Exhibit CE-4-3

Audited Consolidated Financial Statements of SBL Holdings for the Year Ended December 31, 2018

Please see attached.

Consolidated Financial Statements

SBL Holdings, LLC and Subsidiaries
Year Ended December 31, 2018, Periods From February 1, 2017
Through December 31, 2017, January 1, 2017 Through
January 31, 2017, and Year Ended December 31, 2016
With Report of Independent Auditors

SBL Holdings, LLC and Subsidiaries

Consolidated Financial Statements

Year Ended December 31, 2018, Periods From February 1, 2017 Through December 31, 2017, January 1, 2017 Through January 31, 2017, and Year Ended December 31, 2016

Contents

Building a better working world

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Report of Independent Auditors

The Board of Directors
SBL Holdings, LLC

We have audited the accompanying consolidated financial statements of SBL Holdings, LLC and subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity and cash flows for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBL Holdings, LLC and subsidiaries at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 5, 2019

SBL Holdings, LLC and Subsidiaries

Consolidated Balance Sheets

	December 31, 2018 Successor	December 31, 2017 Successor
	(In Thousands, except as noted)	
Assets		
Investments:		
Fixed maturities, available for sale ($21,688.5 million and $20,677.6 million in amortized cost for 2018 and 2017, respectively; includes $2,420.1 million and $2,795.9 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**$ 21,233,511**	$ 20,880,543
Trading fixed maturities at fair value	**289,125**	307,537
Equity securities at fair value	**3,897**	54,474
Notes receivable from related parties	**3,155,718**	3,492,861
Mortgage loans (includes $634.5 million and $623.4 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**1,661,152**	1,929,273
Policy loans	**81,335**	466,109
Cash and cash equivalents (includes $67.9 million and $131.6 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**937,789**	941,357
Short-term investments	**335,924**	28,505
Call options	**340,472**	839,998
Other invested assets (2017 included $196.0 million and $215.7 million in amortized cost and fair value, respectively, related to joint venture and partnership investments carried at fair value. See measurement alternative within Note 1)	**634,222**	409,460
Total investments	**28,673,145**	29,350,117
Accrued investment income (includes $42.9 million and $28.6 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**363,081**	288,301
Accounts receivable (includes $2.8 million and $54.5 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**221,562**	353,126
Reinsurance recoverable	**2,167,242**	2,354,981
Deferred income tax asset	**2,030**	—
Property and equipment, net	**55,586**	55,032
Deferred policy acquisition costs	**421,898**	182,871
Deferred sales inducement costs	**150,601**	76,387
Value of business acquired	**1,576,198**	1,601,293
Goodwill and other intangible assets	**98,977**	98,977
Other assets	**189,997**	105,724
Separate account assets	**5,037,513**	5,927,859
Total assets	**$ 38,957,830**	$ 40,394,668

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31, 2018 Successor	December 31, 2017 Successor
	(In Thousands, except as noted)	
Liabilities and member's equity		
Liabilities:		
Policy reserves and annuity account values	**$ 28,688,781**	$ 28,837,422
Funds withheld	**322,708**	321,779
Accounts payable and accrued expenses (includes $24.4 million and $169.6 million related to consolidated variable interest entities for 2018 and 2017, respectively)	**177,013**	516,194
Deferred income tax liability	**—**	73,700
Credit facility	**766,027**	763,686
Surplus notes	**119,103**	119,916
Notes payable related to commission assignments	**25,268**	46,174
Mortgage debt	**13,381**	19,641
Debt from consolidated variable interest entities	**364,510**	645,919
Note payable - SAILES 2, LLC	**—**	68,912
Other liabilities	**393,245**	618,136
Repurchase agreements	**302,898**	—
Separate account liabilities	**5,037,513**	5,927,859
Total liabilities	**36,210,447**	37,959,338
Member's equity:		
Common stock	**—**	—
Contributed capital	**2,223,008**	1,973,008
Accumulated other comprehensive income (loss)	**(162,002)**	125,195
Member's equity - retained earnings	**686,377**	337,127
Total member's equity	**2,747,383**	2,435,330
Total liabilities and member's equity	**$ 38,957,830**	$ 40,394,668

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Revenues:				
Net investment income	**$ 1,620,474**	$ 1,215,411	$ 101,800	$ 1,126,391
Asset-based fees	**121,836**	102,627	10,345	101,033
Other product charges	**222,373**	185,485	16,063	177,600
Change in fair value of derivatives	**(218,442)**	506,806	4,570	(29,376)
Net realized/unrealized gains (losses), excluding impairment losses on available-for-sale securities	**(71,749)**	60,115	11,571	10,554
Total other-than-temporary impairment losses on available-for-sale securities and other invested assets	**(6,823)**	(1,369)	–	(3,643)
Other revenues	**60,273**	43,482	4,685	51,369
Total revenues	**1,727,942**	2,112,557	149,034	1,433,928
Benefits and expenses:				
Index credits and interest credited to account balances	**735,726**	451,769	30,963	223,085
Change in fixed indexed annuity embedded derivative and related benefits	**(425,255)**	255,455	22,210	104,735
Other benefits	**355,137**	280,764	22,424	374,278
Total benefits	**665,608**	987,988	75,597	702,098
Commissions and other operating expenses	**320,458**	286,988	24,216	263,661
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired, net of imputed interest	**199,153**	258,961	15,325	80,227
Interest expense	**134,472**	101,976	7,777	66,041
Total benefits and expenses	**1,319,691**	1,635,913	122,915	1,112,027
Income before income tax expense	**408,251**	476,644	26,119	321,902
Income tax expense	**58,135**	104,806	6,883	96,640
Net income	**$ 350,116**	$ 371,838	$ 19,236	$ 225,262

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
		(In Thousands)		
Net income	**$ 350,116**	$ 371,838	$ 19,236	$ 225,262
Other comprehensive income (loss), net:				
Net unrealized gains (losses) on available-for-sale securities	**(521,876)**	153,218	45,522	433,241
Net effect of unrealized gains and losses on:				
Deferred policy acquisition costs, value of business acquired and deferred sales inducement costs	**120,823**	(25,180)	(10,523)	(114,481)
Policy reserves and annuity account values	**112,990**	(19,644)	(13,110)	(95,893)
Total other comprehensive income (loss), net	**(288,063)**	108,394	21,889	222,867
Comprehensive income (loss)	**$ 62,053**	$ 480,232	$ 41,125	$ 448,129

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Changes in Stockholders' and Member's Equity

	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income	Stockholders' and Member's Equity - Retained Earnings	Total
			(In Thousands)		
Predecessor					
Balance at January 1, 2016	$ 9,002	$ 1,317,851	$ (159,093)	$ 319,535	$ 1,487,295
Net income	—	—	—	225,262	225,262
Other comprehensive income, net	—	—	222,867	—	222,867
Distributions/dividends paid	—	—	—	(10,660)	(10,660)
Balance at December 31, 2016	9,002	1,317,851	63,774	534,137	1,924,764
Net income	—	—	—	19,236	19,236
Other comprehensive income, net	—	—	21,889	—	21,889
Distributions/dividends paid	—	—	—	(4,708)	(4,708)
Balance at January 31, 2017	9,002	1,317,851	85,663	548,665	1,961,181
Successor					
Adjustments related to change in control and legal structure	(9,002)	593,192	(85,663)	(548,665)	(50,138)
Balance at February 1, 2017	—	1,911,043	—	—	1,911,043
Net income	—	—	—	371,838	371,838
Other comprehensive income, net	—	—	108,394	—	108,394
Contribution from parent	—	61,965	—	—	61,965
Distributions/dividends paid	—	—	—	(17,910)	(17,910)
Change in accounting principle (see Note 1)	—	—	16,801	(16,801)	—
Balance at December 31, 2017	**—**	**1,973,008**	**125,195**	**337,127**	**2,435,330**
Net income	**—**	**—**	**—**	**350,116**	**350,116**
Other comprehensive loss, net	**—**	**—**	**(288,063)**	**—**	**(288,063)**
Contribution from parent	**—**	**250,000**	**—**	**—**	**250,000**
Change in accounting principle (see Note 1)	**—**	**—**	**866**	**(866)**	**—**
Balance at December 31, 2018	**$ —**	**$ 2,223,008**	**$ (162,002)**	**$ 686,377**	**$ 2,747,383**

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Operating activities				
Net income	**$ 350,116**	$ 371,838	$ 19,236	$ 225,262
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:				
Annuity and interest-sensitive life products – interest credited to account balances	**735,726**	451,769	30,963	223,085
Policy acquisition costs deferred	**(258,726)**	(280,253)	(25,905)	(359,938)
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired, net of imputed interest	**199,153**	258,961	15,325	80,227
Net realized/unrealized losses (gains) of investments	**78,572**	(64,549)	(12,721)	(9,423)
Net realized/unrealized losses (gains) of derivatives	**218,442**	(506,806)	(4,570)	29,376
Change in fixed indexed annuity embedded derivative and related benefits	**(425,255)**	255,455	22,210	104,735
Amortization of investment premiums and discounts	**(55,112)**	(11,318)	(4,465)	(15,361)
Depreciation and amortization	**12,465**	15,495	1,733	11,229
Net sales (purchases) of trading fixed maturities at fair value	**9,128**	23,348	4,777	(11,856)
Net sales (purchases) of equity securities at fair value	**49,790**	(86)	17	(47)
Net sales of mortgage loans, at fair value	**—**	—	—	8,715
Change in funds withheld liability	**929**	(29,821)	(1,171)	(264)
Deferred income taxes	**402**	(78,685)	(1,846)	87,555
Change in annuity guarantees	**337,657**	301,778	24,877	374,054
Change in reinsurance recoverable	**187,739**	285,823	–	109,862
Change in accounts receivable	**131,564**	19,077	(148,750)	82,926
Change in accounts payable	**(339,181)**	363,086	4,538	(417,480)
Change in other liabilities	**(224,891)**	301,749	443	77,327
Other changes in operating assets and liabilities	**(393,560)**	(390,034)	7,724	(150,292)
Net cash and cash equivalents provided by (used in) operating activities	**614,958**	1,286,827	(67,585)	449,692
Investing activities				
Sales, maturities, or repayments of investments:				
Fixed maturities available for sale	**10,745,338**	5,717,434	602,497	12,093,231
Mortgage loans	**811,391**	286,120	24,572	574,533
Call options	**546,234**	261,330	16,152	59,703
Notes receivable from related parties	**7,473,695**	8,096,366	798,237	4,527,615
Other invested assets	**159,718**	194,399	4,369	189,719
	19,736,376	14,555,649	1,445,827	17,444,801
Acquisitions of investments:				
Fixed maturities available for sale	**(11,709,143)**	(9,066,643)	(779,228)	(11,524,669)
Mortgage loans	**(532,940)**	(497,362)	(20,034)	(1,038,759)
Call options	**(329,323)**	(166,141)	(12,997)	(179,295)
Notes receivable from related parties	**(6,715,429)**	(7,499,098)	(1,218,288)	(6,063,525)
Other invested assets	**(306,604)**	(187,285)	(885)	(135,708)
	(19,593,439)	(17,416,529)	(2,031,432)	(18,941,956)

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Net sales (purchases) of property and equipment	**$ (3,422)**	$ 1,551	$ 222	$ (812)
Net sales (purchases) of short-term investments	**(307,400)**	10,846	33,831	309,492
Net decrease (increase) in policy loans	**(20,594)**	(21,101)	354	(17,697)
Net cash and cash equivalents used in investing activities	**(188,479)**	(2,869,584)	(551,198)	(1,206,172)
Financing activities				
Payments on credit facility, surplus notes, notes payable related to commission assignments, notes payable, mortgage debt, debt from consolidated VIEs, and note payable - SAILES 2, LLC	**(424,362)**	(451,399)	(16,572)	(230,675)
Issuance of credit facility, notes payable related to commission assignments, notes payable, and debt from consolidated VIEs	**44,800**	878,093	213,000	488,453
Dividends paid to parent	**—**	(17,910)	(4,708)	(10,660)
Capital contribution from parent	**250,000**	61,965	—	—
Net change in repurchase agreements	**302,898**	—	—	(727,712)
Deposits to annuity account balances	**2,312,403**	4,357,712	244,099	4,563,620
Withdrawals from annuity account balances	**(2,915,786)**	(3,090,364)	(92,315)	(2,883,205)
Net cash and cash equivalents provided by (used in) financing activities	**(430,047)**	1,738,097	343,504	1,199,821
Increase (decrease) in cash and cash equivalents	**(3,568)**	155,340	(275,279)	443,341
Cash and cash equivalents at beginning of period	**941,357**	786,017	1,061,296	617,955
Cash and cash equivalents at end of period	**$ 937,789**	$ 941,357	$ 786,017	$ 1,061,296
Supplemental disclosures of cash flow information				
Cash paid during the period for:				
Interest	**$ 116,612**	$ 67,063	$ 5,068	$ 36,652
Income taxes	**$ 124,719**	$ 148,654	$ —	$ 10,098

Supplemental disclosure of non-cash information

In 2018, the policy loans related to the separate account funding agreements were refinanced with a related party. This resulted in a non-cash transfer from policy loans of $405.4 million and accrued investment income of $16.0 million to notes receivable from related parties.

See accompanying notes.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies

Nature of Operations

The operations of SBL Holdings, LLC, together with its subsidiaries and consolidated variable interest entities (VIEs) (see Note 3) (referred to herein, collectively, as the Company), consist primarily of marketing and distributing annuities, retirement plans, and other related products throughout the United States. Security Distributors, LLC (SD), a subsidiary of Security Benefit Life Insurance Company (SBLIC), is a registered broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority.

Security Benefit Corporation (SBC) and its subsidiaries, including the Company, were acquired by Eldridge Industries, LLC in a transaction which closed on January 31, 2017 (the Transaction). As a result of the change in control, the Company elected push down accounting to record its assets and liabilities at fair value as of the acquisition date (see Note 14).

The Company offers a diversified portfolio of products comprised primarily of individual and group annuities, including fixed, fixed indexed, and variable annuities, and retirement plan products through multiple distribution channels, and acts as a third-party administrator in the servicing of retirement plans.

Basis of Presentation

The consolidated financial statements prior to the closing of the Transaction reflect the historical accounting basis in the Company's assets and liabilities and are labeled "Predecessor." The statements subsequent to the Transaction are labeled "Successor" and reflect adjusting the Company's historical accounting basis to reflect the change in control at the Transaction date in the consolidated financial statements.

For periods subsequent to January 31, 2017, the financial statements of the Company are presented on a consolidated basis and include the operations of the Company and its wholly owned subsidiaries, SBLIC, its wholly owned subsidiaries and consolidated VIEs (see Note 3), for which SBLIC is considered to be the primary beneficiary, and the accounts of First Security Benefit Life Insurance and Annuity Company of New York (FSBL); Security Financial Resources, Inc. (SFR); Security Benefit Business Services, LLC (SBBS); Note Funding 1892, LLC; Banner Creek Bridge, LLC

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

(formerly known as NF - GPIM, LLC); Note Funding OHA, LLC; Note Funding OHA II, LLC; Note Funding, LLC; Note Funding II, LLC; and DLSV 2015-1, LLC. As of February 20, 2017, Note Funding 1892, LLC; Banner Creek Bridge, LLC (formerly known as NF - GPIM, LLC); Note Funding OHA, LLC; Note Funding OHA II, LLC; Note Funding, LLC; Note Funding II, LLC; and DLSV 2015-1, LLC were contributed to SBC. All intercompany accounts and transactions have been eliminated in the consolidation.

For the period ended and prior to January 31, 2017, the financial statements of the Company are presented on a combined basis and includes the combined accounts of SBLIC, its wholly owned subsidiaries and consolidated VIEs (see Note 3), for which SBLIC is considered to be the primary beneficiary, and the accounts of FSBL; SFR; SBBS; Note Funding 1892, LLC; Banner Creek Bridge, LLC (formerly known as NF - GPIM, LLC); Note Funding OHA, LLC; Note Funding OHA II, LLC; Note Funding, LLC; Note Funding II, LLC; and DLSV 2015-1, LLC. These financial statements are presented in combination as all of the entities were related by common management. All intercompany accounts and transactions have been eliminated in the combination.

On March 18, 2016, Note Funding 1892-2, LLC was sold to a related party, the combined financial statements of the Company includes its operations for the period January 1, 2016 through March 18, 2016.

Use of Estimates

The preparation of the consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported and disclosed. Significant estimates and assumptions include the valuation of investments; valuation of derivative financial instruments; determination of other-than-temporary impairments of investments; amortization of deferred policy acquisition costs (DAC), deferred sales inducement costs (DSI), and value of business acquired (VOBA); establishing VOBA in connection with the Transaction; calculation of liabilities for future policy benefits; calculation of income taxes and the recognition of deferred income tax assets and liabilities; and estimating future cash flows on certain structured securities. Management believes that the estimates used in preparing its consolidated financial statements are reasonable.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Investments

Fixed maturity investments include bonds, asset-backed securities, and redeemable preferred stock. Fixed maturity investments are classified as available for sale and carried at fair value, with related unrealized gains and losses reflected as a component of accumulated other comprehensive income or loss (AOCI) in the consolidated statements of comprehensive income, net of adjustments related to DAC, DSI, VOBA, and policy reserves and annuity account values and applicable income taxes. The adjustment related to DAC, DSI, VOBA, and policy reserves and annuity account values represents the impact from treating the unrealized gains or losses as if they were realized.

Equity securities include mutual funds, common stock, and non-redeemable preferred stock. Before 2018, equity securities are classified as available for sale and are carried at fair value, with related unrealized gains and losses reflected as a component of AOCI, net of applicable income taxes. Effective January 1, 2018, equity investments not accounted for under the equity method or the measurement alternative are carried at fair value, with related unrealized gains and losses recognized as a component of the net realized/unrealized gains/(losses) in the consolidated statements of operations.

The Company has elected the measurement alternative for certain equity investments that do not have readily determinable fair value and do not qualify for the practical expedient under ASC 820 to estimate fair value using the net asset value (NAV) per share. Under the alternative, the investments are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. These financial instruments are included in other invested assets on the consolidated balance sheets.

The Company has a variable interest in various types of securitization entities, which are deemed VIEs. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. When the Company is determined to be the primary beneficiary of a VIE, the Company consolidates the entity into the financial statements. The primary beneficiary of a VIE is defined as the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Accordingly, the

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Company would not consolidate a VIE when it is not the primary beneficiary. On an ongoing basis, the Company assesses whether it is the primary beneficiary of VIEs in which it has a relationship.

Investments in joint ventures and partnerships are reported in other invested assets and are generally accounted for using the equity method. In applying the equity method, the Company records its share of income or loss reported by equity investees. Prior to January 1, 2018, for some of these investments, where the Company's partnership interest is so minor that it exercises virtually no influence over operating and financial policies, the Company carried the investment at the estimated fair value, with any adjustments recorded through other comprehensive income (OCI).

The Company classified as trading or elected the fair value option for certain fixed maturity securities and commercial mortgage loans that are segregated to support the funds withheld reinsurance liability (see Note 11). The change in fair value of these financial instruments is recognized as a component of net realized/unrealized gains (losses) in the consolidated statements of operations.

Realized capital gains and losses on sales of investments are determined using the average cost method for periods ended and prior to January 31, 2017. For periods subsequent to January 31, 2017, realized capital gains and losses on sales of investments are determined using the specific identification method. Unrealized capital gains and losses related to trading securities are reported as a component of net realized/unrealized gains (losses) in the consolidated statements of operations. Other-than-temporary impairments (OTTIs) are reported separately in the consolidated statements of operations.

To the extent the Company determines that an equity security accounted for under the measurement alternative or equity method is deemed other-than-temporarily impaired, the difference between carrying value and fair value is charged to earnings. For debt securities, if the Company intends to sell the security or it is more likely than not the Company will be required to sell the security before the recovery of the amortized cost basis, the Company recognizes an OTTI equal to the difference between the amortized cost and fair value in net income. For debt securities where the Company does not expect to recover the amortized cost basis, does not plan to sell, or it is not more likely than not that the Company would be required to sell before recovery of the amortized cost basis, the Company bifurcates the OTTI and reports the credit portion of the loss recognized in net income, and the noncredit portion is recognized in OCI.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The credit loss component of a debt security impairment is estimated as the difference between amortized cost and the present value of the expected cash flows of the security. The methodology and assumptions for establishing the best estimate cash flows vary depending on the type of security. For fixed rate securities, the present value is determined using the best estimate cash flows discounted at the effective interest rate implicit to the security just prior to impairment. For variable rate securities, the present value is determined using the best estimate cash flows discounted at the variable rate that exists as of the date the cash flow estimate is made. The asset-backed securities cash flow estimates are based on bond-specific facts and circumstances that may include collateral characteristics such as: expectations of delinquency and default rates, loss severity, asset spreads, and prepayment speeds, as well as structural support, including subordination and guarantees.

Commercial and residential mortgage loans are generally reported at cost, adjusted for amortization of premiums or accrual of discounts, computed using the interest method, net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan’s contractual interest rate. Interest income, as well as prepayment of fees and the amortization of the related premium or discount, is reported in net investment income in the consolidated statements of operations. The Company reviews the mortgage loan portfolio using a collectively evaluated impairment methodology to determine the need for a general allowance, which is based upon the Company’s evaluation of the probability of collection, historical loss experience, delinquencies, and other factors. If the Company determines through management's evaluation of the mortgage loan portfolio that an individual loan has an elevated specific risk profile, the Company will then individually assess the loan for impairment and may assign a specific loan loss allowance.

Policy loans are reported at unpaid principal.

Cash and cash equivalents includes operating cash, other investments with original maturities of 90 days or less, and money market funds principally supported with cash and cash equivalent funds. Short-term investments are carried at market value and represent fixed maturity securities with initial maturities of greater than 90 days but less than one year.

The Company has agreed to provide a short-term loan facility through bridge or revolver loans to borrowers until permanent financing can be secured or an existing obligation or project is completed. The Company generally receives a commitment fee on unfunded amounts and interest on the amounts funded. Open commitments on bridge loans and revolvers are disclosed in Note 17.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Asset and Liability Derivatives

The Company hedges certain exposures to interest rate risk and equity market risk by entering into derivative financial instruments. All of the derivative financial instruments are recognized as an asset or liability on the consolidated balance sheets at estimated fair value. For derivative instruments not receiving hedge accounting treatment but that are economic hedges, the gain or loss is recognized in net income during the period of change.

The Company issues certain products that contain a derivative that is embedded in the product, and must be accounted for under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815). Under ASC 815, the Company assesses whether the embedded derivative is clearly and closely related to the host contract. The Company bifurcates embedded derivatives from the host instrument for measurement purposes when the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and a separate instrument with the same terms would qualify as a derivative instrument. Embedded derivatives, which are reported with the host instrument on the consolidated balance sheets in policy reserves and annuity account values, are reported at fair value with changes in fair value recognized in the consolidated statements of operations.

The Company formerly entered into agreements with insurance companies to identify and recommend producers for annuity contracts, deliver annuity contracts, collect the first premium, and service the business on the insurance companies' behalf. The Company paid heaped commissions to field producers and recorded commission receivable for the subsequent receipt of monthly level commissions from the insurance companies for annuity contracts that continue to be in-force policies over a period of time. The commission receivable is comprised of the base level commission payments (the Host Contract) and a commission assignment embedded derivative (the Lapse Risk). In accordance with ASC 815, the Lapse Risk is separated from the Host Contract and accounted for as a derivative instrument. The Lapse Risk is recorded at fair value with the change in unrealized gain (loss) related to lapse-risk recognized in the consolidated statements of operations.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The Company is party to both bilateral and tri-party agreements with certain derivative instrument counterparties which require the posting of collateral when the market value of the derivative instrument exceeds the cost of the instrument, subject to certain thresholds agreed upon with the counterparties. Collateral posted by counterparties under bilateral agreements is reported on the consolidated balance sheets in cash and cash equivalents with a corresponding liability reported in other liabilities. In addition, the Company has entered into tri-party arrangements with counterparties, whereby collateral is posted to and held by a third party. Collateral posted under the tri-party arrangement is not reflected on the consolidated balance sheets.

Deferred Policy Acquisition Costs, Deferred Sales Inducement Costs and Value of Business Acquired

To the extent recoverable from future policy revenues and gross profits, incremental direct costs of contract acquisition (commissions) as well as certain costs directly related to acquisition activities (underwriting, other policy issuance and processing, and selling costs) for the successful acquisition or renewal of deferred annuity business have been deferred. DAC is amortized in proportion to the present value, discounted at the crediting rate, of actual and expected gross profits from investments (gross blended separate account return assumption of 7.7% for all years), withdrawal, mortality, and expense margins. Amortization is adjusted retrospectively when estimates of current or future gross profits to be realized from a group of products are revised.

DAC is adjusted for the impact on estimated gross profits of net unrealized gains and losses on assets, with the adjustment reflected in stockholders' and member's equity as a component of AOCI, net of applicable income taxes.

For insurance and annuity contracts, policyholders can elect to modify product benefits, features, rights, or coverages by exchanging a contract for a new contract or by an amendment, an endorsement, or a rider to a contract or by the election of a feature or coverage within a contract. These transactions are known as internal replacements. The Company accounts for internal replacements as a termination of the original contract and an issuance of a new contract. Any DAC or DSI associated with the original contract is written off. Consistent with this, the Company anticipates these transactions in establishing amortization periods and other valuation assumptions.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

DSI consists of bonus interest credits and premium credits added to certain annuity contract values. It is subject to vesting requirements and is capitalized to the extent it is incremental to amounts that would be credited on similar contracts without the applicable feature. DSI is amortized using the same methodology and assumptions used to amortize DAC.

VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts that existed in a life insurance company acquisition. VOBA is amortized using the same methodology and assumptions used to amortize DAC.

Goodwill and Other Intangible Assets

Intangible assets with indefinite lives are not amortized, but are reviewed at least annually for indications of value impairment, with consideration given to financial performance and other relevant factors. Intangibles that do not have indefinite lives are amortized over their estimated useful lives. The carrying values of intangible assets are reviewed at least annually for indicators of impairment in value that are other-than-temporary, including unexpected or adverse changes in the following: the economic or competitive environments in which the company operates; profitability analyses; cash flow analyses; and the fair value of the relevant business operation. If there was an indication of impairment, then the discounted cash flow method would be used to measure the impairment, and the carrying value would be adjusted as necessary.

Value of customer relationship acquired (VOCRA) is an intangible asset that reflects the present value of estimated future profits associated with life insurance customer relationships acquired in 2010. VOCRA is amortized in proportion to the present value of the expected future profits determined at the time of the acquisition. The Company performed qualitative analysis on an annual basis to assess the recoverability of this intangible asset. The existing VOCRA was written off during the Transaction and is no longer applicable in successor periods.

Goodwill is recognized for the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill is not amortized, but is reviewed annually for indications of impairment. If the fair value of the reported goodwill is lower than its carrying amount, goodwill is written down to its fair value; and a charge is reported in the consolidated statements of operations.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment, including home office real estate, furniture and fixtures, and data processing equipment and certain related systems, are recorded at cost less accumulated depreciation. Computer software includes internally developed software costs that are capitalized when they reach technological feasibility. The provision for depreciation of property and equipment is computed using the straight-line method over the estimated lives of the related assets, which generally range from 3 to 39 years.

The Company leased a portion of its office facility to the Federal Home Loan Bank of Topeka (FHLB) under an operating lease that was terminated during 2018. Under this lease, certain operating expenses of the premises were the responsibility of the FHLB, while others were reimbursed to the Company (see Note 18).

In February 2013, SAILES 2, LLC (SAILES) acquired an airplane for other investment purposes. SAILES leases the airplane under an operating lease that expires on February 28, 2025. The asset is depreciated on a straight-line method over 25 years which approximates its estimated productive life and is included in other invested assets on the consolidated balance sheets.

Separate Accounts

The separate account assets and liabilities reported in the accompanying consolidated balance sheets represent funds that are separately administered for the benefit of contract holders who bear the investment risk. The separate account assets are carried at fair value, and separate account liabilities are carried at an equivalent value. Revenues and expenses related to separate account contract holders of the Company are excluded from the amounts reported in the consolidated statements of operations. Investment income and gains or losses arising from separate accounts accrue directly to the contract holders and, therefore, are not included in investment income in the accompanying consolidated statements of operations. Product charge revenues to the Company from the separate accounts consist principally of contract maintenance charges, administrative fees, and mortality and expense risk charges.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The Company has variable annuity contracts through separate accounts that include various types of guaranteed minimum death benefit (GMDB), guaranteed minimum accumulation benefit (GMAB), guaranteed minimum withdrawal benefit (GMWB), and guaranteed minimum income benefit (GMIB) features. As discussed in Note 4, certain features of these guarantees are accounted for as embedded derivative reserves, whereas other guarantees are accounted for as benefit reserves. Other guarantees contain characteristics of both and are accounted for under an approach that calculates the value of the embedded derivative and the benefit reserve based on the specific characteristics of each guaranteed benefit feature.

The Company issued funding agreements to certain related parties through separate accounts whereby the contract holders elect to invest in various investment options offered under the policy. Contract holders have the ability to take policy loans, which are secured by the policy, up to an amount specified in the policy. As of December 31, 2018 and 2017, separate account investments funded through these agreements were $1,861.8 million and $1,937.9 million, respectively, and are reported in separate account assets and liabilities on the consolidated balance sheets. Policy loans related to these separate accounts totaled $0.0 million and $377.7 million as of December 31, 2018 and 2017, respectively, and are reported in policy loans on the consolidated balance sheets. Investment income and gains or losses arising from the investments in the separate account funding agreements accrue directly to the contract holders and, therefore, are not included in investment income in the accompanying consolidated statements of operations. Revenues to the Company from the separate account funding agreements consist primarily of administrative fees assessed at the time the funding agreement was issued and interest on the policy loans issued to the contract holders.

Policy Reserves and Annuity Account Values

Liabilities for future policy benefits for traditional life products are computed using a net level-premium method, including assumptions as to investment yields, mortality, and withdrawals and other assumptions that approximate expected experience.

Liabilities for future policy benefits for interest-sensitive life and deferred annuity products represent contract values accumulated with interest without reduction for potential surrender charges. Interest on accumulated contract values is credited to contracts as earned. Crediting rates ranged from 1.0% to 4.5% during each of the years 2018, 2017, and 2016. Policy reserves are adjusted for the impact

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

on estimated gross profits of net unrealized gains and losses on bonds, with the adjustment reflected in stockholders' and member's equity as a component of AOCI, net of applicable income taxes.

Policy reserves and annuity account values also include general account funding agreements of \$481.0 million and \$566.4 million at December 31, 2018 and 2017, respectively, which are classified as investment-type contracts. These liabilities consist of floating interest rate and fixed interest rate contracts. These agreements have call provisions that give the holder of the funding agreements the right to require the funding agreement be redeemed by the Company if certain adverse conditions occur.

The Company offers fixed indexed annuity products with returns linked to the performance of certain indices. The fixed indexed annuity products also offer a guaranteed lifetime withdrawal benefit (GLWB) and a GMDB. The GLWB and GMDB guarantees are accounted for as benefit reserves. Policy reserves for index annuities are equal to the sum of the fair value of the embedded index options, the host (or guaranteed) components of the index account, and the fixed account accumulated with interest and without reduction for potential surrender charges, plus the benefit reserves for the GLWB and GMDB benefits. The host value is established at inception of the contract and is accreted over the policy's life at a constant rate of interest. Fair value of the embedded index options is calculated using discounted cash flow valuation techniques based on current interest rates adjusted to reflect the Company's credit risk and an additional provision for adverse deviation.

Reinsurance Agreements

The Company utilizes reinsurance agreements to manage certain risks associated with its annuity operations and to reduce exposure to large losses. In the accompanying consolidated financial statements, premiums, benefits, and settlement expenses are reported net of reinsurance ceded, whereas policy liabilities and accruals are reported gross of reinsurance ceded. Reinsurance premiums and benefits are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The Company remains liable to policyholders if the reinsurers are unable to meet their contractual obligations under the applicable reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar activities or economic characteristics of reinsurers, and requires collateralization of liabilities ceded where allowable by contract.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Deferred Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. Deferred income tax expense or benefit, reflected in the Company's consolidated statements of operations as a component of income tax expense or benefit, is based on the changes in deferred income tax assets or liabilities from period to period (excluding unrealized capital gains and losses on securities available for sale). Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. The Company records a valuation allowance to reduce its deferred income tax assets to an amount that represents management's best estimate of the amount of such deferred income tax assets that will more likely than not be realized using the enacted tax rates and laws.

Recognition of Revenues

Dividends and interest income, recorded in net investment income, are recognized when earned. Amortization of premiums and accretion of discounts on investments in fixed maturity securities are reflected in net investment income over the contractual terms of the investments in a manner that produces a constant yield. For structured securities, included in the fixed maturity available-for-sale securities portfolios, the amortization/accretion of premiums and discounts incorporate prepayment assumptions to produce a constant yield over the expected life of the security. When actual prepayments differ significantly from originally anticipated prepayments, the accretable yield is recalculated to reflect actual payments to date plus anticipated future payments. For securities, purchased or retained, that represent beneficial interests in structured note securities other than high credit quality securities, the accretable yield is adjusted using the prospective method when there is a change in estimated future cash flows. For high credit quality securities, the accretable yield is adjusted using the retrospective method. Any adjustments resulting from changes in effective yield are reflected in net investment income.

Traditional life insurance products include whole life insurance, term life insurance, and certain annuities. Premiums for these traditional products are recognized as revenues when due. Revenues from deferred annuities consist of policy charges for the mortality and expense risk charges, policy

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

administration charges, and surrender charges assessed against contract holder account balances during the period and are recognized as earned.

Service fees represent amounts earned under agreements with the investment advisors and/or underwriters of both related and unrelated mutual funds. These fees are accrued and paid on a monthly basis based on contractual agreements. Commissions are included in other revenue in the consolidated statements of operations.

The Company evaluates the need for an allowance for accounts receivable that it believes will not be collected in full. There was no allowance for doubtful accounts at December 31, 2018 or 2017.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This authoritative guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue standard is that an entity recognize revenue to reflect the transfer of a promised good or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or service. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606). The amendments in this ASU defer the effective date of ASU 2014- 09 for all entities by one year. ASU 2014-09 will be effective for the Company’s calendar year beginning January 1, 2019. During 2016, the FASB issued ASU 2016-08, 2016-10, and 2016-12 that are all further clarifications to ASU 2014-09. Revenue streams under the insurance contracts and investment contracts are not in scope of ASU 2014-09. The Company has completed a process to review and analyze the revenue streams under this new revenue recognition guidance and has concluded that upon adoption, the new guidance will not have a material impact on the Company's financial statements.

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases*. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). This update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. This update requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective January 1, 2020 for the Company, with early adoption permitted. The Company is in the process of evaluating the full impact adoption of this standard will have on the Company in 2020.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses, Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard will become effective for the Company on January 1, 2021, with early adoption permitted in 2019. While the Company is currently evaluating the full impact of this new guidance on the financial statements, the Company believes the new impairment model may lead to earlier recognition of credit losses on commercial mortgage loans compared to current loss recognition methodology.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment*. Under the amendments in this update, the Company should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Impairment charges should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This amendment essentially eliminated "Step 2" from the goodwill impairment test. Additionally, the Company should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The amendments in this update shall

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

be applied on a prospective basis. A public business entity that is not an SEC filer should adopt the amendments in this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect significant impact to its financial statements upon adoption of this standard in 2021.

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20) Premium Amortization on Purchased Callable Debt Securities.* The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount. The discount continues to be amortized to maturity. The amendments in this update are effective for fiscal years, beginning after December 15, 2018. Early adoption is permitted. An entity should apply the amendments in this update on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. Management is evaluating the impact of this ASU upon adoption fo this standard in 2019.

In August 2018, FASB issued ASU 2018-12, *Financial Services—Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts*. This amendment improves four areas to the accounting for long-duration contracts. (1) Assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts. The amendments in this update require an insurance entity to (a) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (b) update the discount rate assumption at each reporting date. The provision for risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. The change in the liability estimate as a result of updating cash flow assumptions is required to be recognized in net income. The change in the liability estimate as a result of updating the discount rate assumption is required to be recognized in other comprehensive income. The amendments require that an insurance entity discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed-income instrument yield that maximizes the use of observable market inputs. (2) Measurement of market risk benefits. The amendments require that an insurance entity measure all market risk benefits associated with deposit (or account balance) contracts at fair value. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income. (3) Amortization of deferred

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

acquisition costs. The amendments simplify the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require that those balances be amortized on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test. (4) Disclosures. The amendments require that an insurance entity provide aggregated roll forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendments also require that an insurance entity disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The guidance is to be applied as of the earliest period presented in the financial statements. Management is evaluating the impact of this ASU to its financial statements upon adoption of this standard in 2021.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: restricted cash.* The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard was adopted by the Company on January 1, 2018, through retrospective transition method. There was no material impact on the 2017 and 2016 consolidated cash flows.

Change in Accounting Principle

On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, *An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018* (Tax Cuts and Jobs Act). This act reduced the U.S. federal corporate income tax rate and made other changes to the U.S. federal tax law. In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income* (ASU 2018-02). The amendments in this

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

ASU allow a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments in this ASU is permitted. The Company elected to early adopt ASU 2018-02 as of December 31, 2017 as a change in accounting principle.

As a result of this change in accounting principle, the Company elected to reclassify the income tax effect on items within AOCI to retained earnings. The amount of $16.8 million represents the entire amount of the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts at the date of enactment of the Tax Cuts and Jobs Act related to items remaining in AOCI. The change in U.S. federal corporate income tax rate had no effect on the Company's gross valuation allowance.

The Company adopted FASB ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* on January 1, 2018. ASU 2016-01 requires certain fair value measured equity investments no longer be eligible for the available-for-sale classification. Their changes of fair value are required to be reported in earnings, instead of AOCI.

FASB ASU 2016-01 changed how entities recognize, measure, present and make disclosures about certain financial assets and financial liabilities. Under the new guidance, among other provisions, entities have to measure equity investments (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income. Entities can elect a measurement alternative for equity investments that do not have readily determinable fair values and do not qualify for the practical expedient in ASC 820 to estimate fair value using the NAV per share (or its equivalent). Under the alternative, entities measure these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Entities have to make a separate election to use the alternative for each eligible investment and have to apply the alternative consistently from period to period until the investment's fair value becomes readily determinable. Entities also have to reassess at each reporting period whether an investment qualifies for this alternative. This measurement alternative

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

must be applied prospectively to all investment that exist as of the date of adoption. As a result of this change in accounting principle, the Company reclassified $0.9 million from AOCI to retained earnings. Upon adoption, the Company also elected the measurement alternative for equity investments in partnerships that do not have readily determinable fair value and do not qualify for the practical expedient in ASC 820.

Prior Period Reclassifications

Certain prior period amounts in the consolidated financial statements and accompanying notes have been reclassified to conform to the current period's presentation.

2. Investments

Fixed Maturity Investments and Equity Securities

Information as to the amortized cost, gross unrealized gains and losses, fair values, and OTTIs in AOCI, of the Company's portfolio of fixed maturity investments, equity securities, and other invested assets classified as available for sale, is as follows:

	December 31, 2018 (*Successor*)				
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTIs in AOCI
	(In Thousands)				
Fixed maturity investments:					
U.S. Treasury securities and other U.S. government corporations and agencies	$ 181,598	$ 597	$ 2,729	$ 179,466	$ —
Obligations of government-sponsored enterprises	310,698	955	6,001	305,652	—
Corporate	9,131,508	35,849	163,184	9,004,173	—
Obligations of foreign governments	136	—	1	135	—
Municipal obligations	113,751	4,495	1,194	117,052	—
Commercial mortgage-backed	354,521	1,100	6,483	349,138	—
Residential mortgage-backed	34,962	1,316	397	35,881	184
Collateralized debt obligations	5,929	2,901	66	8,764	—
Collateralized loan obligations	7,996,325	57,205	380,239	7,673,291	—
Redeemable preferred stock	75,761	—	4,772	70,989	—
Other asset backed	3,483,268	30,300	24,598	3,488,970	—
Total fixed maturity investments	$ 21,688,457	$ 134,718	$ 589,664	$ 21,233,511	$ 184

2. Investments (continued)

	December 31, 2017 *(Successor)*				
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTIs in AOCI
	(In Thousands)				
Fixed maturity investments:					
U.S. Treasury securities and other U.S. government corporations and agencies	$ 260,864	$ 1,888	$ 1,725	$ 261,027	$ —
Obligations of government-sponsored enterprises	385,015	2,018	1,186	385,847	—
Corporate	7,668,332	103,004	13,548	7,757,788	—
Obligations of foreign governments	1,093	56	1	1,148	—
Municipal obligations	255,785	22,708	1,148	277,345	—
Commercial mortgage-backed	583,811	3,361	2,241	584,931	—
Residential mortgage-backed	132,318	5,249	216	137,351	—
Collateralized debt obligations	5,861	1,473	3	7,331	—
Collateralized loan obligations	7,867,098	100,047	35,119	7,932,026	—
Redeemable preferred stock	6,273	290	—	6,563	—
Other asset backed	3,511,122	32,963	14,899	3,529,186	—
Total fixed maturity investments	$ 20,677,572	$ 273,057	$ 70,086	$ 20,880,543	$ —
Equity securities:					
Communications	$ 31,125	$ —	$ —	$ 31,125	$ —
Financial	24	15	—	39	—
Consumer	10,027	590	390	10,227	—
Mutual funds	9,333	—	1,027	8,306	—
Government	4,618	—	—	4,618	—
Total equity securities	$ 55,127	$ 605	$ 1,417	$ 54,315	$ —
Other invested assets:					
Joint venture and partnership investments	$ 196,000	$ 19,700	$ —	$ 215,700	$ —
Total other invested assets	$ 196,000	$ 19,700	$ —	$ 215,700	$ —

2. Investments (continued)

The amortized cost and fair value of fixed maturity investments at December 31, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because lenders may have the right to call and borrowers may have the right to prepay obligations with or without penalties.

	Available for Sale	
	Amortized Cost	**Fair Value**
	(In Thousands)	
Due one year or less	$ 943,794	$ 935,211
Due after one year through five years	4,678,789	4,631,423
Due after five years through ten years	2,780,380	2,739,060
Due after ten years	1,024,030	995,132
Securities with variable principal	12,261,464	11,932,685
	$ 21,688,457	$ 21,233,511

As of December 31, 2018 and 2017, there were 7 and 13 issuers, with a total amount of $2,918.1 million and $4,551.7 million, respectively, other than U.S. Government and its sponsored entities, where the Company had investment holdings that exceeded 10% of consolidated stockholder's equity.

2. Investments (continued)

For fixed maturity investments and equity securities (prior to January 1, 2018) classified as available for sale with unrealized losses as of December 31, 2018 and 2017, the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

	December 31, 2018 *(Successor)*					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
Fixed maturity investments, available for sale:						
U.S. Treasury securities and other U.S. government corporations and agencies	**$ 26,614**	**$ 530**	**$ 104,530**	**$ 2,199**	**$ 131,144**	**$ 2,729**
Obligations of government-sponsored enterprises	**157,301**	**3,184**	**99,608**	**2,817**	**256,909**	**6,001**
Corporate	**5,338,945**	**148,031**	**908,212**	**15,153**	**6,247,157**	**163,184**
Obligations of foreign governments	**—**	**—**	**135**	**1**	**135**	**1**
Municipal obligations	**23,192**	**506**	**13,477**	**688**	**36,669**	**1,194**
Commercial mortgage-backed	**158,361**	**3,030**	**136,365**	**3,453**	**294,726**	**6,483**
Residential mortgage-backed	**12,542**	**156**	**9,231**	**241**	**21,773**	**397**
Collateralized debt obligations	**2,291**	**66**	**—**	**—**	**2,291**	**66**
Collateralized loan obligations	**6,707,663**	**354,003**	**186,882**	**26,236**	**6,894,545**	**380,239**
Other asset backed	**1,101,396**	**18,885**	**427,725**	**5,713**	**1,529,121**	**24,598**
Redeemable preferred stock	**70,989**	**4,772**	**—**	**—**	**70,989**	**4,772**
Total fixed maturity investments, available for sale	**$ 13,599,294**	**$ 533,163**	**$ 1,886,165**	**$ 56,501**	**$ 15,485,459**	**$ 589,664**
Number of securities with unrealized losses		**953**		**340**		**1,293**
Percent investment grade (AAA through BBB-)		**70%**		**91%**		**75%**

2. Investments (continued)

	December 31, 2017 *(Successor)*					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In Thousands)			
Fixed maturity investments, available for sale:						
U.S. Treasury securities and other U.S. government corporations and agencies	$ 197,652	$ 1,725	$ —	$ —	$ 197,652	$ 1,725
Obligations of government-sponsored enterprises	154,572	1,186	—	—	154,572	1,186
Corporate	1,071,712	13,548	—	—	1,071,712	13,548
Obligations of foreign governments	137	1	—	—	137	1
Municipal obligations	49,385	1,148	—	—	49,385	1,148
Commercial mortgage-backed	268,332	2,241	—	—	268,332	2,241
Residential mortgage-backed	26,677	216	—	—	26,677	216
Collateralized debt obligations	1,850	3	—	—	1,850	3
Collateralized loan obligations	1,486,716	35,119	—	—	1,486,716	35,119
Other asset backed	711,818	14,899	—	—	711,818	14,899
Total fixed maturity investments, available for sale	$ 3,968,851	$ 70,086	$ —	$ —	$ 3,968,851	$ 70,086
Number of securities with unrealized losses		707		—		707
Percent investment grade (AAA through BBB-)		84 %		—		84 %
Total equity securities available for sale	$ 17,826	$ 1,417	$ —	$ —	$ 17,826	$ 1,417

The unrealized losses on the securities in the table above can primarily be attributed to changes in market interest rates and changes in credit spreads since the securities were acquired. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company does not consider those investments to be other than temporarily impaired at December 31, 2018 and 2017. For equity securities, the Company evaluated the near-term prospects of the issuer in relation to the severity and duration of the impairment. Based on that evaluation and the Company's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2018 and 2017.

2. Investments (continued)

The Company closely monitors those securities where impairment concerns may exist by considering relevant facts and circumstances to evaluate whether the impairment of a security is other than temporary. Relevant facts and circumstances considered include (1) the length of time the fair value has been below cost; (2) the financial position and access to capital of the issuer, including the current and future impact of any specific events; and (3) for fixed maturity securities, the Company's intent to sell a security or whether it is more likely than not the Company will be required to sell the security before the recovery of its amortized cost basis. For asset-backed securities, several additional factors are taken into account, including cash flows, collateral sufficiency, liquidity, and economic conditions.

The following table provides a rollforward of credit losses recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in OCI. The purpose of the table is to provide detail of (1) additions to bifurcated credit loss amounts recognized in net realized gains (losses) during the period and (2) decrements for previously recognized bifurcated credit losses where the loss is no longer bifurcated and/or there has been a positive change in expected cash flows or accretion of the bifurcated credit loss amount for the periods ended:

	Year Ended December 31, 2018 *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*	**Year Ended December 31, 2016** *Predecessor*
		(In Thousands)		
Balance at beginning of period	**$ —**	$ —	$ (7,321)	$ (8,739)
Credit losses for which an other-than-temporary impairment was not previously recognized	**(1,634)**	(19)	—	(3,299)
Reduction for securities sold during the year or intended to be sold	**—**	19	—	5,061
Additional credit loss impairments on securities previously impaired	**—**	—	—	(344)
Balance at end of period	**$ (1,634)**	$ —	$ (7,321)	$ (7,321)

2. Investments (continued)

Major categories of net investment income are summarized as follows for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
		(In Thousands)		
Interest on fixed maturity investments, available for sale	**$ 1,245,084**	$ 944,527	$ 80,884	$ 910,344
Interest on fixed maturity investments, trading	**13,099**	12,253	1,188	14,053
Interest on notes receivable from related parties	**205,039**	168,619	13,851	127,457
Dividends on equity securities, available for sale	**—**	1,293	—	2,195
Dividends on equity securities at fair value	**285**	—	—	—
Interest on mortgage loans	**151,268**	108,580	8,096	100,032
Interest on mortgage loans, fair value option	—	—	—	86
Interest on policy loans	**31,130**	27,987	2,461	29,158
Interest on short-term investments	**32,665**	11,985	581	28,203
Other	**15,780**	4,411	463	4,272
Total investment income	**1,694,350**	1,279,655	107,524	1,215,800
Less:				
Investment expenses	**60,777**	51,991	4,536	75,270
Ceded to reinsurer	**13,099**	12,253	1,188	14,139
Net investment income	**$ 1,620,474**	$ 1,215,411	$ 101,800	$ 1,126,391

Proceeds from sales of fixed maturity investments and equity securities (prior to January 1, 2018) available for sale and realized gains and losses are as follows for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
		(In Thousands)		
Proceeds from sales	**$ 7,069,233**	$ 5,166,812	$ 481,505	$ 8,517,195
Gross realized gains	**32,047**	38,338	6,598	130,849
Gross realized losses	**58,323**	19,842	608	41,686

2. Investments (continued)

Net realized/unrealized gains (losses), net of ceded reinsurance gains and associated amortization of DAC, DSI, and VOBA, consist of the following for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Realized gains (losses), available for sale:				
Fixed maturity investments	**$ (26,565)**	$ 19,719	$ 5,942	$ 89,683
Equity securities	**—**	1,597	48	(1,644)
Total net realized gains, available for sale	**(26,565)**	21,316	5,990	88,039
Other invested assets	**3,230**	3,012	(258)	(8,480)
Related impact on DAC, DSI, and VOBA and reserves	**175**	(4,149)	(1,609)	(17,782)
Net realized/unrealized gains (losses), trading and fair value option:				
Fixed maturity investments	**(8,910)**	6,448	432	4,910
Mortgage loans	**—**	—	—	44
Total net realized/unrealized gains (losses), trading and fair value option	**(8,910)**	6,448	432	4,954
Other realized/unrealized gains (losses):				
FX gains (losses) on monetary asset	**(47,092)**	39,606	9,853	(51,862)
Equity securities at fair value	**(421)**	4	(6)	45
Embedded Derivatives	**9,189**	(5,383)	(761)	(3,083)
Other	**(1,127)**	330	(2,405)	639
Total other realized/unrealized gains (losses)	**(39,451)**	34,557	6,681	(54,261)
Net realized/unrealized gains (losses) before ceded reinsurance	**(71,521)**	61,184	11,236	12,470
Net ceded reinsurance (gains) losses	**(228)**	(1,069)	335	(1,916)
Net realized/unrealized gains (losses) before impairments	**(71,749)**	60,115	11,571	10,554
Impairments:				
OTTI of available-for-sale securities	**(6,823)**	(1,369)	—	(3,643)
Total impairments	**(6,823)**	(1,369)	—	(3,643)
Net realized/unrealized gains (losses)	**$ (78,572)**	$ 58,746	$ 11,571	$ 6,911

The Company recognized $0.2 million of net unrealized losses on equity securities at fair value held at December 31, 2018.

2. Investments (continued)

There were no outstanding agreements to sell securities at December 31, 2018.

At December 31, 2018 and 2017, the Company pledged securities and cash with a market value of approximately $0 million and $118.3 million, respectively, as collateral in relation to its structured institutional products (see Note 18).

At December 31, 2018 and 2017, the Company pledged securities with a market value of approximately $213.6 million and $253.7 million respectively, as collateral in relation to its reinsurance agreements (see Note 11).

At December 31, 2018 and 2017, available-for-sale bonds with a carrying value of $3.7 million and $5.0 million, respectively, were held in joint custody at various state insurance departments to comply with statutory regulations.

Mortgage Loans

Mortgage loans consist of commercial and residential mortgage loans. The Company evaluates risks inherent in the brick and mortar commercial mortgage loans based on the property's operational results supporting the loan. The Company also evaluates the risks inherent in its residential mortgage loan portfolio. The carrying amount of the Company's mortgage loan portfolio was as follows at December 31:

	December 31	
	2018	**2017**
	Successor	***Successor***
	(In Thousands)	
Commercial mortgage loans	**$ 1,648,799**	$ 1,916,366
Residential mortgage loans	**12,353**	12,907
Total carrying cost	**$ 1,661,152**	$ 1,929,273

2. Investments (continued)

The Company acquired $113.0 million and sold $516.7 million commercial mortgage loans during the year ended December 31, 2018. The Company acquired $284.5 million and sold no commercial mortgage loans during the period from February 1, 2017 through December 31, 2017. The Company did not acquire or sell commercial mortgage loans during the period from January 1, 2017 through January 31, 2017. The Company issued $0.4 million and sold no residential mortgage loans during the year ended December 31, 2018. The Company issued $7.4 million and sold no residential mortgage loans during the period from February 1, 2017 through December 31, 2017. The Company did not issue or sell residential mortgage loans during the period from January 1, 2017 through January 31, 2017.

The commercial mortgage loan portfolio consists primarily of non-recourse, fixed rate mortgages.

The commercial mortgage loan portfolio is diversified by geographic region and specific collateral property type as follows at December 31:

	2018 *Successor*		2017 *Successor*	
	Carrying Amount	**Percent of Total**	**Carrying Amount**	**Percent of Total**
	(Dollars In Thousands)			
Geographic distribution				
West North Central	**$ 579,295**	**35%**	$ 579,817	29%
South Atlantic	**365,135**	**22**	265,376	14
Pacific	**273,158**	**17**	211,423	11
Foreign	**265,547**	**16**	667,026	35
East North Central	**53,084**	**3**	79,176	4
West South Central	**39,910**	**2**	57,509	3
Mountain	**21,303**	**1**	22,042	1
Middle Atlantic	**30,722**	**2**	12,440	1
New England	**10,976**	**1**	11,477	1
East South Central	**9,669**	**1**	10,080	1
Total	**$ 1,648,799**	**100%**	$ 1,916,366	100%

2. Investments (continued)

	2018		2017	
	Successor		*Successor*	
	Carrying Amount	**Percent of Total**	**Carrying Amount**	**Percent of Total**
	(Dollars In Thousands)			
Property type distribution				
Office	**$ 360,306**	**22%**	$ 380,730	20%
Hotel/Motel	**264,765**	**16**	123,371	6
Apartments/Multifamily	**210,394**	**13**	459,317	24
Retail	**125,890**	**8**	160,114	8
Industrial	**55,301**	**3**	103,203	5
Other	**632,143**	**38**	689,631	37
Total	**$ 1,648,799**	**100%**	$ 1,916,366	100%

The residential mortgages are concentrated in the United States. Most of the debtors of these residential mortgages are officers of the Company or the Company's parent, SBC.

The Company actively monitors and manages its commercial mortgage loan portfolio. All commercial mortgage loans are analyzed regularly and substantially all are internally rated, based on the National Association of Insurance Commissioners (NAIC) – Risk-Based Capital's Commercial Mortgage (CM) Rating. As the credit risk for commercial mortgage loans increases, the Company adjusts the CM Rating, per NAIC guidelines, downwards with loans in the category "CM4 and below" having the highest risk for credit loss. CM Ratings on commercial mortgage loans are updated at least annually and potentially more often for certain loans with material changes in collateral value or occupancy and for loans on an internal "watch list."

Commercial mortgage loans that require more frequent and detailed attention than other loans in the portfolio are identified and placed on an internal "watch list." Potential criteria that would indicate a possible problem are imbalances in ratios of loan to value or net operating income to debt service, major tenant vacancies or bankruptcies, borrower sponsorship problems, late payments, delinquent taxes and loan relief/restructuring requests.

2. Investments (continued)

The Company's commercial mortgage loan portfolio, consisting of brick and mortar loans, by internal credit risk model was as follows at December 31:

	2018 *Successor*	2017 *Successor*
	(In Thousands)	
CM1	**$ 283,093**	$ 340,649
CM2	**989,201**	1,296,871
CM3	**263,954**	153,943
CM4 and Below	**112,551**	124,903
	$ 1,648,799	$ 1,916,366

The residential mortgage loan portfolio is monitored based on performance of the loans. The Company defines nonperforming residential mortgage loans as loans which are 90 days or greater delinquent or on non-accrual status. All of the residential mortgage loans were performing as of December 31, 2018 and 2017.

Commercial and residential mortgage loans are placed on non-accrual status if the Company has concerns regarding the collectability of future payments or if a loan has matured without being paid off or extended. Factors considered may include conversations with the borrower, loss of major tenant, bankruptcy of the borrower or a major tenant, decreased property cash flows for commercial mortgage loans, or number of days past due for residential mortgage loans. Based on an assessment as to the collectability of the principal, a determination is made to apply any payments received either against the principal or according to the contractual terms of the loan. When a loan is placed on nonaccrual status, the accrued unpaid interest receivable is reversed against interest income. Accrual of interest resumes after factors resulting in doubts about collectability have improved. At December 31, 2018 and 2017, there were no mortgage loans on non-accrual status.

The Company did not have a valuation allowance as of December 31, 2018 and 2017 on the mortgage portfolio.

2. Investments (continued)

Repurchase Agreements

The Company enters into repurchase agreements, whereby the Company borrows cash from a counterparty at an agreed-upon interest rate for an agreed-upon time frame and pledges collateral in the form of securities. At the end of the agreement, the loan amount is repaid by the Company along with the additional agreed-upon interest, and the securities pledged by the Company are released back to the Company. The Company's policy requires that, at all times during the term of the repurchase agreement, cash or other forms of collateral provided is sufficient to pay the Company's obligation to the counterparty. The risks associated with the repurchase agreement program are primarily related to declines in the value of the securities sold for cash, which, if occurred, results in cash needing to be returned to the original purchasing party or additional securities needing to be posted as collateral. The Company has multiple sources of additional liquidity including additional sources of institutional funding, retail funding, contractual cash flows from the asset portfolio, and sales of investment assets. The Company has approved a Liquidity Risk Policy and associated Liquidity Guidelines to manage the aggregate liquidity risk of the Company. The remaining contractual maturity of the repurchase agreements outstanding as of December 31, 2018 was 31 to 90 days. The Company had no outstanding repurchase agreements as of December 31, 2017. The carrying value of the securities pledged for the repurchase agreements was $319.2 million and $0 million as of December 31, 2018 and 2017, respectively. The repurchase obligation was $302.9 million and $0 million as of December 31, 2018 and 2017, respectively, and is included in repurchase agreements on the consolidated balance sheets.

Reverse Repurchase Agreements

The Company enters into reverse repurchase agreements, whereby the Company lends cash to a counterparty at an agreed-upon interest rate for an agreed-upon time frame and receives collateral in the form of securities. At the end of the agreement, the loan amount is repaid to the Company along with the additional agreed-upon interest, and the securities pledged to the Company are returned to the counterparty. The Company's policy requires that, at all times during the term of the reverse repurchase agreement, cash or other forms of collateral provided is at least equal or more than the amount loaned. The risks associated with the Reverse Repurchase Agreement program are primarily related to declines in the value of the pledged securities collateralizing its loan, which, if occurred, results in cash needing to be returned to the Company or additional securities needing to be pledged to the Company. The Company had no outstanding reverse repurchase agreements as of December 31, 2018. The remaining contractual maturity of the reverse repurchase agreements

2. Investments (continued)

outstanding as of December 31, 2017 was 30 days or less. The carrying value of the securities pledged to the Company for the reverse repurchase agreements was $0 million and $21.0 million as of December 31, 2018 and 2017, respectively. The reverse repurchase receivable was $0 million and $20.1 million as of December 31, 2018 and 2017, respectively, and is included in cash and cash equivalents on the consolidated balance sheets.

3. Variable Interest Entities

Following is a discussion of the Company’s interest in entities that meet the definition of a VIE.

Consolidated Variable Interest Entities

Collateralized Financing Entities

During 2018 and 2017, the Company invested in notes issued by collateralized financing entities (CFE) for which it was determined to be the primary beneficiary and therefore required to consolidate the CFE. The notes have contractual recourse only to the related assets of the CFE and are entitled to receive payments to the extent that payments are made on the underlying assets.

In consolidating the CFE, the notes were eliminated as an investment while the underlying assets of the CFE were recorded on the balance sheets as available for sale fixed maturity investments, as well as recording cash and other assets of the CFE. A liability is recorded for other noteholders’ interests in the CFE, which is carried at amortized cost. There is no equity within the CFEs; therefore, the consolidation did not impact the Company's equity balances. If the Company were to liquidate, the assets of the CFE would not be available to its general creditors, and as a result, the Company does not consider those assets available for the benefit of its investors. However, the Company's investment in the notes would be available to its general creditors. Additionally, the other investors in the CFEs have no recourse to the Company’s general assets for the debt issued by the CFEs. Therefore, such debt is not the Company’s obligation.

The total assets of consolidated CFEs were $2,636.6 million and $3,102.9 million at December 31, 2018 and 2017, respectively. The total liabilities of consolidated CFEs were $111.7 million and $538.5 million at December 31, 2018 and 2017, respectively.

3. Variable Interest Entities (continued)

Real Estate Mortgage Investment Conduit

During 2016, the Company invested in pass through certificates of a Real Estate Mortgage Investment Conduit (REMIC) that held a commercial mortgage loan (CML). The Company, together with its related parties, purchased more than 50% of all the outstanding certificates. The Company holds the greatest share of the REMIC's outstanding certificates, is therefore considered to be the primary beneficiary and, accordingly, has consolidated the REMIC's financial statements.

In consolidating the REMIC, the purchased certificates are eliminated and the Company records the underlying commercial mortgage loan of the REMIC on the Company's consolidated balance sheets. The certificates owned by other investors are recorded as a liability on the Company's consolidated balance sheets, which is carried at amortized cost. If the Company were to liquidate, the CML would not be available to its general creditors, and as a result, the Company does not consider the CML available for the benefits of its investors. However, the Company's investment in the certificates would be available to the Company's general creditors. Additionally, the other investors in the REMIC have no recourse to the Company's general assets for the debt issued by the REMIC. Therefore, such debt is not the Company's obligation.

The total assets of the consolidated REMIC were $531.6 million and $531.0 million at December 31, 2018 and 2017, respectively. The total liabilities of the consolidated REMIC were $277.2 million and $276.9 million at December 31, 2018 and 2017, respectively.

Unconsolidated Variable Interest Entities

The Company does not need to consolidate investments in certain CFEs because it is not the primary beneficiary of the VIE. The total investment in these uncoslidated CFEs were $6,108.0 million and $5,268.0 million at December 31, 2018 and 2017, respectively, which is also the maximum exposure. Substantially all of the investments in uncosolidated CFEs were collateralized loan obligations at December 31, 2018 and 2017.

The Company has a variable interest in a number of joint ventures and partnerships, which were primarily formed for the purpose of purchasing private equity and fixed income securities, for which the Company is not the primary beneficiary. The Company's carrying amount of its investment in these VIEs reported in other invested assets on the consolidated balance sheets were $344.9 million and $286.4 million at December 31, 2018 and 2017, respectively, compared to its maximum

3. Variable Interest Entities (continued)

exposure to loss of $414.6 million and $310.9 million at December 31, 2018 and 2017, respectively. The Company's maximum exposure to loss of these VIEs is based on existing investments in and additional commitments made to joint ventures and partnerships. The carrying value of unconsolidated investments accounted for under the measurement alternative was $228.5 million at December 31, 2018. Total assets of unconsolidated entities carried at fair value amounted to $215.7 million at December 31, 2017. Total assets of these unconsolidated entities under the equity method of accounting amounted to $129.2 million and $70.7 million at December 31, 2018 and 2017, respectively.

4. Derivative Instruments

The Company’s overall risk management strategy includes the use of derivative financial instruments to minimize certain significant unplanned fluctuations in earnings associated with assets held and liabilities incurred or expected to be incurred. The Company’s risk of loss exposure is typically limited to the fair value of the derivative financial instruments and not the notional or contractual amounts of the derivatives.

The Company recognizes all derivative financial instruments, such as swaps, currency forwards, call options and other embedded derivatives, on the consolidated balance sheets at fair value, with appropriate adjustments to fair value reflected in earnings, regardless of the purpose or intent for holding the instrument.

The Company sells fixed indexed deferred annuity contracts which credit interest based on a percentage of the gain in a specified market index. This index crediting feature is an embedded derivative. Most of the premium received is invested in investment grade fixed income securities, and a portion is used to purchase derivatives consisting of call options, futures, and swaps on the applicable indices to fund the index credits due to the index annuity policyholders. On the respective anniversary dates of the indexed annuity contracts, the market index used to compute the index credits is reset and new call options are purchased to fund the next index credit. The Company manages the cost of these purchases through the terms of the fixed indexed annuities, which permits it to change caps or spreads subject to respective guaranteed minimums or maximums on each policy's anniversary date. By adjusting caps or spreads the Company can manage option costs except in cases where contractual features would prevent further modifications. Although the call options are designed to be effective hedges from an economic standpoint, the Company has not applied hedge accounting under ASC 815.

4. Derivative Instruments (continued)

The call options are measured at fair value with the mark-to-market generally offsetting the change in the value of the embedded derivative within the product. These call options are highly correlated to the portfolio allocations of the policyholders, such that the Company is economically hedged with respect to index returns for the current reset period.

The Company has certain variable annuity guaranteed living benefit (GLB) products with GMWB and GMAB features that are embedded derivatives. Certain features of these guarantees have elements of both insurance benefits accounted for under ASC 944-40, *Financial Services – Insurance – Claim Costs and Liabilities for Future Policy Benefits*, and embedded derivatives accounted for under ASC 815 and ASC 820, *Fair Value Measurements* (ASC 820). The value of the embedded derivative reserve and the benefit reserve are calculated based on the specific characteristics of each GLB feature.

In addition, the Company is party to coinsurance with funds withheld reinsurance arrangement with Guggenheim Life and Annuity Company (GLAC), a related party, (see Note 11) and a coinsurance agreement with an unrelated party. Under ASC 815, the Company's reinsurance agreements contain an embedded derivative that requires bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the Company. The embedded derivative in the funds withheld reinsurance arrangement has characteristics similar to a total return swap, as the Company cedes the total return on a designated investment portfolio to the reinsurer. The reinsurer then assumes the risk associated with the interest credited to the policyholders on the policies covered by the agreements, which is relatively fixed. The value of the embedded derivative in the funds withheld reinsurance arrangement is equal to the value of the unrealized gain or loss on the segregated assets. The value of the embedded derivative in the coinsurance agreement is equal to the value of the embedded derivative in the fixed indexed product.

The Company has entered into currency forwards that are contracts in which the Company agrees with other parties to deliver or receive a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company uses currency forwards to reduce market risks related to fluctuations in currency exchange rates with respect to investments or liabilities held and denominated in foreign currencies.

The Company uses interest rate swaps to reduce market risks from changes in interest rates and to manage interest rate exposure arising from duration mismatches between assets and liabilities. In

4. Derivative Instruments (continued)

an interest rate swap, the Company agrees with counterparties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed upon notional amount. As of December 31, 2018, the Company has not elected hedge accounting treatment for these swaps.

The fair value of the commission assignment embedded derivative (see Note 1) is determined in accordance with ASC 820. The Company uses the income approach method defined in this standard, as market participants would likely use this approach in arriving at a transaction value.

Notional amounts are used to express the extent of the Company's involvement in derivative financial instruments and represent a standard measurement of the volume of the derivative activity. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received. Credit exposure represents the gross amount owed to the Company under the derivative contracts as of the valuation date. The maximum amount of economic loss due to the credit exposure is limited by the posting of collateral by the counterparties.

4. Derivative Instruments (continued)

The notional amounts and fair value of the Company's call options, swaps, and currency forwards by counterparty as of December 31 are as follows:

			2018 *Successor*	
Counterparty	**Credit Rating (S&P)**	**Credit Rating (Moody's)**	**Notional Amount**	**Fair Value**
			(In Thousands)	
Barclays Bank PLC	A	A2	$ 395,788	$ 2,282
BNP Paribas	A	Aa3	1,364,677	9,360
Bank of America, N.A.	A +	Aa3	182,300	67
Canadian Imperial Bank of Commerce	A +	Aa2	1,070,464	27,727
Citibank, N.A.	A +	A1	1,842,034	77,546
Goldman Sachs International	A +	A1	715,200	4,208
JPMorgan Chase Bank, NA	A +	Aa2	650,200	40,294
Merrill Lynch International	A +	N/A	917,315	36,470
Morgan Stanley & Co International PLC	A +	A1	2,922,228	44,553
Morgan Stanley Capital Services LLC	A +	A1	2,004,776	106,240
Natixis, SA	A +	A1	576,003	6,345
Royal Bank of Canada	AA -	Aa2	35,700	336
The Royal Bank of Scotland PLC	BBB +	Baa2	698,200	2,538
Societe Generale	A	A1	845,880	6,561
UBS AG	A +	Aa3	773,847	6,796
Exchange Traded	N/A	N/A	2,123,941	14,311
			$ 17,118,553	$ 385,634

4. Derivative Instruments (continued)

Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	2017 *Successor* Notional Amount	Fair Value
			(In Thousands)	
Barclays Bank PLC	A -	A1	$ 25,756	$ 557
BNP Paribas	A	Aa3	1,193,126	49,070
Bank of America, N.A.	A +	A1	205,700	14,056
Citibank, N.A.	A +	A1	2,430,395	58,116
Goldman Sachs International	A +	A1	1,142,869	42,693
JPMorgan Chase Bank, NA	A +	Aa3	371,000	70,776
Merrill Lynch International	A +	N/A	454,915	22,390
Morgan Stanley & Co International PLC	A +	A1	2,909,056	182,545
Morgan Stanley Capital Services LLC	A +	A1	1,559,884	161,561
Natixis, SA	A	A2	38,328	(184)
The Royal Bank of Scotland PLC	BBB +	A3	2,081,650	23,081
Societe Generale	A	A2	510,800	114,192
UBS AG	A +	A1	1,002,127	49,101
Exchange Traded	N/A	N/A	2,053,172	41,231
			$ 15,978,778	$ 829,185

Collateral posted by counterparties at December 31, 2018 and 2017, applicable to derivative instruments, was $333.0 million and $542.3 million, respectively, and is reflected on the consolidated balance sheets in cash and cash equivalents. This collateral is restricted as to its use. The obligation to repay the collateral is reflected on the consolidated balance sheets in other liabilities. In addition, the Company has entered into tri-party arrangements with counterparties, whereby collateral is posted to and held by a third party. At December 31, 2018 and 2017, collateral posted by the counterparties under the tri-party arrangements was $42.1 million and $283.6 million, respectively, which is not reflected on the consolidated balance sheets.

4. Derivative Instruments (continued)

The fair value of the Company's derivative financial instruments classified as assets and liabilities on the consolidated balance sheets as of December 31 is as follows:

	Derivative Asset 2018 Successor	Derivative Asset 2017 Successor	Derivative Liability 2018 Successor	Derivative Liability 2017 Successor	Balance reported in
	(In Thousands)				
Derivatives:					
Interest rate swaps and total return swaps	**$ 3,416**	$ 369	**$ —**	$ —	Other invested assets
Call options	**340,472**	839,998	**—**	—	Call options
Currency forwards and swaps	**41,126**	—	**—**	11,180	Other invested assets
Futures	**620**	—	**—**	2	Other invested assets
Total derivative financial instruments	**$ 385,634**	$ 840,367	$ —	$ 11,182	
Embedded derivatives:					
GMWB and GMAB reserves	**$ —**	$ —	**$ 9,910**	$ 13,305	Policy reserves and annuity account values
Fixed indexed annuity contracts	**—**	—	**1,218,022**	1,377,274	Policy reserves and annuity account values
Reinsurance contracts	**1,721**	—	**—**	6,404	Other assets
Commission assignment	**15,757**	16,538	**—**	—	Other assets
Total embedded derivative financial instruments	**$ 17,478**	$ 16,538	**$ 1,227,932**	$ 1,396,983	

The following table shows the change in the fair value of the derivative financial instruments, excluding fixed indexed annuity contracts, in the consolidated statements of operations for the periods ended:

	Year Ended December 31, 2018 Successor	February 1, 2017 Through December 31, 2017 Successor	January 1, 2017 Through January 31, 2017 Predecessor	Year Ended December 31, 2016 Predecessor	Change of fair value reported in
	(In Thousands)				
Derivatives:					
Interest rate swaps and total return swaps	**$ (3,635)**	$ 7,701	$ —	$ —	Change in fair value of derivatives
Call options	**(282,615)**	546,443	10,502	(78,606)	Change in fair value of derivatives
Currency forwards and swaps	**66,245**	(47,351)	(5,932)	49,230	Change in fair value of derivatives
Futures	**1,563**	13	–	–	Change in fair value of derivatives
Total change in derivative financial instruments	**$ (218,442)**	$ 506,806	$ 4,570	$ (29,376)	
Embedded derivatives:					
GMWB and GMAB reserves	**$ (3,395)**	$ (2,729)	$ (253)	$ 5,845	Other benefits
Reinsurance contracts	**(8,125)**	5,803	1,151	2,512	Other benefits
Commission assignment	**781**	(219)	(1,584)	(14,735)	Other benefits
Total change in embedded derivative financial instruments	**$ (10,739)**	$ 2,855	$ (686)	$ (6,378)	

4. Derivative Instruments (continued)

The changes in fair value of fixed indexed annuity contracts embedded derivative and other benefits is comprised of the following:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*	Change of fair value reported in
	(In Thousands)				
Fixed indexed annuities - embedded derivatives (see Note 16)	**$ (211,533)**	$ 289,293	$ 18,480	$ (85,617)	Change in fixed indexed annuity embedded derivative and related benefits
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	**(213,722)**	(33,838)	3,730	190,352	Change in fixed indexed annuity embedded derivative and related benefits
	$ (425,255)	$ 255,455	$ 22,210	$ 104,735	

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the difference between policy benefit reserve change for fixed indexed annuities computed under the derivative accounting standard and the long-duration contracts accounting standard, less the change in fair value of our fixed indexed annuities embedded derivatives that is presented as Level 3 liabilities in Note 16.

5. Deferred Policy Acquisition Costs

An analysis of the deferred policy acquisition cost asset balance is presented below for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Balance at beginning of period	**$ 182,871**	$ —	$ 1,164,508	$ 1,030,288
Cost deferred	**258,726**	280,253	25,905	359,938
Imputed interest	**9,628**	3,691	2,173	22,685
Amortized to expense	**(77,687)**	(90,416)	(18,877)	(150,980)
Effect of realized (gains) losses	**116**	(213)	(862)	(8,403)
Effect of unrealized (gains) losses	**48,244**	(10,444)	(16,465)	(89,020)
Balance at end of period	**$ 421,898**	$ 182,871	$ 1,156,382	$ 1,164,508

6. Deferred Sales Inducement Costs

An analysis of the deferred sales inducement costs asset balance is presented below for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Balance at beginning of period	**$ 76,387**	$ —	$ 969,608	$ 906,899
Costs deferred	**75,457**	80,187	6,855	107,786
Imputed interest	**3,099**	1,067	1,836	20,031
Amortized to expense	**(8,198)**	(3,896)	(1,116)	27,042
Effect of realized (gains) losses	**36**	(86)	(721)	(9,524)
Effect of unrealized (gains) losses	**3,820**	(885)	—	(82,626)
Balance at end of period	**$ 150,601**	$ 76,387	$ 976,462	$ 969,608

7. Value of Business Acquired

The Company recorded VOBA that is being amortized in a similar manner to the deferred policy acquisition costs. An analysis of VOBA and associated amortization is presented below for the periods ended:

	Year Ended December 31, 2018 *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*	**Year Ended December 31, 2016** *Predecessor*
		(In Thousands)		
Balance at beginning of period	**$ 1,601,293**	$ 1,800,000	$ 33,396	$ 33,273
Imputed interest	**47,286**	54,506	149	1,719
Amortized to expense	**(173,281)**	(223,913)	510	(724)
Effect of realized (gains) losses	**23**	(3,850)	(26)	145
Effect of unrealized (gains) losses	**100,877**	(25,450)	17	(1,017)
Balance at end of period	**$ 1,576,198**	$ 1,601,293	$ 34,046	$ 33,396

The weighted average amortization period is 37 years for VOBA. The interest accrual rate utilized to calculate the accretion of interest was 2.32% for the year ended December 31, 2018, 3.46% for the period from February 1, 2017 through December 31, 2017, 5.34% for the period from January 1, 2017 through January 31, 2017, and 5.34% for 2016.

The estimated future amortization schedule for the next five years based on current assumptions is expected to be as follows (in thousands) for the year ending December 31:

2019	$ 111,460
2020	107,930
2021	104,409
2022	101,088
2023	98,175

8. Other Assets

Property and Equipment

The following is a summary of property and equipment at cost less accumulated depreciation for the years ended December 31:

	2018 Successor	2017 Successor
	(In thousands)	
Land and improvements	**$ 6,680**	$ 6,680
Building	**51,723**	48,326
Furniture	**25**	—
Data processing equipment	**3**	3
Computer software	**2,604**	2,604
	61,035	57,613
Less accumulated depreciation	**(5,449)**	(2,581)
Net property and equipment	**$ 55,586**	$ 55,032

Accumulated depreciation deducted from investment in real estate amounted to $4.2 million and $2.0 million at December 31, 2018 and 2017, respectively.

Airplane

The following is a summary of the asset held at cost less accumulated depreciation as of December 31:

	2018 Successor	2017 Successor
	(In thousands)	
Airplane	**$ 124,644**	$ 124,644
Less accumulated depreciation	**(9,937)**	(4,755)
	$ 114,707	$ 119,889

The asset is included in other invested assets on the consolidated balance sheets.

8. Other Assets (continued)

Depreciation on the asset for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, in the amounts of $5.2 million, $4.8 million, $0.4 million, and $5.2 million, respectively, is included in commissions and other operating expenses in the consolidated statements of operations.

Business-Owned Life Insurance

The Company has invested in business-owned life insurance. The investment is carried in other assets on the consolidated balance sheets at net policy value of $21.7 million and $20.6 million at December 31, 2018 and 2017, respectively, with the change in net policy value recorded in other revenue of $1.1 million, $0.8 million, $0.1 million, and $0.6 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively.

Company-Owned Life Insurance

The Company has invested in company-owned life insurance. The investment is carried in other assets at net policy value of $30.0 million and $31.6 million at December 31, 2018 and 2017, respectively, with the change in net policy value recorded as a decrease in other benefits of $1.6 for the year ended December 31, 2018 and an increase in other benefits of $4.6 million, $0.6 million, and $1.9 million for the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively.

9. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) are as follows (in thousands):

	Pre-Tax	Tax	After-Tax
Predecessor			
Other comprehensive loss for the year ended December 31, 2016:			
Unrealized gains on available-for-sale securities	$ 766,629	$ (258,823)	$ 507,806
Foreign exchange adjustments on securities recorded at fair value	12,949	(4,114)	8,835
Reclassification adjustment for gains included in net income	(129,429)	43,614	(85,815)
OTTI losses recognized in earnings and other comprehensive income	3,643	(1,228)	2,415
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	(172,663)	58,182	(114,481)
Policy reserves and annuity account values	(144,629)	48,736	(95,893)
Total other comprehensive income for the year December 31, 2016	$ 336,500	$ (113,633)	$ 222,867
Other comprehensive income for the period ended January 31, 2017			
Unrealized gains on available-for-sale securities	$ 77,182	$ (28,031)	$ 49,151
Foreign exchange adjustments on securities recorded at fair value	58	(21)	37
Reclassification adjustment for gains included in net income	(5,732)	2,066	(3,666)
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	(16,448)	5,925	(10,523)
Policy reserves and annuity account values	(20,492)	7,382	(13,110)
Total other comprehensive income for the period ended January 31, 2017	$ 34,568	$ (12,679)	$ 21,889
Successor			
Other comprehensive income for the period ended December 31, 2017			
Unrealized gains on available-for-sale securities	$ 243,127	$ (76,775)	$ 166,352
Foreign exchange adjustments on securities recorded at fair value	3,776	(1,191)	2,585
Reclassification adjustment for gains included in net income	(24,328)	7,672	(16,656)
OTTI losses recognized in earnings and other comprehensive income	1,369	(432)	937
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	(36,779)	11,599	(25,180)
Policy reserves and annuity account values	(28,693)	9,049	(19,644)
Total other comprehensive income for the period ended December 31, 2017	$ 158,472	$ (50,078)	$ 108,394
Other comprehensive loss for the period ended December 31, 2018			
Unrealized losses on available-for-sale securities	**$ (683,641)**	**$ 143,216**	**$ (540,425)**
Foreign exchange adjustments on securities recorded at fair value	**(6,678)**	**1,402**	**(5,276)**
Reclassification adjustment for gains included in net income	**23,335**	**(4,900)**	**18,435**
OTTI losses recognized in earnings and other comprehensive income	**6,823**	**(1,433)**	**5,390**
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	**152,941**	**(32,118)**	**120,823**
Policy reserves and annuity account values	**143,025**	**(30,035)**	**112,990**
Total other comprehensive loss for the period ended December 31, 2018	**$ (364,195)**	**$ 76,132**	**$ (288,063)**

9. Other Comprehensive Income (Loss) (continued)

Accumulated Other Comprehensive Income

	Foreign Currency Adjustment	Unrealized Gains (Losses) on Available-for-Sale Securities	Total Other Comprehensive Income (Loss)
		(In Thousands)	
Predecessor			
Accumulated other comprehensive loss at January 1, 2016	$ (8,835)	$ (150,258)	$ (159,093)
Other comprehensive income before reclassifications	8,835	297,484	306,319
Amounts reclassified from accumulated other comprehensive income[(1)]	—	(83,452)	(83,452)
Accumulated other comprehensive income at December 31, 2016	—	63,774	63,774
Other comprehensive income before reclassifications	37	25,518	25,555
Amounts reclassified from accumulated other comprehensive income[(1)]	—	(3,666)	(3,666)
Accumulated other comprehensive income at January 31, 2017	37	85,626	85,663
Successor			
Adjustments related to change in control and legal structure	(37)	(85,626)	(85,663)
Accumulated other comprehensive income at February 1, 2017	—	—	—
Other comprehensive income before reclassifications	2,585	121,528	124,113
Amounts reclassified from accumulated other comprehensive income[(1)]	—	(15,719)	(15,719)
Comprehensive income	2,585	105,809	108,394
Change in accounting principle (see Note 1)	—	—	16,801
Accumulated other comprehensive income at December 31, 2017	2,585	105,809	125,195
Other comprehensive income before reclassifications	**(5,276)**	**(306,612)**	**(311,888)**
Amounts reclassified from accumulated other comprehensive income[(1)]	**—**	**23,825**	**23,825**
Comprehensive loss	**(5,276)**	**(282,787)**	**(288,063)**
Change in accounting principle (see Note 1)	**—**	**866**	**866**
Accumulated other comprehensive loss at December 31, 2018	**$ (2,691)**	**$ (176,112)**	**$ (162,002)**

(1) The amounts reclassified from accumulated other comprehensive income (loss) for unrealized gains (losses) on available-for-sale securities are included in net realized/unrealized gains (losses) and income tax expense in the consolidated statements of operations.

10. Employee Benefit Plans

The Company participates in a profit-sharing and savings plan (the Plan) sponsored by its parent company, SBC. Substantially all employees were eligible under this Plan. Company contributions to the Plan charged to operations were $1.9 million, $1.5 million, $0.1 million, and $1.4 million for the year ended December 31, 2018, periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively, and are included in the consolidated statements of operations in commissions and other operating expenses.

Sales incentive compensation expense amounted to $6.9 million, $6.7 million, $0.8 million, and $10.9 million for the year ended December 31, 2018, periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively, and is included in the consolidated statements of operations in commissions and other operating expenses.

11. Reinsurance

Principal reinsurance assumed transactions are summarized as follows for the periods ended:

	Year Ended December 31, 2018 ***Successor***	**February 1, 2017 Through December 31, 2017** ***Successor***	**January 1, 2017 Through January 31, 2017** ***Predecessor***	**Year Ended December 31, 2016** ***Predecessor***
		(In Thousands)		
Reinsurance assumed:				
Premiums received	**$ 13,920**	$ 14,587	$ 1,374	$ 17,703
Commissions paid	**$ 2,365**	$ 2,285	$ 189	$ 2,241
Claims paid	**$ 6,361**	$ 5,714	$ 704	$ 5,490
Surrenders paid	**$ 78,536**	$ 61,374	$ 5,903	$ 72,214

11. Reinsurance (continued)

Principal reinsurance ceded transactions are summarized as follows for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Reinsurance ceded:				
Premiums paid	**$ 70,423**	$ 74,507	$ 5,494	$ 100,077
Commissions received	**$ 3,652**	$ 5,640	$ 267	$ 4,952
Claim recoveries	**$ 74,843**	$ 56,765	$ 6,717	$ 73,311
Surrenders recovered	**$ 274,699**	$ 424,999	$ 21,381	$ 224,273

The Company is party to a coinsurance agreement with an unrelated party for certain individual fixed annuity and fixed indexed annuity contracts. At the same time the Company entered into this agreement, the Company also entered into an indemnity retrocession agreement through a coinsurance funds withheld reinsurance agreement with GLAC, whereby the Company ceded and GLAC assumed the same individual annuity contracts that the Company had coinsured.

The Company has ceded to GLAC reserves of $624.4 million and $640.9 million as of December 31, 2018 and 2017, respectively. These are recorded in policy reserve liability on the consolidated balance sheets.

The Company subsequently entered into an assumption reinsurance agreement to assume the previously mentioned annuity contracts converting those contracts to direct business. The annuity contracts continue to be covered under the indemnity retrocession agreement ceded to GLAC after the contracts are converted to direct business. Annuity contracts having reserves of $330.2 million and $349.2 million have been converted to direct business as of December 31, 2018 and 2017, respectively and ceded to GLAC. Annuity contracts having reserves of $113.0 million and $120.4 million as of December 31, 2018 and 2017, respectively, continue as assumed by the Company from the unrelated party and ceded to GLAC.

As of December 31, 2018 and 2017, the value of the Company's funds withheld liability under all its reinsurance agreements was $322.7 million and $321.8 million, respectively.

11. Reinsurance (continued)

At December 31, 2018 and 2017, the Company has receivables totaling $2,167.2 million and $2,355.0 million, respectively, for reserve credits, reinsurance claims, and other receivables from its reinsurers. Life insurance in force ceded at December 31, 2018 and 2017, was $2,194.5 million and $2,314.2 million, respectively.

As of December 31, 2018 and 2017, the Company had $1,244.9 million and $1,437.6 million, respectively, of reserves that were uncollateralized by the reinsurer.

Through its consolidated captive reinsurance subsidiary, the Company entered into a stop loss insurance agreement with a third party US based reinsurance company. This stop loss agreement covers fixed indexed annuities with a guaranteed lifetime withdrawal benefit that are issued in 2018 and 2019. Under this stop loss agreement, if those annuity holders continue to make lifetime withdrawals beyond certain dollar thresholds within the stop loss coverage period (22-24 years), the third party insurance company will reimburse the Company for those benefit payments. The Company did not reduce any policy or annuity reserve liability as a result of this stop loss agreement.

12. Insurance Liabilities

The major components of policy reserves and annuity account values on the consolidated balance sheets are summarized as follows as of December 31:

	2018 *Successor*	**2017** *Successor*
	(In Thousands)	
Liabilities for investment-type insurance contracts:		
Liabilities for individual annuities	**$ 25,994,111**	$ 25,868,539
Funding agreements	**481,023**	566,435
Other investment-type insurance contracts	**1,494**	1,419
Total liabilities for investment-type insurance contracts	**26,476,628**	26,436,393
Life and other reserves	**2,212,153**	2,401,029
Total policy reserves and annuity account values	**$ 28,688,781**	$ 28,837,422

The following is a summary of the account values and net amount at risk, net of reinsurance, for fixed indexed annuity contracts with GMDB invested in the general account as of December 31:

12. Insurance Liabilities (continued)

	2018 Successor			2017 Successor		
	Account Value	Net Amount at Risk	Weighted-Average Attained Age	Account Value	Net Amount at Risk	Weighted-Average Attained Age
	(Dollars in Millions)					
Rollup GMDB	**$ 665**	**$ 161**	**74**	$ 673	$ 133	73

The determination of GLWB and GMDB guarantees on fixed indexed annuities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, and mortality experience. The Company holds reserves for the GLWB and GMDB guarantees on the fixed indexed annuity contract holders.

As of December 31, 2018 and 2017, the reserve liability for the GLWB guarantee on fixed indexed annuities was $1,466.9 million and $1,265.8 million, respectively, and the reserve liability for the GMDB guarantee on fixed indexed annuities was $27.9 million and $28.0 million, respectively. These reserve liabilities are included in policy reserves and annuity account values.

The following is a summary of the account values and net amount at risk, net of reinsurance, for variable annuity contracts with GMDB invested in both general and separate accounts as of December 31:

	2018 Successor			2017 Successor		
	Account Value	Net Amount at Risk	Weighted-Average Attained Age	Account Value	Net Amount at Risk	Weighted-Average Attained Age
	(Dollars in Millions)					
Return of premium	**$ 1,352**	**$ 19**	**65**	$ 1,586	$ 15	65
Reset	**122**	**6**	**59**	140	—	59
Roll-up	**102**	**60**	**71**	129	51	70
Step-up	**3,576**	**76**	**68**	4,102	35	67
Combo	**82**	**25**	**74**	100	19	73
Subtotal	**5,234**	**186**	**67**	6,057	120	66
Enhanced	**3**	**—**	**70**	4	—	69
Total GMDB	**$ 5,237**	**$ 186**	**67**	$ 6,061	$ 120	66

12. Insurance Liabilities (continued)

The determination of the GMDB and GMIB guarantees on variable annuities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, and mortality experience. The Company holds reserves and embedded derivatives for GMDB, GMIB, GMWB, and GMAB guarantees it provides for the benefit of variable annuity contract holders. The reserve liability for GMDBs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2018 and 2017 was $15.0 million and $17.7 million, respectively. The reserve liability for GMIBs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2018 and 2017 was $16.2 million and $16.6 million, respectively. The embedded derivative for GMWBs and GMABs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2018 and 2017 was $6.8 million and $9.2 million, respectively. These liabilities are included in policy reserves and annuity account values.

The components of index credits and interest credited to account balances are summarized as follows:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
		(In Thousands)		
Index credits	**$ 480,036**	$ 242,437	$ 14,798	$ 41,190
Interest credited to account balances	**255,690**	209,332	16,165	181,895
	$ 735,726	$ 451,769	$ 30,963	$ 223,085

13. Income Taxes

On February 22, 2017, the Company converted to a single member limited liability company under Kansas law. The Company has elected to continue to be taxed as a corporation by filing the correct election with the Internal Revenue Service (IRS).

The Company is included in a consolidated Non-Life/Life federal income tax return filed by SBC. The Company is no longer subject to U.S. federal and state examinations by tax authorities for the years before 2013. For tax years 2014 and 2015, SBLIC is currently under audit by the IRS. The audits are not expected to have a material impact on the Company.

13. Income Taxes (continued)

Under a tax sharing agreement between SBC and certain of its related parties, SBC allocates income tax expenses and benefits to companies in the group generally based upon pro rata contribution of taxable income or operating losses. Through the tax sharing agreement with SBC, the Company has a receivable from SBC of $14.6 million and a payable to SBC of $40.1 million at December 31, 2018 and 2017, respectively, for taxes, which is included in other liabilities/assets on the consolidated balance sheets.

The provision for income taxes includes current federal and state income tax expense or benefit and deferred income tax expense or benefit due to temporary differences between the financial reporting and income tax bases of assets and liabilities.

As of December 31, 2018 and 2017, the Company had no gross unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense as a component of operating expenses in the consolidated statements of operations. The Company recorded no interest expense for unrecognized tax benefits for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016.

Income tax expense consists of the following for the periods ended:

	Year Ended December 31, 2018 *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*	**Year Ended December 31, 2016** *Predecessor*
	(In Thousands)			
Current income tax expense	**$ 57,733**	$ 183,491	$ 8,729	$ 9,085
Deferred income tax (benefit) expense	**402**	(78,685)	(1,846)	87,555
Income tax expense	**$ 58,135**	$ 104,806	$ 6,883	$ 96,640

From a tax return perspective, the Company has $187.2 million of net operating loss carryforwards (NOLs). Based on the Internal Revenue Code (IRC) Section 382 limitation calculation, the Company's use of these NOLs is limited to $12.0 million per year. The Company believes it will be able to utilize the tax benefits associated with these deductions.

13. Income Taxes (continued)

The Company had no NOLs in 2018 for any states in which it is required to file an income tax return.

The differences between reported income tax expense and the results from applying the statutory federal rate to income before income tax expense are as follows for the periods ended:

	Year Ended December 31, 2018 *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*	**Year Ended December 31, 2016** *Predecessor*
		(In Thousands)		
Federal income tax expense computed at statutory rate	**$ 85,733**	$ 166,825	$ 9,142	$ 112,666
Increases (decreases) in taxes resulting from:				
Valuation allowance	**—**	(2,142)	(346)	(37,948)
Tax exempt interest	**(535)**	(1,002)	(33)	(446)
Dividends received deduction	**(2,011)**	(7,504)	(7)	(4,971)
Tax rate differential	**(21,811)**	(39,732)	—	—
Changes in uncertain tax positions	**—**	—	—	33,392
Prior period adjustments	**385**	(2,515)	—	1,643
Disregarded entity tax on parent	**—**	(142)	(1,267)	(8,089)
Other	**(3,626)**	(8,982)	(606)	393
Income tax expense	**$ 58,135**	$ 104,806	$ 6,883	$ 96,640

"Other" in the above table includes state income taxes, nondeductible meals and entertainment, nondeductible dues and penalties, and other miscellaneous differences and adjustments.

13. Income Taxes (continued)

Net deferred income tax assets and liabilities consist of the following as of December 31:

	2018 Successor	2017 Successor
	(In Thousands)	
Deferred income tax assets:		
Future policy benefits	**$ 409,354**	$ 530,445
Net unrealized capital loss on investments	**88,046**	—
Credit carryover	**8,666**	8,666
Rider fee	**10,508**	9,754
Other	**14,915**	22,389
Total deferred income tax assets	**531,489**	571,254
Deferred income tax liabilities:		
Net unrealized gain on derivatives	**4,487**	123,520
Deferred policy acquisition costs and deferred sales inducements	**93,582**	28,201
Net unrealized capital gain on investments	**—**	56,403
Investments	**44,867**	50,814
Value of business acquired	**331,002**	336,270
Depreciation	**28,083**	28,074
Commission accrual	**8,156**	13,337
Other	**19,282**	8,335
Total deferred income tax liabilities	**529,459**	644,954
Net deferred income tax asset (liability)	**$ 2,030**	$ (73,700)

The oldest credit carryover will expire in 2031 and relates to general business credits.

The Company assesses the available positive and negative evidence surrounding the recoverability of the deferred income tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. The Company did not record a valuation allowance on deferred tax assets as of December 31, 2018 and 2017.

The Tax Cuts and Jobs Act reduces the US federal corporate tax rate from 35% to 21% along with other changes, including how tax reserves are computed. At December 31, 2017, the Company had not completed accounting for the tax effects of the enactment of the Tax Cuts and Jobs Act; however, the Company had made a reasonable estimate of the effects on the existing deferred tax balances. At December 31, 2018, the Company has completed the accounting for the tax effects on the existing deferred tax balances. This did not result in any material modifications to the deferred tax balances.

14. Business Combinations and Pushdown Accounting

On January 31, 2017, the Company experienced a change of control transaction. This event met the definition of a business combination under ASC 805, *Business Combinations* (ASC 805).

Under GAAP, an acquirer of a business initially recognizes the acquired assets and liabilities at fair value. If the acquired business prepares separate financial statements, ASC 805 allows those statements to be prepared using the acquired company's historical basis or the "stepped-up" or "pushdown" basis of the acquirer. The Company has elected pushdown accounting to record its assets and liabilities at fair value as of the acquisition date of January 31, 2017 and a purchase price allocated to the Company of $1,911.0 million.

14. Business Combinations and Pushdown Accounting (continued)

The following table summarizes the allocation of the purchase price, which was generally based upon estimated fair values of the assets acquired and liabilities assumed as of the acquisition date of January 31, 2017.

	January 31, 2017 *(In Thousands)*
Assets	
Investments:	
Securities available for sale:	
Fixed maturities	$ 17,305,278
Equity securities	49,906
Securities trading:	
Fixed maturities	325,650
Equity securities	69
Notes receivable from related parties	4,089,319
Mortgage loans	1,677,409
Policy loans	445,008
Cash and cash equivalents	786,017
Short-term investments	38,904
Call options	388,743
Other invested assets	439,500
Total investments	25,545,803
Accrued investment income	242,593
Accounts receivable	372,203
Reinsurance recoverable	2,640,804
Property and equipment, net	57,607
Value of business acquired	1,800,000
Goodwill and other intangible assets	98,977
Other assets	83,000
Separate account assets	5,619,147
Total assets	36,460,134
Liabilities:	
Policy reserves and annuity account values	26,784,393
Funds withheld	351,600
Accounts payable and accrued expenses	153,108
Deferred income tax liability	80,056
Surplus notes	120,811
Notes payable related to commission assignments	67,284
Notes payable	251,841
Mortgage debt	23,033
Debt from consolidated variable interest entities	698,845
Notes payable - SAILES 2, LLC	76,462
Other liabilities	322,511
Separate account liabilities	5,619,147
Total liabilities	34,549,091
Net assets acquired	$ 1,911,043

15. Goodwill and Other Intangible Assets

An analysis of goodwill and other intangible asset balances is as follows for the periods ended:

	Goodwill	Licenses	Value of Customer Relationships and Developed Technology	Total
Predecessor				
Balance at January 1, 2017	$ —	$ 2,550	$ 43,679	$ 46,229
Amortization	—	—	(295)	(295)
Balance at January 31, 2017	—	2,550	43,384	45,934
Successor				
Change in control	98,977	(2,550)	(43,384)	53,043
Balance at December 31, 2017and 2018	**$ 98,977**	**$ —**	**$ —**	**$ 98,977**

Impairment of goodwill and intangibles is evaluated annually. As a result of the December 31, 2018 and 2017 annual impairment test, the Company determined that the carrying value of goodwill did not exceed fair value; therefore, no amounts were impaired. No impairments were recognized in 2018 and 2017.

16. Fair Value Measurements

Fair Value Hierarchy

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels based on the inputs and assumptions used to determine the fair value. The levels are as follows:

Level 1 – Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which significant assumptions are observable in the market, and option pricing models using inputs observable in the market.

16. Fair Value Measurements (continued)

Level 3 – Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

Determination of Fair Value

Under ASC 820, the Company bases fair values on the price that would be received to sell an asset (exit price) or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in ASC 820.

Cash equivalents

Cash equivalents include highly liquid securities with an original maturity of 90 days or less and money market accounts. The cash equivalents based on quoted market prices are included in Level 1 assets. When quoted prices are not available, the Company utilizes an independent pricing service, and includes those cash equivalents in Level 2 assets.

Fixed Maturity Investments

The fair values of fixed maturity securities in an active and orderly market are largely determined by utilizing third party pricing services. The Company has regular interactions with pricing services and its investment advisors to understand the pricing methodologies used and to confirm the prices are utilizing observable inputs. The pricing methodologies will vary based on the asset class and include inputs such as estimated cash flows, reported trades, broker quotes, credit quality, industry and economic events. Fixed maturity investments with fair values obtained from pricing services, applicable market indices, or internal models with substantially observable inputs are included in Level 2.

The Company will obtain a broker quote or utilize an internal pricing model specific to the asset utilizing unobservable relevant inputs if the Company is not able to utilize observable inputs. These assets are included in Level 3.

16. Fair Value Measurements (continued)

Equity securities

Fair values of equity securities are determined using quoted prices in active markets for identical assets when available, which are included in Level 1. When quoted prices are not available, the Company utilizes internal valuation methodologies appropriate for the specific asset that use observable inputs such as underlying share prices; therefore, the assets are included in Level 2. Fair values might also be determined using broker quotes or through the use of internal models or analysis that incorporates significant assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such securities. These assets are included in Level 3.

Short-term investments

Fair values of short-term investments are determined using broker quotes or through the use of internal models or analysis that incorporate significant assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such investments. These assets are included in Levels 2 and 3.

Call options, currency forwards, swaps, and futures

Certain fair values of call options are valued with models that use market observable inputs, which are included in Level 2. Currency forwards with fair values obtained from pricing services with substantially observable inputs are included in Level 2. Swaps with fair values obtained from counterparties with substantially observable inputs are included in Level 2. Futures, swaps, and call options with fair values obtained from unadjusted quoted prices for identical instruments traded in active markets are included in Level 1.

Other invested assets

Other invested assets include investments in joint ventures and partnerships that are carried at fair value. The fair value of these investments is determined utilizing an external third party pricing specialist through the use of the market approach, income approach, and underlying asset approach. These investments are included in Level 3.

16. Fair Value Measurements (continued)

Separate account assets

Separate account assets include equity securities, investments in notes receivable and investments in partnerships. The fair value of the equity securities within the separate accounts is determined using quoted prices in active markets for identical assets and is reflected in Level 1. The fair value of the investments in private notes within the separate accounts was determined using internal pricing models using inputs unobservable in the market. The fair value for partnerships within the separate accounts was determined through the use of an external third party pricing specialist through the use of the market approach, income approach, and underlying assets approach. The investments in private notes and partnerships are reflected in Level 3.

Reinsurance derivative asset/liability

The fair value of the reinsurance derivative is estimated based on the fair value of the assets supporting the funds withheld reinsurance liability under the coinsurance funds withheld arrangement or based on the fair value of the investment contract guarantee embedded derivative. These assets/liabilities are included in Level 3.

Embedded derivatives – commission assignment

The fair value of the commission assignment embedded derivatives is determined by comparing the current period updated actuarial projected future cash flows, discounted to present value, to the amortized cost of the base level commission payments on the reporting date. The main variables considered in the actuarial projected future cash flows include: (i) policies that remain in-force; (ii) persistency expectations; (iii) expected future cash flows related to the level commission payments; and (iv) discount rate. These assets are included in Level 3.

Embedded derivatives – GMWB and GMAB reserves

The Company records guarantees for variable annuity contracts containing guaranteed riders for GMABs and GMWBs as derivative instruments. The fair value of the obligation is calculated based on unobservable inputs with actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced using stochastic techniques under a variety of market returns scenarios and other assumptions. These liabilities are included in Level 3.

16. Fair Value Measurements (continued)

Embedded derivatives – fixed indexed annuity contracts

Fair values of the Company's embedded derivative component of the fixed indexed annuity policy liabilities are determined by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for the nonperformance risk related to those liabilities. The projections of policy contract values are based on the Company's best estimate assumptions for future policy growth and future policy decrements. The Company's best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of call options the Company will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. These liabilities are included in Level 3.

One of the Company's fixed indexed annuity products has an embedded derivative feature that returns GLWB rider charges in excess of index credits over a five year period. The guarantee is reset on each fifth policy anniversary while in the accumulation phase. The fair value of the policy's embedded derivative is determined using the mean present value of a risk-neutral stochastic projection of the account value. Discount rates are projected risk-free rates plus the Company's own credit spread margin.

16. Fair Value Measurements (continued)

Assets and Liabilities Measured and Reported at Fair Value

The following table presents categories measured at fair value on a recurring basis:

	December 31, 2018 *(Successor)*			
		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
Assets:				
Cash equivalents	$ 785,095	$ 776,095	$ 9,000	$ —
Fixed maturity investments:				
U.S. Treasury securities and other U.S. government corporations and agencies	186,177	—	186,177	—
Obligations of government-sponsored enterprises	318,537	—	318,537	—
Corporate	9,149,949	—	1,790,181	7,359,768
Obligations of foreign governments	135	—	135	—
Municipal obligations	131,696	—	131,696	—
Commercial mortgage-backed	372,460	—	369,274	3,186
Residential mortgage-backed	44,908	—	39,234	5,674
Collateralized debt obligations	9,058	—	9,058	—
Collateralized loan obligations	7,719,996	—	6,891,203	828,793
Redeemable preferred stock	72,359	—	2,350	70,009
Other asset backed	3,517,361	—	1,588,182	1,929,179
Total fixed maturity investments	21,522,636	—	11,326,027	10,196,609
Equity securities:				
Financial	171	—	—	171
Mutual funds	3,726	3,726	—	—
Total equity securities	3,897	3,726	—	171
Short-term investments	335,924	—	335,439	485
Reinsurance derivative asset	1,721	—	—	1,721
Call options	340,472	7,647	332,825	—
Currency forwards and swaps	41,126	—	41,126	—
Interest rate swaps and total return swaps	3,416	6,033	(2,617)	—
Futures	620	620	—	—
Commission assignment derivative asset	15,757	—	—	15,757
Separate account assets	5,037,513	3,175,713	—	1,861,800
Total assets	$ 28,088,177	$ 3,969,834	$ 12,041,800	$ 12,076,543
Liabilities:				
Embedded derivatives:				
GMWB and GMAB reserves	$ 9,910	$ —	$ —	$ 9,910
Fixed indexed annuity contracts	1,218,022	—	—	1,218,022
Total liabilities	$ 1,227,932	$ —	$ —	$ 1,227,932

16. Fair Value Measurements (continued)

	December 31, 2017 *(Successor)*			
		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
Assets:				
Cash equivalents	$ 648,836	$ 447,346	$ 201,490	$ —
Fixed maturity investments:				
U.S. Treasury securities and other U.S. government corporations and agencies	262,406	—	262,406	—
Obligations of government-sponsored enterprises	394,167	—	394,167	—
Corporate	7,923,249	—	2,860,552	5,062,697
Obligations of foreign governments	1,148	—	1,148	—
Municipal obligations	294,523	—	290,887	3,636
Commercial mortgage-backed	616,425	—	610,819	5,606
Residential mortgage-backed	146,341	—	139,875	6,466
Collateralized debt obligations	9,610	—	8,593	1,017
Collateralized loan obligations	7,974,323	—	7,612,634	361,689
Redeemable preferred stock	8,048	—	8,048	—
Other asset backed	3,557,840	—	1,771,643	1,786,197
Total fixed maturity investments	21,188,080	—	13,960,772	7,227,308
Equity securities:				
Communications	31,125	31,125	—	—
Financial	198	159	—	39
Consumer	10,227	10,227	—	—
Mutual funds	8,306	8,306	—	—
Government	4,618	—	—	4,618
Total equity securities	54,474	49,817	—	4,657
Short-term investments	28,505	—	—	28,505
Call options	839,998	41,671	798,327	–
Interest rate swaps and total return swaps	369	(770)	1,139	–
Other invested assets	215,700	—	—	215,700
Commission assignment derivative asset	16,538	—	—	16,538
Separate account assets	5,927,859	3,989,959	—	1,937,900
Total assets	$ 28,920,359	$ 4,528,023	$ 14,961,728	$ 9,430,608
Liabilities:				
Currency forwards and swaps	$ 11,180	$ —	$ 11,180	$ —
Futures	2	2	—	—
Embedded derivatives:				
Reinsurance derivative liability	6,404	—	—	6,404
GMWB and GMAB reserves	13,305	—	—	13,305
Fixed indexed annuity contracts	1,377,274	—	—	1,377,274
Total liabilities	$ 1,408,165	$ 2	$ 11,180	$ 1,396,983

16. Fair Value Measurements (continued)

Changes in Level 3 Fair Value Measurements

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for the year ended December 31, 2018 is as follows:

		Total Realized/Unrealized Gains and Losses					
	Balance at January 1, 2018	Included in Net Income[1]	Included in Other Comprehensive Income[3]	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2018	Change in Unrealized Gains (losses) in Net Income for Positions Still Held
				Successor *(In Thousands)*			
Assets:							
Fixed maturity investments:							
Corporate	$ 5,062,697	$ (15,275)	$ (143,393)	$ 2,093,252	$ 362,487	$ 7,359,768	$ (286)
Municipal obligations	3,636	—	—	—	(3,636)	—	—
Commercial mortgage-backed	5,606	(4)	(161)	(2,255)	—	3,186	—
Residential mortgage-backed	6,466	(5)	(85)	(702)	—	5,674	(3)
Collateralized debt obligations	1,017	—	—	—	(1,017)	—	—
Collateralized loan obligations	361,689	14,563	7,514	310,835	134,192	828,793	—
Other asset backed	1,786,197	18,107	11,897	(175,368)	288,346	1,929,179	(122)
Redeemable preferred stock	—	(255)	(4,736)	75,000	—	70,009	—
Total fixed maturity investments	7,227,308	17,131	(128,964)	2,300,762	780,372	10,196,609	(411)
Equity securities:							
Financial	39	—	132	—	—	171	—
Government	4,618	1,227	—	(5,845)	—	—	—
Total equity securities	4,657	1,227	132	(5,845)	—	171	—
Short-term investments	28,505	—	(28)	(27,992)	—	485	—
Other invested assets	215,700	—	—	(215,700)	—	—	—
Reinsurance derivative asset	—	1,721	—	—	—	1,721	—
Commission assignment derivative asset	16,538	(781)	—	—	—	15,757	—
Separate account assets[2]	1,937,900	(76,100)	—	—	—	1,861,800	—
Total assets	$ 9,430,608	$ (56,802)	$ (128,860)	$ 2,051,225	$ 780,372	$ 12,076,543	$ (411)
Liabilities:							
Embedded derivatives:							
Reinsurance derivative liability	$ 6,404	$ (6,404)	$ —	$ —	$ —	$ —	$ —
GMWB and GMAB reserves	13,305	(3,395)	—	—	—	9,910	—
Fixed indexed annuity contracts	1,377,274	(211,533)	—	52,281	—	1,218,022	—
Total liabilities	$ 1,396,983	$(221,332)	$ —	$ 52,281	$ —	$ 1,227,932	$ —

(1) Both realized gains (losses) and mark-to-market unrealized gains (losses) are generally reported in net realized capital gains (losses) within the consolidated statements of operations.

(2) Gains and losses for separate account assets do not impact net income as the change in value of separate account assets is offset by a change in value of separate account liabilities.

(3) Unrealized gains (losses) on available-for-sale securities are included in accumulated other comprehensive income on the consolidated balance sheets, and realized gains (losses) on available-for-sale securities are included in net realized/unrealized gains (losses) in the consolidated statements of operations.

16. Fair Value Measurements (continued)

The details of the Level 3 purchases, issuances, sales, and settlements for the year ended December 31, 2018 is as follows:

	Purchases	Issuances	Sales	Settlements	Net
			Successor		
			(In Thousands)		
Assets:					
Fixed maturity investments:					
Corporate	$ 5,128,024	$ 27,159	$ 2,462,024	$ 599,907	$ 2,093,252
Commercial mortgage-backed	—	—	2,195	60	(2,255)
Residential mortgage-backed	—	—	—	702	(702)
Collateralized loan obligations	523,991	—	13,072	200,084	310,835
Other asset backed	97,744	—	144,227	128,885	(175,368)
Redeemable preferred stock	75,000	—	—	—	75,000
Total fixed maturity investments	5,824,759	27,159	2,621,518	929,638	2,300,762
Equity securities:					
Government	117,227	—	115,534	7,538	(5,845)
Total equity securities	117,227	—	115,534	7,538	(5,845)
Short-term investments	977	—	28,505	464	(27,992)
Other invested assets	—	—	—	215,700	(215,700)
Total assets	$ 5,942,963	$ 27,159	$ 2,765,557	$ 1,153,340	$ 2,051,225
Liabilities:					
Embedded derivatives:					
Fixed indexed annuity contracts	$ —	$ 85,493	$ —	$ 33,212	$ 52,281
Total liabilities	$ —	$ 85,493	$ —	$ 33,212	$ 52,281

16. Fair Value Measurements (continued)

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for the period from February 1, 2017 through December 31, 2017 is as follows:

		Total Realized/Unrealized Gains and Losses					
	Balance at February 1, 2017	**Included in Net Income[1]**	**Included in Other Comprehensive Income[3]**	**Purchases, Issuances, Sales, and Settlements**	**Transfers**	**Balance at December 31, 2017**	**Change in Unrealized Gains (losses) in Net Income for Positions Still Held**
				Successor			
				(In Thousands)			
Assets:							
Fixed maturity investments:							
Corporate	$ 5,410,152	$ (8,140)	$ 57,043	$ (397,114)	$ 756	$ 5,062,697	$ 909
Municipal obligations	3,204	(10)	492	(50)	—	3,636	—
Commercial mortgage-backed	13,984	167	309	(2,861)	(5,993)	5,606	—
Residential mortgage-backed	9,195	23	(8)	(2,744)	—	6,466	—
Collateralized debt obligations	2,643	16	58	—	(1,700)	1,017	—
Collateralized loan obligations	300,673	617	2,097	134,593	(76,291)	361,689	—
Other asset backed	1,590,429	(2,880)	6,552	202,920	(10,824)	1,786,197	(9)
Total fixed maturity investments	7,330,280	(10,207)	66,543	(65,256)	(94,052)	7,227,308	900
Equity securities:							
Financial	24	—	15	—	—	39	—
Government	9,050	138	—	(4,570)	—	4,618	—
Total equity securities	9,074	138	15	(4,570)	—	4,657	—
Short-term investments	2,176	—	318	26,011	—	28,505	—
Other invested assets	—	—	19,700	196,000	—	215,700	—
Commission assignment derivative asset	16,319	219	—	—	—	16,538	—
Separate account assets[2]	1,870,300	67,600	—	—	—	1,937,900	—
Total assets	$ 9,228,149	$ 57,750	$ 86,576	$ 152,185	$ (94,052)	$ 9,430,608	$ 900
Liabilities:							
Embedded derivatives:							
Reinsurance derivative liability	$ 601	$ 5,803	$ —	$ —	$ —	$ 6,404	$ —
GMWB and GMAB reserves	16,034	(2,729)	—	—	—	13,305	—
Fixed indexed annuity contracts	1,012,008	289,293	—	75,973	—	1,377,274	—
Total liabilities	$ 1,028,643	$ 292,367	$ —	$ 75,973	$ —	$ 1,396,983	$ —

(1) Both realized gains (losses) and mark-to-market unrealized gains (losses) are generally reported in net realized capital gains (losses) within the consolidated statements of operations.

(2) Gains and losses for separate account assets do not impact net income as the change in value of separate account assets is offset by a change in value of separate account liabilities.

(3) Unrealized gains (losses) on available-for-sale securities are included in accumulated other comprehensive income on the consolidated balance sheets, and realized gains (losses) on available-for-sale securities are included in net realized/unrealized gains (losses) in the consolidated statements of operations.

16. Fair Value Measurements (continued)

The detail of the Level 3 purchases, issuances, sales, and settlements for the period from February 1, 2017 through December 31, 2017 is as follows:

	Purchases	Issuances	Sales	Settlements	Net
			Successor		
			(In Thousands)		
Assets:					
Fixed maturity investments:					
Corporate	$ 2,652,162	$ 52,192	$ 2,725,463	$ 376,005	$ (397,114)
Municipal obligations	—	—	—	50	(50)
Commercial mortgage-backed	—	—	2,811	50	(2,861)
Residential mortgage-backed	—	—	—	2,744	(2,744)
Collateralized loan obligations	101,633	—	(81,740)	48,780	134,593
Other asset backed	(537,993)	—	(816,468)	75,555	202,920
Total fixed maturity investments	2,215,802	52,192	1,830,066	503,184	(65,256)
Equity securities:					
Government	150,142	—	154,712	—	(4,570)
Total equity securities	150,142	—	154,712	—	(4,570)
Short-term investments	28,187	—	—	2,176	26,011
Other invested assets	196,000	—	—	—	196,000
Total assets	$ 2,590,131	$ 52,192	$ 1,984,778	$ 505,360	$ 152,185
Liabilities:					
Embedded derivatives:					
Fixed indexed annuity contracts	$ —	$ 99,554	$ —	$ 23,581	$ 75,973
Total liabilities	$ —	$ 99,554	$ —	$ 23,581	$ 75,973

16. Fair Value Measurements (continued)

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for the period from January 1, 2017 through January 31, 2017 is as follows:

		Total Realized/Unrealized Gains and Losses					
	Balance at January 1, 2017	Included in Net Income(1)	Included in Other Comprehensive Income(3)	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at January 31, 2017	Change in Unrealized Gains (losses) in Net Income for Positions Still Held
				Predecessor			
				(In Thousands)			
Assets:							
Fixed maturity investments:							
Corporate	$ 4,779,179	$ 40,749	$ (41,494)	$ 386,123	$ 245,595	$ 5,410,152	$ (44)
Municipal obligations	3,198	76	(70)	—	—	3,204	—
Commercial mortgage-backed	10,944	(138)	143	3,035	—	13,984	143
Residential mortgage-backed	9,277	4	(3)	(83)	—	9,195	(1)
Collateralized debt obligations	2,992	1,474	(1,823)	—	—	2,643	—
Collateralized loan obligations	552,183	(14,529)	13,557	(15,361)	(235,177)	300,673	—
Other asset backed	1,281,162	11,860	(13,802)	3,328	307,881	1,590,429	—
Total fixed maturity investments	6,638,935	39,496	(43,492)	377,042	318,299	7,330,280	98
Equity securities:							
Financial	—	24	—	—	—	24	—
Government	9,200	—	—	(150)	—	9,050	—
Total equity securities	9,200	24	—	(150)	—	9,074	—
Short-term investments	2,176	—	—	—	—	2,176	—
Reinsurance derivative asset	550	(550)	—	—	—	—	—
Commission assignment derivative asset	14,735	1,584	—	—	—	16,319	—
Separate account assets(2)	1,870,300	—	—	—	—	1,870,300	—
Total assets	$ 8,535,896	$ 40,554	$ (43,492)	$ 376,892	$ 318,299	$ 9,228,149	$ 98
Liabilities:							
Embedded derivatives:							
GMWB and GMAB reserves	$ 16,287	$ (253)	$ —	$ —	$ —	$ 16,034	$ —
Reinsurance derivative liability	—	601	—	—	—	601	—
Fixed indexed annuity contracts	986,544	18,467	—	6,997	—	1,012,008	—
Total liabilities	$ 1,002,831	$ 18,815	$ —	$ 6,997	$ —	$ 1,028,643	$ —

(1) Both realized gains (losses) and mark-to-market unrealized gains (losses) are generally reported in net realized capital gains (losses) within the consolidated statements of operations.

(2) Gains and losses for separate account assets do not impact net income as the change in value of separate account assets is offset by a change in value of separate account liabilities.

(3) Unrealized gains (losses) on available-for-sale securities are included in accumulated other comprehensive income on the consolidated balance sheets, and realized gains (losses) on available-for-sale securities are included in net realized/unrealized gains (losses) in the consolidated statements of operations.

16. Fair Value Measurements (continued)

The detail of the Level 3 purchases, issuances, sales, and settlements for the period from January 1, 2017 through January 31, 2017 is as follows:

	Purchases	Issuances	Sales	Settlements	Net
			Predecessor		
			(In Thousands)		
Assets:					
Fixed maturity investments:					
Corporate	$ 632,790	$ 355	$ 217,893	$ 29,129	$ 386,123
Commercial mortgage-backed	3,038	—	—	3	3,035
Residential mortgage-backed	—	—	—	83	(83)
Collateralized loan obligations	8,250	—	—	23,611	(15,361)
Other asset backed	4,917	—	—	1,589	3,328
Total fixed maturity investments	648,995	355	217,893	54,415	377,042
Equity securities:					
Government	150	—	300	—	(150)
Total equity securities	150	—	300	—	(150)
Total assets	$ 649,145	$ 355	$ 218,193	$ 54,415	$ 376,892
Liabilities:					
Embedded derivatives:					
Fixed indexed annuity contracts	$ —	$ 8,651	$ —	$ 1,654	$ 6,997
Total liabilities	$ —	$ 8,651	$ —	$ 1,654	$ 6,997

16. Fair Value Measurements (continued)

Transfers

Transfers of assets and liabilities measured at fair value between hierarchy levels for the year ended December 31, 2018 are as follows:

	Transfers out of Level 1 into Level 2	Transfers out of Level 1 into Level 3	Transfers out of Level 2 into Level 1	Transfers out of Level 2 into Level 3	Transfers out of Level 3 into Level 1	Transfers out of Level 3 into Level 2
	Successor					
	(In Thousands)					
Assets:						
Fixed maturity investments:						
Corporate	**$ —**	**$ —**	**$ —**	**$ 385,443**	**$ —**	**$ 22,956**
Municipal obligations	**—**	**—**	**—**	**—**	**—**	**3,636**
Collateralized debt obligations	**—**	**—**	**—**	**—**	**—**	**1,017**
Collateralized loan obligations	**—**	**—**	**—**	**247,354**	**—**	**113,162**
Other asset backed	**—**	**—**	**—**	**332,852**	**—**	**44,506**
Total fixed maturity investments	**$ —**	**$ —**	**$ —**	**$ 965,649**	**$ —**	**$ 185,277**

Transfers of assets and liabilities measured at fair value between hierarchy levels for the period from February 1, 2017 through December 31, 2017 are as follows:

	Transfers out of Level 1 into Level 2	Transfers out of Level 1 into Level 3	Transfers out of Level 2 into Level 1	Transfers out of Level 2 into Level 3	Transfers out of Level 3 into Level 1	Transfers out of Level 3 into Level 2
	Successor					
	(In Thousands)					
Assets:						
Fixed maturity investments:						
Corporate	$ —	$ —	$ —	$ 4,839	$ —	$ 4,083
Commercial mortgage-backed	—	—	—	—	—	5,993
Collateralized debt obligations	—	—	—	—	—	1,700
Collateralized loan obligations	—	—	—	54,488	—	130,779
Other asset backed	—	—	—	39,688	—	50,512
Total fixed maturity investments	$ —	$ —	$ —	$ 99,015	$ —	$ 193,067

16. Fair Value Measurements (continued)

Transfers of assets and liabilities measured at fair value between hierarchy levels for the period from January 1, 2017 through January 31, 2017 are as follows:

	Transfers out of Level 1 into Level 2	Transfers out of Level 1 into Level 3	Transfers out of Level 2 into Level 1	Transfers out of Level 2 into Level 3	Transfers out of Level 3 into Level 1	Transfers out of Level 3 into Level 2
	Predecessor					
	(In Thousands)					
Assets:						
Fixed maturity investments:						
Corporate	$ —	$ —	$ —	$ 257,098	$ —	$ 11,503
Collateralized loan obligations	—	—	—	43,401	—	278,578
Other asset backed	—	—	—	314,303	—	6,422
Total fixed maturity investments	$ —	$ —	$ —	$ 614,802	$ —	$ 296,503

The majority of the assets transferred into level 3 during 2018 and 2017 was due to the inability to obtain a price from a recognized third party pricing vendor or due to changes in the observability of inputs or valuation techniques. The majority of assets transferred out of level 3 during 2018 and 2017 was due to the ability to obtain a price from a recognized third party pricing vendor or due to changes in the observability of inputs or valuation techniques.

The transfers between levels are determined as of the end of the period for which the transfer is completed.

16. Fair Value Measurements (continued)

Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for fair value measurements categorized within Level 3, excluding assets and liabilities for which significant unobservable inputs primarily consist of those valued using broker quotes.

	December 31, 2018 *(Successor)*			
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input/Range of Inputs [Weighted Average]
			(In Thousands)	
Assets:				
Fixed maturity investments:				
Corporate	$ **5,840,223**	Discount Model	Credit Spread	100 - 1174 [362] basis points (bps)
	189,635		Discount Rate	3.11% - 11.50% [7.70%]
	397,648	Spread Duration	Credit Spread	161 - 1069 [665] bps
	165,081	Yield Analysis	Yield	5.77% - 10.97% [8.71%]
	664,550	Trade Price	Recent Trade Price	100
	47,146	Waterfall	Cashflows	
	4,613	Market Comparables	Credit Spread	342 bps
	1,773	Enterprise Value	BCF Multiple	6.7x
Collateralized loan obligations	**503,359**	Discount Model	Discount Rate	2.15% - 17.0% [10.91%]
	1,296		Credit Spread	371 bps
	9,760	Market Comparables	Credit Spread	332 bps
	1,598	Residual Equity	Residual Equity	
Redeemable preferred stock	**70,009**	Market Comparables	Enterprise Value (EV) / EBITDA Multiple Price/Earnings Multiple Price/Revenues Multiple Price/Dividend Multiple	17.7x 11.7x 4.1x 10.5x
Other asset backed	**1,194,564**	Discount Model	Credit Spread	107 - 633 [402] bps
	28,400		Liquidity Spread	28.7 bps
	4,524		Discount Rate	9.5% - 10.5% [9.67%]
	39,870	Spread Duration	Credit Spread	161 bps
	9,157	Underlying Pricing Model	Market Value of Underlying Investments	
	699	Yield Analysis	Yield	4.45%
	58	Market Comparables	Credit Spread	289 bps
Total fixed maturity investments	**9,173,963**			
Equity securities:				
Equity securities - Financial	**171**	Market Comparables	Discount Rate	4.60%
Total equity securities	**171**			
Reinsurance derivative asset	**1,721**	See Note (1)		
Commission assignment derivative asset	**15,757**	Income Approach	Years Discounted	0.08 yrs - 10.01 yrs [1.55 yrs]
			Interpolated Yield	4.48% - 7.12% [5.12%]
			Uncertainty Premium	0.44% - 10.08% [1.57%]
Separate account assets	**1,861,800**	Revenue Multiples	Projected Revenues	6.0 – 6.5x [6.26x]
		Discounted Cash Flow	Discount Rate	675 – 866 [764] bps
		Land Sale Comparison	Value per Buildable Square Footage	$170.00 - 380.00 [258.80]
		See Note (3)		
Total assets	$ **11,053,412**	See Note (2)		

16. Fair Value Measurements (continued)

	December 31, 2018 *(Successor)*			
	Assets / Liabilities Measured at Fair Value	**Valuation Technique(s)**	**Unobservable Input Description**	**Input/Range of Inputs [Weighted Average]**
			(In Thousands)	
Liabilities:				
Embedded derivatives:				
GMWB and GMAB reserves	**9,910**	Discounted Cash Flow	Own credit spread	1.29%
			Long-term equity market volatility	Market Consistent
			Risk margin	5.00%
Fixed indexed annuity contracts	**1,218,022**	Discounted Cash Flow	Own credit spread	1.29%
			Risk margin	0.13% - 0.17%
Total liabilities	**$ 1,227,932**			

16. Fair Value Measurements (continued)

	December 31, 2017 *(Successor)*			
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input/Range of Inputs [Weighted Average]
			(In Thousands)	
Assets:				
Fixed maturity investments:				
Corporate	$ 3,789,146	Discount Model	Credit Spread	44 - 769 [241] basis points (bps)
	33,831		Discount Rate	8.00% - 10.50% [8.98%]
	573,207	Spread Duration	Credit Spread	95 - 632 [609] bps
	19,762	Market Comparables	Eligible Free Cash Flow (EFCF) Multiple	6.9x
	4,808		Credit Spread	332 bps
	3,877		Broadcast Cash Flow (BCF) Multiple	16x
	53,891	Trade Price	Recent Trade Price	100
	6,096	Waterfall Model	Cash Flows	
Municipal obligations	3,636	Discount Model	Credit Spread	251 bps
Collateralized loan obligations	235,109	Discount Model	Discount Rate	2.00% - 11.50% [5.84%]
	10,384	Market Comparables	Credit Spread	323 bps
	1,256	Residual Equity	Residual Equity	
Other asset backed	1,110,499	Discount Model	Credit Spread	126 - 348 [162] bps
	5,358		Discount Rate	8.50% - 9.50% [8.67%]
	40,000	Spread Duration	Credit Spread	95 bps
	44,083	Trade Price	Recent Trade Price	100
	239	Market Comparables	Credit Spread	347 bps
Total fixed maturity investments	5,935,182			
Equity securities:				
Equity securities - Financial	39	Market Comparables	EBITDA Multiple	6.2x
Total equity securities	39			
Other invested assets - Joint venture and partnership investments	215,700	Market Comparables	Market Value of Invested Capital to Revenue	5.5x - 6.0x
		Discount Model	Discount Rate	186 - 750 bps
Total other invested assets	215,700			
Commission assignment derivative asset	16,538	Income Approach	Years Discounted	0.08 yrs - 10.01 yrs [2.03 yrs]
			Interpolated Yield	3.27% - 5.43% [3.71%]
			Uncertainty Premium	0.44% - 10.08% [6.78%]
Separate account assets	1,937,900	Revenue Multiples	Projected revenues	5.5 – 6.0x [5.72x]
		Discounted Cash Flow	Discount Rate	582 – 800 [667] bps
		Land Sale Comparison	Value per Buildable Square Footage	$25.00 - 375.00 [255.33]
		See Note (3)		
Total assets	$ 8,105,359	See Note (2)		

16. Fair Value Measurements (continued)

	December 31, 2017 *(Successor)*			
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input/Range of Inputs [Weighted Average]
			(In Thousands)	
Liabilities:				
Embedded derivatives:				
Reinsurance derivative liability	$ 6,404	See Note (1)		
GMWB and GMAB reserves	13,305	Discounted Cash Flow	Credit Spread	0.86%
			Long-Term Equity Market Volatility	Market Consistent
			Risk Margin	5.00%
Fixed indexed annuity contracts	1,377,274	Discounted Cash Flow	Credit Spread	0.86%
			Risk Margin	0.13% – 0.17%
Total liabilities	$ 1,396,983			

(1) Equal to the net unrealized gains or losses on the underlying assets held in trust to support the funds withheld liability and the fair value of the investment guarantee embedded derivative.

(2) The tables above exclude certain securities for which the fair value of $1,023.1 million and $1,325.2 million as of December 31, 2018 and 2017, respectively, was based on non-binding broker quotes.

(3) Separate account investments in partnerships for which the fair value as of December 31, 2018 and 2017, was determined through a third party valuation of the fair value of the underlying investments.

Market comparable discount rates are used as the base rate in the discounted cash flows used to determine the fair value of certain assets. Increases or decreases in the credit spreads on the comparable assets could cause the fair value of assets to significantly decrease or increase, respectively. Additionally, the Company may adjust the base discount rate or the modeled price by applying an illiquidity premium given the highly structured nature of certain assets. Increases or decreases in this illiquidity premium could cause significant decreases or increases, respectively, in the fair value of the asset.

Increases or decreases in assumed lapse and mortality rates could cause the fair value of the commission assignment embedded derivative to significantly decrease or increase, respectively.

Increases or decreases in market volatilities could cause significant increases or decreases, respectively, in the fair value of the GMWB and GMAB reserve and fixed indexed annuity contract embedded derivative. Long duration interest rates are used as the mean return when projecting the growth in the value of associated account value. The amount of claims will increase if account value is not sufficient to cover guaranteed withdrawals.

Increases or decreases in risk free rates could cause the fair value of the GMWB and GMAB reserve and fixed indexed annuity contract embedded derivatives to significantly decrease or increase, respectively. Increases or decreases in the Company's credit risk, which impacts the rates used to

16. Fair Value Measurements (continued)

discount future cash flows, could significantly decrease or increase, respectively, the fair value of the embedded derivative. All of these changes in fair value would impact net income.

Increases or decreases in market volatilities of the underlying assets supporting the funds withheld liability could cause significant increases or decreases, respectively, in the fair value of the embedded derivatives.

Measurement Alternative for Measuring Equity Investments

The Company accounts for certain equity investments without readily determinable fair values under the measurement alternative. This accounting election was not available prior to January 1, 2018. The carrying value of equity investments accounted for under the measurement alternative was $228.5 million at December 31, 2018. There were no impairments or adjustments to the carrying value for the year ended December 31, 2018.

16. Fair Value Measurements (continued)

Financial Instruments Not Reported at Fair Value

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis but required to be disclosed at fair value are as follows:

	December 31, 2018 *Successor*				
			Fair Value Hierarchy Level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Assets (liabilities)					
Mortgage loans	**$ 1,661,152**	**$ 1,669,671**	**$ —**	**$ 535,573**	**$ 1,134,098**
Notes receivable from related parties	**3,155,718**	**3,155,718**	**—**	**3,149,718**	**6,000**
Policy loans	**81,335**	**81,437**	**—**	**—**	**81,437**
Business-owned life insurance	**21,663**	**21,663**	**—**	**—**	**21,663**
Company-owned life insurance	**30,030**	**30,030**	**—**	**—**	**30,030**
Supplementary contracts without life contingencies	**(65,758)**	**(59,827)**	**—**	**—**	**(59,827)**
Individual and group annuities	**(6,492,323)**	**(6,303,566)**	**—**	**—**	**(6,303,566)**
Debt from consolidated VIEs	**(364,510)**	**(353,071)**	**—**	**—**	**(353,071)**
Notes payable related to commission assignments	**(25,268)**	**(25,268)**	**—**	**—**	**(25,268)**
Surplus notes	**(119,103)**	**(121,357)**	**—**	**—**	**(121,357)**
Mortgage debt	**(13,381)**	**(14,087)**	**—**	**—**	**(14,087)**
Credit facility	**(766,027)**	**(766,027)**	**—**	**—**	**(766,027)**
Reverse repurchase agreements	**(302,898)**	**(302,898)**	**—**	**(302,898)**	**—**
Separate account liabilities	**(5,037,513)**	**(5,037,513)**	**(3,175,713)**	**—**	**(1,861,800)**

16. Fair Value Measurements (continued)

	December 31, 2017				
	Successor				
			Fair Value Hierarchy Level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Assets (liabilities)					
Mortgage loans	$ 1,929,273	$ 1,938,355	$ —	$ —	$ 1,938,355
Notes receivable from related parties	3,492,861	3,492,861	—	3,189,861	303,000
Policy loans	466,109	465,675	—	—	465,675
Business-owned life insurance	20,594	20,594	—	—	20,594
Company-owned life insurance	31,555	31,555	—	—	31,555
Supplementary contracts without life contingencies	(57,132)	(53,228)	—	—	(53,228)
Individual and group annuities	(7,002,157)	(6,989,829)	—	—	(6,989,829)
Debt from consolidated VIEs	(645,919)	(655,394)	—	—	(655,394)
Notes payable related to commission assignments	(46,174)	(46,174)	—	—	(46,174)
Surplus notes	(119,916)	(123,212)	—	—	(123,212)
Note payable - SAILES 2-0, LLC	(68,912)	(75,874)	—	—	(75,874)
Mortgage debt	(19,641)	(21,202)	—	—	(21,202)
Credit facility	(763,686)	(763,686)	—	—	(763,686)
Reverse repurchase agreements	(20,137)	(20,137)	—	(20,137)	—
Separate account liabilities	(5,927,859)	(5,927,859)	(3,989,959)	—	(1,937,900)

17. Commitments and Contingencies

In connection with its investments in certain limited partnerships, the Company is committed to invest additional capital of $119.7 million and $24.6 million at December 31, 2018 and 2017, respectively, over the next several years as required by the general partner.

As of December 31, 2018 and 2017, the Company had committed up to $1,431.3 million and $1,264.2 million, respectively, in unfunded bridge loans, unfunded revolvers, and other private investments.

Expected future minimum rent income related to the SAILES operating lease (see Note 1) to be received as of December 31 is as follows (in thousands):

17. Commitments and Contingencies (continued)

2019	$	16,398
2020		16,398
2021		16,398
2022		16,398
2023		16,398
Thereafter		19,131

The amounts received under the lease is recorded in other revenues in the consolidated statements of operations.

Guarantees of related parties: The Company provided payment guarantees on behalf of its related party, SE2, LLC (SE2), to certain SE2 customers for all obligations and liabilities arising or incurred under the third-party administration agreements between such customers and SE2.
Other legal and regulatory matters: The Company is party to legal and arbitral proceedings, subject to complaints, and the like in the ordinary course of business, is periodically examined by its regulators in the ordinary course of business, and may discuss certain matters with its regulators that come up during such examinations or otherwise. Management currently does not believe that any litigation, arbitration, complaint or other such matter to which it is party, or that any actions by its regulators with respect to any such examinations or matters under discussion with them, will, alone or collectively, materially adversely affect the Company's results of operations or financial condition.

18. Debt

Credit Facility

The Company entered into a credit agreement with a syndication of lenders in February 2017. This credit agreement provided a $750.0 million term loan facility at variable interest rates. The borrower can choose between interest rates that are either based on LIBOR or based on the Prime Rate, as defined in the agreement. The variable rate will reset either at one month, three months or six months, depending on the borrower's choice of LIBOR rate.

In October 2017, this credit agreement was amended. The amended credit agreement (1) included new lenders that joined the syndication, (2) extended the term loan maturity date to October 2022, (3) reduced the term loan to $300.0 million, and (4) added a new $500.0 million revolving credit

18. Debt (continued)

facility. The revolver has the same maturity schedule as the extended term loan and bears variable interest rate similar to the term loan. Each draw under the revolver bears an interest rate based on LIBOR. Upon closing, the Company immediately drew down $425.0 million from the revolver and used the proceeds to pay down the term loan. In November 2017, the Company drew down another $50.0 million under the revolver. The Company had a balance under the term loan of $300.0 million at December 31, 2018 and 2017, and $475.0 million under the revolver facility at December 31, 2018 and 2017. The interest rate for the term loan and the revolver was 4.77% per annum as of December 31, 2018. The credit agreement has various affirmative and negative covenants. The Company was in compliance with those covenants as of December 31, 2018.

The Company incurred approximately $14.0 million in loan issuance cost in connection with the credit agreement. This loan issuance cost was capitalized and reported as a reduction of the loan balance on the consolidated balance sheets. The capitalized loan issuance cost is amortized over the term of the credit agreement. The unamortized balance was $9 million and $11.3 million as of December 31, 2018 and 2017, respectively.

Line of Credit

At December 31, 2018, the Company has access to a $477.9 million line of credit facility from FHLB. Overnight borrowings in connection with this line of credit bear interest at 0.15% over the Federal Funds rate (2.65% at December 31, 2018). The Company had no borrowings under this line of credit at December 31, 2018 and 2017. The amount of the line of credit is determined by the fair market value of the Company's available collateral held by FHLB, primarily mortgage-backed securities and commercial mortgage loans, not already pledged as collateral under existing contracts as of December 31, 2018.

Surplus Notes

The Company has outstanding surplus notes with a carrying value of $119.1 million and $119.9 million at December 31, 2018 and 2017, respectively, issued by SBLIC. The surplus notes consist of $100.0 million of 7.45% notes issued in October 2003 and maturing on October 1, 2033. The surplus notes were issued pursuant to Rule 144A under the Securities Act of 1933. The surplus notes have repayment conditions and restrictions, whereby each payment of interest or principal on the surplus notes may be made only with the prior approval of the Commissioner of the Kansas Insurance

18. Debt (continued)

Department (the Kansas Commissioner) and only out of SBLIC surplus funds that the Kansas Commissioner determines to be available for such payment under the Kansas Insurance Code.

Notes Payable Related to Commission Assignments

Gennessee Insurance Agency, LLC had a note outstanding of $14.8 million and $22.2 million as of December 31, 2018 and 2017, respectively, which bears interest at a rate of 7.0%, maturing August 15, 2025.

Dunbarre Insurance Agency, LLC had notes outstanding as of December 31, 2018 and 2017 of $10.8 million and $24.0 million, respectively, which bear interest with rates ranging from 7% to 12%, with maturities ranging from July 15, 2020 to June 16, 2025.

Other Debt

SAILES had a long-term note outstanding with a related party as of December 31, 2017 of $68.9 million, which had an interest rate of 6.0% per annum and maturing on February 28, 2025. The loan amortized quarterly in arrears to the final maturity date. The loan was repaid in May 2018.

Mortgage Debt

The primary mortgage financing for the Company's home office property was arranged through FHLB. Although structured as a sale-leaseback transaction, substantially all of the risks and rewards of property ownership have been retained by the Company. Accordingly, the arrangement has been accounted for as a mortgage financing of the entire premises by the Company.

The underlying mortgage loan agreement with FHLB bears interest at 6.726% and will be fully paid off in 2022, with monthly principal and interest payments totaling $318,754. The financing is collateralized by a first mortgage on the premises.

The outstanding mortgage balance at December 31, 2018 and 2017, of $13.4 million and $19.6 million, respectively, is reflected on the consolidated balance sheets in mortgage debt.

18. Debt (continued)

Future Principal Payments

At December 31, 2018, future principal payments for the years ending December 31 are as follows (in thousands):

	Credit Facility	Mortgage Debt
2019	$ 7,500	$ 3,543
2020	15,000	3,760
2021	22,500	3,991
2022	730,000	2,087
2023	—	—
Thereafter	—	—
	$ 775,000	$ 13,381

Interest expense as presented in the consolidated statements of operations consisted of the following for the periods ended:

	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Year Ended December 31, 2016 *Predecessor*
	(In Thousands)			
Debt/notes payable:				
Credit facility - revolver interest	**$ 20,533**	$ 3,927	$ —	$ —
Credit facility - term loan interest	**12,925**	17,611	—	—
Surplus note interest	**6,637**	5,934	659	10,283
Debt from consolidated VIE interest	**72,558**	51,469	5,701	36,281
Notes payable related to commission assignments interest	**2,792**	3,990	407	6,558
Note payable - SAILES 2, LLC interest	**3,901**	3,263	425	5,352
Mortgage debt interest	**484**	806	119	1,522
Amortization of debt issuance costs	**2,341**	8,504	—	—
Notes payable interest	**—**	1,710	350	1,841
Total debt/notes payable interest	**122,171**	97,214	7,661	61,837
Repurchase agreement interest	**2,003**	807	—	3,221
Other interest	**10,298**	3,955	116	983
Total	**$ 134,472**	$ 101,976	$ 7,777	$ 66,041

19. Related-Party Transactions

There are numerous transactions between the Company and entities related to the Company. Following are those the Company considers material (0.5% of assets for investment related transactions) that are not otherwise discussed (see Notes 1, 2 and 11).

The Company reported amounts receivable from parent, subsidiaries and related parties of $15.3 million and $10.1 million at December 31, 2018 and 2017. The Company reported amounts payable to parent, subsidiaries and related parties of $0.1 million and $1.4 million at December 31, 2018 and 2017, respectively. Inter-company transactions regularly occur in the normal course of business and are normally settled within 30 days.

The Company occasionally receives loan representation fees, origination fees, and commitment fees for performing activities related to the creation of a new loan. These fees are deferred and amortized into income over the life of the loan. The Company received $0.0 million and $1.9 million for the years ended December 31, 2018 and 2017, respectively, in such fees from related parties. The Company recognized income for these fees of $2.2 million, $0.2 million, $0.1 million and $0.9 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively, which is included in other revenues in the consolidated statements of operations.

The Company paid $25.8 million and $24.1 million for the years ended December 31, 2018 and 2017, respectively, for loan origination costs with related parties. These loan origination costs are deferred and amortized over the life of the loan. The Company recognized amortization expense of $2.9 million, $0.7 million, $0.2 million, and $2.1 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively, which is included in commissions and other operating expenses in the consolidated statements of operations.

19. Related-Party Transactions (continued)

As of December 31, 2018 and 2017, the Company had the following investments in related parties with interest rates ranging from 2.4% to 7.9% and maturity dates ranging from February 2019 through April 2024. These investments are included in notes receivable from related parties on the consolidated balance sheets and are typically fully collateralized by assets of the debtor:

	2018 *Successor*	2017 *Successor*
	(In Thousands)	
Banner Creek Bridge, LLC	**$ 387,000**	$ —
Canon Portfolio Trust, LLC	—	52,000
CBAM Funding 2016-1, LLC	—	20,000
Holliday Park, LLC	**361,401**	—
LAISAH, LLC	**421,353**	—
McLean Funding, LLC	—	65,000
Note Funding 1892, LLC	**212,000**	291,000
Note Funding 1892-2, LLC	**270,000**	375,000
Oneida Portfolio Trust, LLC	—	250,000
Ozawkie, LLC	—	365,000
Padfield AH, LLC	—	262,000
SCF Realty Funding, LLC	—	230,000
Shamrock Valley, LLC	**520,013**	—
Stonebriar Commercial Finance, LLC	—	513,000
Triple8, LLC	**438,000**	—
Tumbleweed Funding, LLC	—	365,000
Other	**545,951**	704,861
	$ 3,155,718	$ 3,492,861

19. Related-Party Transactions (continued)

As of December 31, 2018 and 2017, the Company had the following individually material investments in other related parties. These investments are included in fixed maturity investments available for sale on the consolidated balance sheets.

	2018 *Successor*	2017 *Successor*
	(In Thousands)	
American Media & Entertainment	**$ 215,000**	$ 215,000
American Media Productions, LLC	**351,636**	383,224
Cain International, LP	**595,260**	548,139
Canon Portfolio Trust, LLC	**216,330**	—
Cardamom RE HQ, LLC	**—**	185,794
CBAM 2017-1, LTD	**250,003**	265,018
CBAM 2017-2, LTD	**352,890**	375,801
CBAM 2017-3, LTD	**286,061**	301,875
CBAM 2017-4, LTD	**266,619**	283,937
CBAM 2018-5, LTD	**235,656**	—
CBAM 2018-6, LTD	**248,369**	—
CBAM 2018-7, LTD	**204,490**	—
CBAM CLO Management, LLC	**264,357**	226,615
Efland Funding, LLC	**130,365**	177,328
Eldridge Equipment Finance, LLC	**210,516**	—
Four Six Four Aircraft Issuer	**372,438**	406,660
Guggenheim Private Debt Funding	**239,726**	235,109
5180-2 CLO, LP	**—**	331,976
Maranon Loan Funding, LTD	**—**	131,350
Mayfair Portfolio Trust, LLC	**—**	175,000
Oasis BH, LLC	**235,000**	—
One Sky Flight, LLC	**206,103**	—
Oneida Portfolio Trust, LLC	**204,860**	—
Original Narrative Library, LLC	**248,000**	—
SCF Realty Capital Master Trust	**366,721**	371,786
Steamboat Portfolio Trust, LLC	**215,544**	181,000
Stonebriar Holdings, LLC	**124,913**	528,290
Three L Finance Holdings, LLC	**211,504**	—
Wanamaker Portfolio Trust, LLC	**682,546**	218,691
Wind River CLO, LTD	**—**	303,984
Other	**2,821,540**	2,463,212

19. Related-Party Transactions (continued)

The Company has contracted with Guggenheim Partners Investment Management, LLC to perform investment advisory services. The Company incurred fees of $3.7 million, $1.2 million, $0.1 million, and $13.7 million associated with the services performed for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively. These fees are included in commissions and other operating expense in the consolidated statements of operations.

Pursuant to an agreement effective January 1, 2017, the Company paid $93.9 million, $79.9 million, and $5.6 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, and January 1, 2017 through January 31, 2017, respectively, to Eldridge Business Services, LLC for providing investment services and business development services related to investment strategy, asset origination, developing new and differentiated products, enhancing existing or developing new marketing and distribution strategies, and assisting in capital planning and rating agency support.

The Company entered into commission assignment agreements with Searcy Insurance Agency, LLC, South Blacktree Agency, LLC, and Saganaw Insurance Agency, LLC, related companies, making payments of $115.8 million, $109.0 million, $10.0 million, and $121.4 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively.

The Company received payments under administrative service agreements of $11.7 million, $11.3 million, $1.0 million, and $11.1 million from related party sponsored mutual funds, for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively. These fees are included in asset based fees in the consolidated statements of operations.

The Company paid fees of $39.7 million, $51.0 million, $3.8 million, and $76.7 million for the year ended December 31, 2018, the periods from February 1, 2017 through December 31, 2017, January 1, 2017 through January 31, 2017, and the year ended December 31, 2016, respectively, to various other related parties for providing management and administrative services. These fees are included in commissions and other operating expenses in the consolidated statements of operations.

During 2018, the Company sold two commercial mortgage loans with proceeds of $516.7 million and entered into short-term intercompany promissory notes with Shamrock Valley, LLC

19. Related-Party Transactions (continued)

(Shamrock), a related party. The short-term notes outstanding as of December 31, 2018 had a balance of $520.0 million. The notes had similar terms with interest rates ranging from 5.75% to 7.75% and maturities from July 23, 2019 to December 22, 2019. The Company recorded interest on the Shamrock notes of $0.6 million in 2018.

During the year ended December 31, 2018 and 2017, the Company paid the following dividends to SBC:

	2018 *Successor*	**2017** *Successor*
	(In Thousands)	
SBL Holdings, LLC	$ —	$ 17,910
SB Funding 2016-2	—	4,708
	$ —	$ 22,618

The Company received $250.0 million and $62.0 million as capital contributions from SBC during 2018 and 2017, respectively.

20. Statutory Financial Information and Regulatory Net Capital Requirements

The Company's statutory-basis financial statements are prepared on the basis of accounting practices prescribed or permitted by the Kansas Insurance Department (the Department), the New York Department of Financial Services (NYDFS), and the Vermont Department of Financial Regulation, as applicable. Kansas, New York, and Vermont have adopted the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual of statutory accounting practices (NAIC SAP) as the basis of its statutory accounting practices. In addition, the Kansas Commissioner, the Superintendent of Insurance of the State of New York (the New York Superintendent), and the Vermont Commissioner have the right to prescribe or permit other specific practices that may deviate from NAIC SAP. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state, and may change in the future.

Since 2012, the Kansas Commissioner has granted approval of a permitted accounting practice for eligible derivative assets that differ from NAIC SAP which allows the Company, to the extent the hedging program is and continues to be economically effective, to report the eligible derivative assets at amortized cost. Eligible derivative assets consist of call and put options used to hedge the

20. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

fixed indexed annuity index credits. In addition, under NAIC SAP, the corresponding reserve liabilities that are hedged by the call and put options are calculated under Actuarial Guideline (AG) 35, whereas the permitted practice allows the reserves to assume the market value of the eligible derivative assets associated with the current interest crediting periods to be zero. At the conclusion of each interest crediting period, interest credited is reflected in reserves as realized. This permitted practice will expire on September 30, 2019, unless extended by the Kansas Commissioner.

The consolidated impact of these permitted practices on statutory surplus, including the impact of income taxes, was to increase statutory surplus by $129.4 million and decrease statutory surplus by $86.9 million as of December 31, 2018 and 2017, respectively. The consolidated impact of these permitted practices on statutory net income, including the impact of income taxes, was to decrease statutory net income by $206.4 million and to increase statutory net income by $177.0 million for the years ended December 31, 2018 and 2017, respectively.

Starting in 2018, the Vermont Commissioner granted approval of a permitted accounting practice to admit the stop loss receivable attributable to the stop loss agreement. The permitted practice remains effective for so long as the stop loss agreement remains in effect.

The consolidated impact of this permitted practice on statutory surplus, including the impact of income taxes, was to increase statutory surplus by $193.6 million as of December 31, 2018. The permitted practice did not have an impact on statutory net income for the year ended December 31, 2018.

FSBL did not have any permitted practices as of December 31, 2018 and 2017.

The Company offers riders on its fixed indexed annuities which provide for future withdrawal and death benefits. In accordance with the NAIC's Accounting Practices and Procedures Manual, the rider would normally be reserved for under the revised AG 33. In 2012, the Company requested and received approval to use an alternative methodology under the Practical Considerations section of AG 33 from the Department. The reserve held at December 31, 2018 for fixed indexed annuities with riders issued prior to February 1, 2015 was based on AG 43, the approved alternative method for these contracts. AG 43 is a principles-based reserving methodology which requires ongoing review of and updates to the assumptions. The Company closely monitors developing experience on this type of business as well as any new emerging industry information. The Company adjusts its AG 43 assumptions when it determines it is reasonable and appropriate and reports the results of its experience analysis to the Department. During the fourth quarter 2014 review of the Company's

20. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

AG 43 statutory reserving assumptions and methodology with respect to fixed indexed annuities with riders, management determined that certain lapse, income utilization and investment assumptions should be strengthened over time. The Company recorded a portion of the reserve increase in 2014 and the Company and the Kansas Commissioner agreed to phase-in the remaining reserve increase related to strengthening these assumptions over a five year period from 2015 to 2019. However, in 2016, the Company recorded the remainder of the reserve strengthening scheduled for 2017 to 2019. For fixed indexed annuities with riders issued on or after February 1, 2015, the AG 33 reserving methodology has been utilized.

SBLIC and FSBL statutory capital and surplus, including, in respect of SBLIC, surplus notes (see Note 18), was $2,430.1 million and $1,932.2 million at December 31, 2018 and 2017, respectively. Statutory net income (loss) of the insurance operations was $275.3 million, $182.4 million, and ($80.3) million for the years ended December 31, 2018, 2017, and 2016, respectively.

Life insurance companies are subject to certain risk-based capital (RBC) requirements as specified by state law. The NAIC has a standard formula for calculating RBC based on the risk factors relating to an insurance company's capital and surplus, including asset risk, credit risk, underwriting risk, and business risk. State laws specify regulatory actions if any insurance company's adjusted capital falls below certain levels, including the company action-level RBC and the authorized control-level RBC.

SBLIC may not, without notice to the Kansas Commissioner and (A) the expiration of 30 days without disapproval by the Kansas Commissioner or (B) the Kansas Commissioner's earlier approval, pay a dividend or distribution of cash or other property whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of (1) 10% of its surplus as regards to policyholders as of the preceding December 31 or (2) the net gain from operations, not including realized capital gains, for the 12-month period ending on the preceding December 31. Any dividends paid must be paid from unassigned surplus.

FSBL is allowed to pay ordinary dividends to shareholders where the aggregate amount in any calendar year does not exceed the greater of 10% of its surplus to policyholders or its net gain from operations as of the immediately preceding calendar year, not including realized capital gains, not to exceed 30% of its surplus to policyholders. Ordinary dividends can only be paid out of earned surplus. Insurers are to provide the NYDFS with a 10-day prior notice before paying an ordinary dividend. Furthermore, the New York Superintendent may, in his discretion, limit or disallow any

20. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

ordinary dividends if the New York Superintendent determines that a domestic stock life insurer's surplus to policyholders following any dividend is not reasonable in relation to the insurer's outstanding liabilities and not adequate to meet its financial needs or the insurer is financially distressed.

SD is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934). SD computes its net capital requirements under the basic method, which requires the maintenance of minimum net capital (greater of $25,000 or 6 2/3% of aggregated indebtedness) and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Advances to related parties, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule or other regulatory bodies.

At December 31, 2018, SD had net capital of $25.5 million, which was $23.0 million in excess of its required net capital of $2.5 million. SD claims exemption from Rule 15c3-3, which requires a reserve with respect to customer funds, pursuant to Paragraph (k)(2)(i) thereof. SD's ratio of aggregate indebtedness to net capital was 144.84 to 1 at December 31, 2018.

21. Subsequent Events

Subsequent events have been evaluated through April 5, 2019, which is the date the financial statements were issued.