar amounts in thousands)

OPERATING ACTIVITIES	**2022**	**2021**
Premiums collected—net of reinsurance	$ 1,067,998	$ 894,316
Net investment income	221,378	210,816
Miscellaneous income	163,110	275,132
Total cash provided by operating activities	1,452,486	1,380,264
Benefit and loss related payments	(313,729)	(339,655)
Commissions, expenses paid, and aggregate write-ins for deductions	(687,523)	(653,672)
Dividends paid to policyholders	(5)	(10)
Federal income taxes (paid) recovered	(42,089)	(51,989)
Total cash used in operating activities	(1,043,346)	(1,045,326)
Net cash (used in) provided by operating activities	409,140	334,938
INVESTING ACTIVITIES		
Proceeds from investments sold, matured, or repaid:		
Bonds	122,715	66,765
Mortgage loans	1,556	4,299
Other invested assets	11,952	4,339
Total investment proceeds	136,223	75,403
Cost of investments acquired:		
Bonds	(279,781)	(188,389)
Stocks	(59)	(1,936)
Mortgage loans	(3,256)	(2,163)
Real estate	(520)	(1,091)
Other invested assets	(73,963)	(78,752)
Miscellaneous applications	(488)	—
Total cost of investments acquired	(358,067)	(272,331)
Net (increase) decrease in contract loans	(19,802)	(9,238)
Net cash (used in) provided by investing activities	(241,646)	(206,166)
FINANCING AND MISCELLANEOUS SOURCES (USES)		
Borrowed funds	25,000	(40,000)
Net deposits on deposit-type contracts and other insurance liabilities	958	706
Dividends to stockholders	(176,002)	(193,932)
Other cash provided (applied)	(6,560)	111,694
Net cash (used in) provided by financing and miscellaneous sources	(156,604)	(121,532)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS	10,890	7,240
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS		
Beginning of year	40,330	33,090
End of year	$ 51,220	$ 40,330

(Continued)

AMERICAN INCOME LIFE INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Dollar amounts in thousands)

Supplemental disclosure of non-cash transactions:	**2022**	**2021**
Exchanges of bonds	$ 39,063	$ 33,375
Unsettled trades	—	489
Parent contributions for EDP software	—	5,004
Non-cash fixed maturity disposal	150	282
Non-cash state premium tax credit excluded from investment income	21	59
Non-cash premium tax credit excluded from commissions and expenses	171	341
Non-cash capitalized interest on bonds	—	25
Non-cash stock dividend-excluded from investments acquired and net investment income	19	—
Non-cash asset transfer excluded from investments sold and investments acquired	3,134	—

See notes to statutory-basis financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT STATUTORY ACCOUNTING POLICIES

American Income Life Insurance Company (the "Company" or "American Income"), an insurance company domiciled in the State of Indiana, is a wholly-owned subsidiary of Globe Life Inc. (the "Parent Company"). The Company owns 100% of National Income Life Insurance Company, domiciled in the State of New York.

The Company is a life and accident and health insurer licensed in 49 states and the District of Columbia. The Company is also licensed to sell insurance in Canada and New Zealand. The Company is subject to state insurance regulations and periodic examinations by state insurance departments.

The following states represent the largest concentrations of premiums:

	2022
California	11 %
Ohio	7 %
Texas	6 %
Florida	6 %
Pennsylvania	5 %
Illinois	4 %

No other states represent greater than 3% of total premiums. Canada represents 8% of premiums.

Basis of Presentation—The accompanying statutory-basis financial statements have been prepared in accordance with accounting practices prescribed or permitted by Indiana Department of Insurance (the "Department"). The State of Indiana has adopted the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual, which includes all Statements of Statutory Accounting Principles ("SSAP") as the basis of its statutory accounting principles. There are no significant differences between the NAIC SSAP and the accounting practices prescribed for life and health insurance companies by the Department that are applicable to the Company.

NAIC statutory accounting principles vary in some respects from accounting principles generally accepted in the United States of America (GAAP). The primary differences between GAAP-basis and statutory-basis of accounting include:

Item	Description	GAAP Treatment	Statutory Treatment
Policy acquisition costs	Costs associated with the successful acquisition of an insurance policy.	Deferred and amortized over the life of the policy, if recoverable from policy revenues.	Charged to operations as incurred.
Future policy benefit reserves	Excess of future policy claims over future premiums.	Based on the Company's estimates of mortality, morbidity, interest, persistency, and withdrawals.	Based on statutory mortality, morbidity, and interest and withdrawal requirements and reported net of the effects of indemnity reinsurance transactions.
Interest maintenance reserve	Statutory-basis only investment reserve used to account for interest-rate related realized gains and losses.	Capital gains and losses recognized as incurred.	Deferred recognition of realized capital gains and losses resulting from changes in the general level of interest rates; amortized into income over the expected remaining life of the investments sold.
Asset valuation reserve	Statutory-basis only investment reserve used to account for default and equity risks.	Not applicable.	Required to offset potential credit-related investment losses; changes in the reserve charged to surplus.
Deferred premiums	Portion of premium not currently due.	Offset to reserves.	Recognized as an asset on the balance sheet.
Nonadmitted assets	Assets unable to be easily converted to cash.	All assets are recorded on the balance sheet.	Recognition on the balance sheet disallowed; charged to surplus.
Investment in subsidiaries	Entity that is directly or indirectly owned and controlled by a reporting entity.	Consolidated.	Recorded under the equity method of accounting.
Investment in Partnerships, Joint Ventures, and LLCs	Investments that provide partnership interests to the Company.	Recorded under the equity method of accounting, or fair value through net income.	Recorded under the equity method of accounting.
Low-Income housing tax credits	Investments in federal and certain state sponsored flow-through entities for tax purposes.	Accounted for under the proportional amortized cost method, excluding guaranteed partnerships entered into prior to 2015, which are accounted for under the effective yield method.	Accounted for under the proportional amortization method.
Bonds and short-term investments	Fixed-income investments with purpose of collecting interest.	Generally carried at fair value.	Generally carried at amortized cost.
Deferred taxes	An asset or liability on the Company's balance sheet due to temporary differences.	A provision is made for deferred income taxes on temporary differences between the financial reporting and the tax bases of assets and liabilities.	NAIC SAP requires an amount to be recorded for deferred taxes. The amount of deferred tax assets may not be fully recognized as admitted assets.
OCI statement	Statement of revenues, expenses, gains and losses that have not yet been realized.	Required presentation.	Not applicable.
Cash and cash equivalents	Cash or assets that can be readily converted into cash.	Negative balances are reported as a liability.	Negative balances are reported within cash.
Investment in Surplus Notes	Fixed-income instrument with debt and equity characteristics.	Generally carried at fair value.	Generally carried at amortized cost.
Surplus notes (issued)	Fixed-income instrument with debt and equity characteristics.	Reported as long-term debt.	Reported as capital and surplus.
Loss Contingencies	An existing condition or situation involving uncertainty as to possible loss that will ultimately be resolved when one or more future event(s) occur or fail to occur.	If a loss is probable, estimable and only a range of loss can be estimated, the minimum of the range is required to be recorded.	If a loss is probable, estimable and only a range of loss can be estimated, the mid-point of the range is required to be recorded.

Significant accounting practices used in the preparation of the accompanying statutory-basis financial statements are as follows:

Revenue and Policy Acquisition Cost Recognition—Premiums are recognized over the premium-paying period of the policies. Unearned premiums on accident and health policies are calculated on a pro-rata basis. Consideration received on deposit-type contracts, which do not contain any life contingencies, is recorded directly to the related liability. Policy acquisition costs, such as commissions and other costs related to successfully acquiring new business, are charged to current operations as incurred. Lead generation costs incurred by the Company and the reimbursement from the agents are recognized net in miscellaneous income. Lead generation expense and reimbursement for the year ended December 31, 2022 was $20,996 and $18,265, respectively. Lead generation expense and reimbursement for the year ended December 31, 2021 was $20,668 and $19,851, respectively.

Future Policy Benefits—Aggregate reserves for future policy benefits for individual life and health insurance policies have been provided on either the net level premium method, the commissioner’s reserve valuation method, or the two-year preliminary term method. Accordingly, the reserves are calculated based on estimates of mortality, morbidity, and interest and withdrawal requirements, as prescribed by state insurance regulatory agencies. Interest rate assumptions range from 2.25% to 5.50%. For life insurance policies, mortality rates are primarily obtained from the following statutory mortality tables: 1941 C.S.O., 1958 C.S.O., 1980 C.S.O., 2001 C.S.O., and 2017 C.S.O. Tables. For business issued in 2018 and later, the Principle-Based Reserving has been used. For health insurance policies, morbidity rates are based primarily on the 1985 NAIC Cancer Claim Cost Tables. Future policy benefit reserves for annuity contracts are based on either the commissioner’s annuity reserve valuation method, with appropriate statutory interest and mortality assumptions, or the accumulated contract value. Annuity reserve interest rate assumptions range from 2.50% to 6.00%. Reserves for deposit-type funds are equal to deposits received and interest credited to the benefit of contract holders, less withdrawals that represent a return to the contract holder.

Policy and Contract Claims—Policy and contract claims include a provision for reported claims and claims incurred but not reported. The provision for claims incurred but not reported is estimated based on Company experience.

Federal Income Taxes—The provision for federal income taxes on operations is based upon taxes that are currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement book values and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by valuation allowances when it is determined that it is more likely than not the deferred tax asset will not be fully realized. Realizable deferred tax assets are further subject to admissibility tests performed pursuant to SSAP No. 101, *Income Taxes*. Admitted deferred tax assets and liabilities are reflected as a component of capital and surplus.

Nonadmitted Assets—Nonadmitted assets (principally a portion of deferred tax assets, certain furniture and equipment, agents’ debit balances, prepaid expenses, and other amounts receivable) have been charged directly to unassigned surplus.

Interest Maintenance Reserve (IMR) and Asset Valuation Reserve (AVR)—The IMR is maintained as prescribed by the NAIC for the purpose of deferring realized gains and losses on the disposal of bonds resulting from changes in the overall level of interest rates. Such realized gains and losses are amortized into income over the approximate remaining life of bonds sold. An AVR is maintained as prescribed by the NAIC for the purpose of providing for default and equity risks related to the Company’s invested assets. Changes in the AVR are charged directly to surplus.

Investments—Bonds and stock are recorded in accordance with rules promulgated by the NAIC. Bonds eligible for amortization under such rules are reported at amortized cost using the interest method, except for those bonds with a NAIC designation of 6, which are reported at the lower of amortized cost or fair value. Preferred stock is reported at fair value. Common stock of nonaffiliates is stated at estimated fair value. Common stock of affiliates is stated at their underlying statutory-basis capital and surplus. Contract loans are carried at unpaid principal balance of the loan.

Loan-backed securities are reported at amortized cost, except for those with an NAIC designation of 6, which shall be reported at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker/dealer survey values or internal estimates. Changes in estimated cash flows from the original assumptions are accounted for using the retrospective method. The Company uses original cost as the basis for applying the retrospective method.

Commercial Mortgage loans participations ("Commercial Mortgage Loans" or "Mortgage Loans") are reported at unpaid principal balances, net of any unamortized discount or premium and allowance for loan losses. The loans are secured by the underlying real estate.

The accounting for investments in limited partnerships that provide low-income housing tax credits is outlined in the *Low-Income Housing Tax Credit Interests* section below. Investments in other limited partnerships are accounted for under rules set forth by the NAIC, and are recorded based on the underlying audited U.S. GAAP equity of the investee.

Investments in surplus notes are accounted for under rules set forth by the NAIC. Surplus notes rated NAIC 1-2 are reported at amortized cost, and surplus notes rated NAIC 3-6 are reported at the lower of amortized cost and fair value.

Investment in unaffiliated common stock consists of the Company's membership in the Federal Home Loan Bank ("FHLB"), which is accounted for under rules set forth by the NAIC. Accordingly, the carrying value of the capital stock required for membership is recorded at cost, which approximates fair value.

Fair Value Measurements, Investments in Securities—The investments carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value Measurements.* The hierarchy consists of three levels to indicate the quality of the fair value measurements as described below:

> *Level 1*—Fair values are based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
>
> *Level 2*—Fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that can otherwise be corroborated by observable market data.
>
> *Level 3*—Fair values are based on inputs that are considered unobservable where there is little, if any, market activity for the asset or liability as of the measurement date. In this circumstance, the Company has to rely on values derived by independent brokers or internally-developed assumptions. Unobservable inputs are developed based on the best information available to the Company which may include the Company’s own data or bid and ask prices in the dealer market.

The great majority of the Company’s bonds are not actively traded and direct quotes are not generally available. Management therefore determines the fair values of these securities after consideration of data provided by third-party pricing services, independent broker/dealers, and other resources.

Approximately 98% of the fair value reported at December 31, 2022 is determined using data provided by third-party pricing services. Prices provided by these services are not binding offers, but are estimated exit values. Third-party pricing services use proprietary pricing models to determine security values by discounting cash flows using a market-adjusted spread to a benchmark yield. For all asset classes within the Company's significant security types, third-party services use a common valuation technique to model the price of the investments using observable market data. The foundation for these models consists of developing yield spreads based on multiple observable market data inputs, including but not limited to: benchmark yield curves, actual trading activity, new issue yields, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, sector-specific data, economic data, and other inputs that are corroborated in the market. Pricing vendors monitor and review their pricing data continuously with current market and economic data feeds, augmented by ongoing communication within the dealer community.

Using the observable market inputs described above, spreads to an appropriate benchmark yield are further developed by the vendors for each security based on security-specific and/or sector-specific risk factors, such as a security's terms and conditions (coupon, maturity, and call features), credit rating, sector, liquidity, collateral or other cash flow options, and other factors that could impact the risk of the security. Embedded repayment options, such as call and redemption features, are also taken into account in the pricing models. When the spread is determined, it is added to the security's benchmark yield. The security's expected cash flows are discounted using this spread-adjusted yield, and the resulting present value of the discounted cash flows is the evaluated price.

When third-party vendor prices are not available, the Company attempts to obtain valuations from other sources, including but not limited to broker/dealers, broker quotes, and prices on comparable securities.

When valuations have been obtained for all securities in the portfolio, management reviews and analyzes the prices to ensure their reasonableness, taking into account available observable information. When two or more valuations are available for a security and the variance between the prices is 10% or less, the close correlation suggests similar observable inputs were used in deriving the price, and the mean of the prices is used. Securities valued in this manner are classified as Level 2. When the variance between two or more valuations for a security exceeds 10%, additional analysis is performed to determine the most appropriate value for that security, using resources such as broker quotes, prices on comparable securities, recent trades, and any other observable market data. Further review is performed on the available valuations to determine if they can be corroborated within reasonable tolerance to any other observable evidence. If one of the valuations or the mean of the available valuations for a security can be corroborated with other observable evidence, then the corroborated value is used and reported as Level 2. The Company uses information and analytical techniques deemed appropriate for determining the point within the range of reasonable fair value estimates that is most representative of fair value under current market conditions. Valuations that cannot be corroborated within a reasonable tolerance are classified as Level 3.

The Company invests in a portfolio of private placement bonds which are not actively traded. This portfolio is managed by third-parties. The portfolio managers provide valuations for the bonds based on a pricing matrix utilizing observable inputs, such as the benchmark treasury rate and published sector indices, and unobservable inputs such as an internally-developed credit rating. If observable inputs cannot be corroborated, the fair values are classified as Level 3.

NAIC SAP requires certain investments to be measured and reported at fair value. These include common stock, bonds rated NAIC 6 and preferred stock rated NAIC 4-6 whose fair values are less than amortized cost, and surplus notes rated NAIC 3-6 whose fair values are less than amortized cost.

Transfers between fair value levels are recognized as of the end of the reporting period in which they occur.

Fair Value Measurements, Other Financial Instruments—Fair value of cash, cash equivalents, and short-term investments approximates carrying value. The Parent Company's preferred stock is continuously callable at par value, therefore the fair value approximates par value. Contract loans are an integral part of the life insurance policies which the Company has in force and, in the Company's opinion, cannot be valued separately. Fair values of mortgage loans are determined based upon expected cash flows discounted at an appropriate risk-adjusted rate. The fair value of investments in limited partnerships that provide low-income housing tax credits is based on discounted projected cash flows. The fair value of limited partnerships in low income housing is considered Level 3. Investments in other limited partnerships recorded under the equity method of accounting are excluded from the fair value hierarchy. The Company's FHLB membership stock is only redeemable at cost, and thus the fair value approximates cost.

Other policy holder funds include interest-bearing, deposit-type accounts representing amounts payable on demand. The fair value of such deposit-type accounts is equal to the amount payable on demand and considered Level 2.

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 December 31, 2022, and therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Impairment of Investments—The Company's portfolio of bonds fluctuates in value due to changes in interest rates in the financial markets as well as other factors. Fluctuations caused by market rate changes have little bearing on whether or not the investment will be ultimately recoverable. Therefore, the Company considers declines in value resulting from changes in market interest rates to be temporary. In certain circumstances, however, the Company determines that the decline in value of a security is other-than-temporary and writes the book value of the security down to fair value, realizing an investment loss. The determination that an impairment is other-than-temporary is highly subjective and involves the careful consideration of many factors.

Among the factors considered are:

- The length of time and extent to which the security has been impaired
- The reason(s) for the impairment
- The financial condition of the issuer and near-term prospects for recovery in fair value of the security
- The Company's ability and intent to hold the security until anticipated recovery
- Expected future cash flows

The relative weight given to each of these factors can change over time as facts and circumstances change. In many cases, management believes it is appropriate to give relatively more weight to prospective factors than to retrospective factors. Prospective factors that are given more weight include prospects for recovery, the Company's ability and intent to hold the security until anticipated recovery, and expected future cash flows.

Among the facts and information considered in the process are:

- Financial statements of the issuer
- Changes in credit ratings of the issuer
- The value of the underlying collateral
- News and information included in press releases issued by the issuer
- News and information reported in the media concerning the issuer
- News and information published or otherwise provided by credit analysts
- The nature and amount of recent and expected future sources and uses of cash
- Default on a required payment
- Issuer bankruptcy filings

While all available information is taken into account, it is difficult to predict the ultimately recoverable amount of a distressed or impaired security.

For asset-backed securities, additional information is gathered and analysis performed on the individual underlying collateral and estimates of potential future collateral performance. Multiple cash flow scenarios are calculated based on various loss rate assumptions and used to assess the likelihood of future possible impairment.

Mortgage loans are considered impaired when it is probable, based upon current information and events, that the Company will be unable to collect all contractual amounts due. Impairment is measured based on the excess of the loan balance over the fair value of the collateral, as determined by a current appraisal, and is recorded as an unrealized loss through a valuation allowance. If an impairment is deemed to be other than temporary, then a direct write-down is recorded as a realized loss, thus establishing a new cost basis equal to the fair value of the collateral less the cost estimated to obtain and sell the property.

The Company’s commercial mortgage loan portfolio is managed by an unaffiliated third-party manager. As part of its credit-monitoring process, the third-party manager evaluates several risk criteria for each loan. These include quantitative measures, such as the underlying collateral value, loan-to-value ratio, and debt-service coverage ratio; as well as qualitative risk parameters, such as borrower experience, specific property fundamentals, local real estate market conditions, financial and business condition of the borrower, and ease of liquidation. After consideration of the third-party manager's credit analysis, the Company decides if a loan loss allowance should be established.

Investment Income—Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned. Interest income on mortgage-backed securities and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Prepayment penalty and acceleration fees on callable bonds are recognized in investment income, as received. Interest earned on contract loans is charged in arrears and recognized ratably. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis. Interest income on mortgage loans is accrued and recorded net of servicing fees. Interest that is 180 days past due and that is still deemed collectible is accrued, but nonadmitted. Any interest deemed uncollectible is written off as a charge against investment income. Dividends and distributions from limited partnerships are recognized as investment income to the extent that they are not in excess of undistributed accumulated earnings. Dividends and distributions in excess of undistributed earnings are recorded as a reduction to the carrying value of the investment. The Company's share of undistributed earnings and losses included in net unrealized capital gains (losses) are credited or charged directly to surplus.

Realized gains and losses on the sale of investments are determined on a specific identification method. Realized gains and losses on debt securities and preferred stock resulting from an overall change in market interest rates are deferred through the IMR and amortized into income over the remaining expected life of the disposed investment. Credit-related gains and losses on debt securities and preferred stock as well as realized gains and losses on unaffiliated common stock are recorded in the AVR and included in the accompanying statutory-basis statement of operations. Unrealized gains and losses on unaffiliated common stock are also reflected in the AVR. The change in the AVR is reflected as an increase or decrease in surplus. Unrealized gains and losses on affiliated common stock are reflected directly in surplus through the change in unrealized capital gains and losses. The Company's share of undistributed earnings and losses included in net unrealized capital gains (losses) are credited or charged directly to surplus.

Cash, Cash Equivalents, and Short-Term Investments—Cash includes cash on hand and amounts due from banks. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents include money market mutual funds which are stated at fair value. The Company considers all investments with remaining maturities of one year or less at the time of acquisition (excluding those investments classified as cash equivalents) to be short-term investments, which are stated at amortized cost.

Reinsurance—The Company cedes and assumes insurance risks with other companies. Aggregate reserves for future policy benefits, premiums, and expenses are reported after deduction of amounts relating to reinsurance ceded and addition of amounts relating to reinsurance assumed. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Please refer to Note 4 for further discussion.

Stock Options—Certain employees of the Company have been granted options to buy shares of Globe Life Inc. stock at market value on the grant date under the provisions set forth as part of the Globe Life Inc. stock option plans. The Company has no legal obligation under the plans; however, an expense is allocated to the Company based upon the options granted to its employees under the plans, and it is recorded within the General expenses and insurance taxes, licenses, and fees line item within the accompanying statutory-basis financial statements. The allocated expense for stock compensation recorded during 2022 and 2021 totaled $5,782 and $7,514, respectively.

Low-Income Housing Tax Credit Interests—The Company has invested in flow-through entities that provide low-income housing tax credits (LIHTC) and other related federal income tax benefits to the Company. The return on a portion of the Company's investments has been guaranteed by unrelated third parties. The investments are accounted for using the proportional amortized-cost method. The federal income tax benefits accrued during the year are recorded in income tax expense. The amount of LIHTC and other tax benefits (expenses) recognized were $16,692 and $17,622 during 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the LIHTC investment balances were $60,652 and $59,666, respectively. The amounts recorded within other invested assets are presented net of encumbrances for unpaid contributions. As of December 31, 2022 and 2021, unpaid contributions were $45,750 and $25,194, respectively. All of the remaining unpaid contributions are expected to be paid by 2031.

Currently, the LIHTC properties are not subject to any regulatory reviews. The Company’s involvement is restricted to its limited partnership interest in the LIHTC entities. The Company has not provided any other financial support to the entities beyond its commitments to fund its limited partnership interests, and there are no arrangements or agreements with any of the interests to provide other financial support. The maximum loss exposure relative to these interests is limited to their carrying value.

As of December 31, 2022, there are 13 years of remaining unexpired tax credits for low-income housing tax credit investments with a required holding period of 18 years, compared to 12 years of remaining unexpired tax credits for low-income housing tax credit investments with a required holding period of 17 years as of December 31, 2021.

Foreign Currency Translation—The Company records assets, liabilities, and operations of foreign branches based upon the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic indicators. Assets and liabilities of the foreign branches and subsidiaries are translated from the functional currency to US dollars at the exchange rates in effect at each year-end; and income and expense accounts are translated at the weighted-average exchange rates during the year.

Risk-Based Capital—The Department has adopted risk-based capital (RBC) requirements for life insurance companies, as promulgated by the NAIC, and these requirements are applicable to the Company. The RBC calculation serves as a benchmark for the regulation of life insurance companies by state insurance regulators. RBC provides for surplus formulas similar to target surplus formulas used by commercial rating agencies. The formulas specify various weighted factors that are applied to statutory-basis financial balances or various levels of activity based on the perceived degree of risk, and are set forth in the RBC requirements. The resulting figure is the authorized control level capital (ACL).

The RBC guidelines define specific capital levels based on a company's ACL that are determined by the ratio of a company's total adjusted capital (TAC) to its ACL. TAC is equal to statutory capital, plus the AVR and any voluntary investment reserves, 50% of dividend liability, and certain other specified adjustments. Companies where TAC is less than or equal to 2.0 times ACL are subject to certain corrective actions as set forth in RBC requirements.

As of December 31, 2022 and 2021, the statutory TAC of the Company exceeded the level requiring corrective action.

Use of Estimates—The preparation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates susceptible to significant change are those used in determining the liability for aggregate reserves for future policy benefits, losses, and claims. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

Allocation of Expenses—The Company operates within a group under Globe Life Inc. where personnel and facilities are shared. Under terms of the management contract, the subsidiaries of Globe Life Inc. are allocated general and administrative expenses based on total premium. The allocated amount is in proportion to the Company incurring the expense as if the expense had been paid solely by the Company.

COVID-19—The effects of the COVID-19 pandemic, and U.S. and international responses, are wide-ranging, costly, and disruptive, and have resulted in significant disruptions in economic activity and financial markets. Excess deaths from non-COVID causes have directly and indirectly adversely affected the Company and will likely continue to do so for an uncertain period of time. Despite these challenges, the Company continues to effectively conduct business operations as it monitors the impact of the pandemic on underwriting results, solvency requirements, agency force, and policyholders.

Going Concern—Each reporting period, the Company evaluates whether there is substantial doubt about an entity's ability to continue as a going concern. Management was not aware of any conditions or events that could raise substantial doubts concerning the entity's ability to continue as a going concern as of through 12 months from the date of issuance of the financial statements.

Subsequent Events—The Company evaluates events occurring subsequent to the balance sheet date to determine whether recognition or disclosure in the financial statements is required. If conditions of a subsequent event were to exist as of the balance sheet date, depending on materiality, the effects may be required to be recognized and disclosed in the financial statements. If conditions of a subsequent event arose after the balance sheet date, the effects are not required to be recognized in the financial statements; however, they may need to be disclosed in the financial statements depending on materiality.

Accordingly, we have evaluated the effects of events subsequent to the balance sheet date of December 31, 2022, and through April 25, 2023, which is the date the statutory-basis financial statements were available to be issued. We noted no events or transactions that would require recognition or disclosure in the statutory basis financial statements.

(Dollar amounts in thousands except for shares)

2. INVESTMENTS

Analysis of Investment Operations—Net investment income for the years ended December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Bonds	$ 197,386	$ 191,291
Preferred stock—affiliated	2,671	2,671
Common stock—unaffiliated	28	10
Common stock—affiliated	12,503	11,739
Mortgage loans	1,664	1,413
Contract loans	19,366	18,228
Cash, cash equivalents, and short-term investments	1,021	64
Other invested assets	12,935	9,444
Miscellaneous investment income	(62)	(42)
Gross investment income	247,512	234,818
Less investment expenses	43,681	45,007
Net investment income	$ 203,831	$ 189,811

Selected information about disposals of bonds is as follows:

	At December 31,	
	2022	2021
Bonds:		
Proceeds from sales	$ 55,228	$ 27,022
Gross realized gains	183	1,788
Gross realized losses	(10,672)	(1,887)
Net gains (losses) on calls and redemptions	$ (2,691)	$ 9,266

The above table includes securities called, redeemed, or otherwise disposed of as a result of a callable feature, which resulted in the receipt of prepayment penalty and acceleration fees. These fees are recorded as investment income at the time of the transaction and are summarized in the following table.

	At December 31,	
	2022	2021
Prepayment Penalty and Acceleration Fees:		
Number of issues (CUSIPs) called/redeemed	31	30
Investment income from fees	$ 6,937	$ 4,008

(Dollar amounts in thousands except for shares)

Portfolio Composition—The cost or amortized cost, gross unrealized gains and losses and fair value of bonds and preferred stock as of December 31, 2022 and 2021, are as follows:

	2022				
	Book/Adj Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 3,258	$ 3,258	$ 3	$ (154)	$ 3,107
Other government	55,164	55,164	6	(12,706)	42,464
Mortgage-backed securities	4	4	—	—	4
U.S. states, territories, and possessions	4,617	4,617	—	(935)	3,682
U.S. political subdivisions	147,950	147,950	184	(27,375)	120,759
U.S. special revenues	372,123	372,123	1,180	(63,124)	310,179
Industrial and miscellaneous	3,225,173	3,225,173	33,042	(346,639)	2,911,576
Asset-backed securities	16,966	16,966	—	(1,601)	15,365
Hybrid securities	113,965	113,965	2,516	(3,363)	113,118
Total bonds	$3,939,220	$3,939,220	$ 36,931	$ (455,897)	$3,520,254
Common stock—unaffiliated	$ 3,314	$ 2,096	$ 1,218	$ —	$ 3,314

	2021				
	Book/Adj Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government	$ 3,039	$ 3,039	$ 63	$ —	$ 3,102
Other government	59,861	59,861	900	(5,132)	55,629
Mortgage-backed securities	14	14	—	—	14
U.S. states, territories, and possessions	4,606	4,606	496	—	5,102
U.S. political subdivisions	120,860	120,860	6,012	(464)	126,408
U.S. special revenues	248,372	248,372	26,563	(193)	274,742
Industrial and miscellaneous	3,265,029	3,265,029	633,216	(6,000)	3,892,245
Asset-backed securities	18,509	18,509	716	(84)	19,141
Hybrid securities	118,914	118,914	28,529	(66)	147,377
Total bonds	$3,839,204	$3,839,204	$ 696,495	$ (11,939)	$4,523,760
Common stock—unaffiliated	$ 3,124	$ 2,018	$ 1,106	$ —	$ 3,124

The amortized cost of bonds at December 31, 2022 and 2021 includes adjustments for those securities that are other-than-temporarily impaired, if any. The book/adjusted carrying value includes additional adjustments for lower rated securities stated at the lower of amortized cost or fair value. At December 31, 2022 and 2021, the Company did not have any bonds with nonadmitted amounts.

(Dollar amounts in thousands except for shares)

Bonds by Contractual Maturity—The book/adjusted carrying value and fair value of bonds at December 31, 2022, by contractual maturity, are shown below. Expected and actual maturities will differ from contractual maturities because the issuers of such bonds may have the right to call or prepay obligations without call or prepayment penalties.

	Book/Adj Carrying Value	Fair Value
Due in one year or less	$ 60,872	$ 60,674
Due after one year through five years	238,779	235,157
Due after five years through ten years	346,987	346,438
Due after ten years	3,292,582	2,877,985
Total	$ 3,939,220	$ 3,520,254

Other-Than-Temporary Impairments—During the periods ended December 31, 2022 and 2021, the Company did not write down any individual security holdings to fair value as a result of other-than-temporary impairment.

Unrealized Loss Analysis—The following tables disclose unrealized investment losses by class of investment at December 31, 2022 and 2021. The Company considers these investments to be only temporarily impaired.

Analysis of Gross Unrealized Investment Losses

At December 31, 2022

	Less than Twelve Months		Twelve Months or Longer		Total	
Description of Securities	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Bonds:						
U.S. government	$ 2,882	$ (154)	$ —	$ —	$ 2,882	$ (154)
Other government	6,297	(201)	25,134	(12,505)	31,431	(12,706)
U.S. states, territories, and possessions	2,545	(299)	1,137	(636)	3,682	(935)
U.S. political subdivisions	67,654	(7,810)	37,580	(19,565)	105,234	(27,375)
U.S. special revenues	220,128	(36,755)	54,491	(26,369)	274,619	(63,124)
Industrial and miscellaneous	1,989,051	(266,594)	243,387	(80,045)	2,232,438	(346,639)
Asset-backed securities	12,467	(1,056)	2,898	(545)	15,365	(1,601)
Hybrid securities	61,917	(2,686)	5,501	(677)	67,418	(3,363)
Total unrealized losses	$ 2,362,941	$ (315,555)	$ 370,128	(140,342)	$2,733,069	(455,897)

(Dollar amounts in thousands except for shares)

Analysis of Gross Unrealized Investment Losses
At December 31, 2021

Description of Securities	Less than Twelve Months Fair Value	Less than Twelve Months Unrealized Loss	Twelve Months or Longer Fair Value	Twelve Months or Longer Unrealized Loss	Total Fair Value	Total Unrealized Loss
Bonds:						
U.S. government	$ —	$ —	$ —	$ —	$ —	$ —
Other government	12,567	(561)	23,144	(4,571)	35,711	(5,132)
U.S. states, territories, and possessions	—	—	—	—	—	—
U.S. political subdivisions	24,003	(446)	435	(18)	24,438	(464)
U.S. special revenues	15,326	(193)	—	—	15,326	(193)
Industrial and miscellaneous	83,480	(1,949)	71,397	(4,051)	154,877	(6,000)
Asset-backed securities	954	(1)	2,609	(83)	3,563	(84)
Hybrid securities	6,143	(66)	—	—	6,143	(66)
Total unrealized losses	$ 142,473	$ (3,216)	$ 97,585	$ (8,723)	$ 240,058	$ (11,939)

At December 31, 2022, the Company held 765 issues (CUSIPs) that had been in an unrealized loss position less than 12 months, and 260 issues that had been in an unrealized loss position 12 months or longer. At December 31, 2022 and 2021, the Company's entire bond and equity portfolio consisted of 1,139 and 1,004 issues, respectively.

The following table discloses loan-backed and other structured securities that have an unrealized loss as of December 31, 2022 and 2021.

	Less than Twelve Months Fair Value	Less than Twelve Months Unrealized Loss	Twelve Months or Longer Fair Value	Twelve Months or Longer Unrealized Loss
2022	$ 12,467	$ (1,056)	$ 2,898	$ (545)
2021	954	(1)	2,609	(83)

Pledged Assets—The Company had cash and bonds with book/adjusted carrying values of $535,813 and $539,209 on deposit with various state insurance and governmental regulatory agencies as required by law at December 31, 2022 and 2021, respectively.

Commercial Mortgage Loans—The Company invests in commercial mortgage loan participations. The portfolio consists of participations in transitional real estate loans with three to five year maturities that are originated and serviced by a third-party manager who also performs credit monitoring and impairment analysis of the loans. The Company does not have any significant credit risk exposure to any individual borrower. During 2022, the Company continued to invest in existing loans, but did not invest in any new commercial mortgage loans.

(Dollar amounts in thousands except for shares)

The commercial mortgage loan portfolio is invested in a variety of commercial property types located in the United States. As of December 31, 2022 and 2021, the distribution of the portfolio by property type and geographic location was as follows:

	2022		2021	
	Carrying Value	% of Total	Carrying Value	% of Total
Property type:				
Office	$ 4,428	17 %	$ 4,892	18 %
Hospitality	6,420	25 %	6,217	22 %
Multi-family	1,237	5 %	1,800	6 %
Mixed use	13,677	53 %	10,657	39 %
Retail	—	— %	4,316	15 %
Total recorded investment	$ 25,762	100 %	$ 27,882	100 %
Less valuation allowance	—	—	—	—
Carrying value, net of valuation allowance	$ 25,762	100 %	$ 27,882	100 %

	2022		2021	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic location:				
Pacific	$ —	— %	$ 4,316	15 %
West South Central	3,395	13 %	3,151	11 %
East South Central	6,455	25 %	5,102	18 %
South Atlantic	7,453	29 %	7,958	29 %
Middle Atlantic	8,459	33 %	7,355	27 %
Total recorded investment	$ 25,762	100 %	$ 27,882	100 %
Less valuation allowance	—	—	—	—
Carrying value, net of valuation allowance	$ 25,762	100 %	$ 27,882	100 %

The following table contains the risk categories of the loan portfolio. Loans are rated from CM1 (highest quality) to CM7 (in process of foreclosure). The factors that contribute to the CM category include the sector type, the loan to value ratio (LTV), the debt service coverage ratio (DSC), whether the loan is a construction loan, and if the loan has cash reserves. These loans, originated in 2018 to 2019, are transitional or under construction, and may not yet be income producing.

	2022		2021	
	Carrying Value	Number of Loans	Carrying Value	Number of Loans
Risk categories:				
CM2	$ 7,693	2	$ 5,102	1
CM3	18,069	4	16,664	4
CM4	—	—	6,116	2
Carrying value, net of valuation allowance	$ 25,762	6	$ 27,882	7

(Dollar amounts in thousands except for shares)

In 2022, the Company had an other-than-temporary-impairment on one commercial mortgage loan, resulting in a realized loss of $874. At the time of impairment, there was no allowance for credit loss associated with the loan. The property type of the impaired loan was retail and it was previously restructured in 2020. As of December 31, 2022 and 2021, the carrying value of the loan was $0 and $4,316, respectively. During 2022, the remaining unimpaired carrying value of the loan was transferred to a multi-member LLC. As of December 31, 2022, the LLC had a carrying value and a market value of $3,179. The interest income recognized, as well as interest income recognized on a cash-basis, from the loan was $0 and $0 in 2022, respectively. The average recorded investment in impaired loans and loans on nonaccrual status was $0 and $4,316 in 2022 and 2021, respectively. The Company did not write down any loans in 2021 as a result of an other-than-temporary impairment.

The Company did not have any mortgage loans past due as of December 31, 2022 or 2021. The Company did not have any taxes, assessments, or advances that were not included in the mortgage loan total. The Company did not have any interest rate reductions in 2022 and reduced the interest rate on a restructured mortgage loan from 4.36% to 0% in 2021.

Other Invested Assets—Other invested assets include surplus notes with an amortized cost of $80,982 and $77,497 and a fair value of $66,785 and $90,250 as of December 31, 2022 and 2021, respectively. All of the Company's surplus notes were rated NAIC 1-2 during each period. For this reason, the notes were reported at amortized cost, resulting in no related unrealized losses as of December 31, 2022 and 2021, respectively. Additionally, the Company has other limited partnerships, which are presented in the following table:

	As of December 31,			
	Carrying Value		Unfunded Commitments	
Investment Category	**2022**	**2021**	**2022**	**Redemption Term/Notice**
Commercial mortgage loans	$ 106,895	$ 101,706	$ 94,612	Fully redeemable and non-redeemable with varying terms.
Opportunistic credit	24,150	27,150	—	Initial 2 year lock on each new investment/semi-annual withdrawals thereafter/full redemption within 36 month period.
Infrastructure	41,870	5,452	4,198	Fully redeemable and non-redeemable with varying terms.
Other	7,472	4,161	26,097	Fully redeemable with varying terms and non-redeemable.
Total	$ 180,387	$ 138,469	$ 124,907	

(Dollar amounts in thousands except for shares)

Affiliated Investments—As of December 31, 2022 and 2021, the Company had the following subsidiaries:

	Ownership	Carrying Value(1)		Subsidiary Assets		Subsidiary Net Income	
	%	2022	2021	2022	2021	2022	2021
National Income Life Insurance Company (National Income)	100%	$ 49,441	$ 41,677	$ 439,806	$ 390,637	$ 19,079	$ 12,689
American Income Marketing Services (AIMS)	100%	$ 1,203	$ 1,203	N/A	N/A	N/A	N/A

(1) The Company's carrying value is presented as the following: National Income at statutory-basis equity and AIMS at its GAAP-basis equity. The carrying value in AIMS is a non-admitted asset in the statutory-basis financial statements.

National Income declared and paid dividends on its common stock to the Company in the amount of $12,503 and $11,739 during 2022 and 2021, respectively. The Company recorded these amounts in net investment income.

FHLB Membership—The Company is a member of the FHLB of Dallas. Membership provides the Company with access to various low cost collateralized borrowings and funding agreements. Membership requires the purchase of a minimum amount of FHLB common stock based on a percentage of admitted assets. Additional common stock purchases are required based on the amount of funds borrowed from the FHLB. The Company owned $2,014 and $1,936 of Class B membership stock which is not eligible for redemption as of December 31, 2022 and 2021, respectively. The maximum borrowing capacity was $67,981 and $0 as of December 31, 2022 and 2021, respectively, based on the amount of pledged assets as follows:

	2022	2021
Estimated fair value	$ 107,010	$ —
Carrying value	$ 133,425	$ —

The maximum amount of collateral pledged during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Estimated fair value	$ 107,010	$ —
Carrying value	$ 135,372	$ —

As of December 31, 2022 and 2021, the Company had no outstanding borrowings with the FHLB. The maximum of aggregate funding agreements outstanding during 2022 and 2021 was $0 and $0, respectively. The maximum amount of advances outstanding during 2022 and 2021 was $1,000 and $0, respectively, and there were no advances as of December 31, 2022 and 2021. Advances are recorded in debt.

Concentrations of Credit Risk—The financial instruments that subject the Company to concentrations of potential credit risk are primarily bonds, equity securities, short-term investments, and cash on deposit. Such instruments include investments in commercial paper of companies with high credit ratings, investments in money market securities, and investments in securities backed by the United States Government. The Company limits the amount of credit exposure with any one financial issuer or institution and believes that no significant concentration of credit risk exists with respect to the portfolio.

(Dollar amounts in thousands except for shares)

The Company maintains a diversified investment portfolio with limited concentration in any one issuer. The following table presents the distribution of the portfolio as of December 31, 2022, based on admitted value:

	Admitted Value
Investment-grade corporate securities	69 %
Municipal bonds	11 %
Other invested assets	7 %
Contract loans	5 %
Below-investment grade securities	2 %
Affiliated stock	2 %
Other governments	1 %
Cash, cash equivalents, and short-term investments	1 %
Mortgage loans	1 %
Loan-backed and other structured securities, other bonds, real estate and non-affiliated equities	1 %
Total	100 %

Excluding investments in affiliates, the Company's largest exposure to a single issuer of debt and equity securities was Telus Corp, which represented 1.4% of cash and invested assets.

Municipal bond investments are made in various states with 22% of the municipal bonds invested in the state of Texas. Corporate debt and equity investments are made in a wide range of industries. At December 31, 2022, the top ten industry concentrations, based on admitted value, were as follows:

	Admitted Value
Insurance	14 %
Electric utilities	10 %
Banks	7 %
Telecommunications	6 %
Pipelines	6 %
Chemicals	4 %
Real estate investment trusts	4 %
Transportation	4 %
Food	4 %
Energy exploration and production	3 %

At December 31, 2022, 2% of cash and invested assets were represented by bonds rated below investment grade by the NAIC (NAIC designations 3–6). Par value of these investments was $99,785, book/adjusted carrying value (or admitted value) was $101,887, and fair value was $83,420. Included in these said investments are below investment grade loan-backed and other structured securities with a book/adjusted carrying value of $2,499. While these investments could be subject to additional credit risk, such risk should generally be reflected in fair value.

(Dollar amounts in thousands except for shares)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments Measured at Fair Value—The following tables summarize the investments measured and reported at fair value as of December 31, 2022 and 2021:

	Fair Value Measurements at December 31, 2022 Using:				
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**	**Total Fair Value**
Assets at fair value:					
Common stock—industrial and miscellaneous	$ —	$ 2,014	$ 1,300	$ —	$ 3,314
Preferred stock—perpetual affiliated	—	—	39,169	—	39,169
Cash equivalents—money market mutual funds	—	—	—	3,875	3,875
Total	$ —	$ 2,014	$ 40,469	$ 3,875	$ 46,358

	Fair Value Measurements at December 31, 2021 Using:				
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**	**Total Fair Value**
Assets at fair value:					
Common stock—industrial and miscellaneous	$ —	$ 1,936	$ 1,188	$ —	$ 3,124
Preferred stock—perpetual affiliated	—	—	39,169	—	39,169
Cash equivalents—money market mutual funds	—	—	—	20,450	20,450
Total	$ —	$ 1,936	$ 40,357	$ 20,450	$ 62,743

(Dollar amounts in thousands except for shares)

The following table represents changes in assets measured and reported at fair value using significant unobservable inputs (Level 3):

	Analysis of Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Common Stock	Preferred Stock	Total
Balance at December 31, 2020	$ 1,138	$ —	$ 1,138
Total gains or losses:			
Included in net income	—	—	—
Included in surplus	50	—	50
Purchases	—	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements/amortization	—	—	—
Transfers into Level 3	—	39,169	39,169
Transfers out of Level 3	—	—	—
Balance at December 31, 2021	$ 1,188	$ 39,169	$ 40,357
Total gains or losses:			
Included in net income	—	—	—
Included in surplus	112	—	112
Purchases	—	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements/amortization	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at December 31, 2022	$ 1,300	$ 39,169	$ 40,469

Included in Level 3 are common and preferred stock for which observable market data is not available.

(Dollar amounts in thousands except for shares)

Fair Value Hierarchy—The following tables summarize the fair values of all financial instruments by level within the fair value hierarchy as of December 31, 2022 and 2021:

	2022						
Type of Financial Instrument	**Admitted Value**	**Aggregate Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**	**Net Asset Value (NAV)**
Assets:							
Bonds	$ 3,939,220	$ 3,520,254	$ —	$ 3,435,968	$ 84,286	$ —	$ —
Preferred stock—affiliated	39,169	39,169	—	—	39,169	—	—
Common stock—unaffiliated	3,314	3,314	—	2,014	1,300	—	—
Cash, cash equivalents, and short-term investments	51,220	51,220	47,345	—	—	—	3,875
Contract loans[(1)]	256,274	256,274	—	—	—	256,274	—
Mortgage loans[(2)]	25,762	25,762	—	—	25,762	—	—
Other invested assets:		—					
LIHTC partnership interests	60,652	66,987	—	—	66,987	—	—
Surplus notes—unaffiliated	65,823	53,553	—	53,553	—	—	—
Surplus notes—affiliated	15,159	13,232	—	—	13,232	—	—
Residual tranche—preferred stock	—	1,174	—	—	1,174	—	—
Total Assets:	$ 4,456,593	$ 4,030,939	$ 47,345	$ 3,491,535	$231,910	$ 256,274	$ 3,875
Liabilities:							
Interest bearing deposit-type funds	$ (89,951)	$ (89,951)	$ —	$ (89,951)	$ —	$ —	$ —
Borrowed funds—affiliated	(25,219)	(25,219)	—	(25,219)	—	—	—
Total Liabilities:	$ (115,170)	$ (115,170)	$ —	$ (115,170)	$ —	$ —	$ —

(1) Contract loans cannot be valued separately from their associated insurance liabilities, thus making the determination of fair value not practicable.
(2) The Company invests in mortgage loans with 1 month floating rates. For this reason, the fair value approximates book value.

(Dollar amounts in thousands except for shares)

	2021						
Type of Financial Instrument	**Admitted Value**	**Aggregate Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**	**Net Asset Value (NAV)**
Assets:							
Bonds	$ 3,839,204	$ 4,523,760	$ —	$ 4,412,517	$111,243	$ —	$ —
Preferred stock—affiliated	39,169	39,169	—	—	39,169	—	—
Common stock—unaffiliated	3,124	3,124	—	1,936	1,188	—	—
Cash, cash equivalents, and short-term investments	40,330	40,330	9,880	10,000	—	—	20,450
Contract loans(1)	236,472	236,472	—	—	—	236,472	—
Mortgage loans(2)	27,882	27,882	—	—	27,882	—	—
Other invested assets:							
LIHTC partnership interests	59,666	64,429	—	—	64,429	—	—
Surplus notes—unaffiliated	62,335	75,092	—	75,092	—	—	—
Surplus notes—affiliated	15,162	15,158	—	—	15,158	—	—
Residual tranche—preferred stock	—	—	—	—	—	—	—
Total assets	$ 4,323,344	5,025,416	$ 9,880	$ 4,499,545	$259,069	$ 236,472	$ 20,450
Liabilities:							
Interest bearing deposit-type funds	$ (88,993)	$ (88,993)	$ —	$ (88,993)	$ —	$ —	$ —
Borrowed funds—affiliated	—	—	—	—	—	—	—
Total liabilities	$ (88,993)	$ (88,993)	$ —	$ (88,993)	$ —	$ —	$ —

(1) Contract loans cannot be valued separately from their associated insurance liabilities, thus making the determination of fair value not practicable.
(2) The Company invests in mortgage loans with 1 month floating rates. For this reason, the fair value approximates book value.

The Company invests in a portfolio of private placement bonds that is managed by a third party. Amortized cost of these bonds was $79,962 and $91,044 as of December 31, 2022 and 2021, respectively. The fair value of those classified as Level 2 was $8,765 and $11,210 and those classified as Level 3 was $66,542 and $89,365 at December 31, 2022 and 2021, respectively.

(Dollar amounts in thousands except for shares)

4. FUTURE POLICY BENEFITS AND REINSURANCE

Reserves for Life Contracts and Deposit-Type Contracts

- The Company waives deduction of deferred fractional premiums upon death of the insured and returns any modal premium paid beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.
- Extra premiums are charges for substandard lives plus the gross premium for a rate age or plus the gross premium for the true age. Mean reserves are determined by computing the regular mean reserve for the plan and in addition, one-half for the extra premium charge for the year for traditional products.
- At December 31, 2022 and 2021, the Company had insurance in force of $381,750 and $403,665, for which a premium deficiency reserve of $3,491 and $3,562, respectively, was recorded.
- The tabular interest, tabular less actual reserves released, and tabular costs have been determined by formula as prescribed in the NAIC Annual Statement Instructions.
- For the determination of tabular interest on funds not involving life contingencies for each valuation rate of interest, the tabular interest is calculated as one hundredth of the product of such valuation rate of interest multiplied by the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics—The amount of annuity actuarial reserves and deposit-type contract funds and other liabilities without life or disability contingencies as of December 31, 2022 and 2021, were as follows:

Individual Annuities:	**2022**	**2021**
Subject to discretionary withdrawal:		
At book value less current surrender charge of 5% or more	$ —	$ 63
At book value without adjustment	199,977	218,702
Total subject to discretionary withdrawal	199,977	218,765
Not subject to discretionary withdrawal	658	581
Total gross	200,635	219,346
Reinsurance ceded	—	—
Total net	$ 200,635	$ 219,346
Amount 'at book value less current surrender charge of 5% or more' that will move to 'at book value without adjustment' for the first time within the year after the statement date	$ —	63

(Dollar amounts in thousands except for shares)

Deposit-Type Contracts:	**2022**	**2021**
Subject to discretionary withdrawal:		
At book value less current surrender charge of 5% or more	$ —	$ —
At book value without adjustment	89,951	88,993
Total subject to discretionary withdrawal	89,951	88,993
Not subject to discretionary withdrawal	—	—
Total gross	89,951	88,993
Reinsurance ceded	—	—
Total net	$ 89,951	$ 88,993
Amount 'at book value less current surrender charge of 5% or more' that will move to 'at book value without adjustment' for the first time within the year after the statement date	$ —	$ —

The following information is obtained from the annual statement, which is filed with the Department. It is provided to reconcile annuity reserves, deposit-type contract funds, and other liabilities with life or disability contingencies to amounts reported in the statutory-basis statements of admitted assets, liabilities, and capital and surplus. As of December 31, 2022 and 2021, these amounts were as follows:

	2022	**2021**
Life and accident and health annual statement:		
Exhibit 5—annuities section—total (net)	$ 200,469	$ 219,290
Exhibit 5—supplementary contracts with life contingencies section—total (net)	165	56
Exhibit of deposit-type contracts—column 1, line 14	89,951	88,993
Total	$ 290,585	$ 308,339

Analysis of Life Actuarial Reserves by Withdrawal Characteristics—The amount of life actuarial reserves as of December 31, 2022 and 2021, were as follows:

	Cash Value		**Reserve**	
	2022	**2021**	**2022**	**2021**
Subject to discretionary withdrawal:				
Term policies with cash value	$ 2,325	$ 2,585	$ 68,366	$ 70,767
Other permanent cash value life	2,943,793	2,733,787	4,236,490	3,934,518
Not subject to discretionary withdrawal or no cash values:				
Term policies with cash value	—	—	36,974	38,155
Accidental death benefits	—	—	64,648	59,205
Disability—active lives	—	—	30,526	28,441
Disability—disabled lives	—	—	18,545	19,206
Miscellaneous reserves	—	—	33,837	34,568
Total gross	2,946,118	2,736,372	4,489,386	4,184,860
Reinsurance ceded	(391,900)	(310,330)	(701,608)	(583,959)
Total net	$ 2,554,218	$ 2,426,042	$ 3,787,778	$ 3,600,901

(Dollar amounts in thousands except for shares)

The following information as of December 31, 2022 and 2021 is provided to reconcile life reserves to amounts reported in the statutory-basis statements of admitted assets, liabilities, and capital and surplus:

	2022	2021
Life and accident and health annual statement:		
Exhibit 5—life insurance section—total (net)	$ 3,674,467	$ 3,493,227
Exhibit 5—accidental death benefits section—total (net)	46,428	41,721
Exhibit 5—disability - active lives section—total (net)	21,534	20,153
Exhibit 5—disability - disabled lives section—total (net)	18,545	19,206
Exhibit 5—miscellaneous reserves section—total (net)	26,803	26,594
Total	$ 3,787,777	$ 3,600,901

Change in Incurred Losses and Loss Adjustment Expenses—The activity in the liability for policy and contract claims for accident and health policies for the year ended December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Balance at January 1—net of reinsurance recoverables	$ 18,614	$ 17,829
Incurred related to:		
Current year	25,224	26,579
Prior years	(2,820)	(2,877)
Total incurred	22,404	23,702
Paid related to:		
Current year	10,708	13,274
Prior years	10,004	9,643
Total paid	20,712	22,917
Balance at December 31—net of reinsurance recoverables	$ 20,306	$ 18,614

At the end of each year, the liability for unpaid health claims includes an estimate of claims incurred but not yet reported to the Company. Such estimates are updated regularly based upon the Company's most recent claims data with recognition of emerging experience trends. Due to the nature of the Company's health business, the payment lags are relatively short and most claims are fully paid within a year from the time incurred. Fluctuations in claims experience can lead to either over or under estimation of the liability for any given year.

The balance in the liability for unpaid accident and health claim adjustment expenses as of December 31, 2022 and 2021 was $534 and $453, respectively.

Reinsurance Assumed and Ceded—The Company reinsures the portion of insurance risk in excess of its retention limits to both affiliated and unaffiliated companies. The Company also assumes certain insurance risks of both affiliated and unaffiliated companies. The aggregate reserves for future policy benefits, unearned premiums, policy and contract claims, premiums, and benefits are reported after adding or deducting amounts related to reinsurance assumed or ceded.

(Dollar amounts in thousands except for shares)

The Company has reinsured portions of certain life insurance policies that it underwrites to limit certain risks. The Company retains varying amounts of individual insurance up to a maximum retention, and this retention limit may have changed in the past as these limits are not static over long periods of time. The Company is not relieved of its primary obligations to the policyholders and is therefore contingently liable in the event that assuming reinsurers are unable to meet their obligations.

During 2021, the Company executed a combined coinsurance with funds withheld and yearly renewable term ("YRT") reinsurance treaty with an unaffiliated entity, with an effective date of October 1, 2021. At treaty inception, the Company ceded an existing block of life business and recorded an initial premium transfer to the reinsurer, which was equal to the initial ceded reserves. The Company also recorded an initial ceding commission from the reinsurer within current year earnings, which was reflected as a credit to surplus, net of tax.

The amounts related to reinsurance assumed and ceded as of and for the years ended December 31, 2022 and 2021, are shown below:

	2022		2021	
	Affiliated	**Unaffiliated**	**Affiliated**	**Unaffiliated**
Assumed:				
Aggregate reserves for future policy benefits	$ 200,362	$ —	$ 219,162	$ —
Policy and contract claims unpaid	$ 11,293	$ —	$ 5,054	$ —
Premiums	$ 5,498	$ —	$ 6,475	$ —
Incurred benefits	$ 30,860	$ —	$ 21,129	$ —
Commissions and reinsurance expense allowances	$ 134	$ —	$ 148	$ —
Ceded:				
Aggregate reserves for future policy benefits	$ 572,661	$ 128,947	$ 462,481	$ 121,478
Premiums	$ 386,399	$ 32,831	$ 425,356	$ 127,850
Reserve adjustments	$ 3,408	$ —	$ 4,569	$ —
Incurred benefits	$ 64,028	$ 26,799	$ 60,849	$ 6,832
Premium taxes	$ 8,883	$ —	$ 9,590	$ —
Commissions and reinsurance expense allowances	$ 116,933	$ 9,530	$ 246,145	$ 25,138

A contingent liability exists with respect to deductions from the aggregate reserves for future policy benefits, policy and contract claims, and unearned premiums, which would become a liability in the event that such reinsurance companies are unable to meet their obligations under the existing reinsurance agreements.

Ceded Reinsurance Report

Section 1—General Interrogatories

- Are any of the reinsurers, listed in Schedule S as nonaffiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No (X)

- Have any of the policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in insurance business?

  Yes ( ) No (X)

Section 2—Ceded Reinsurance Report—Part A

- Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

  Yes ( ) No (X)

- Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

  Yes ( ) No (X)

Section 3—Ceded Reinsurance Report—Part B

- What is the estimated amount of the aggregate reduction in surplus, for agreements, not reflected in Section 2 above, of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making the estimate.

  $186,103

- Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies and contracts which were in-force or which had existing reserves established by the Company as of the effective date of the agreement?

  Yes ( ) No (X)

(Dollar amounts in thousands except for shares)

5. PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Deferred and uncollected life and health insurance premiums and annuity considerations as of December 31, 2022 and 2021, were as follows:

	2022			2021		
	Gross	Loading	Net of Loading	Gross	Loading	Net of Loading
Ordinary life new business	$ 15,298	$ (9,262)	$ 6,036	$ 16,107	$ (9,080)	$ 7,027
Ordinary life renewal	343,847	(137,134)	206,713	357,100	(143,320)	213,780
Group life	691	(266)	425	723	(273)	450
Assumed annuity-renewal	975	—	975	1,314	—	1,314
Ceded life—new business	(517)	251	(266)	(5,951)	3,453	(2,498)
Ceded life—renewal	(80,134)	34,336	(45,798)	(83,100)	35,879	(47,221)
Total	$ 280,160	$ (112,075)	$ 168,085	$ 286,193	$ (113,341)	$ 172,852
Nonadmitted (greater than 90 days)			—			—
Total admitted			$ 168,085			$ 172,852

The Company had no direct written premiums from managing general agents in 2022 or 2021.

(Dollar amounts in thousands except for shares)

6. INCOME TAXES

A. *Net Deferred Tax Asset/Liability*

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

		December 31, 2022			December 31, 2021			Change		
		Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a)	Gross deferred tax assets	$ 220,411	$ 3,923	$ 224,334	$ 204,100	$ 3,914	$ 208,014	$ 16,311	$ 9	$ 16,320
(b)	Statutory valuation allowance adjustments	—	—	—	—	—	—	—	—	—
(c)	Adjusted gross deferred tax assets	220,411	3,923	224,334	204,100	3,914	208,014	16,311	9	16,320
(d)	Deferred tax assets nonadmitted	15,036	3,241	18,277	—	2,118	2,118	15,036	1,123	16,159
(e)	Subtotal net admitted deferred tax asset	205,375	682	206,057	204,100	1,796	205,896	1,275	(1,114)	161
(f)	Deferred tax liabilities	154,952	682	155,634	161,192	1,796	162,988	(6,240)	(1,114)	(7,354)
(g)	Net admitted deferred tax asset (net deferred tax liability)	$ 50,423	$ —	$ 50,423	$ 42,908	$ —	$ 42,908	$ 7,515	$ —	$ 7,515

The Company has not established a statutory valuation allowance in determining its adjusted gross deferred tax assets as management believes that it is more likely than not that all of its gross deferred tax assets will be realized.

2. The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 are presented below:

	December 31, 2022		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks.	$ —	$ —	$ —
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 below).	$ 50,423	$ —	$ 50,423
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	$ 50,423	$ —	$ 50,423
2. Adjusted gross deferred tax assets allowed per limitation threshold.	XXX	XXX	$ 50,423
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities.	$ 154,952	$ 682	$ 155,634
(d) Deferred tax assets admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ 205,375	$ 682	$ 206,057

(Dollar amounts in thousands except for shares)

	December 31, 2021		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks.	$ —	$ —	$ —
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 below).	$ 42,908	$ —	$ 42,908
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	$ 42,908	$ —	$ 42,908
2. Adjusted gross deferred tax assets allowed per limitation threshold.	XXX	XXX	$ 54,483
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities.	$ 161,192	$ 1,796	$ 162,988
(d) Deferred tax assets admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ 204,100	$ 1,796	$ 205,896

	Change		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 101			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks.	$ —	$ —	$ —
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 below).	$ 7,515	$ —	$ 7,515
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	$ 7,515	$ —	$ 7,515
2. Adjusted gross deferred tax assets allowed per limitation threshold.	XXX	XXX	$ (4,060)
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities.	$ (6,240)	$ (1,114)	$ (7,354)
(d) Deferred tax assets admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ 1,275	$ (1,114)	$ 161

(Dollar amounts in thousands except for shares)

3. The following table discloses the calculations for recovery period and threshold limitations:

		2022	2021
(a)	Ratio percentage used to determine recovery period and threshold limitation amount	544 %	636 %
(b)	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 390,368	$ 415,613

4. The following table discloses the impact of tax planning strategies:

		December 31, 2022		December 31, 2021		Change	
		Ordinary Percent	Capital Percent	Ordinary Percent	Capital Percent	Ordinary Percent	Capital Percent
(a)	Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
	1. Adjusted gross DTAs amount from Note 6A1(c)	$220,411	$ 3,923	$204,100	$ 3,914	$ 16,311	$ 9
	2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	— %	— %	— %	— %	— %	— %
	3. Net admitted adjusted gross DTAs amount from Note 6A1(e)	$205,375	$ 682	$204,100	$ 1,796	$ 1,275	$ (1,114)
	4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	4 %	— %	2 %	— %	2 %	— %
(b)	Does the Company's tax planning strategies include the use of reinsurance?	Yes					

B. ***Temporary Differences***

There are no temporary differences for which deferred tax liabilities are not recognized.

C. ***Deferred Income Taxes***

The change in deferred income taxes reported in surplus before consideration of nonadmitted asset is comprised of the following components:

	December 31, 2022			December 31, 2021			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Net deferred tax asset (liability)	$ 65,459	$ 3,241	$ 68,700	$ 42,908	$ 2,118	$ 45,026	$ 22,551	$ 1,123	$ 23,674
Tax-effect of unrealized gains and losses	(9,333)	(444)	(9,777)	(5,697)	(1,558)	(7,255)	(3,636)	1,114	(2,522)
Tax-effect of other surplus gains and losses	—	—	—	—	—	—	—	—	—
Net tax-effect without unrealized gains and losses and prior period adjustments	$ 74,792	$ 3,685	$ 78,477	$ 48,605	$ 3,676	$ 52,281	$ 26,187	$ 9	$ 26,196

(Dollar amounts in thousands except for shares)

D. *Current income taxes incurred consist of the following major components:*

1. Current income tax:

	December 31, 2022	December 31, 2021	Change
a. Federal	$ 43,813	$ 55,727	$ (11,914)
b. Foreign	—	—	—
c. Subtotal	43,813	55,727	(11,914)
d. Federal income tax on net capital gains (losses)	(2,942)	1,324	(4,266)
e. Utilization of capital loss carryforwards	—	—	—
f. Other	—	—	—
g. Federal and foreign income taxes incurred	$ 40,871	$ 57,051	$ (16,180)

2. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are presented below:

	December 31, 2022	December 31, 2021	Change
(a) Ordinary			
(1) Policyholder reserves	$ 100,973	$ 92,273	$ 8,700
(2) Investments	—	—	—
(3) Deferred acquisition costs	113,096	102,606	10,490
(4) Policyholder dividends accrual	1	1	—
(5) Fixed assets	614	140	474
(6) Compensation and benefits accrual	332	281	51
(7) Pension accrual	—	—	—
(8) Receivables — nonadmitted	—	—	—
(9) Net operating loss carry-forward	—	—	—
(10) Tax credit carry-forward	—	—	—
(11) Unrealized gains (losses)	94	4,711	(4,617)
(12) Unrealized gains (loss) on foreign exchange	—	—	—
(13) Other (including items <5% of total ordinary tax assets)	5,301	4,088	1,213
(99) Subtotal	220,411	204,100	16,311
(b) Statutory valuation allowance adjustment	—	—	—
(c) Nonadmitted	15,036	—	15,036
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	205,375	204,100	1,275
(e) Capital:			
(1) Investments	3,923	3,914	9
(2) Net capital loss carry-forward	—	—	—
(3) Real estate	—	—	—
(4) Other (including items <5% of total capital tax assets)	—	—	—
(99) Subtotal	3,923	3,914	9
(f) Statutory valuation allowance adjustment	—	—	—
(g) Nonadmitted	3,241	2,118	1,123
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	682	1,796	(1,114)
(i) Admitted deferred tax assets (2d + 2h)	$ 206,057	$ 205,896	$ 161

(Dollar amounts in thousands except for shares)

3. The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities are presented below:

		December 31, 2022	December 31, 2021	Change
(a)	Ordinary			
	(1) Investments	$ 1,346	$ 754	$ 592
	(2) Fixed assets	—	—	—
	(3) Deferred and uncollected premium	35,093	36,023	(930)
	(4) Policyholder reserves	13,562	18,144	(4,582)
	(5) Deferred compensation	—	—	—
	(6) Agent advances	95,095	95,571	(476)
	(7) Unrealized gains (loss) on foreign exchange	9,427	10,408	(981)
	(8) Other (including items <5% of total ordinary tax liabilities)	429	292	137
	(99) Subtotal	154,952	161,192	(6,240)
(b)	Capital:			
	(1) Investments	238	238	—
	(2) Real estate	—	—	—
	(3) Unrealized gains (losses)	444	1,558	(1,114)
	(4) Other (including items <5% of total capital tax liabilities)	—	—	—
	(99) Subtotal	682	1,796	(1,114)
(c)	Deferred tax liabilities (3a99 + 3b99)	155,634	162,988	(7,354)
	Net deferred tax assets/liabilities (2i - 3c)	$ 50,423	$ 42,908	$ 7,515

(Dollar amounts in thousands except for shares)

E. *Book to Tax Adjustments*

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

		December 31, 2022	December 31, 2021	Change
(1)	Current income taxes incurred	$ 40,871	$ 57,051	$ (16,180)
(2)	Change in deferred income tax (without tax on unrealized gains and losses or foreign exchange gains and losses)	(26,196)	(10,502)	(15,694)
(3)	Total income tax reported	$ 14,675	$ 46,549	$ (31,874)
(4)	Net gain from operations before federal income tax and realized gains	$188,743	$231,730	$ (42,987)
(5)	Realized capital gains (losses) before federal income tax, after transfer to IMR	(2,698)	3,794	(6,492)
(6)	Income before taxes	186,045	235,524	(49,479)
		21 %	21 %	— %
	Expected income tax expense (benefit) at statutory rate	39,069	49,460	(10,391)
(7)	Increase (decrease) in actual tax reported resulting from:			
	a. Dividends received deduction	(3,187)	(3,027)	(160)
	b. Tax adjustment for IMR	(2,922)	375	(3,297)
	c. Deferred tax benefit on nonadmitted assets	(727)	(1,479)	752
	d. Tax credits	(14,028)	(14,547)	519
	e. Reinsurance Surplus adjustment	(1,122)	17,522	(18,644)
	f. Other	(2,408)	(1,755)	(653)
(8)	Total income tax reported	$ 14,675	$ 46,549	$ (31,874)

F. *Federal Taxes*

1. As of December 31, 2022 and 2021, the Company has no net operating loss or tax credit carryforwards.

2. The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are as follows:

2022	$ —
2021	$ 1,835
2020	$ —

3. The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code is $0 and $0 at December 31, 2022 and 2021, respectively.

G. *Consolidated Federal Income Tax Return*

The Company's federal income tax return is consolidated with its ultimate parent, Globe Life Inc., as well as its affiliated subsidiaries including: Liberty National Life Insurance Company, Globe Life Insurance Company of New York, Family Heritage Life Insurance Company of America, Globe Life And Accident Insurance Company, United American Insurance Company, National Income Life Insurance Company, TMK Buildings Corporation, Brown Service Funeral Homes Company, Inc., Torchmark Insurance Agency, Inc., Specialized Advertising Group, Inc., Globe Marketing Services, Inc., AILIC Receivables Corporation, American Income Marketing Services, Inc., Liberty National Auto Club, Inc., Globe Life Insurance Agency, Inc., American Life and Health Group, Inc., and TMK Re, Ltd.

Each company pays a share of the total tax liability determined as if computed separately. Companies that would report a loss are reimbursed to the extent that their losses are utilized by affiliates with taxable income. The calculation is made pursuant to Federal Income Tax Regulation 1.1552-1(a)(2) and 1.1502-33(d)(3)(ii).

The Company's income tax returns are routinely audited by the Internal Revenue Service (IRS). The statute of limitation for the assessment of additional tax is closed for all tax years prior to 2017. Management believes that adequate provision has been made in the statutory-basis financial statements for any potential assessments that may result from the completed examinations, future tax examinations, and other tax-related matters for all open tax years.

The Company currently does not have any tax contingencies that are required to be recognized in accordance with SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*.

H. *Repatriation Transition Tax (RTT)*

The Company does not owe RTT for the year.

I. *Alternative Minimum Tax (AMT) Credit*

The Company had no AMT credit carryforwards as of the beginning of the year. As a result, no AMT credits were recovered during the year or exist as of the end of the year.

J. *Corporate Alternative Minimum Tax (CAMT)*

The Inflation Reduction Act (Act) was enacted on August 16, 2022 and included a new corporate alternative minimum tax. The Act and the CAMT are effective for tax years beginning after 2022.

The Company has not determined if they will be liable for CAMT in 2023. As a result, the 2022 financials do not include an estimated impact of the CAMT as a reasonable estimate cannot be made as of the reporting date.

K. *Tax Penalties*

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company did not recognize any interest income and/or expense related to income taxes in its statutory-basis Statement of Operations for 2022 and 2021. The Company also did not recognize any Federal tax penalties in its statutory-basis Statement of Operations for 2022 and 2021. The Company does not have any accrued interest receivables and/or payables relating to prior year IRS examination settlements as of December 31, 2022 and 2021. The Company had no accrued penalties as of December 31, 2022 and 2021.

(Dollar amounts in thousands except for shares)

7. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans—The Company has a funded noncontributory defined benefit plan for all hourly employees who have completed one year of service with the Company. Certain assets of the Company in the form of a guaranteed investment contract in the amount of $43,117 and $34,743 were allocated in 2022 and 2021, respectively, to pay future benefits. The benefits are set as a monthly amount for each year of service with the Company. Cost for the plan has been calculated on the projected unit credit actuarial cost method. Contributions are made periodically to fund plan obligations. All plan measurements are as of December 31 of the respective year.

The information about the Company's defined benefit pension plan as of December 31, 2022 and 2021, is as follows:

	2022	2021
Accumulated benefit obligation	$ 37,467	$ 54,926
Projected benefit obligation	37,467	54,926

Fair Value Measurements at December 31, 2022

Description for each class of plan assets	Level 1	Level 2	Level 3	Total
Unallocated insurance contract	$ —	$ 43,117	$ —	$ 43,117

Fair Value Measurements at December 31, 2021

Description for each class of plan assets	Level 1	Level 2	Level 3	Total
Unallocated insurance contract	$ —	$ 34,743	$ —	$ 34,743

The following table discloses the assumptions used to determine the Company's pension liabilities and costs for the appropriate periods. The discount rate is used to determine projected benefit obligations and pension expense. The discount rate is determined based on the expected duration of plan liabilities. A yield is then derived based on the current market yield of a hypothetical portfolio of higher-quality corporate bonds which match the liability duration. Differences between assumptions and actual experience are included in actuarial gain or loss.

Weighted Average Pension Plan Assumptions	2022	2021
For benefit obligations — December 31 — discount rate	5.78 %	3.29 %
For periodic benefit cost for the year:		
Discount rate	3.29	3.10
Expect long-term rate of return	6.25	6.25
Rate of compensation increase[1]	N/A	N/A
Interest crediting rates for cash balance plans and other plans with promised interest crediting rates	4.14	4.30

(1) The Company does not project a benefit obligation since the benefit formula for the plan does not contain a salary component.

(Dollar amounts in thousands except for shares)

The following table presents the components of net periodic pension cost as of December 31, 2022 and 2021, for the defined benefit pension plan:

	2022	2021
Service cost	$ 2,614	$ 2,409
Interest cost	1,789	1,524
Expected return on assets	(2,314)	(1,885)
Amortization of prior service cost	1,078	631
Amortization of net loss	837	876
Net periodic benefit cost	$ 4,004	$ 3,555

The following table presents a reconciliation at December 31, 2022 and 2021, from the beginning to the end of the year of the accumulated benefit obligation of the defined benefit pension plan:

	2022	2021
Changes in benefit obligation:		
Obligation—balance at January 1	$ 54,926	$ 49,628
Service cost	2,614	2,409
Interest cost	1,789	1,524
Actuarial (gain) loss	(20,535)	(2,423)
Benefits paid	(1,327)	(777)
Plan amendments	—	4,565
Obligation—balance at December 31	37,467	54,926
Changes in plan assets:		
Plan assets—fair value at January 1	34,743	30,119
Return on assets	1,061	1,001
Contributions	8,640	4,400
Benefits paid	(1,327)	(777)
Plan assets—fair value at December 31	43,117	34,743
Funded status at December 31	$ 5,650	$ (20,183)

The portion of unassigned surplus that is expected to be reflected in pension expense in 2023 is as follows:

	Defined Benefit Plan
Amortization of prior service cost	$ 1,075
Amortization of net loss	(206)
Total	$ 869

(Dollar amounts in thousands except for shares)

The following table illustrates the estimated pension benefit payments, which reflect the expected future service that is projected to be paid:

	Defined Benefit Plan
2023	$ 1,221
2024	1,420
2025	1,604
2026	1,781
2027	1,967
2028-2032	11,953

Cost for the defined benefit pension plan has been calculated on the projected unit credit actuarial cost method. All plan measurements for the defined benefit plan are as of December 31 of the respective year. The defined benefit pension plan covering the hourly employees is funded. Contributions are made to fund the plan subject to minimums required by regulations and maximums allowed for tax purposes. Defined benefit plan contributions were $8,640 in 2022 and $4,400 in 2021. The Company does not have any regulatory contribution requirements for 2022, and the Company currently does not intend to make any voluntary contributions in 2023.

In addition, the Company has a SERP, which provides an additional supplemental defined pension benefit to a limited number of executives. The supplemental benefit is based on the participant’s qualified plan benefit without consideration to the regulatory limits on compensation and benefit payments applicable to qualified plans, except that eligible compensation is capped at $1 million.

The Company's liability to this plan was $2,040 and $2,522 at December 31, 2022 and 2021, respectively. Pension cost is determined in the same manner as the defined benefit plan. Expense recognized for the plan was $166 and $182 for the years ended December 31, 2022 and 2021, respectively.

Defined Contribution Plans—In addition to the defined benefit plans, the Company has a qualified 401(k) and profit sharing plan for its exempt employees. The Company makes annual contributions to the plan of 6.0% of each employee’s compensation, subject to limitation. All Company contributions are subject to a vesting schedule based on the employee’s years of service. For the years ended December 31, 2022 and 2021, Company contributions totaled $843 and $712, respectively.

Beginning in 2022, the Company added a Qualified Automatic Contribution Arrangement (QACA) to the plan in which the Company makes additional contributions up to 3.5% of an employee's annual contributions. For the year ended December 31, 2022, Company contributions totaled $325.

8. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

Summary of Transactions—A summary of transactions between the Company, its parent, subsidiaries and affiliates as of and for the years ended December 31, 2022 and 2021, are as follows:

The Company has an investment management agreement with the Parent Company wherein the Company is charged a fee based on the total value of the securities managed. Total investment management fees incurred were $6,516 and $6,324 for the years ended December 31, 2022 and 2021, respectively.

The Company has a separate service agreement with the Parent Company to provide a wide variety of services, resulting in allocated expense to the Company of $12,204 and $13,992 in 2022 and 2021, respectively. The Parent Company agreement is a master service agreement with the Company and the other insurance affiliates and was approved by the Department. The fee is based on the ratio of certain expenses at the affiliate level to comparable Parent Company consolidated expenses, which is then applied to the Parent Company's total operating expenses for the prior year.

The Company is a party to a service agreement by and between Liberty National, Family Heritage, Globe Life, and United American. The agreement establishes that all parties may, from time to time, act to furnish a particular service or services becoming a “Service Provider” or receive a particular service or services as a “Service Beneficiary” and provides for allocation of salary expense and other costs of providing such services to the appropriate Service Beneficiary. Allocated expense related to this agreement for 2022 and 2021 was $39,416 and $37,453, respectively.

The Company has agreed to provide National Income, a subsidiary of the Company, certain legal, actuarial, marketing and other services with respect to National Income’s life and accident and health businesses. In 2022 and 2021, the Company charged a fee of $8,611 and $9,193, respectively, for these services. The Company also services the agent balance receivables on behalf of another of its affiliates, American Income Life Insurance Company Receivables Corp (AILRC). In 2022 and 2021, the Company charged AILRC $1,918 and $1,922, respectively, for these services.

During 2022 and 2021, the Company sold agent balances totaling $458,526 and $461,212, respectively, to its affiliate, AILRC. The agent balances were sold to AILRC at a discount and amortized through investment expense, a component of investment income, evenly over the life of the agent balances. Amortization expense of $20,723 and $20,606 was recorded in 2022 and 2021, respectively.

Capital—The Company owned 19,169 shares of the Parent Company's 7.15% Cumulative Preferred Stock, Series A, and 20,000 shares of the Parent Company's 6.5% Cumulative Preferred Stock, Series A, as of December 31, 2022 and 2021, respectively. The carrying value of the stock was $39,169 as of December 31, 2022 and 2021. The Company received cash dividends of $1,300 for the 6.5% Cumulative Preferred Stock and $1,371 for the 7.15% Cumulative Preferred Stock during 2022 and 2021. The Department limits the Company’s carrying value of investment in affiliated preferred stock to 2% of prior year total admitted assets. No amounts were required to be nonadmitted as of December 31, 2022 or 2021.

During 2012, the Company applied for and obtained approval from the Department to issue surplus notes in the aggregate of $50,000. The Company issued a $25,000 par value surplus note to the Parent Company on December 31, 2012. The surplus note was issued with an interest rate of 5.25% and a maturity date of December 31, 2042. The carrying value of the surplus note was $25,000, at December 31, 2022 and 2021. Semi-annual interest payments are due in April and October. The surplus note has the following repayment conditions and restrictions: 1) payments of principal and interest can only be made from the issuer’s available surplus when the amount of surplus over all liabilities is equal to or greater than the surplus existing immediately after the issuance of the surplus note; and 2) payments can only be made with the prior approval of the Indiana Insurance Commissioner.

The surplus notes are direct, unsecured obligations of the Company. In the event of liquidation, the notes are subordinate to holders of policy claims, other indebtedness, and other creditor claims. The surplus notes were issued pursuant to rule 144A under the securities act of 1933. All proceeds were received in cash. Interest expense as of December 31, 2022 and 2021 was $1,312 and $1,312, respectively. Total interest paid since inception of the note is $12,851.

In 2017, the Parent Company sold the $25,000 surplus notes to Globe Life And Accident Insurance Company, an affiliate.

Affiliate Transactions for Current and Prior Years—In addition to the balances and transactions with affiliates summarized in the section above, the Company also entered into a variety of reinsurance transactions that have been disclosed in Note 4 and borrowing transactions with affiliates that are described below:

The Company borrowed $13,000 and $5,000 at an interest rate of 4.75% and 3.25% from Globe Life And Accident on July 29, 2022 and September 16, 2021, respectively. The borrowings were repaid in full on September 21, 2022 and September 21, 2021, respectively. The Company incurred interest expense of $89 and $2 on the borrowings in 2022 and 2021, respectively.

The Company borrowed $36,000, $6,000, $24,000, $40,000, $20,000, and $20,000 at an interest rate of 3.50%, 4.00%, 6.25%, 6.25%, 3.25%, and 3.25% from Liberty National on April 27, June 14, October 26, October 28, 2022, June 18, 2021, and December 18, 2020, respectively. The borrowings were repaid in full on October 26, September 22, November 16, November 21, 2022, October 7, and June 18, 2021, respectively. The Company incurred interest expense of $701 and 497 on the borrowings in 2022 and 2021, respectively.

The Company borrowed $11,000 at an interest rate of 3.25% on June 1, 2021 from United American. The borrowing was repaid in full on July 22, 2021. The Company incurred interest expense of $51 on the borrowing in 2021. The Company did not have any borrowings from United American in 2022.

The Company borrowed $5,000, $32,351, $20,447, $70,696, $25,857, $1,651, $25,000, $50,281, $20,447, $70,696, $25,857, $7,000, $1,651, and $30,000 at an interest rate of 3.25%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 0.00%, 3.25%, 0.00%, and 3.25% from the Parent company on January 4, March 23, March 28, June 1, June 22, September 13, December 16, 2022, March 23, March 26, June 1, June 22, August 12, September 13, and October 26, 2021, respectively. The borrowings were repaid in full on January 11, March 23, April 13, August 15, September 2, September 20, December 16, 2022, March 23, May 24, August 5, September 1, December 17, September 13, and December 17, 2021, respectively. In addition, the Company borrowed $25,000 at an interest rate of 7.00% from the Parent company on November 16, 2022 with a scheduled maturity date of on or before May 17, 2023. The Company incurred interest expense of $221 and $261 on the borrowings in 2022 and 2022, respectively.

Globe Life And Accident borrowed $15,000 at an interest rate of 7.00% from the Company on December 8, 2022. The borrowing was repaid in full on December 14, 2022. The Company earned interest income of $18 on the borrowing in 2022. Globe Life And Accident did not have any borrowings from the Company in 2021.

Liberty National borrowed $5,000 at an interest rate of 3.25% from the Company on December 1, 2021. The borrowing was repaid in full on December 7, 2021. The Company earned interest income of $3 on the borrowing in 2021. Liberty National did not have any borrowings from the Company in 2022.

(Dollar amounts in thousands except for shares)

United American borrowed $5,000 and $5,000 at an interest rate of 3.25% and 3.25% from the Company on December 21 and December 23, 2021. The borrowings were repaid in full on February 8, 2022. The Company earned interest income of $8 and $33 on the borrowings in 2021 and 2022, respectively. United American did not have any borrowings from the Company in 2022.

The Parent borrowed $20,000 at an interest rate of 3.25% from the Company on February 16, 2022. The borrowing was repaid in full on March 23, 2022. The Company earned interest income of $67 on the borrowing in 2022. The Parent did not have any borrowings from the Company in 2021.

Non Insurance Investments in Subsidiary, Controlled, and Affiliated Entities (SCA)—The following tables list SCA for the year ended December 31, 2022:

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)				
a. SSAP No. 97 8a Entities				
8a entity description				
Total SSAP No. 97 8a Entities	XXX	$ —	$ —	$ —
b. SSAP No. 97 8b(ii) Entities				
8b(ii) entity description				
American Income Marketing Services	1.0	1,203	—	1,203
Total SSAP No. 97 8b(ii) Entities	XXX	1,203	—	1,203
c. SSAP No. 97 8b(iii) Entities				
8b(iii) entity description				
Total SSAP No. 97 8b(iii) Entities	XXX	—	—	—
d. SSAP No. 97 8b(iv) Entities				
8b(iv) entity description				
Total SSAP No. 97 8b(iv) Entities	XXX	—	—	—
e. SSAP No. 97 8b Entities (except 8b(i) entities) (b+c+d)	XXX	1,203	—	1,203
f. Aggregate Total (a + e)	XXX	$ 1,203	$ —	$ 1,203

(Dollar amounts in thousands except for shares)

SCA Entity	Type of NAIC Filing *	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code**
(2) NAIC Filing Response Information						
a. SSAP No. 97 8a Entities						
8a entity description						
Total SSAP No. 97 8a Entities	XXX	XXX	$ —	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
8b(ii) entity description						
American Income Marketing Services	N/A		—	N/A	N/A	I
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	—	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
8b(iii) entity description						
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	—	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
8b(iv) entity description						
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	—	XXX	XXX	XXX
e. SSAP No. 97 8b Entities (except 8b(i) entities) (b+c+d)	XXX	XXX	—	XXX	XXX	XXX
f. Aggregate Total (a + e)	XXX	XXX	$ —	XXX	XXX	XXX

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing

** I - Immaterial or M - Material

Entity	Reporting Entity's Share of Net Income (Loss)	Accumulated Share of Net Income (Losses)	Reporting Entity's Share of Equity, Including Negative Equity	Guaranteed Obligation / Commitment for Financial Support (Yes/No)	Reported Value
AILO 1, LLC	$ (688)	$ (3,376)	$ 124	No	$ —

9. CAPITAL AND SURPLUS AND SHAREHOLDER'S DIVIDEND RESTRICTIONS

The Company has 23,360,214 common shares authorized and 11,680,107 common shares issued outstanding. All shares are Class A shares. The common stock of the Company is wholly-owned by the Parent Company.

Dividends—The Company declared and paid $176,002 and $193,932 in dividends to the Parent Company during the year ended December 31, 2022 and 2021, respectively. No extraordinary dividends were paid in 2022 or 2021.

Statutory regulations in the State of Indiana limit the payment of dividends by stock life insurance companies in any one year to an amount equal to the greater of statutory net gain from operations from the previous year or 10% of surplus reported for the previous year. Dividends in excess of these limitations are not available without special approval of the regulatory authorities. The maximum dividend the Company can make without prior approval in 2023 is $144,930.

Surplus Notes—The Company had $25,000 in surplus notes outstanding at December 31, 2022 and 2021. Interest expense of $1,312 in both 2022 and 2021 related to these notes is included in the accompanying statutory-basis financial statements. Payments of principal and interest can only be made from the Company’s available surplus when the amount of surplus over all liabilities is double that of the amount of principal and interest then being paid. Payments can only be made with the prior approval of the Department. The note is a direct, unsecured obligation of the Company. In the event of liquidation, the note is subordinate to holders of policy claims, other indebtedness and other creditor claims. The entire amount of the note is held by the Company’s affiliate, Globe Life And Accident and Insurance Company.

(Dollar amounts in thousands except for shares)

Unassigned Surplus—The portion of unassigned surplus increased or (reduced) by each item below is as follows as of December 31, 2022 and 2021:

	2022	2021
Nonadmitted asset values	$ (69,236)	$ (49,613)
Asset valuation reserve	(49,921)	(48,110)
Net unrealized gains (losses)—net of tax	5,178	(15,166)

The 2022 and 2021 net unrealized loss as presented above differs from the amount disclosed in the Company's annual statement within note 13.J. The difference is due to net unrealized foreign exchange capital gain, net of tax of $25,647 and $34,297, respectively and less prior year's adjustment of tax on repatriation of $(245). The change in net unrealized foreign exchange capital gains is presented on the Statutory-Basis Statement of Changes in Capital and Surplus.

10. COMMITMENTS AND CONTINGENCIES

Leases—Future minimum rental commitments required under operating leases having remaining noncancelable lease terms in excess of one year at December 31, 2022 were as follows:

	Year Ending December 31,						
	2023	2024	2025	2026	2027	Thereafter	Total
Operating lease commitments	$ 547	$ 518	$ 164	$ 122	$ 114	$ 39	$ 1,504

Lease expense included in general expenses was $474 and $476 l for the years ended December 31, 2022 and 2021, respectively. The Company has the option to renew most of its leases at the end of the lease term at the fair value for a period of five to ten years.

Unfunded Investment Commitments—The Company has unfunded commitments to limited partnerships and commercial mortgage loans. As of December 31, 2022, the Company committed $124,907 to fund investments related to limited partnerships. Additionally, as of December 31, 2022, the Company's commitment to fund commercial mortgage loans was $3,237.

Litigation—American Income and its subsidiary, in common with the insurance industry in general, are subject to litigation, including putative class action litigation, alleged breaches of contract, torts, including bad faith and fraud claims based on alleged wrongful or fraudulent acts of agents of American Income and its subsidiary, employment discrimination, alleged misclassification of agents and miscellaneous other causes of action. Based upon information presently available, and in light of legal and other factual defenses available to American Income and its subsidiary, management does not believe that it is reasonably possible that such litigation will have a material adverse effect on American Income's financial condition, future operating results or liquidity; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future. This bespeaks caution, particularly in states with reputations for high punitive damage verdicts. American Income's management recognizes that large punitive damage awards bearing little or no relation to actual damages continue to be awarded by juries in jurisdictions in which American Income and its subsidiary have substantial business, creating the potential for unpredictable material adverse judgments in any given punitive damage suit.

During 2022 and 2021, the Company paid $34 to settle two claims and $2 to settle one claim, respectively, related to extra contractual obligations or bad faith claims stemming from lawsuits.

On August 5, 2020, putative class and collective action litigation was filed against American Income Life Insurance Company ("American Income") and National Income Life Insurance Company ("National Income") in United States District Court for the Central District of California (*Natalie Bell, Gisele Mobley, Ashly Rai, and John Turner v. American Income Life Insurance Company and National Income Life Insurance Company*, Case No. 2:20-cv-07046). On December 18, 2020, the plaintiffs voluntarily dismissed Mr. Turner's claims and all claims against defendant National Income. Following the dismissal, the complaint alleged that insurance agent trainees should have been classified as employees, and after contracting should have been classified as employees instead of independent contractors. Plaintiff Bell was a former California trainee and plaintiff Rai was a former California agent. They asserted claims under California law on behalf of a putative California class for the four years prior to February 13, 2020 through case conclusion. They made claims under (a) the California Labor Code for alleged meal and rest break violations, overtime, minimum wage, alleged failure to pay wages at the time of termination, expense reimbursement, and alleged failure to provide accurate wage statements; and (b) the California Business and Professions Code for alleged unfair business practices. They also sought liquidated damages, penalties, and attorney's fees under California law. Plaintiff Mobley was a former Florida agent who asserted a claim under Florida law on behalf of a putative Florida class for the five years prior to February 13, 2020 through case conclusion. She made a claim under the Florida General Labor Regulations, including the Florida Minimum Wage Act, for alleged failure to pay all wages owed. The plaintiffs also asserted a national collective action on behalf of all "similarly situated" individuals for minimum wage, overtime, liquidated damages, penalties, an accounting and attorney's fees and costs under the Fair Labor Standards Act for the three years prior to February 13, 2020 through case conclusion. American Income responded to the complaint with a motion to compel the named plaintiffs to arbitrate their individual claims and other procedural challenges. On April 6, 2021, the court granted American Income's motion to compel arbitration as to plaintiffs Mobley and Rai, and denied the motion without prejudice as to plaintiff Bell. American Income subsequently renewed its motion to compel arbitration as to plaintiff Bell. On November 30, 2021, the court granted American Income's motion to compel arbitration as to plaintiff Bell. Thereafter, the parties negotiated the settlement of the named plaintiffs' individual claims for a non-material amount. The case was then dismissed on January 5, 2023 with prejudice as to the named plaintiffs' individual claims, and without prejudice as to the claims of any putative class or collective members.

On July 22, 2022, putative class and collective action litigation was filed against Arias Agencies and American Income Life Insurance Company ("American Income") (collectively, "Defendants") in United States District Court for the Western District of Pennsylvania (*David Burkes v. Arias Agencies and American Income Life Insurance Company*, Case No. 2:22-cv-1054). The complaint alleges that insurance agent trainees should have been classified as employees, and after contracting should have been classified as employees instead of independent contractors. Plaintiff David Burkes is a former Pennsylvania independent sales agent and asserts claims under Pennsylvania law on behalf of a putative class of all individuals who trained to become and/or worked as sales agents for American Income in the three years prior to July 22, 2022 through case conclusion. Burkes makes claims (a) under the Pennsylvania Minimum Wage Act and the Pennsylvania Wage Payment and Collection Law for the alleged failure to pay minimum wage, alleged failure to pay for time spent in training, alleged failure to pay for missed meals and rest breaks, allegedly requiring putative class members to pay for work-related expenses, and allegedly subjecting putative class members to "chargebacks"; (b) for unjust enrichment for allegedly benefiting from the uncompensated labor of putative class members; and (c) for the rescission of putative class members' agent contracts. Burkes also asserts a collective action on behalf of the same group of individuals for minimum wage, overtime, liquidated damages, and attorney's fees and costs under the Fair Labor Standards Act for the three years prior to July 22, 2022 through case conclusion, as well as a claim that American Income allegedly did not keep accurate records of hours worked by sales agents. Burkes' individual claims, as well as the individual claims of other current and former agents, will proceed to arbitration.

(Dollar amounts in thousands except for shares)

On September 30, 2022, putative class action litigation was filed against American Income, Giglione-Ackerman Agency, LLC, Eric Giglione and David Ackerman (collectively, “Defendants”) in New Jersey Superior Court (*Atiya Bell, et al. v. American Income Life Insurance Company, et al*., Case No. MID-L-004928-22). American Income subsequently removed the case to United States District Court for the District of New Jersey (Case No. 2:22-cv-06913-CCC-MAH). Plaintiffs Atiya Bell and Abel Flores (“Plaintiffs”) are former New Jersey independent sales agents who allege they should have been classified as employees, and assert claims under New Jersey state law on behalf of (i) a putative class of registered agents in New Jersey who have worked remotely for at least one week since March 9, 2020, and (ii) a putative class of registered agents in New Jersey who trained for at least one week to become sales agents for American Income in New Jersey during the six years prior to September 30, 2022. Plaintiffs make claims under the New Jersey Wage and Hour Law and the New Jersey Wage Payment Law for the alleged failure to pay minimum wages and overtime pay, including for time spent in training, liquidated damages and attorney’s fees and costs. American Income intends to vigorously dispute the individual and class claims, including enforcing the class action waiver and right to individual arbitration found in American Income’s agent contracts, which has been recognized by other courts.

Unclaimed Property Audits—The Globe Life Inc. insurance subsidiaries are currently the subject of audits regarding the identification, reporting and escheatment of unclaimed property arising from life insurance policies and a limited number of annuity contracts. These audits are being conducted by private entities that have contracted with forty-seven states through their respective Departments of Revenue, and have not resulted in any financial assessment from any state nor indicated any liability. The audits are wide-ranging and seek large amounts of data regarding claims handling, procedures, and payments of contract benefits arising from unreported death claims. No estimate of range can be made at this time for loss contingencies related to possible administrative penalties or amounts that could be payable to the states for the escheatment of abandoned property.

11. ELECTRONIC DATA PROCESSING EQUIPMENT

Electronic data processing equipment (EDP) and operating and non-operating software at December 31, 2022 and 2021, consisted of the following:

	2022	2021
Electronic data processing equipment—net	$ 1,840	$ 2,001
System software—net	17,478	20,903
Balance—net	19,318	22,904
Total nonadmitted	17,478	20,903
Total admitted	$ 1,840	$ 2,001

Depreciation expense related to EDP and software totaled $6,705 and $6,556, for the years ended December 31, 2022 and 2021, respectively. The Company recorded total depreciation of $6,925 and $6,810, in 2022 and 2021, respectively. Total accumulated depreciation for 2022 and 2021 was $3,813 and $3,081, respectively.

12. FOREIGN EXCHANGE ADJUSTMENT

The Company is licensed to sell insurance in Canada and New Zealand. Invested assets held in Canada and New Zealand were $570,888 and $561,628 (U.S. dollars) at December 31, 2022 and 2021, respectively. The net foreign exchange adjustment resulting from the translation of assets denominated in foreign currencies was approximately $25,647 and $34,297, at December 31, 2022 and 2021, respectively. The change in this foreign exchange adjustment, net of tax, of $(8,650) and $(2,722) for the years ended December 31, 2022 and 2021, respectively, is included in the accompanying statutory-basis statements of changes in capital and surplus.

(Dollar amounts in thousands except for shares)

13. PARTICIPATING POLICIES

The Company does not currently write any participating business. The Company accounts for its policyholder dividends on an accrual basis consistent with SSAP No. 51, *Life Contracts* and SSAP No. 54, *Individual and Group Accident and Health Contracts*. The Company incurred dividends in the amount of $3 and $4 to life and annuity policyholders in 2022 and 2021, respectively, and did not allocate any additional income to such policyholders.

14. RECONCILIATION TO THE ANNUAL STATEMENT

The accompanying 2022 and 2021 statutory-basis financial statements differ from the amounts shown in the Company's statutory annual statement for 2022 and 2021, respectively.

Following is a reconciliation of account balances as reported to state regulatory authorities to amounts reported herein:

Statements of Operations	**2022**
Increase in aggregate reserves for life and accident and health contracts as reported in the Company's annual statement	$ 182,453
Adjustment to reclassify foreign exchange	31,323
Increase in aggregate reserves for future policy benefits as reported in the accompanying statutory-basis statements of operations	$ 213,776
Foreign Currency Translation Adjustment as reported in the Company's annual statement	$ 31,323
Adjustment to reclassify foreign exchange	(31,323)
Foreign Currency Translation Adjustment as reported in the accompanying statutory-basis statements of operations	$ —

Statements of Operations	**2021**
Increase in aggregate reserves for life and accident and health contracts as reported in the Company's annual statement	$ 106,134
Adjustment to reclassify foreign exchange	(506)
Increase in aggregate reserves for future policy benefits as reported in the accompanying statutory-basis statements of operations	$ 105,628
Foreign Currency Translation Adjustment as reported in the Company's annual statement	$ (506)
Adjustment to reclassify foreign exchange	506
Foreign Currency Translation Adjustment as reported in the accompanying statutory-basis statements of operations	$ —

******

STATUTORY-BASIS SUPPLEMENTAL SCHEDULES
(See Independent Auditor's Report)

AMERICAN INCOME LIFE INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF INVESTMENT RISKS INTERROGATORIES
AS OF DECEMBER 31, 2022
(Dollar amounts in thousands)

1. The Company's total admitted assets are $5,042,782.

2. Ten largest exposures to a single issue/borrower/investment:

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Telus Corp	Bond	$ 64,966	1.3 %
2.02	Metlife Commercial Mortgage Income Fund, LP	Other Invested Asset	$ 58,733	1.2 %
2.03	National Income Life Insurance Company (Affiliate)	Common Stock	$ 49,441	1.0 %
2.04	Bell Canada	Bond	$ 41,525	0.8 %
2.05	Globe Life Inc (Affiliate)	Preferred Stock	$ 39,169	0.8 %
2.06	Nutrien LTD	Bond	$ 36,766	0.7 %
2.07	Vale Overseas Limited	Bond	$ 33,257	0.7 %
2.08	Canadian Pacific RR Co	Bond	$ 32,615	0.6 %
2.09	PIMCO Commercial Real Estate Debt Fund, LP	Other Invested Asset	$ 31,372	0.6 %
2.10	Global Transport Income Fund Master Partnership SCSP	Other Invested Asset	$ 29,888	0.6 %

3. Amounts and percentages of the Company's total admitted assets held in bonds and preferred stock by NAIC designation:

	Bonds	Amount	Percentage	Preferred Stock	Amount	Percentage
3.01	NAIC–1	$ 1,649,834	32.7 %	P/RP–1	$ —	— %
3.02	NAIC–2	$ 2,187,499	43.4 %	P/RP–2	$ 39,169	0.8 %
3.03	NAIC–3	$ 94,359	1.9 %	P/RP–3	$ —	— %
3.04	NAIC–4	$ 7,528	0.1 %	P/RP–4	$ —	— %
3.05	NAIC–5	$ —	— %	P/RP–5	$ —	— %
3.06	NAIC–6	$ —	— %	P/RP–6	$ —	— %

(Continued)

Dollar amounts in thousands

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes [ ]	No [X]
4.02	Total admitted assets held in foreign investments.	$	482,563	9.6 %
4.03	Foreign-currency-denominated investments.	$	88,762	1.8 %
4.04	Insurance liabilities denominated in that same foreign currency.	$	—	— %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries designated NAIC–1	$	440,708	8.7 %
5.02	Countries designated NAIC–2	$	41,855	0.8 %
5.03	Countries designated NAIC–3 or below	$	—	— %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	Countries designated NAIC–1:			
6.01	Country 1: New Zealand	$	85,608	1.7 %
6.02	Country 2: Luxembourg	$	56,100	1.1 %
	Countries designated NAIC–2:			
6.03	Country 1: Mexico	$	36,826	0.7 %
6.04	Country 2: Panama	$	5,029	0.1 %
	Countries designated NAIC–3 or below:			
6.05	Country 1:	$	—	— %
6.06	Country 2:	$	—	— %

7.	Aggregate unhedged foreign currency exposure:	$	88,762	1.8 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries designated NAIC–1	$	88,762	1.8 %
8.02	Countries designated NAIC–2	$	—	— %
8.03	Countries designated NAIC–3 or below	$	—	— %

(Continued)

Dollar amounts in thousands

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	Countries designated NAIC–1:			
9.01	Country 1: New Zealand	$	85,608	1.7 %
9.02	Country 2: Hong Kong	$	3,154	0.1 %
	Countries designated NAIC–2:			
9.03	Country 1:	$	—	— %
9.04	Country 2:	$	—	— %
	Countries designated NAIC–3 or below:			
9.05	Country 1:	$	—	— %
9.06	Country 2:	$	—	— %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Designation	Amount	Percentage
10.01	Vale Overseas Limited	2.C FE	$ 33,257	0.7 %
10.02	Global Transport Income Fund Master partnership SCSP	BA	$ 29,888	0.6 %
10.03	Johnson Controls Intl Plc	2.B FE	$ 29,784	0.6 %
10.04	Reign Exchange LTD	1.G FE	$ 21,500	0.4 %
10.05	Grupo Bimbo SAB DE CV	2.B FE	$ 21,373	0.4 %
10.06	Cooperatieve Rabobank UA	1.D FE	$ 20,365	0.4 %
10.07	Koninklijke Philips NV	2.A FE	$ 16,683	0.3 %
10.08	Tyco Electronics Group S	1.G FE	$ 15,909	0.3 %
10.09	Axa SA	1.F FE	$ 15,864	0.3 %
10.10	United Utilities	2.A FE	$ 15,297	0.3 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?		Yes [ ]	No [X]
11.02	Total admitted assets held in Canadian investments	$	617,187	12.2 %
11.03	Canadian-currency-denominated investments	$	435,167	8.6 %
11.04	Canadian-denominated insurance liabilities	$	—	— %
11.05	Unhedged Canadian currency exposure	$	435,167	8.6 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?	Yes [X]	No [ ]

(Continued)

Dollar amounts in thousands

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entities total admitted assets? Yes [ ] No [X]

	Issuer	Amount	Percentage
13.02	National Income Life Insurance Co. (Affiliate)	49,441	1.0 %
13.03	Globe Life Inc (Affiliate)	39,169	0.8 %
13.04	Global Transport Income Fund Master Partnership SCSP	29,888	0.6 %
13.05	Pimco Tactical Opportunities Onshore Fund, LP	24,150	0.5 %
13.06	Global Infrastructure Partners IV-A/B, LP	11,982	0.2 %
13.07	Petershilll IV LLC	4,293	— %
13.08	Federal Home Loan Bank of Dallas	2,014	— %
13.09	The First Natl Bk - McGregor	1,300	— %
13.10		—	— %
13.11		—	— %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

Ten largest fund managers:

	Fund Manager	Total Invested	Diversified	Nondiversified
14.06	Northern Trust (money market)	$ 3,875	$ 3,875	$ —
14.07		$ —	$ —	$ —
14.08		$ —	$ —	$ —
14.09		$ —	$ —	$ —
14.10		$ —	$ —	$ —
14.11		$ —	$ —	$ —
14.12		$ —	$ —	$ —
14.13		$ —	$ —	$ —
14.14		$ —	$ —	$ —
14.15		$ —	$ —	$ —

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of interrogatory 16 and interrogatory 17.

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate.

    18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets?... Yes [X] No [ ]

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

    19.01 Are assets held in investments held in mezzanine real estate less than 2.5% of the reporting entity's total admitted assets?.............................. Yes [X] No [ ]

Interrogatories 20–23 are not applicable to the Company.

(Concluded)

AMERICAN INCOME LIFE INSURANCE COMPANY

SUPPLEMENTAL SUMMARY INVESTMENT SCHEDULE
AS OF DECEMBER 31, 2022
(Dollar amounts in thousands)

INVESTMENT CATEGORIES	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
BONDS:		
U.S. governments	$ 3,262	$ 3,262
All other governments	55,164	55,164
U.S. states, territories and possessions, etc. guaranteed	4,617	4,617
U.S. political subdivisions of states, territories and possessions guaranteed	147,950	147,950
U.S. special revenue and special assessment obligations, etc. non-guaranteed	372,123	372,123
Industrial and miscellaneous	3,242,139	3,242,139
Hybrid securities	113,965	113,965
PREFERRED STOCKS:		
Parent, subsidiaries and affiliates	39,169	39,169
COMMON STOCKS:		
Industrial and miscellaneous Other (Unaffiliated)	3,314	3,314
Parent, subsidiaries and affiliates Other	50,644	49,441
MORTGAGE LOANS:		
Commercial mortgages	25,762	25,762
REAL ESTATE:		
Properties occupied by company	3,408	3,408
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
Cash	47,345	47,345
Cash equivalents	3,875	3,875
Short-term investments	—	—
Contract loans	256,274	256,274
Other invested assets	322,020	322,020
TOTAL INVESTED ASSETS	$ 4,691,031	$ 4,689,828

* Gross investment holdings as valued in compliance with NAIC Accounting Practices and Procedures Manual.

Reinsurance Credit

1. Reinsurance contracts subject to Appendix A-791, *Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual:*

   We have entered into, renewed or amended no reinsurance contracts on or after January 1, 1996, which include risk limiting features, as described in SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance* (SSAP No. 61R). Deposit accounting, as described in SSAP No. 61R was not applied for any reinsurance contracts, which include risk limiting features.

2. Reinsurance contracts NOT subject to Appendix A-791, *Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual:*

   We have applied reinsurance accounting, as described in SSAP No. 61R, to no reinsurance contract entered into, renewed or amended on or after January 1, 1996, which include risk limiting features, as described in SSAP No. 61R because we have no such reinsurance contracts. Thus, there are no related or applicable reinsurance reserve credits, as described in SSAP No. 61R.

3. Payments to reinsurers (excluding reinsurance contracts with a federal or state facility)

   We have not entered into, renewed or amended reinsurance contracts on or after January 1, 1996, which contain provisions which allow (1) the reporting of losses or settlements with the reinsurer to occur less frequently than quarterly or (2) payments due from the reinsurer to not be made in cash within ninety days of the settlement date unless there is no activity during the period.

   We have not entered into, renewed or amended reinsurance contracts on or after January 1, 1996, which contain a payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

4. Reinsurance contracts NOT subject to Appendix A-791, *Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual* and NOT yearly-renewable term that meet the risk transfer requirements under SSAP No. 61R:

   We have not reflected reinsurance reserve for any reinsurance contracts entered into, renewed or amended on or after January 1, 1996 for the following:

   a. Assumption Reinsurance - for which there are no such reinsurance contracts;

   b. Non-proportional reinsurance, which does not result in significant surplus relief - for which there are no such reinsurance contracts.

5. Reinsurance contracts NOT subject to Appendix A-791, *Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual* and NOT yearly-renewable term, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement:

   AIL entered into a reinsurance agreement in 2021 which does not qualify for risk transfer under U.S. GAAP accounting rules; however, the treaty does satisfy the accounting rules for risk transfer under statutory accounting principles. As such, this agreement is accounted as reinsurance under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP").

6. If affirmative disclosure is required for (5) above, explain why the contract(s) is treated differently for GAAP and SSAP:

   Due to the design of the treaty noted in Note 5, this treaty does not qualify for risk transfer under U.S. GAAP accounting rules; however, the treaty does satisfy the accounting rules for risk transfer under statutory accounting principles.

AMERICAN INCOME LIFE INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022
(Dollar amounts in thousands)

INVESTMENT INCOME EARNED:		
U.S. government bonds	$	54
Other bonds - unaffiliated		197,332
Preferred stock - affiliated		2,671
Common stock - unaffiliated		28
Common stock - affiliated		12,503
Mortgage loans		1,664
Contract loans		19,366
Cash and cash equivalents		1,021
Other invested assets		12,935
Aggregate write-ins for investment income		(62)
GROSS INVESTMENT INCOME	$	247,512
MORTGAGE LOANS - BOOK VALUE		
Commercial mortgages	$	25,762
MORTGAGE LOANS BY STANDING - BOOK VALUE		
Good standing	$	25,762
Good standing with restructured terms		—
Foreclosure in process		—
REAL ESTATE OWNED - book value less encumbrances	$	3,408
OTHER LONG TERM ASSETS - statement value	$	322,020
BONDS AND STOCK OF PARENT, SUBSIDIARY, AND AFFILIATES — book value:		
Preferred stock	$	39,169
Common stock		50,644
TOTAL	$	89,813

(Continued)

Dollar amounts in thousands

BONDS AND SHORT-TERM INVESTMENTS BY NAIC DESIGNATION AND MATURITY

Bonds and short-term investments by maturity - statement value:	
Due within one year or less	$ 66,072
Over 1 year through 5 years	273,033
Over 5 years through 10 years	399,391
Over 10 years through 20 years	1,671,481
Over 20 years	1,529,243
Total by maturity	$ 3,939,220
Bonds and short-term investments by NAIC designation - statement value:	
NAIC 1	$ 1,649,834
NAIC 2	2,187,499
NAIC 3	94,359
NAIC 4	7,528
NAIC 5	—
NAIC 6	—
Total by NAIC designation	$ 3,939,220
TOTAL BONDS AND SHORT-TERM INVESTMENTS PUBLICLY TRADED	$ 3,396,995
TOTAL BONDS AND SHORT-TERM INVESTMENTS PRIVATELY PLACED	$ 542,225
PREFERRED STOCK - statement value	$ 39,169
COMMON STOCK - market value	$ 53,958
SHORT-TERM INVESTMENTS	$ —
CASH AND CASH EQUIVALENTS	$ 51,220

(Continued)

AMERICAN INCOME LIFE INSURANCE COMPANY

Supplemental Schedules
YEAR ENDED DECEMBER 31, 2022
Dollar amounts in thousands

LIFE INSURANCE IN FORCE:	
Ordinary	$ 51,317,533
Group life	$ 252,276
AMOUNT OF ACCIDENTAL DEATH INSURANCE IN FORCE	
UNDER ORDINARY POLICIES	$ 86,331,304
LIFE INSURANCE POLICIES WITH DISABILITY PROVISIONS IN FORCE:	
Ordinary	$ 24,991,074
Group	$ 11,106
SUPPLEMENTARY CONTRACTS IN FORCE:	
Ordinary - involving life contingencies income payable	$ 7
ANNUITIES - ordinary:	
Deferred - fully paid account balance	$ 2,889
Deferred - not fully paid account balance	$ 197,088
ACCIDENT AND HEALTH INSURANCE - premiums in force:	
Ordinary	$ 105,408
Group	$ 5,010
DEPOSIT FUNDS AND DIVIDEND ACCUMULATIONS:	
Deposit funds - account balance	$ 88,344
Dividend accumulations - account balance	$ 1,054
CLAIM PAYMENTS 2022:	
Group accident and health:	
2022	$ 2,375
2021	$ 1,089
2020	$ 99
2019 and prior	$ 73
Other accident and health:	
2022	$ 8,333
2021	$ 6,577
2020	$ 921
2019 and prior	$ 1,244

(Concluded)

Davies Financial and Actuarial Limited

17th April 2023

To: The Directors
American Income Life Insurance Company

From: Peter Davies
Consulting Actuary

Re: American Income Life Insurance Company - New Zealand Branch: Report as at 31st December 2022 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for American Income Life Insurance Company – New Zealand Branch as at 31st December 2022. "Actuarial information" includes the following:

   - policy liabilities;
   - solvency calculations in terms of the RBNZ Solvency Standard;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

2. No limitations have been placed on my work.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

3. I am independent with respect to American Income Life Insurance Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. During 2013, the Company set up a Statutory Fund in terms of the Insurance (Prudential Supervision) Act. It also established a Custodial account within the Statutory Fund, under a local trustee structure, holding investment assets for the preferential benefit of New Zealand policyholders. The assets of the Custodial account have to be sufficient to meet the RBNZ's solvency requirements in respect of New Zealand policyholders.

The Branch's solvency positions under the RBNZ Standard for Life Insurers as at 31st December were as follows:

	December 2021			December 2022		
	Custodial Fund	Other	Total Statutory Fund	Custodial Fund	Other	Total Statutory Fund
Actual Solvency Capital	110,637,320	15,226,656	125,863,976	95,089,481	12,160,046	107,249,527
Minimum Solvency Capital	44,529,922	4,723,140	49,253,062	25,193,957	3,192,986	28,386,943
Solvency Margin	66,107,398	10,503,516	76,610,914	69,895,524	8,967,060	78,862,584
Solvency Ratio	248.5%	322.4%	255.5%	377.4%	380.8%	377.8%

Assuming the Branch is able to achieve its business plans, the Branch is expected to meet the RBNZ solvency requirement at all times over the next four years.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

Davies Financial and Actuarial Limited

17th April 2023

To: The Directors
American Income Life Insurance Company

From: Peter Davies
Consulting Actuary

Re: American Income Life Insurance Company: Report as at 31st December 2022 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. The American Income Life Insurance Company is a USA-based company registered in the State of Indiana.

   The Company operates a branch in New Zealand, for which I am the Appointed Actuary.

   I have provided a separate Section 78 report in respect of the branch.

2. The Company is required to lodge its own accounts with the New Zealand Companies Office, and these accounts are required to be accompanied by a Section 78 report.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

3. I note that the company's actuarial valuation has been carried out by Ms. Yongjing Lin, Appointed Actuary, and a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

   I have been provided with a set of the Company's accounts, and with Ms. Lin's actuarial memorandum in relation to his valuation as at 31st December 2022.

   I note that the Company's accounts include the following information (2020 figures shown in brackets):

Statutory Balance sheet Capital:	US$388,413,059	($408,127,835)
NAIC RBC* Capital calculation:	US$440,790,678	($458,520,668)
Risk Based capital Requirement:	US$ 71,794,596	($ 65,360,128)
Solvency coverage ratio:	614%	(702%)

   * National Association of Insurance Commissioners Risk Based Capital

4. I have reviewed the actuarial information included in the audited accounts for American Income Life Insurance Company as at 31st December 2022. "Actuarial information" includes the following:

   - policy liabilities;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

5. No limitations have been placed on my work.

6. I am independent with respect to American Income Life Insurance Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

7. I have been provided with all information that I have requested in order to carry out this review.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

8. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

9. In 2013, the Company established a Statutory Fund in New Zealand in terms of the Insurance (Prudential Supervision) Act, and set up a Custodial account within this Fund, under a local trustee arrangement, holding investment assets for the preferential benefit of New Zealand policyholders.

10. Technically, the Company's license requires the Company itself to demonstrate its solvency in terms of the Insurance (Prudential Supervision) Act 2010. This calculation has not been carried out, although clearly the Company is in a strong financial position as assessed by the regulators in the USA.

    I would anticipate however that the New Zealand regulators will still maintain an ongoing active interest in the financial position of the Company, as assessed by the Insurance Commissioner of Indiana.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, Auckland 0652 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz