Exhibit CE-4-4

Audited Consolidated Financial Statements of SBL Holdings for the Year Ended December 31, 2019

Please see attached.

CONSOLIDATED FINANCIAL STATEMENTS

SBL Holdings, LLC and Subsidiaries
Years Ended December 31, 2019 and 2018, and Periods
From February 1, 2017 Through December 31, 2017 and
January 1, 2017 Through January 31, 2017
With Report of Independent Auditors

SBL Holdings, LLC and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018, and Periods From February 1, 2017 Through December 31, 2017 and January 1, 2017 Through January 31, 2017

Contents

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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, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in stockholder's and members equity and cash flows for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, 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, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 8, 2020

SBL Holdings, LLC and Subsidiaries

Consolidated Balance Sheets

	December 31, 2019 Successor		December 31, 2018 Successor	
	(In Thousands, except as noted)			
Assets				
Investments:				
Fixed maturities, available for sale ($25,009.0 million and $21,688.5 million in amortized cost for 2019 and 2018, respectively; includes $1,142.9 million and $2,420.1 million related to consolidated variable interest entities for 2019 and 2018, respectively)	**$**	**25,040,353**	$	21,233,511
Trading fixed maturities at fair value		**306,549**		289,125
Equity securities at fair value		**29,073**		3,897
Notes receivable from related parties		**940,177**		3,155,718
Mortgage loans (includes $528.8 million and $634.5 million related to consolidated variable interest entities for 2019 and 2018, respectively)		**1,551,541**		1,661,152
Policy loans		**76,345**		81,335
Cash and cash equivalents (includes $27.0 million and $67.9 million related to consolidated variable interest entities for 2019 and 2018, respectively)		**1,986,602**		937,789
Short-term investments		**2,400**		335,924
Call options		**580,618**		340,472
Other invested assets		**862,052**		634,222
Total investments		**31,375,710**		28,673,145
Accrued investment income (includes $10.1 million and $42.9 million related to consolidated variable interest entities for 2019 and 2018, respectively)		**314,845**		363,081
Accounts receivable (includes $2.9 million and $2.8 million related to consolidated variable interest entities for 2019 and 2018, respectively)		**265,675**		221,562
Reinsurance recoverable		**2,058,082**		2,167,242
Deferred income tax asset		**9,562**		2,030
Property and equipment, net		**52,818**		55,586
Deferred policy acquisition costs		**555,756**		421,898
Deferred sales inducement costs		**208,316**		150,601
Value of business acquired		**1,308,682**		1,576,198
Goodwill		**98,977**		98,977
Other assets		**182,210**		189,997
Separate account assets		**5,570,880**		5,037,513
Total assets	**$**	**42,001,513**	$	38,957,830

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31, 2019 Successor	December 31, 2018 Successor
	(In Thousands, except as noted)	
Liabilities and member's equity		
Liabilities:		
Policy reserves and annuity account values	**$ 30,601,542**	$ 28,688,781
Funds withheld	**329,224**	322,708
Accounts payable and accrued expenses (includes $21.7 million and $24.4 million related to consolidated variable interest entities for 2019 and 2018, respectively)	**177,779**	177,013
Credit facility	**754,409**	766,027
Surplus notes	**118,244**	119,103
Notes payable related to commission assignments	**8,197**	25,268
Mortgage debt	**9,838**	13,381
Debt from consolidated variable interest entities	**345,681**	364,510
Other liabilities	**569,236**	393,245
Repurchase agreements	**—**	302,898
Separate account liabilities	**5,570,880**	5,037,513
Total liabilities	**38,485,030**	36,210,447
Member's equity:		
Common stock	**—**	—
Contributed capital	**2,310,528**	2,223,008
Accumulated other comprehensive income (loss)	**38,677**	(162,002)
Member's equity - retained earnings	**1,167,278**	686,377
Total member's equity	**3,516,483**	2,747,383
Total liabilities and member's equity	**$ 42,001,513**	$ 38,957,830

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Revenues:				
Net investment income	**$ 1,702,714**	$ 1,620,474	$ 1,215,411	$ 101,800
Asset-based fees	**106,012**	113,355	102,627	10,345
Other product charges	**223,171**	222,373	185,485	16,063
Change in fair value of derivatives	**337,013**	(218,442)	506,806	4,570
Net realized/unrealized gains (losses), excluding impairment losses on available for sale securities	**67,100**	(71,749)	60,115	11,571
Total other-than-temporary impairment losses on available for sale securities and other invested assets	**—**	(6,823)	(1,369)	–
Other revenues	**51,937**	60,273	43,482	4,685
Total revenues	**2,487,947**	1,719,461	2,112,557	149,034
Benefits and expenses:				
Index credits and interest credited to account balances	**641,019**	735,726	451,769	30,963
Change in fixed index annuity embedded derivative and related benefits	**103,926**	(425,255)	255,455	22,210
Other benefits	**343,328**	346,656	280,764	22,424
Total benefits	**1,088,273**	657,127	987,988	75,597
Commissions and other operating expenses	**346,836**	320,458	286,988	24,216
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired, net of imputed interest	**334,443**	199,153	258,961	15,325
Interest expense	**114,961**	134,472	101,976	7,777
Total benefits and expenses	**1,884,513**	1,311,210	1,635,913	122,915
Income before income tax expense	**603,434**	408,251	476,644	26,119
Income tax expense	**122,445**	58,135	104,806	6,883
Net income	**$ 480,989**	$ 350,116	$ 371,838	$ 19,236

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Net income	**$ 480,989**	$ 350,116	$ 371,838	$ 19,236
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on available for sale securities	**385,840**	(521,876)	153,218	45,522
Net effect of unrealized gains and losses on:				
Deferred policy acquisition costs, value of business acquired and deferred sales inducement costs	**(83,945)**	120,823	(25,180)	(10,523)
Policy reserves and annuity account values	**(101,216)**	112,990	(19,644)	(13,110)
Total other comprehensive income (loss), net of tax	**200,679**	(288,063)	108,394	21,889
Comprehensive income (loss)	**$ 681,668**	$ 62,053	$ 480,232	$ 41,125

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, 2017	$ 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 income, 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**
Net income	**—**	**—**	**—**	**480,989**	**480,989**
Other comprehensive loss, net	**—**	**—**	**200,679**	**—**	**200,679**
Contribution from parent	**—**	**87,520**	**—**	**—**	**87,520**
Distributions/dividends paid	**—**	**—**	**—**	**(88)**	**(88)**
Balance at December 31, 2019	**$ —**	**$ 2,310,528**	**$ 38,677**	**$ 1,167,278**	**$ 3,516,483**

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Operating activities				
Net income	**$ 480,989**	$ 350,116	$ 371,838	$ 19,236
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:				
Index credits and interest credited to account balances	**641,019**	735,726	451,769	30,963
Policy acquisition costs deferred	**(285,441)**	(258,726)	(280,253)	(25,905)
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired, net of imputed interest	**334,443**	199,153	258,961	15,325
Net realized/unrealized losses (gains) of investments	**(67,100)**	78,572	(64,549)	(12,721)
Change in fair value of derivatives	**(337,013)**	218,442	(506,806)	(4,570)
Change in fixed index annuity embedded derivative and related benefits	**103,926**	(425,255)	255,455	22,210
Amortization of investment premiums and discounts	**(13,868)**	(55,112)	(11,318)	(4,465)
Depreciation and amortization	**8,000**	12,465	15,495	1,733
Net sales (purchases) of trading fixed maturities at fair value	**(5,750)**	9,128	23,348	4,777
Net sales (purchases) of equity securities at fair value	**(14,702)**	49,790	(86)	17
Change in funds withheld liability	**6,516**	929	(29,821)	(1,171)
Deferred income taxes	**(60,878)**	402	(78,685)	(1,846)
Change in annuity guarantees	**350,323**	337,657	301,778	24,877
Change in reinsurance recoverable	**109,160**	187,739	285,823	–
Change in accounts receivable	**46,149**	131,564	19,077	(148,750)
Change in accounts payable	**(1,659)**	(339,181)	363,086	4,538
Change in other liabilities	**(44,361)**	(224,891)	301,749	443
Other changes in operating assets and liabilities	**(250,240)**	(393,560)	(390,034)	7,724
Net cash and cash equivalents provided by (used in) operating activities	**999,513**	614,958	1,286,827	(67,585)
Investing activities				
Sales, maturities, or repayments of investments:				
Fixed maturities available for sale	**7,019,761**	10,745,338	5,717,434	602,497
Mortgage loans	**649,244**	811,391	286,120	24,572
Call options	**347,510**	546,234	261,330	16,152
Notes receivable from related parties	**5,548,872**	7,473,695	8,096,366	798,237
Other invested assets	**258,940**	159,718	194,399	4,369
	13,824,327	19,736,376	14,555,649	1,445,827
Acquisitions of investments:				
Fixed maturities available for sale	**(10,197,000)**	(11,709,143)	(9,066,643)	(779,228)
Mortgage loans	**(484,164)**	(532,940)	(497,362)	(20,034)
Call options	**(59,328)**	(329,323)	(166,141)	(12,997)
Notes receivable from related parties	**(3,323,394)**	(6,715,429)	(7,499,098)	(1,218,288)
Other invested assets	**(445,067)**	(306,604)	(187,285)	(885)
	(14,508,953)	(19,593,439)	(17,416,529)	(2,031,432)

See accompanying notes.

SBL Holdings, LLC and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Net sales (purchases) of property and equipment	**$ (50)**	$ (3,422)	$ 1,551	$ 222
Net sales (purchases) of short-term investments	**332,733**	(307,400)	10,846	33,831
Net decrease (increase) in policy loans	**4,990**	(20,594)	(21,101)	354
Net cash and cash equivalents provided by (used in) investing activities	**(346,953)**	(188,479)	(2,869,584)	(551,198)
Financing activities				
Payments on credit facility, surplus notes, notes payable related to commission assignments, notes payable, mortgage debt, and debt from consolidated VIEs	**(444,223)**	(424,362)	(451,399)	(16,572)
Issuance of credit facility, notes payable related to commission assignments, notes payable, and debt from consolidated VIEs	**400,000**	44,800	878,093	213,000
Dividends paid to parent	**(88)**	—	(17,910)	(4,708)
Capital contribution from parent	**87,520**	250,000	61,965	—
Net change in repurchase agreements	**(302,898)**	302,898	—	—
Deposits to annuity account balances	**2,679,471**	2,312,403	4,357,712	244,099
Withdrawals from annuity account balances	**(2,023,529)**	(2,915,786)	(3,090,364)	(92,315)
Net cash and cash equivalents provided by (used in) financing activities	**396,253**	(430,047)	1,738,097	343,504
Increase (decrease) in cash and cash equivalents	**1,048,813**	(3,568)	155,340	(275,279)
Cash and cash equivalents at beginning of period	**937,789**	941,357	786,017	1,061,296
Cash and cash equivalents at end of period	**$ 1,986,602**	$ 937,789	$ 941,357	$ 786,017
Supplemental disclosures of cash flow information				
Cash paid during the period for:				
Interest	**$ 119,657**	$ 116,612	$ 67,063	$ 5,068
Income taxes	**$ 177,768**	$ 124,719	$ 148,654	$ —
Supplemental disclosure of non-cash information				
Cash received in the prior year for policies issued in the current year	**$ 21,422**	$ 18,009	$ 18,546	$ 17,842
Securities purchased not yet settled in cash	**$ 33,444**	$ 31,019	$ 389,416	$ 38,702
Securities sold not yet settled in cash	**$ 110,019**	$ 19,756	$ 79,101	$ 28,806

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 index, 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.

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 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, and the Company does not plan to sell nor is it 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, foreign exchange 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.

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

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

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, 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.

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.

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

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

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.

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.

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.

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

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. Revenues from charges on separate account products consist principally of contract maintenance charges, administrative fees, and mortality and expense risk charges.

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, 2019 and 2018, separate account investments funded through these agreements were $2,059.6 million and $1,861.8 million, respectively, and are reported in separate account assets and liabilities on the consolidated balance sheets. There were no policy loans related to these separate accounts as of December 31, 2019 and 2018. 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, if any.

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

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 2019, 2018, and 2017. Policy reserves are adjusted for the impact 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, with certain related parties (the related parties ceased to be considered related as of January 1, 2019), of $495.8 million and $481.0 million at December 31, 2019 and 2018, 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 index annuity products with returns linked to the performance of certain indices. The fixed index 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.

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

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.

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.

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

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 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.

Revenues from Contracts with Customers

Prior to the adoption of ASC 606 and for the year ended 2018 presented in these financial statements, the Company accounted for its revenues in accordance with ASC 605, Revenue Recognition (ASC 605). For the year beginning January 1, 2019, the Company accounts for its revenue in accordance with ASC 606, Revenue from Contracts with Customers (ASC 606). The Company has three revenue streams that are recognized in accordance with ASC 606: Distribution Revenue, Shareholder Administrative Service Revenue and Retirement Account Administration Services Revenue.

Distribution Revenue

SD enters into distribution and underwriting agreements with affiliated and unaffiliated investment vehicles. The Company primarily receives distribution fees paid by the fund or its affiliates over time. The performance obligation is the sale of securities to investors, which is fulfilled on the trade date. Amounts owed to the Company under the arrangements are primarily variable, as the uncertainty is dependent on the value of the shares at future points in time, as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside of the Company's influence. These fee payments cannot be finalized until the market value of the fund and investor activity is known, which are usually monthly or quarterly. Distribution Revenue for

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

the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017 amounted to $20.4 million, $21.1 million, $18.8 million and $1.6 million, respectively, and is included in the consolidated statements of operations in asset-based fees.

Shareholder Administrative Service Revenue

SBLIC and SFR enter into agreements with affiliated and unaffiliated investment vehicles for the provision of services such as sub-transfer agency, record keeping and various shareholder administrative services. Management considers these as a series of distinct services, but as a single performance obligation because they are not separable and not distinct within the context of the contract and are highly interrelated. They have the same pattern of transfer (i.e., transfer to customers over time) and use the same method to measure progress (i.e., time based measure of progress). The Company primarily receives fees paid by the fund or its affiliates over time. The performance obligation is the completion of those services. Amounts owed to the Company under the arrangements are primarily variable, as the uncertainty is dependent on the value of the shares at future points in time which are highly susceptible to factors outside of the Company's influence. These fee payments cannot be finalized until the market value of the fund is known, which are usually monthly or quarterly. Service fee revenue for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017 amounted to $17.0 million, $17.5 million, $16.8 million and $1.5 million, respectively, and is included in the consolidated statements of operations in asset-based fees.

Retirement Account Administration Services Revenue

SFR enters into agreements with various benefit plan sponsors and individual retirement account owners for record keeping administrative services. SFR's record keeping administration services include: document preparation, participant records keeping, etc. Management considers these as a series of distinct services, but as a single performance obligation because they are not separable and not distinct within the context of the contract and are highly interrelated. They have the same pattern of transfer (i.e., transfer to customers over time) and use the same method to measure progress (i.e., time based measure of progress). Transaction price under the arrangements includes both fixed fees and variable fees. Fixed fees are recognized point-in-time as fee-for-service transactions upon completion.The variable fee is assessed based on certain base points of the individual account value at month end. For the variable fees, as the uncertainty is dependent on the value of the mutual fund

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

shares at future points in time which are highly susceptible to factors outside of the Company's influence, these fee payments cannot be finalized until the market value of the fund is known, which are usually monthly or quarterly. Retirement Account Administration Services Revenue for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017 amounted to $38.1 million, $38.2 million, $34.2 million and 3.0 million, respectively, and is included in the consolidated statements of operations in asset-based fees.

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, 2019 or 2018.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2021 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 2021.

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 is tentatively effective for the Company on January 1, 2023,

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

with early adoption permitted. 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 certain assets compared to current loss recognition methodology.

In August 2018, the 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 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.

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

(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.

The standard is effective January 1, 2024 for the Company, with early adoption 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 2024.

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 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.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU, which replaces most current revenue recognition guidance, including industry specific guidance, prescribes that an entity should recognize revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be

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

entitled in exchange for those goods or services. On January 1, 2019, the Company adopted ASC 606 using the modified retrospective method for those contracts that were not completed as of the date of adoption. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts continue to be reported under prior revenue recognition guidance, ASC 605. The revenue recognition pattern for Distribution Revenue, Shareholder Administrative Service Revenue and Retirement Account Administration Services Revenue is not changed. Overall, the adoption of this ASU did not have a material impact on the consolidated financial statements, as core revenue streams such as insurance contracts and investment contracts are excluded from its scope.

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,* which was effective on January 1, 2019. 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 Company adopted this update on January 1, 2019 without any material impact to the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities,* which was effective on January 1, 2019. The amendments in this update change (1) the designation and measurement guidance for qualifying hedging relationships and (2) the presentation of hedge results. Specifically, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments include certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The amendments modify disclosures required in current GAAP. The Company adopted this update on January 1, 2019 without any impact to the consolidated financial statements.

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*. The amendments in this ASU allow a

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

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.

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 must be applied

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

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.

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 classified as available for sale, is as follows:

	December 31, 2019 (*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	$ 139,435	$ 1,716	$ 823	$ 140,328	$ —
Obligations of government-sponsored enterprises	285,300	8,248	52	293,496	—
Corporate	10,728,680	186,767	15,062	10,900,385	(222)
Obligations of foreign governments	35	—	—	35	—
Municipal obligations	108,123	13,276	793	120,606	—
Commercial mortgage-backed	123,614	4,788	116	128,286	—
Residential mortgage-backed	27,345	1,290	124	28,511	107
Collateralized debt obligations	6,520	2,489	3	9,006	—
Collateralized loan obligations	10,237,164	78,267	292,611	10,022,820	—
Redeemable preferred stock	75,762	16,849	—	92,611	—
Other asset backed	3,276,990	38,405	11,126	3,304,269	—
Total fixed maturity investments	$ 25,008,968	$ 352,095	$ 320,710	$ 25,040,353	$ (115)

2. Investments (continued)

	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)

The amortized cost and fair value of fixed maturity investments at December 31, 2019, 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	$ 172,077	$ 171,285
Due after one year through five years	7,124,536	7,162,191
Due after five years through ten years	2,770,948	2,844,727
Due after ten years	908,713	983,154
Structured Securities with variable principal payments	14,032,694	13,878,996
	$ 25,008,968	$ 25,040,353

As of December 31, 2019 and 2018, there were 7 issuers with a total amount of $3,556 million and $2,918.1 million, respectively, other than U.S. Government and its sponsored entities, where the Company had investment holdings that exceeded 10% of consolidated member's equity.

2. Investments (continued)

For fixed maturity investments classified as available for sale with unrealized losses as of December 31, 2019 and 2018, 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, 2019 *(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	$ 45,579	$ 734	$ 24,767	$ 89	$ 70,346	$ 823
Obligations of government-sponsored enterprises	8,287	52	122	—	8,409	52
Corporate	351,119	5,870	290,818	9,192	641,937	15,062
Municipal obligations	692	4	9,979	789	10,671	793
Commercial mortgage-backed	7,385	65	3,218	51	10,603	116
Residential mortgage-backed	2,675	1	6,335	123	9,010	124
Collateralized debt obligations	—	—	347	3	347	3
Collateralized loan obligations	2,254,514	93,451	4,474,183	199,160	6,728,697	292,611
Other asset backed	683,545	5,852	500,999	5,274	1,184,544	11,126
Total fixed maturity investments, available for sale	$ 3,353,796	$ 106,029	$ 5,310,768	$ 214,681	$ 8,664,564	$ 320,710
Number of securities with unrealized losses		255		320		575
Percent investment grade (AAA through BBB-)		71%		64%		67%

2. Investments (continued)

	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 %

The unrealized losses on the fixed maturity investments 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 basis, which may be maturity, the Company does not consider those investments to be other than temporarily impaired at December 31, 2019 and 2018. 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, 2019 and 2018.

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, 2019	**Year Ended December 31, 2018**	**February 1, 2017 Through December 31, 2017**	**January 1, 2017 Through January 31, 2017**
	Successor	***Successor***	***Successor***	***Predecessor***
		(In Thousands)		
Balance at beginning of period	**$ (1,634)**	$ —	$ —	$ (7,321)
Credit losses for which an other-than-temporary impairment was not previously recognized	**—**	(1,634)	(19)	—
Reduction for securities sold during the year or intended to be sold	**—**	—	19	—
Additional credit loss impairments on securities previously impaired	**—**	—	—	—
Balance at end of period	**$ (1,634)**	$ (1,634)	$ —	$ (7,321)

2. Investments (continued)

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

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Interest on fixed maturity investments, available for sale	**$ 1,388,005**	$ 1,245,084	$ 944,527	$ 80,884
Interest on fixed maturity investments, trading	**12,626**	13,099	12,257	1,188
Interest on notes receivable from related parties	**168,089**	205,669	168,619	13,851
Dividends on equity securities, available for sale	—	—	1,293	—
Dividends on equity securities at fair value	**343**	285	—	—
Interest on mortgage loans	**118,208**	151,268	108,580	8,096
Interest on policy loans	**3,407**	31,130	27,987	2,461
Interest on short-term investments	**28,272**	22,114	4,933	101
Investment income on cash equivalents	**29,243**	9,921	7,048	480
Other	**11,117**	15,780	4,411	463
Total investment income	**1,759,310**	1,694,350	1,279,655	107,524
Less:				
Investment expenses	**43,967**	60,777	51,991	4,536
Ceded to reinsurer	**12,629**	13,099	12,253	1,188
Net investment income	**$ 1,702,714**	$ 1,620,474	$ 1,215,411	$ 101,800

Proceeds from sales of fixed maturity investments available for sale and realized gains and losses are as follows for the periods ended:

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Proceeds from sales	**$ 3,483,988**	$ 7,069,233	$ 5,166,812	$ 481,505
Gross realized gains	**13,256**	32,047	38,338	6,598
Gross realized losses	**4,654**	58,323	19,842	608

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, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Realized gains (losses), available for sale:				
Fixed maturity investments	**$ (8,178)**	$ (26,565)	$ 19,719	$ 5,942
Equity securities	**—**	—	1,597	48
Total realized gains (losses), available for sale	**(8,178)**	(26,565)	21,316	5,990
Realized gains (losses), other invested assets	**54,640**	3,230	3,012	(258)
Related impact on DAC, DSI, and VOBA	**3,198**	175	(4,149)	(1,609)
Net realized/unrealized gains (losses), fixed maturity investments, trading and fair value option	**13,169**	(8,910)	6,448	432
Other realized/unrealized gains (losses):				
FX gains (losses) on monetary asset	**19,425**	(47,092)	39,606	9,853
Equity securities at fair value	**(2,107)**	(421)	4	(6)
Embedded derivative, funds withheld reinsurance	**(13,031)**	9,189	(5,383)	(761)
Other	**130**	(1,127)	330	(2,405)
Total other realized/unrealized gains (losses)	**4,417**	(39,451)	34,557	6,681
Net realized/unrealized gains (losses) before ceded reinsurance	**67,246**	(71,521)	61,184	11,236
Net ceded reinsurance (gains) losses	**(146)**	(228)	(1,069)	335
Net realized/unrealized gains (losses) before impairments	**67,100**	(71,749)	60,115	11,571
Impairments:				
OTTI of available for sale securities	**—**	(6,823)	(1,369)	—
Total impairments	**—**	(6,823)	(1,369)	—
Net realized/unrealized gains (losses)	**$ 67,100**	$ (78,572)	$ 58,746	$ 11,571

The Company recognized $2.5 million and $0.2 million of net unrealized losses on equity securities at fair value held at December 31, 2019 and 2018, respectively.

2. Investments (continued)

There were no outstanding agreements to sell securities at December 31, 2019.

At December 31, 2019 and 2018, the Company pledged securities with a market value of approximately $218.1 million and $213.6 million respectively, as collateral in relation to its reinsurance agreements (see Note 11).

At December 31, 2019 and 2018, available for sale bonds with a carrying value of $3.8 million and $3.7 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	
	2019	**2018**
	Successor	***Successor***
	(In Thousands)	
Commercial mortgage loans	**$ 1,540,901**	$ 1,648,799
Residential mortgage loans	**10,640**	12,353
Total carrying cost	**$ 1,551,541**	$ 1,661,152

The Company acquired $313.0 million and sold $117.0 million commercial mortgage loans during the year ended December 31, 2019. The Company acquired $113.0 million and sold $516.7 million commercial mortgage loans during the year ended December 31, 2018. The Company acquired $0.7 million and sold no residential mortgage loans during the year ended December 31, 2019. The Company acquired $0.4 million and sold no residential mortgage loans during the year ended December 31, 2018.

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

2. Investments (continued)

The commercial mortgage loan portfolio is diversified by geographic region (all regions are within the United States, excluding foreign) and specific collateral property type as follows at December 31:

	2019 Successor		2018 Successor	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
	(Dollars In Thousands)			
Geographic distribution				
West North Central	**$ 561,732**	**36%**	$ 579,295	35%
Foreign	**319,832**	**21**	265,547	16
Pacific	**302,935**	**19**	273,158	17
South Atlantic	**189,976**	**12**	365,135	22
Middle Atlantic	**45,376**	**3**	30,722	2
East North Central	**41,884**	**3**	53,084	3
West South Central	**38,925**	**3**	39,910	2
Mountain	**20,543**	**1**	21,303	1
New England	**10,448**	**1**	10,976	1
East South Central	**9,250**	**1**	9,669	1
Total	**$ 1,540,901**	**100%**	$ 1,648,799	100%

	2019 Successor		2018 Successor	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
	(Dollars In Thousands)			
Property type distribution				
Apartments/Multifamily	**$ 426,534**	**28%**	210,394	13%
Office	**193,997**	**13**	$ 360,306	22
Retail	**123,674**	**8**	125,890	8
Hotel/Motel	**99,168**	**6**	264,765	16
Industrial	**37,303**	**2**	55,301	3
Other	**660,225**	**43**	632,143	38
Total	**$ 1,540,901**	**100%**	$ 1,648,799	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.

2. Investments (continued)

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.

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

	2019 *Successor*	**2018** *Successor*
	(In Thousands)	
CM1	**$ 248,056**	$ 283,093
CM2	**972,170**	989,201
CM3	**202,075**	263,954
CM4 and Below	**118,600**	112,551
	$ 1,540,901	$ 1,648,799

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, 2019 and 2018.

2. Investments (continued)

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, 2019 and 2018, there were no mortgage loans on non-accrual status.

The Company did not have a valuation allowance as of December 31, 2019 and 2018 on the mortgage portfolio.

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 pledged 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 Company had no repurchase agreements outstanding as of December 31, 2019. The remaining contractual maturity of the repurchase agreements outstanding as of December 31, 2018 was 31 to 90 days. The carrying value of the securities pledged for the repurchase agreements was $319.2 million as of December 31, 2018. The repurchase obligation was $302.9 million as of December 31, 2018, and is included in repurchase agreements 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

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 $1,180.5 million and $2,636.6 million at December 31, 2019 and 2018, respectively. The total liabilities of consolidated CFEs were $90.1 million and $111.7 million at December 31, 2019 and 2018, respectively.

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. 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.

3. Variable Interest Entities (continued)

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 commercial mortgage loan would not be available to its general creditors, and as a result, the Company does not consider the commercial mortgage loan 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 $531.2 million and $531.6 million at December 31, 2019 and 2018, respectively. The total liabilities of the consolidated REMIC were $277.3 million and $277.2 million at December 31, 2019 and 2018, 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 unconsolidated CFEs were $6,600.6 million and $6,108.0 million at December 31, 2019 and 2018, respectively, which is also the maximum exposure. Substantially all of the investments in unconsolidated CFEs were collateralized loan obligations at December 31, 2019 and 2018.

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 $544.1 million and $344.9 million at December 31, 2019 and 2018, respectively, compared to its maximum exposure to loss of $742.3 million and $414.6 million at December 31, 2019 and 2018, 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 under ASU 2016-01 was $215.7 million at December 31, 2019 and 2018. Total assets of these unconsolidated entities under the equity method of accounting amounted to $328.4 million and $129.2 million at December 31, 2019 and 2018, respectively.

3. Variable Interest Entities (continued)

In the normal course of its activities, the Company will invest in structured investments including VIEs for which it is not the investment manager. These structured investments typically invest in fixed income investments and are managed by third parties and include asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities. The Company's maximum exposure to loss on these structured investments, both VIEs and non-VIEs, is limited to the amount of its investment. See Note 2 for details regarding the carrying amounts and classification of these assets. The Company has not provided material financial or other support that was not contractually required to these structures. The Company has determined that it is not the primary beneficiary of these structures due to the fact that it does not control these entities.

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 index 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. At the end of each indexed annuity's index term, which may be annually, bi-annually, or every five years, the market index used to compute the index credits is reset and a new call option, future, or swap is purchased to fund the next index credit. The Company manages the cost of these purchases through the terms of the fixed index annuities, which permits it to change caps, spreads or participation rates subject to respective guaranteed minimums or maximums at the end of each policy's index term. By adjusting caps, spreads or participation rates, the Company can manage option costs except in cases where contractual features would prevent further modifications. Although the call options, futures, and

4. Derivative Instruments (continued)

swaps are designed to be effective hedges from an economic standpoint, the Company has not applied hedge accounting under ASC 815, *Derivatives and Hedging*.

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 prior to January 1, 2019, (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 designated investments. The value of the embedded derivative in the coinsurance agreement is equal to the value of the embedded derivative in the fixed index product.

4. Derivative Instruments (continued)

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 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.

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:

			2019 *Successor*	
Counterparty	**Credit Rating (S&P)**	**Credit Rating (Moody's)**	**Notional Amount**	**Fair Value**
			(In Thousands)	
Barclays Bank PLC	A	A2	$ **1,358,217**	$ **33,461**
BNP Paribas	A +	Aa3	**1,188,668**	**10,352**
Bank of America, N.A.	A +	Aa3	**374,941**	**8,432**
Canadian Imperial Bank of Commerce	A +	Aa2	**1,604,255**	**6,114**
Citibank, N.A.	A +	Aa3	**1,768,205**	**88,945**
Goldman Sachs International	A +	A1	**403,850**	**20,586**
JPMorgan Chase Bank, N.A.	A +	Aa2	**871,600**	**42,857**
Merrill Lynch International	A +	N/A	**344,990**	**5,983**
Morgan Stanley & Co International PLC	A +	A1	**3,015,265**	**111,099**
Morgan Stanley Capital Services LLC	A +	A1	**2,613,460**	**144,361**
Natixis, SA	A +	A1	**425,824**	**882**
The Royal Bank of Scotland PLC	BBB +	Baa2	**930,390**	**8,120**
Societe Generale	A	A1	**813,600**	**27,934**
UBS AG	A +	Aa3	**797,433**	**27,414**
Exchange Traded	N/A	N/A	**1,445,956**	**31,105**
			$ **17,956,654**	$ **567,645**

4. Derivative Instruments (continued)

Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	2018 *Successor* 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, N.A.	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

Collateral posted by counterparties at December 31, 2019 and 2018, applicable to derivative instruments, was $532.0 million and $333.0 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. The Company also maintains a margin account at its clearing broker applicable to exchange traded and cleared derivatives. At December 31, 2019 and 2018, the balance of this account was $19.9 million and $31.5 million, respectively, and is reflected on the condensed consolidated balance sheets in other assets. 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, 2019 and 2018, collateral posted by the counterparties under the tri-party arrangements was $6.4 million and $42.1 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 2019 Successor	Derivative Asset 2018 Successor	Derivative Liability 2019 Successor	Derivative Liability 2018 Successor	Balance reported in
	(In Thousands)				
Derivatives:					
Interest rate swaps and total return swaps	**$ 2,272**	$ 3,416	**$ —**	$ —	Other invested assets
Call options	**580,618**	340,472	**—**	—	Call options
Currency forwards and swaps	**—**	41,126	**15,255**	—	Other invested assets
Futures	**10**	620	**—**	—	Other invested assets
Total derivative financial instruments	**$ 582,900**	$ 385,634	**$ 15,255**	$ —	
Embedded derivatives:					
GMWB and GMAB reserves	**$ —**	$ —	**$ 10,863**	$ 9,910	Policy reserves and annuity account values
Fixed index annuity contracts	**—**	—	**1,469,361**	1,218,022	Policy reserves and annuity account values
Reinsurance contracts	**—**	1,721	**11,073**	—	Other assets or other liabilities
Commission assignment	**17,669**	15,757	**—**	—	Other assets
Total embedded derivative financial instruments	**$ 17,669**	$ 17,478	**$ 1,491,297**	$ 1,227,932	

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

	Year Ended December 31, 2019 Successor	Year Ended December 31, 2018 Successor	February 1, 2017 Through December 31, 2017 Successor	January 1, 2017 Through January 31, 2017 Predecessor	Change of fair value reported in
	(In Thousands)				
Derivatives:					
Interest rate swaps and total return swaps	**$ 26,047**	$ (3,635)	$ 7,701	$ —	Change in fair value of derivatives
Call options	**332,168**	(282,615)	546,443	10,502	Change in fair value of derivatives
Currency forwards and swaps	**(21,395)**	66,245	(47,351)	(5,932)	Change in fair value of derivatives
Futures	**193**	1,563	13	–	Change in fair value of derivatives
Total change in derivative financial instruments	**$ 337,013**	$ (218,442)	$ 506,806	$ 4,570	
Embedded derivatives:					
GMWB and GMAB reserves	**$ 953**	$ (3,395)	$ (2,729)	$ (253)	Other benefits
Commission assignment	**(1,912)**	781	(219)	(1,584)	Other benefits
Total change in embedded derivative financial instruments	**$ (959)**	$ (2,614)	$ (2,948)	$ (1,837)	

4. Derivative Instruments (continued)

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

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*	Change of fair value reported in
	(In Thousands)				
Fixed index annuities - embedded derivatives (see Note 16)	**$ 149,068**	$ (211,533)	$ 289,293	$ 18,480	Change in fixed index annuity embedded derivative and related benefits
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	**(45,142)**	(213,722)	(33,838)	3,730	Change in fixed index annuity embedded derivative and related benefits
	$ 103,926	$ (425,255)	$ 255,455	$ 22,210	

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 index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard, less the change in fair value of our fixed index 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, 2019 *Successor*	**Year Ended December 31, 2018** *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*
	(In Thousands)			
Balance at beginning of period	**421,898**	$ 182,871	$ —	$ 1,164,508
Cost deferred	**285,441**	258,726	280,253	25,905
Imputed interest	**12,435**	9,628	3,691	2,173
Amortized to expense	**(131,295)**	(77,687)	(90,416)	(18,877)
Effect of realized (gains) losses	**918**	116	(213)	(862)
Effect of unrealized (gains) losses	**(33,641)**	48,244	(10,444)	(16,465)
Balance at end of period	**$ 555,756**	$ 421,898	$ 182,871	$ 1,156,382

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, 2019 *Successor*	**Year Ended December 31, 2018** *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*
	(In Thousands)			
Balance at beginning of period	**$ 150,601**	$ 76,387	$ —	$ 969,608
Costs deferred	**76,120**	75,457	80,187	6,855
Imputed interest	**3,666**	3,099	1,067	1,836
Amortized to expense	**(18,616)**	(8,198)	(3,896)	(1,116)
Effect of realized (gains) losses	**345**	36	(86)	(721)
Effect of unrealized (gains) losses	**(3,800)**	3,820	(885)	—
Balance at end of period	**$ 208,316**	$ 150,601	$ 76,387	$ 976,462

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, 2019 *Successor*	**Year Ended December 31, 2018** *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*
		(In Thousands)		
Balance at beginning of period	**$ 1,576,198**	$ 1,601,293	$ 1,800,000	$ 33,396
Imputed interest	**32,242**	47,286	54,506	149
Amortized to expense	**(232,875)**	(173,281)	(223,913)	510
Effect of realized (gains) losses	**1,935**	23	(3,850)	(26)
Effect of unrealized (gains) losses	**(68,818)**	100,877	(25,450)	17
Balance at end of period	**$ 1,308,682**	$ 1,576,198	$ 1,601,293	$ 34,046

The weighted average amortization period is 36 years for VOBA. The interest accrual rate utilized to calculate the accretion of interest was 2.17% for the year ended December 31, 2019, 2.32% for the year ended December 31, 2018, 3.46% for the period from February 1, 2017 through December 31, 2017, and 5.34% for the period from January 1, 2017 through January 31, 2017.

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:

2020	$ 112,807
2021	102,405
2022	94,260
2023	90,679
2024	88,300

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:

	2019 Successor	2018 Successor
	(In thousands)	
Land and improvements	**$ 6,730**	$ 6,680
Building	**51,723**	51,723
Furniture	**25**	25
Data processing equipment	**3**	3
Computer software	**2,604**	2,604
	61,085	61,035
Less accumulated depreciation	**(8,267)**	(5,449)
Net property and equipment	**$ 52,818**	$ 55,586

Accumulated depreciation deducted from investment in real estate amounted to $6.4 million and $4.2 million at December 31, 2019 and 2018, respectively.

Airplane

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

	2019 Successor	2018 Successor
	(In thousands)	
Airplane	**$ 124,644**	$ 124,644
Less accumulated depreciation	**(15,103)**	(9,937)
	$ 109,541	$ 114,707

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

8. Other Assets (continued)

Depreciation on the asset for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, in the amounts of $5.2 million, $5.2 million, $4.8 million, and $0.4 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 $22.2 million and $21.7 million at December 31, 2019 and 2018, respectively, with the change in net policy value recorded in other revenue of $0.5 million, $1.1 million, $0.8 million, and $0.1 million for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, 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 $35.9 million and $30.0 million at December 31, 2019 and 2018, respectively, with the change in net policy value recorded as a decrease in other benefits of $5.8 million and $1.6 million for the years ended December 31, 2019 and 2018, respectively, and an increase in other benefits of $4.6 million and $0.6 million for the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, respectively.

9. Other Comprehensive Income (Loss)

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

	Pretax	Tax	After-Tax
Predecessor			
Other comprehensive income (loss) for the period ended January 31, 2017			
Unrealized gains (losses) on available for sale securities	$ 77,182	$ (28,031)	$ 49,151
Foreign exchange adjustments on available for sale securities	58	(21)	37
Reclassification adjustment for gains (losses) 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 (loss) for the period ended January 31, 2017	$ 34,568	$ (12,679)	$ 21,889
Successor			
Other comprehensive income (loss) for the period ended December 31, 2017			
Unrealized gains (losses) on available for sale securities	$ 243,127	$ (76,775)	$ 166,352
Foreign exchange adjustments on available for sale securities	3,776	(1,191)	2,585
Reclassification adjustment for gains (losses) included in net income	(24,328)	7,672	(16,656)
OTTI losses recognized in earnings and other comprehensive income (loss)	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 (loss) for the period ended December 31, 2017	$ 158,472	$ (50,078)	$ 108,394
Other comprehensive income (loss) for the year ended December 31, 2018			
Unrealized gains (losses) on available for sale securities	$ (683,641)	$ 143,216	$ (540,425)
Foreign exchange adjustments on available for sale securities	(6,678)	1,402	(5,276)
Reclassification adjustment for gains (losses) included in net income	23,335	(4,900)	18,435
OTTI losses recognized in earnings and other comprehensive income (loss)	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 income (loss) for the year ended December 31, 2018	$ (364,195)	$ 76,132	$ (288,063)
Other comprehensive income (loss) for the year ended December 31, 2019			
Unrealized gains (losses) on available for sale securities	**$ 423,190**	**$ (88,870)**	**$ 334,320**
Foreign exchange adjustments on available for sale securities	**18,753**	**(3,938)**	**14,815**
Reclassification adjustment for gains (losses) included in net income	**46,462**	**(9,757)**	**36,705**
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	**(106,259)**	**22,314**	**(83,945)**
Policy reserves and annuity account values	**(128,121)**	**26,905**	**(101,216)**
Total other comprehensive income (loss) for the year ended December 31, 2019	**$ 254,025**	**$ (53,346)**	**$ 200,679**

9. Other Comprehensive Income (Loss) (continued)

Accumulated Other Comprehensive Income

	Foreign Exchange Adjustment	Unrealized Gains (Losses) on available for sale Securities	Total Other Comprehensive Income (Loss)
		(In Thousands)	
Predecessor			
Accumulated other comprehensive income (loss) at January 1, 2017	$ —	$ 63,774	$ 63,774
Other comprehensive income (loss) before reclassifications	37	25,518	25,555
Amounts reclassified from accumulated other comprehensive income (loss)(1)	—	(3,666)	(3,666)
Accumulated other comprehensive income (loss) 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 (loss) at February 1, 2017	—	—	—
Other comprehensive income (loss) before reclassifications	2,585	121,528	124,113
Amounts reclassified from accumulated other comprehensive income (loss)(1)	—	(15,719)	(15,719)
Comprehensive income (loss)	2,585	105,809	108,394
Change in accounting principle (see Note 1)	—	—	16,801
Accumulated other comprehensive income (loss) at December 31, 2017	2,585	105,809	125,195
Other comprehensive income (loss) before reclassifications	(5,276)	(306,612)	(311,888)
Amounts reclassified from accumulated other comprehensive income (loss)(1)	—	23,825	23,825
Comprehensive income (loss)	(5,276)	(282,787)	(288,063)
Change in accounting principle (see Note 1)	—	866	866
Accumulated other comprehensive income (loss) at December 31, 2018	(2,691)	(176,112)	(162,002)
Other comprehensive income (loss) before reclassifications	**14,815**	**149,159**	**163,974**
Amounts reclassified from accumulated other comprehensive income (loss)(1)	**—**	**36,705**	**36,705**
Accumulated other comprehensive income (loss) at December 31, 2019	**$ 12,124**	**$ 9,752**	**$ 38,677**

(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 $2.0 million, $1.9 million, $1.5 million, and $0.1 million for the years ended December 31, 2019 and 2018, and periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, respectively, and are included in the consolidated statements of operations in commissions and other operating expenses.

Sales incentive compensation expense amounted to $9.0 million, $6.9 million, $6.7 million, and $0.8 million for the years ended December 31, 2019 and 2018, and periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, 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, 2019 *Successor*	**Year Ended December 31, 2018** *Successor*	**February 1, 2017 Through December 31, 2017** *Successor*	**January 1, 2017 Through January 31, 2017** *Predecessor*
		(In Thousands)		
Reinsurance assumed:				
Premiums received	**$ 11,622**	$ 13,920	$ 14,587	$ 1,374
Commissions paid	**$ 2,216**	$ 2,365	$ 2,285	$ 189
Claims paid	**$ 7,488**	$ 6,361	$ 5,714	$ 704
Surrenders paid	**$ 64,194**	$ 78,536	$ 61,374	$ 5,903

11. Reinsurance (continued)

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

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Predecessor*	January 1, 2017 Through January 31, 2017 *Predecessor*
		(In Thousands)		
Reinsurance ceded:				
Premiums paid	**$ 63,476**	$ 70,423	$ 74,507	$ 5,494
Commissions received	**$ 3,320**	$ 3,652	$ 5,640	$ 267
Claim recoveries	**$ 66,067**	$ 74,843	$ 56,765	$ 6,717
Surrenders recovered	**$ 191,265**	$ 274,699	$ 424,999	$ 21,381

The Company is party to a coinsurance agreement with an unrelated party for certain individual fixed annuity and fixed index 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 $592.8 million and $624.4 million as of December 31, 2019 and 2018, respectively. These ceded reserves are recorded in policy reserve liability on the consolidated balance sheets, with the corresponding recoverable amount recorded in reinsurance recoverable 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 $485.1 million and $330.2 million have been converted to direct business as of December 31, 2019 and 2018, respectively and ceded to GLAC. Annuity contracts having reserves of $107.7 million and $113.0 million as of December 31, 2019 and 2018, respectively, continue as assumed by the Company from the unrelated party and ceded to GLAC.

11. Reinsurance (continued)

As of December 31, 2019 and 2018, the value of the Company's funds withheld liability under all its reinsurance agreements was $329.2 million and $322.7 million, respectively.

At December 31, 2019 and 2018, the Company has receivables totaling $2,058.1 million and $2,167.2 million, respectively, for reserve credits, reinsurance claims, and other receivables from its reinsurers. Life insurance in force ceded at December 31, 2019 and 2018, was $2,083.5 million and $2,194.5 million, respectively.

As of December 31, 2019 and 2018, the Company had $1,129.6 million and $1,244.9 million, respectively, of reserves that were uncollateralized by the reinsurer.

Through its consolidated captive reinsurance subsidiary, the Company entered into an excess of loss reinsurance agreement with a third-party US based reinsurance company. This excess of loss agreement covers fixed index annuities with a GLWB that are issued in 2018 and 2019. Under this excess of loss agreement, if those annuity holders continue to make lifetime withdrawals beyond certain dollar thresholds within the excess of loss coverage period (22-24 years), the third-party reinsurance 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 excess of 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:

	2019 *Successor*	**2018** *Successor*
	(In Thousands)	
Liabilities for investment-type insurance contracts:		
Liabilities for individual annuities	**$ 28,001,294**	$ 25,994,111
Funding agreements	**495,805**	481,023
Other investment-type insurance contracts	**1,529**	1,494
Total liabilities for investment-type insurance contracts	**28,498,628**	26,476,628
Life and other reserves	**2,102,914**	2,212,153
Total policy reserves and annuity account values	**$ 30,601,542**	$ 28,688,781

12. Insurance Liabilities (continued)

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

	2019 Successor			2018 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	**$ 644**	**$ 184**	**74**	$ 665	$ 161	74

The determination of GLWB and GMDB guarantees on fixed index 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 index annuity contract holders.

As of December 31, 2019 and 2018, the reserve liability for the GLWB guarantee on fixed index annuities was $1,939.2 million and $1,466.9 million, respectively, and the reserve liability for the GMDB guarantee on fixed index annuities was $34.6 million and $27.9 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:

	2019 Successor			2018 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	**$ 1,446**	**$ 11**	**65**	$ 1,352	$ 19	65
Reset	**140**	**—**	**60**	122	6	59
Roll-up	**109**	**47**	**71**	102	60	71
Step-up	**3,822**	**27**	**69**	3,576	76	68
Combo	**86**	**16**	**75**	82	25	74
Subtotal	**5,603**	**101**	**68**	5,234	186	67
Enhanced	**4**	**—**	**71**	3	—	70
Total GMDB	**$ 5,607**	**$ 101**	**68**	$ 5,237	$ 186	67

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, 2019 and 2018 was $12.5 million and $15.0 million, respectively. The reserve liability for GMIBs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2019 and 2018 was $17.3 million and $16.2 million, respectively. The embedded derivative for GMWBs and GMABs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2019 and 2018 was $7.5 million and $6.8 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, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
		(In Thousands)		
Index credits	**$ 344,145**	$ 480,036	$ 242,437	$ 14,798
Interest credited to account balances	**296,874**	255,690	209,332	16,165
	$ 641,019	$ 735,726	$ 451,769	$ 30,963

13. Income Taxes

On February 22, 2017, the Company converted to a single member limited liability company under Kansas Law. For 2017, the Company continued to be taxed as a corporation. In 2019 and 2018, the Company elected to be treated as a disregarded entity under the provisions of the Internal Revenue Code. The Company has elected to reflect the effect of federal and state income taxes of it and its subsidiaries in the financial statement as if it were not a disregarded entity.

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.

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 had a receivable from SBC of $19.6 million and $14.6 million at December 31, 2019 and 2018, respectively, for taxes, which is included in other liabilities/assets on the consolidated balance sheets.

The Company's subsidiary, Sixth Avenue Reinsurance Company (SARC), has a separate tax sharing agreement with SBC. Under the separate tax sharing agreement, SARC's losses are benefited only to the extent SARC could otherwise utilize the losses on a stand-alone basis.

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, 2019 and 2018, 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 years ended December 31, 2019 and 2018, and periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017.

13. Income Taxes (continued)

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

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Current income tax expense	**$ 183,323**	$ 57,733	$ 183,491	$ 8,729
Deferred income tax (benefit) expense	**(60,878)**	402	(78,685)	(1,846)
Income tax expense	**$ 122,445**	$ 58,135	$ 104,806	$ 6,883

From a tax return perspective, the Company has $175.3 million of net operating loss carryforwards (NOLs) subject to Internal Revenue Code (IRC) Section 382 (Section 382). Under Section 382, the Company's use of these NOLs is limited to $12.0 million per year.

The Company's deferred tax asset position includes $439.0 million of federal net operating loss carryforwards, which have no expiration date. Of this amount, $433.3 million of the NOL is related to SARC losses.

Additionally, the Company has state NOLs in the amount of $16.0 million which expire starting in 2029. The Company believes it will be able to utilize the tax benefits associated with these NOLs.

13. Income Taxes (continued)

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, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Federal income tax expense computed at statutory rate	**$ 126,721**	$ 85,733	$ 166,825	$ 9,142
Increases (decreases) in taxes resulting from:				
Valuation allowance	**—**	—	(2,142)	(346)
Tax exempt interest	**(252)**	(535)	(1,002)	(33)
Dividends received deduction	**(3,073)**	(2,011)	(7,504)	(7)
Tax rate differential	**—**	(21,811)	(39,732)	—
Prior period adjustments	**3,371**	385	(2,515)	—
Disregarded entity tax on parent	**—**	—	(142)	(1,267)
Other	**(4,322)**	(3,626)	(8,982)	(606)
Income tax expense	**$ 122,445**	$ 58,135	$ 104,806	$ 6,883

"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:

	2019 *Successor*	2018 *Successor*
	(In Thousands)	
Deferred income tax assets:		
Future policy benefits	**$ 410,798**	$ 409,355
Net unrealized capital loss on investments	**—**	88,046
Credit carryover	**8,666**	8,666
Rider fee	**10,407**	10,508
Net operating loss carryforward	**93,340**	—
Other	**7,094**	4,446
Total deferred income tax assets	**530,305**	521,021
Deferred income tax liabilities:		
Net unrealized gain on derivatives	**62,259**	4,487
Deferred policy acquisition costs and deferred sales inducements	**131,527**	93,582
Net unrealized capital gain on investments	**14,543**	—
Investments	**764**	44,867
Value of business acquired	**274,823**	331,002
Depreciation	**29,249**	28,083
Commission accrual	**4,413**	8,156
Other	**3,165**	8,814
Total deferred income tax liabilities	**520,743**	518,991
Net deferred income tax asset (liability)	**$ 9,562**	$ 2,030

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, 2019 and 2018.

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.

13. Income Taxes (continued)

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

As of December 31, 2019 and 2018, the Company had a carrying value of goodwill of $99.0 million. Impairment of goodwill is evaluated annually for SBLIC and FSBL. As a result of the December 31, 2019 and 2018 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 2019 and 2018.

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.

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.

16. Fair Value Measurements (continued)

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.

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

16. Fair Value Measurements (continued)

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 or 3, depending on the observability of the inputs.

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.

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.

16. Fair Value Measurements (continued)

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.

Embedded derivatives – fixed index annuity contracts

Fair values of the Company's embedded derivative component of the fixed index 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

16. Fair Value Measurements (continued)

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 index 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. These liabilities are included in Level 3.

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, 2019 *(Successor)*			
		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
Assets:				
Cash equivalents	$ 1,768,623	$ 1,582,481	$ 186,142	$ —
Fixed maturity investments:				
U.S. Treasury securities and other U.S. government corporations and agencies	140,328	—	140,328	—
Obligations of government-sponsored enterprises	331,402	—	331,402	—
Corporate	11,041,480	—	3,502,492	7,538,988
Obligations of foreign governments	35	—	35	—
Municipal obligations	135,505	—	135,505	—
Commercial mortgage-backed	147,838	—	144,604	3,234
Residential mortgage-backed	38,819	—	33,838	4,981
Collateralized debt obligations	9,303	—	9,303	—
Collateralized loan obligations	10,073,927	—	8,814,150	1,259,777
Redeemable preferred stock	93,736	—	2,186	91,550
Other asset backed	3,334,529	—	1,757,540	1,576,989
Total fixed maturity investments	25,346,902	—	14,871,383	10,475,519
Equity securities:				
Consumer	9,600	9,600	—	
Mutual funds	4,176	4,176	—	—
Preferred stocks	15,297	—	15,297	—
Total equity securities	29,073	13,776	15,297	—
Short-term investments	2,400	—	125	2,275
Call options	580,618	30,424	550,194	—
Interest rate swaps and total return swaps	2,272	372	1,900	—
Futures	10	10	—	—
Commission assignment derivative asset	17,669	—	—	17,669
Separate account assets	5,570,880	3,511,280	—	2,059,600
Total assets	$ 33,318,447	$ 5,138,343	$ 15,625,041	$ 12,555,063
Liabilities:				
Derivatives and embedded derivatives:				
GMWB and GMAB reserves	$ 10,863	$ —	$ —	$ 10,863
Currency forwards and swaps	15,255	—	15,255	—
Reinsurance derivative liability	11,073	—	—	11,073
Fixed index annuity contracts	1,469,361	—	—	1,469,361
Total liabilities	$ 1,506,552	$ —	$ 15,255	$ 1,491,297

16. Fair Value Measurements (continued)

	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:				
Derivatives and embedded derivatives:				
GMWB and GMAB reserves	$ 9,910	$ —	$ —	$ 9,910
Fixed index annuity contracts	1,218,022	—	—	1,218,022
Total liabilities	$ 1,227,932	$ —	$ —	$ 1,227,932

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, 2019 is as follows:

		Total Realized/Unrealized Gains and Losses					
	Balance at January 1, 2019	Included in Net Income[(1)]	Included in Other Comprehensive Income[(3)]	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2019	Change in Unrealized Gains (losses) in Net Income for Positions Still Held
				Successor *(In Thousands)*			
Assets:							
Fixed maturity investments:							
Corporate	$ 7,359,768	$ (11,402)	$ 193,491	$ 12,982	$ (15,851)	$ 7,538,988	$ 193
Commercial mortgage-backed	3,186	2	76	(30)	—	3,234	—
Residential mortgage-backed	5,674	(4)	63	(752)	—	4,981	2
Collateralized loan obligations	828,793	(10,278)	(3,569)	770,965	(326,134)	1,259,777	—
Other asset backed	1,929,179	2,197	(2,616)	(328,139)	(23,632)	1,576,989	15
Redeemable preferred stock	70,009	—	21,541	—	—	91,550	—
Total fixed maturity investments	10,196,609	(19,485)	208,986	455,026	(365,617)	10,475,519	210
Equity securities:							
Financial	171	350	(146)	(375)	—	—	—
Total equity securities	171	350	(146)	(375)	—	—	—
Short-term investments	485	—	28	1,762	—	2,275	—
Reinsurance derivative asset	1,721	(1,721)	—	—	—	—	—
Commission assignment derivative asset	15,757	1,912	—	—	—	17,669	—
Separate account assets[(2)]	1,861,800	197,800	—	—	—	2,059,600	—
Total assets	$ 12,076,543	$ 178,856	$ 208,868	$ 456,413	$ (365,617)	$ 12,555,063	$ 210
Liabilities:							
Derivatives and embedded derivatives:							
Reinsurance derivative liability	$ —	$ 11,073	$ —	$ —	$ —	$ 11,073	$ —
GMWB and GMAB reserves	9,910	953	—	—	—	10,863	—
Fixed index annuity contracts	1,218,022	149,068	—	102,271	—	1,469,361	—
Total liabilities	$ 1,227,932	$ 161,094	$ —	$ 102,271	$ —	$ 1,491,297	$ —

(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, 2019 is as follows:

	Purchases	Issuances	Sales	Settlements	Net
			Successor		
			(In Thousands)		
Assets:					
Fixed maturity investments:					
Corporate	$ 4,041,031	$ 111,126	$ 3,079,099	$ 1,060,076	$ 12,982
Commercial mortgage-backed	—	—	—	30	(30)
Residential mortgage-backed	—	—	—	752	(752)
Collateralized loan obligations	918,905	—	93,734	54,206	770,965
Other asset backed	186,557	—	223,642	291,054	(328,139)
Redeemable preferred stock	—	—	—	—	—
Total fixed maturity investments	5,146,493	111,126	3,396,475	1,406,118	455,026
Equity securities:					
Financial	—	—	375	—	(375)
Total equity securities	—	—	375	—	(375)
Short-term investments	84,083	—	—	82,321	1,762
Total assets	$ 5,230,576	$ 111,126	$ 3,396,850	$ 1,488,439	$ 456,413
Liabilities:					
Derivatives and embedded derivatives:					
Fixed index annuity contracts	$ —	$ 136,227	$ —	$ 33,956	$ 102,271
Total liabilities	$ —	$ 136,227	$ —	$ 33,956	$ 102,271

16. Fair Value Measurements (continued)

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:

	Balance at January 1, 2018	Total Realized/Unrealized Gains and Losses: Included in Net Income[(1)]	Total Realized/Unrealized Gains and Losses: 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:							
Derivatives and embedded derivatives:							
Reinsurance derivative liability	$ 6,404	$ (6,404)	$ —	$ —	$ —	$ —	$ —
GMWB and GMAB reserves	13,305	(3,395)	—	—	—	9,910	—
Fixed index 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 detail 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:					
Derivatives and embedded derivatives:					
Fixed index annuity contracts	$ —	$ 85,493	$ —	$ 33,212	$ 52,281
Total liabilities	$ —	$ 85,493	$ —	$ 33,212	$ 52,281

Transfers

Transfers of assets and liabilities measured at fair value between hierarchy levels for the year ended December 31, 2019 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	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (15,851)**
Collateralized loan obligations	**—**	**—**	**—**	**250,280**	**—**	**(576,414)**
Other asset backed	**—**	**—**	**—**	**—**	**—**	**(23,632)**
Total fixed maturity investments	**$ —**	**$ —**	**$ —**	**$ 250,280**	**$ —**	**$ (615,897)**

16. Fair Value Measurements (continued)

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
Commercial mortgage-backed	—	—	—	—	—	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

The majority of the assets transferred into Level 3 during 2019 and 2018 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 2019 and 2018 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, 2019 *(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	**$ 6,564,557**	Discount Model	Credit Spread	128 - 575 [355] basis points (bps)
	72,119		Discount Rate	3.05% - 11.00% [7.26%]
	340,878	Market Comparables	Credit Spread	195 - 362 [302] bps
	316,511	Spread Duration	Credit Spread	299 - 821 [677] bps
	161,976	Yield Analysis	Yield	4.95% - 9.68% [7.55%]
	44,468	Waterfall	Cashflows	
	1,442	Enterprise Value	Broadcast cash flow (BCF) multiple	5.2x
Collateralized loan obligations	**159,736**	Discount Model	Discount Rate	2.15% - 9.30% [3.69%]
	893		Credit Spread	284 bps
	10,026	Market Comparables	Credit Spread	352 bps
	7,162	Residual Equity	Residual Equity	
Redeemable preferred stock	**91,550**	Market Comparables	Price/Book Multiple	1.23x
Other asset backed	**1,206,075**	Discount Model	Credit Spread	128 - 312 [239] bps
	9,274		Discount Rate	3.08% - 9.75% [4.90%]
	723	Yield Analysis	Yield	3.19%
Total fixed maturity investments	**8,987,390**			
Short-term investments	**2,275**	Discount Model	Credit Spread	519 bps
Commission assignment derivative asset	**17,669**	Income Approach	Years Discounted	0.08 yrs - 5.59 yrs [1.70 yrs]
			Interpolated Yield	2.36% - 3.77% [2.76%]
			Uncertainty Premium	0.44% - 6.21% [1.75%]
Separate account assets	**2,059,600**	Revenue Multiples	Projected Revenues	6.0 – 6.5x [6.26x]
		Discounted Cash Flow	Discount Rate	6.00% - 7.50% [6.75%]
		Discounted Cash Flow	Discount Rate Curve	2.10% - 8.00%
		Land Sale Comparison	Value per Buildable Square Footage	$170.00 - 390.00 [263.44]
		See Note (3)		
Total assets	**$ 11,066,934**	See Note (2)		

16. Fair Value Measurements (continued)

	December 31, 2019 *(Successor)*			
	Assets / Liabilities Measured at Fair Value	**Valuation Technique(s)**	**Unobservable Input Description**	**Input/Range of Inputs [Weighted Average]**
			(In Thousands)	
Liabilities:				
Derivatives and embedded derivatives:				
GMWB and GMAB reserves	**10,863**	Discounted Cash Flow	Own credit spread	0.89%
			Long-term equity market volatility	Market Consistent
			Risk margin	5.00%
Reinsurance derivative liability	**11,073**	See Note (1)		
Fixed index annuity contracts	**1,469,361**	Discounted Cash Flow	Own credit spread	0.89%
			Risk margin	0.08% - 0.17%
Total liabilities	**$ 1,491,297**			

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)	
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
			Discounted Cash Flow	Discount Rate Curve	2.10% - 8.00%
			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:				
Derivatives and 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 index annuity contracts	1,218,022	Discounted Cash Flow	Own credit spread	1.29%
			Risk margin	0.13% - 0.17%
Total liabilities	$ 1,227,932			

(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 $1,488.1 million and $1,023.1 million as of December 31, 2019 and 2018, respectively, was based on non-binding broker quotes.

(3) Separate account investments in partnerships for which the fair value as of December 31, 2019 and 2018, 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 index 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 index 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 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.

16. Fair Value Measurements (continued)

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. The carrying value of equity investments accounted for under the measurement alternative was $435.7 million and $228.5 million at December 31, 2019 and 2018, respectively. There were no impairments or adjustments to the carrying value for the years ended December 31, 2019 and 2018.

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, 2019 *Successor*				
			Fair Value Hierarchy Level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Assets (liabilities)					
Mortgage loans	$ 1,551,541	$ 1,590,379	$ —	$ 609,160	$ 981,219
Notes receivable from related parties	940,177	940,182	—	888,182	52,000
Policy loans	76,345	76,438	—	—	76,438
Business-owned life insurance	22,194	22,194	—	—	22,194
Company-owned life insurance	35,863	35,863	—	—	35,863
Supplementary contracts without life contingencies	(66,417)	(70,007)	—	—	(70,007)
Individual and group annuities	(7,218,731)	(7,522,557)	—	—	(7,522,557)
Debt from consolidated VIEs	(345,681)	(360,656)	—	—	(360,656)
Notes payable related to commission assignments	(8,197)	(8,197)	—	—	(8,197)
Surplus notes	(118,244)	(131,462)	—	—	(131,462)
Mortgage debt	(9,838)	(10,305)	—	—	(10,305)
Credit facility	(754,409)	(754,409)	—	—	(754,409)
Separate account liabilities	(5,570,880)	(5,570,880)	(3,511,280)	—	(2,059,600)

16. Fair Value Measurements (continued)

	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)
Repurchase agreements	(302,898)	(302,898)	—	(302,898)	—
Separate account liabilities	(5,037,513)	(5,037,513)	(3,175,713)	—	(1,861,800)

17. Commitments and Contingencies

In connection with its investments in certain limited partnerships, the Company is committed to invest additional capital of $198.2 million and $119.7 million at December 31, 2019 and 2018, respectively, over the next several years as required by the general partner.

As of December 31, 2019 and 2018, the Company had committed up to $2,939.7 million and $1,431.3 million, respectively, in unfunded bridge loans, unfunded revolvers, and other private investments.

17. Commitments and Contingencies (continued)

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

In November 2019, the Company issued $400.0 million of senior notes with a fixed interest rate of 5.125%. The maturity date of these notes is November 2026.

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

In October 2017, the credit agreement was amended and restated. The amended and restated 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 facility. The revolver had the same maturity schedule as the extended term loan and bore variable interest rates similar to the term loan. Each draw under the revolver bore an interest rate based on LIBOR.

In December 2019, the credit agreement was amended and restated. The amended and restated credit agreement (1) included new lenders that joined the syndication, (2) extended the maturity date to December 2024, (3) removed the term loan, and (4) added $400.0 million to the existing revolving credit facility for a total of $900.0 million. The Company had a balance under the term loan of $300.0 million at December 31, 2018, and $370.0 million and $475.0 million under the revolving credit facility at December 31, 2019 and 2018. The interest rate for the revolver was

18. Debt (continued)

3.92% per annum as of December 31, 2019. The credit agreement has various affirmative and negative covenants. The Company was in compliance with those covenants as of December 31, 2019.

The Company incurred approximately $14.0 million in loan issuance cost in connection with the 2017 credit agreement. When the credit agreement was amended in 2019, the Company wrote off $3.4 million of these costs as they were related to the term loan which was paid off. The Company incurred an additional $5.5 million and $6.9 million in costs related to the amended revolver and new senior note issuance. These loan issuance costs were 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 and senior notes offering. The unamortized balance was $15.6 million and $9.0 million as of December 31, 2019 and 2018, respectively.

Line of credit

At December 31, 2019, the Company has access to a $262.9 million line of credit facility from FHLB. Overnight borrowings in connection with this line of credit bear interest at 0.24% over the Federal Funds rate (1.55% at December 31, 2019). The Company had no borrowings under this line of credit at December 31, 2019 and 2018. 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, 2019.

Surplus notes

The Company has outstanding surplus notes with a carrying value of $118.2 million and $119.1 million at December 31, 2019 and 2018, 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 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.

18. Debt (continued)

Notes payable related to commission assignments

Gennessee Insurance Agency, LLC had a note outstanding of $8.2 million and $14.8 million as of December 31, 2019 and 2018, 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 of $10.8 million. The notes were fully repaid in 2019.

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, 2019 and 2018, of $9.8 million and $13.4 million, respectively, is reflected on the consolidated balance sheets in mortgage debt.

Future principal payments

At December 31, 2019, future principal payments for the years ending December 31 are as follows (in thousands):

	Credit Facility	Mortgage Debt
2020	—	$ 3,336
2021	—	3,568
2022	—	1,875
2023	—	—
2024	370,000	—
Thereafter	400,000	—
	$ 770,000	$ 8,779

18. Debt (continued)

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

	Year Ended December 31, 2019 *Successor*	Year Ended December 31, 2018 *Successor*	February 1, 2017 Through December 31, 2017 *Successor*	January 1, 2017 Through January 31, 2017 *Predecessor*
	(In Thousands)			
Debt/notes payable:				
Credit facility - revolver interest	**$ 12,049**	$ 20,533	$ 3,927	$ —
Credit facility - term loan interest	**20,121**	12,925	17,611	—
Senior notes	**2,733**	—	—	—
Surplus note interest	**6,591**	6,637	5,934	659
Debt from consolidated VIE interest	**54,287**	72,558	51,469	5,701
Notes payable related to commission assignments interest	**1,233**	2,792	3,990	407
Note payable - SAILES 2, LLC interest	**14**	3,901	3,263	425
Mortgage debt interest	**282**	484	806	119
Amortization of debt issuance costs	**5,836**	2,341	8,504	—
Notes payable interest	**—**	—	1,710	350
Total debt/notes payable interest	**103,146**	122,171	97,214	7,661
Repurchase agreement interest	**1,973**	2,003	807	—
Other interest	**9,842**	10,298	3,955	116
Total	**$ 114,961**	$ 134,472	$ 101,976	$ 7,777

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 $35.6 million and $15.3 million at December 31, 2019 and 2018. The Company reported amounts payable to parent, subsidiaries and related parties of $24.3 million and $0.1 million at December 31, 2019 and 2018, respectively. Inter-company transactions regularly occur in the normal course of business and are normally settled within 30 days.

The Company paid $10.7 million and $25.8 million for the years ended December 31, 2019 and 2018, 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 $7.3 million, $2.9 million, $0.7 million, and $0.2 million for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, respectively, which is included in commissions and other operating expenses in the consolidated statements of operations.

As of December 31, 2019 and 2018, the Company had the following investments in related parties with interest rates ranging from 4.4% to 9% and maturity dates ranging from February 2020 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:

	2019 *Successor*	**2018** *Successor*
	(In Thousands)	
Banner Creek Bridge, LLC	**$ —**	$ 387,000
Holliday Park, LLC	**326,000**	361,401
LAISAH, LLC	—	421,353
Note Funding 1892, LLC	—	212,000
Note Funding 1892-2, LLC	—	270,000
Shamrock Valley, LLC	**85,000**	520,013
Triple8, LLC	**66,000**	438,000
Other	**463,177**	545,951
	$ 940,177	$ 3,155,718

19. Related-Party Transactions (continued)

As of December 31, 2019 and 2018, the Company had investments in commercial and residential mortgage loans with related parties in the amount of $329.7 million and $457.3 million, respectively.

As of December 31, 2019 and 2018, the Company had investments in joint ventures and partnerships of $328.4 million and $129.2 million, respectively, accounted for under the equity method pursuant to ASC 970-323-25-6. As such, these investments are considered to be with related parties. The Company also had investments in joint ventures and partnerships with related parties held under the measurement alternative of $215.7 million as of December 31, 2019 and 2018. These investments are included in other invested assets on the consolidated balance sheets.

As of December 31, 2019 and 2018, the Company had the following individually material investments in securitizations in which related parties act as collateral managers. The repayment of these investments is provided by unrelated assets and the Company does not have recourse to the related collateral manager in the case of non-performance on the unrelated assets. These investments are included in fixed maturity investments available for sale on the consolidated balance sheets.

	2019 *Successor*	**2018** *Successor*
	(In Thousands)	
CBAM 2017-1, LTD	**$ 237,087**	$ 250,003
CBAM 2017-2, LTD	**337,588**	352,890
CBAM 2017-3, LTD	**279,081**	286,061
CBAM 2017-4, LTD	**268,651**	266,619
CBAM 2018-5, LTD	**245,152**	235,656
CBAM 2018-6, LTD	**261,638**	248,369
CBAM 2018-7, LTD	**198,224**	204,490
Cottonwood CLO LLC	**361,962**	—
SCF Realty Capital Master Trust	**90,968**	366,721
Other	**1,333,748**	759,801

19. Related-Party Transactions (continued)

As of December 31, 2019 and 2018, 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.

	2019 Successor	2018 Successor
	(In Thousands)	
American Media & Entertainment	**$ 210,673**	$ 215,000
American Media Productions, LLC	**416,779**	351,636
BH Luxury Residences, LLC	**405,118**	—
Cain International, LLC	**939,393**	595,260
Canon Portfolio Trust, LLC	**216,493**	216,330
CBAM CLO Management, LLC	**266,884**	264,357
DCP Rights, LLC	**500,000**	—
Efland Funding, LLC	**—**	130,365
Eldridge Equipment Finance, LLC	**161,453**	210,516
Four Six Four Aircraft Issuer	**—**	372,438
Guggenheim Private Debt Funding	**—**	239,726
LAISAH, LLC	**458,906**	—
Mayfair Portfolio Trust, LLC	**146,000**	—
Mirror Media IP Holdings, LLC	**297,325**	—
Oasis BH, LLC	**243,866**	235,000
One Sky Flight, LLC	**—**	206,103
Oneida Portfolio Trust, LLC	**172,000**	204,860
Original Narrative Library, LLC	**—**	248,000
PD Holdings	**220,000**	—
Quinton Heights, LLC	**243,000**	—
Ridge Media Holdings, LLC	**243,000**	—
Steamboat Portfolio Trust, LLC	**232,000**	215,544
Stonebriar Holdings, LLC	**—**	124,913
Three L Finance Holdings, LLC	**209,880**	211,504
Wanamaker Portfolio Trust, LLC	**220,000**	682,546
Other	**1,798,075**	2,187,398

19. Related-Party Transactions (continued)

Pursuant to an agreement effective January 1, 2017, the Company paid $100.2 million, $93.9 million, $79.9 million, and $5.6 million for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, respectively, to Eldridge Business Services, LLC (EBS) 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 invests in CLOs managed by CBAM, Guggenheim Partners Investment Management, LLC (GPIM) (a Guggenheim entity that ceased to be considered a related party as of January 1, 2019) and Maranon Capital, L.P. (which was not considered a related party before January 1, 2019). The Company also invest in warehouses for CLOs and loan and mezzanine investment funds managed by related parties. The manager of the CLO is entitled to senior, subordinated and incentive management fees payable by the CLO issuer; in some cases, the manager of the warehouse entity is entitled to management fees payable by the warehouse entity and the manager of the fund is entitled to fees. The Company is not directly liable for such fees, but, insofar as the Company directly or indirectly owns any portion of the most subordinate or "equity" tranche of a CLO or a warehouse entity or investment in a fund, the Company may be considered to bear the portion of such fees indirectly. The aggregate of such portions of such fees borne by the Company indirectly for periods in which any such manager was a related party were $50.8 million and $44.8 million for the years ended December 31, 2019 and 2018, respectively.

The Company paid fees of $32.5 million, $39.7 million, $51.0 million, and $3.8 million for the years ended December 31, 2019 and 2018, and the periods from February 1, 2017 through December 31, 2017 and January 1, 2017 through January 31, 2017, respectively, to SE2, LLC (a subsidiary of SBC) and 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.

In December 2019, the Company completed a transaction involving related parties to dispose of investments in CFEs with a fair value of $1,027.1 million at the transaction date, resulting in deconsolidation of the CFEs. As part of this transaction, the Company issued a collateral loan investment to a related party (PD Holdings, LLC) and received both related (American Media Productions, LLC) and unrelated party bonds.

19. Related-Party Transactions (continued)

As of December 31, 2018, the Company held a short-term promissory loan of $421.4 million at a rate of 7.90% with a related party (LAISAH, LLC). During 2019 the related party refinanced this debt into a long-term bond, which the Company now holds, in the amount of $458.9 million at a rate of 7.375%.

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 (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 were repaid on or before December 22, 2019. The Company recorded interest on the Shamrock notes of $0.6 million in 2018. During the fourth quarter of 2019, the Company reacquired from Shamrock, one of the two commercial mortgage loans sold in the prior year, as well as an additional bond in an unrelated issuer. The total carrying value of these investments was $273.3 million as of the year ended December 31, 2019. In addition, the Company assumed a delayed draw real estate loan contingency as part of the transaction. The total contingency amount was $60.4 million as of the year ended December 31, 2019 and is reported in Note 17 - Commitments and Contingencies.

The Company received $87.5 million and $250.0 million as capital contributions from SBC during 2019 and 2018, 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 fixed index 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. Effective July 1, 2019, the State of Kansas adopted a statute that provides the same accounting treatment as the permitted accounting practice. The Company allowed the permitted practice to expire and began following the prescribed practice under the new statute as of July 1, 2019.

The consolidated impact of these practices on statutory surplus, including the impact of income taxes, was to increase statutory surplus by $19.4 million and $129.4 million as of December 31, 2019 and 2018, respectively. The consolidated impact of these practices on statutory net income, including the impact of income taxes, was to decrease statutory net income by $145.7 million and $206.4 million for the years ended December 31, 2019 and 2018, respectively.

Redundant statutory reserves were ceded by SBLIC to SARC, an SBLIC subsidiary, of $364.7 million and $136.8 million as of December 31, 2019 and 2018, respectively. The assumed reserves on SARC were supported by an excess of loss receivable asset permitted by the Vermont Department of Financial Regulation.

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

SBLIC and FSBL total adjusted capital, including, in respect of SBLIC, surplus notes (see Note 18), was $3,544.6 million and $2,995.3 million at December 31, 2019 and 2018, respectively. Statutory net income of the insurance operations was $217.6 million, $275.3 million, and $182.4 million for the years ended December 31, 2019, 2018, and 2017, 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 under two alternative methods, a "greater of" method and a "lesser of" method. The greater of method allows for a dividend to be paid from earned surplus when the aggregate amount of dividends paid in any calendar year does not exceed the greater of (a) 10% of its surplus to policyholders as of the immediately preceding calendar year or (b) its net gain from operations (not including realized capital gains) as of the immediately preceding calendar year, not to exceed 30% of its surplus to policyholders (as of the same preceding calendar year). If FSBL does not have sufficient positive earned surplus to pay an ordinary dividend under the "greater of" method, it may only distribute an ordinary dividend under the "lesser of" method. The lesser of method allows for a dividend to be paid from surplus when the aggregate amount of dividends paid in any calendar year does not exceed the lesser of (a) 10% of its surplus to policyholders or (b) its net gain from operations (not including realized capital gains), in each case as of the immediately preceding calendar year. FSBL is required to provide the NYDFS with 10 days prior notice before paying an ordinary dividend. Furthermore, the New York Superintendent may, in his or her discretion, limit or disallow any ordinary dividends under the "greater of" method if they determine that FSBL's surplus to policyholders following any dividend distribution is not

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

reasonable in relation to it's outstanding liabilities and not adequate to meet its financial needs or if FSBL 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, 2019, SD had net capital of $28.2 million, which was $26.7 million in excess of its required net capital of $1.6 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 0.84 to 1 at December 31, 2019.

21. Subsequent Events

Subsequent events have been evaluated through April 8, 2020, which is the date the financial statements were issued.

On January 28, 2020, SBBS was distributed to SBC. The distribution did not have a material impact on the Company.

Effective January 29, 2020, the Company converted to a corporation under Kansas law and changed its name to SBL Holdings, Inc. Prior to this, the Company was named SBL Holdings, LLC. The conversion did not have a material impact on the Company.

On February 4, 2020, the Company issued 375,000 shares of 7.0% fixed-rate reset non-cumulative preferred stock, series A. The preferred stock was issued at $0.01 par value per share, with a liquidation preference of $1,000 per share.

On February 28, 2020 and March 20, 2020, the Company drew an additional $250.0 million and $300.0 million, respectively, on the revolving credit facility. The funds were immediately contributed down to SBLIC.

21. Subsequent Events (continued)

Subsequent to December 31, 2019, there has been a global coronavirus outbreak (COVID-19) that may have a significant impact on the Company. The extent of the impact, which could result in, among other things, the Company experiencing an increase in surrenders and/or investment losses, will depend on future developments. In addition, the Company's operations could be materially and adversely impacted as a result of office closures, quarantine measures, travel restrictions and/or the disease's impact on the health of the Company's employees or of the individuals who distribute its products. As of the date of issuance, the outbreak is still evolving and thus there is significant uncertainty as to its ultimate impact on the Company.