Illustrative disclosures for insurers

Guide to US GAAP financial statements: ASU 2018-12

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Contents

1	About this guide	2

1.1 Standards covered 2
1.2 Need for judgment 2
1.3 Materiality 3
1.4 Transition disclosures and consistency with other publicly available information 3
1.5 Better communication 3
1.6 References 3

2	About ASU 2018-12	4

2.1 General disclosure objective 4
2.2 Detailed disclosure and presentation requirement changes 5

3	About the company	8

3.1 Segments 8
3.2 Transition to ASU 2018-12 8

4	Excerpts from the company's consolidated financial statements	9

4.1 Consolidated Statements of Stockholders' Equity 9
4.2 Notes to Consolidated Financial Statements 10

5	Keeping in touch	37

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1 About this guide

This guide has been produced by KPMG LLP (KPMG). It is intended to help insurers prepare and present financial statements by illustrating one possible format for financial statements for a fictitious life insurer that applies Accounting Standards Update (ASU) 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts.* This hypothetical reporting entity has been applying US generally accepted accounting principles (GAAP) for some time.

1.1 Standards covered

This guide illustrates example disclosures for the initial application of ASU 2018-12 for annual financial statements as of December 31, 2023.

This guide reflects amendments and interpretations of Topic 944, *Financial Services—Insurance* (broadly referred to as ASU 2018-12) that have been issued by the Financial Accounting Standards Board as of November 2020. This includes ASU 2018-12, issued in August 2018; ASU 2019-09, issued in November 2019 to defer the original effective date by one year; and ASU 2020-11, issued in November 2020 to defer the effective date an additional one year due to the impacts of the COVID-19 pandemic. This guide assumes that ASU 2018-12 is effective for Securities and Exchange Commission (SEC) filers, excluding entities eligible to be smaller reporting companies, for periods beginning after December 15, 2022. This guide only illustrates the disclosures in Topic 944, *Financial Services—Insurance,* that have been created or amended by ASU 2018-12. Therefore, this is not a full set of financial statements or notes to financial statements. Additionally, insurers subject to Article 7 of SEC Regulation S-X may be required to disclose additional information based on the requirements of Regulation S-X, Rule 7-03 through Regulation S-X, Rule 7-05.

ASU 2018-12 is new and complex, and interpretation of its requirements is subject to ongoing discussions among preparers, auditors, regulators, analysts, and other stakeholders. This guide does not pre-empt that process. Instead, it gives an indication of possible disclosures that would apply to a hypothetical insurer that interprets the requirements in a particular way. It aims to help insurers implement ASU 2018-12 by guiding them through the decision-making process needed to prepare the required disclosures. It does not include a comprehensive list of methodologies that could be used to prepare those disclosures.

This guide is not a complete and exhaustive summary of all disclosure requirements under US GAAP. Instead, it focuses on disclosure requirements that are relevant to insurers in the context of adopting ASU 2018-12. Additionally, this guide does not consider how other new accounting standards, such as ASU 2016-13, *Financial Instrument Credit Losses (Topic 326),* would impact disclosures.

Lastly, US GAAP and its interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to the standards and other relevant interpretative guidance.

1.2 Need for judgment

The preparation and presentation of financial statements require the exercise of judgment, e.g., in terms of the choice of accounting policies, the ordering of notes to the financial statements, how the disclosures are tailored to reflect the insurer's specific circumstances, materiality, and the relevance of disclosures.

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1.3 Materiality

Materiality is relevant to the presentation and disclosure of the items in the financial statements. Insurers need to consider whether their financial statements include all of the information that is relevant to understanding their financial position at the reporting date and their financial performance during the reporting period.

Insurers need to take care not to reduce the comprehension of their financial statements by obscuring material information with immaterial information or by aggregating information with significantly different characteristics such as different types of coverage, geographies, or types of customers. Insurers need to consider the appropriate level of disclosure based on materiality for the reporting period. [944-40-50-5A, 944-40-55-13H]

1.4 Transition disclosures and consistency with other publicly available information

The effect of the adoption of ASU 2018-12 on financial statements will vary between insurers, depending on the nature of insurance contracts issued and previous accounting policies and practices. Users of the financial statements and regulatory agencies are showing an increasing interest in understanding the possible impact of newly issued standards that are not yet effective. Regulatory agencies have communicated their expectation that, as preparations for implementation progress, more information should become known or reasonably estimable about the possible impact that the adoption of new standards will have on the financial statements. Insurers should therefore be able to provide progressively more insurer-specific qualitative and quantitative information.

Additionally, SEC comment letters related to public registrants' disclosures about recently implemented accounting standards can often provide insight as to the SEC staff's areas of focus. For example, through the SEC comment letter process, the SEC staff has been known to ask registrants to reconcile information disclosed in the notes to the financial statements to other information presented by the registrant, such as in other parts of the Form 10-K filing and the registrant's website.

1.5 Better communication

Financial reporting is not just about technical compliance, but also about effective communication. Investors continue to ask for a step-up in the quality, transparency, and comparability of business reporting. In preparing their financial statements, insurers need to focus on improving their communication by reporting financial information in a meaningful way and enhancing their financial statement presentation and disclosure in the broader context of business reporting.

1.6 References

References are included throughout this guide. Generally, these references relate primarily to presentation and disclosure requirements.

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2 About ASU 2018-12

ASU 2018-12 changes how insurers recognize, measure, present, and disclose long-duration contracts. Additionally, ASU 2018-12 introduces new data requirements and will require significant changes to systems, processes, and internal controls. The new pattern of earnings for long-duration contracts will impact financial performance indicators and profitability analyses.

For calendar-year-end insurers, the effective date of ASU 2018-12 is January 1, 2023 for SEC filers, excluding those eligible to be smaller reporting companies, and January 1, 2025 for all other entities. An insurer's determination of whether it is eligible to be a smaller reporting company is based on its most recent filing determination in accordance with SEC regulations as of November 15, 2019. Early adoption is permitted.

For more information about the latest accounting developments for insurers and other KPMG publications related to ASU 2018-12, please see our Financial Reporting View – Insurance webpage.

2.1 General disclosure objective

A common area of feedback received from users of the financial statements with respect to existing disclosure requirements for long-duration insurance contracts is that legacy US GAAP disclosures do not provide sufficient key decision-making information in a timely and transparent manner.

To enhance existing disclosure requirements, ASU 2018-12 requires that an insurer provide disaggregated rollforwards of beginning and ending balances for the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. Additionally, ASU 2018-12 requires that an insurer 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.

These new disclosures are intended to improve the effectiveness of the user's ability to evaluate the amount, timing, and uncertainty of cash flows arising from long-duration contracts in a timely and transparent manner.

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2.2 Detailed disclosure and presentation requirement changes

This section provides an overview of the disclosure and presentation requirements under ASU 2018-12 and highlights similarities to and differences from legacy US GAAP disclosure requirements. This section does not include all required disclosures in Topic 944.

● New disclosure required ◍ Expansion of existing disclosure requirements ○ Existing requirements

ASU 2018-12 reference	Amendment to disclosure and presentation requirements	New requirement?
Disaggregation requirement for disclosures		
944-40-50-5A, 944-40-55-13H	Disaggregate disclosures related to the following at least at a reportable segment level: deferred acquisition costs, balances amortized on a basis consistent with deferred acquisition costs, the liability for future policy benefits, additional liabilities, market risk benefits, policyholders' account balances, and separate accounts	●
Deferred acquisition costs and sales inducements		
944-30-50-2A	The nature of the costs deferred	○
	Information about the inputs, judgments, assumptions, and methods used to determine amortization amounts and changes in those inputs, judgments, and assumptions	◍
944-30-50-2B	A disaggregated rollforward of deferred acquisition costs and balances amortized on a basis consistent with deferred acquisition costs and a reconciliation of the rollforwards to the balance sheet	●
	The rollforwards must be disaggregated consistent with the related liability disclosures	●
Liability for future policy benefits and additional liability for annuitization, death, or other insurance benefits		
944-40-45-1 944-40-45-2, 944-40-45-4	Separate presentation of insurance liability remeasurement gains/losses	●
944-40-50-6	Disclosures about the liability for future policy benefits for nonparticipating traditional and limited-payment contracts and the additional liability for annuitization, death, or other insurance benefits, including: — A disaggregated rollforward — Reconciliations of the rollforwards to the balance sheet and the income statement	●
	Qualitative and quantitative information about adverse developments when net premiums exceed gross premiums for the liability for future policy benefits	●
944-40-50-7	Information about the significant inputs, judgments, assumptions, and methods used to measure the liability for future policy benefits and the additional liability for annuitization, death, or other insurance benefits; the changes in those significant inputs, judgments, and assumptions during the period; and the effect of those changes on the measurement of the liability	◍

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ASU 2018-12 reference	Amendment to disclosure and presentation requirements	New requirement?
Market risk benefits		
944-40-45-3	Separate presentation of the following items: — The carrying amount of market risk benefits on the balance sheet — The change in fair value of market risk benefits due to instrument-specific credit risk in other comprehensive income — The remaining change in fair value of market risk benefits in the income statement	●
944-40-50-7B	Disclosures about market risk benefits, including: — Disaggregated rollforward(s) — A reconciliation of the rollforwards to the balance sheet — Net amounts at risk and weighted-average attained ages of contract holders for each disaggregated rollforward	●
944-40-50-7C	Information about the significant inputs, judgments, assumptions, and methods used to measure market risk benefits; the changes in those significant inputs, judgments and assumptions during the period; and the effect of those changes on the measurement of market risk benefits	●
Liability for policyholders' account balances		
944-40-50-7A	Disclosures about the liability for policyholders' account balances, including: — Disaggregated rollforward(s) — The weighted-average crediting rate, guaranteed minimum benefit amounts in excess of the current account balances and the cash surrender value for each rollforward — A reconciliation of the rollforwards to the balance sheet	●
	A tabular presentation of policyholders' account balances by range of guaranteed minimum crediting rates and the related range of rates being credited to policyholders	●
Separate account assets and liabilities		
944-80-50-1	Disclosures about separate accounts, including: — The nature of contracts reported in separate accounts, including the extent and terms of minimum guarantees (including market risk benefits) — The basis of presentation for the separate account assets and liabilities and the related separate accounts activity — The aggregate fair value of assets, by major investment asset category, supporting separate accounts — Gains and losses recognized on assets transferred to separate accounts	○
944-80-50-2	Disclosures about separate account liabilities, including: — Disaggregated rollforward(s) — A reconciliation of the rollforwards to the balance sheet — The cash surrender value for each rollforward presented	●

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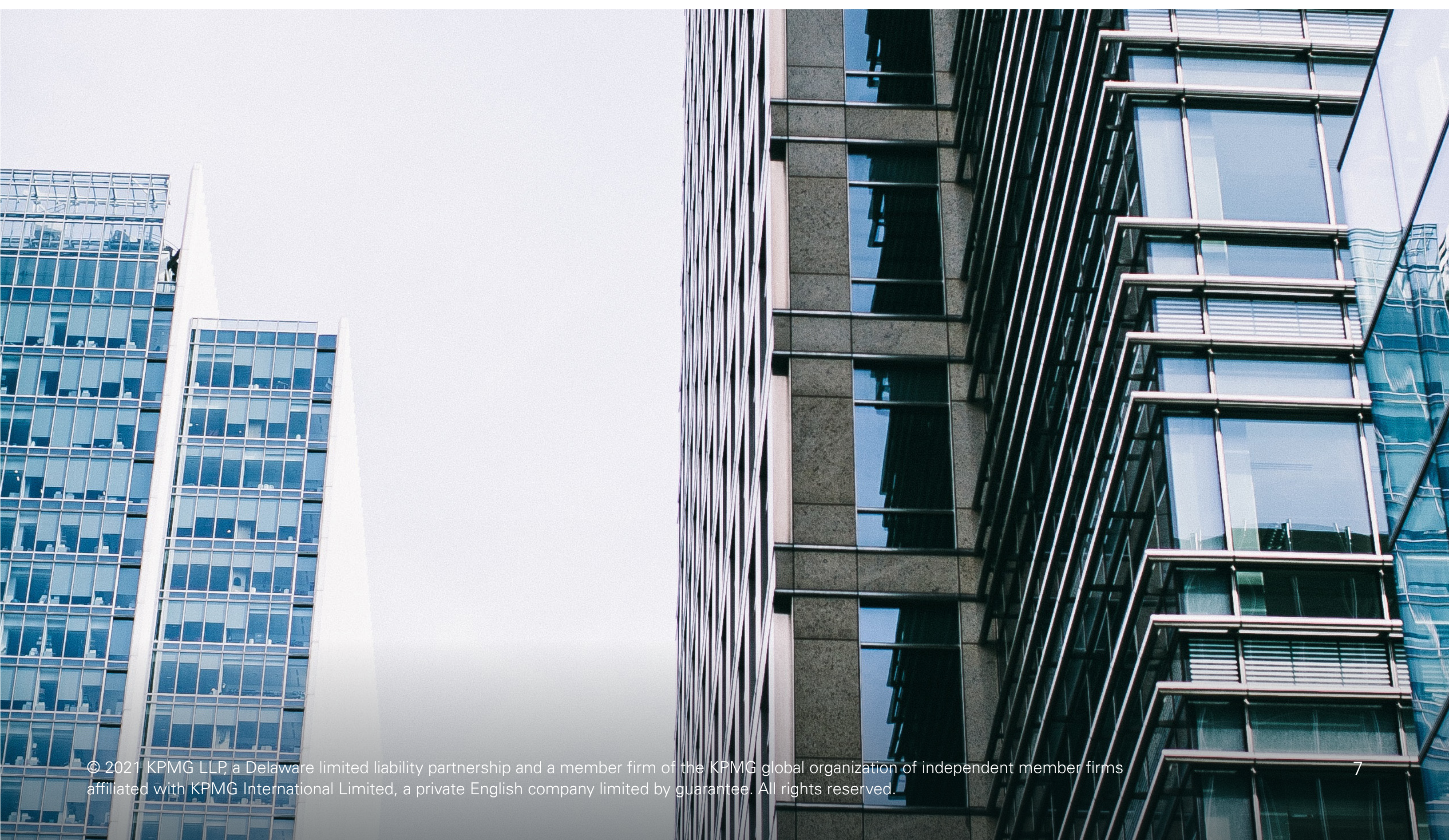
ASU 2018-12 reference	Amendment to disclosure and presentation requirements	New requirement?
Premium deficiency and loss recognition testing		
944-60-50-2	Disclosures about premium deficiency and loss recognition testing, including: — The amount of a premium deficiency and loss recognition liability established during the period — Description of factors that led to the establishment of the liability — Information about the methodology used when performing premium deficiency testing — Whether the entity considered anticipated investment income when performing premium deficiency testing and, if so, the amount of the investment income assumption	●
Transition disclosures		
944-40-65-2(g)	Disclosures about the liability for future policy benefits, deferred acquisitions costs, and balances amortized consistent with deferred acquisition costs at transition, including: — A disaggregated rollforward by transition method — Qualitative and quantitative information about transition adjustments and transition method	●
944-40-65-2(h)	Disclosures about market risk benefits at transition, including: — A disaggregated rollforward — Qualitative and quantitative information about transition adjustments	●



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3 About the company

The example disclosures in this guide relate to a life and annuity insurer (Company) in the United States. Company is publicly traded on a US stock exchange and follows US GAAP reporting requirements. Company has a fiscal year-end of December 31, 2023.

3.1 Segments

Company has the following reportable segments. These segments offer a variety of products and services.

Segment	Products and services
Life benefits	Nonparticipating whole life, term life, single-premium life, and universal life
Retirement services	Fixed indexed annuity, deferred fixed annuity, deferred variable annuity, and single-premium immediate annuity (SPIA)
Corporate and other	Activities and services that are not allocated to the other business segments, including various corporate-level activities

3.2 Transition to ASU 2018-12

For purposes of this example disclosure guide, Company elected to apply the modified retrospective approach for the liability for future policy benefits, deferred acquisition costs, and other balances amortized like deferred acquisition costs. Although ASU 2018-12 allows the election of applying the transition guidance on a retrospective basis, Company faced challenges in accumulating the necessary data to apply ASU 2018-12 retrospectively as certain data elements reside in legacy systems that were retired before the effective date of the standard.

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4 Excerpts from Company's consolidated financial statements

4.1 Consolidated Statements of Stockholders' Equity

(In thousands)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2020	**$321,682**	**$4,319,274**	**$3,937,785**	**$915,399**	**$9,494,140**
Cumulative effect of ASU 2018-12	-	-	(11,953)	(1,280,783)	(1,292,736)
Adjusted balance at January 1, 2021	**321,682**	**4,319,274**	**3,925,832**	**(365,384)**	**8,201,404**
Net income	-	-	549,142	-	549,142
Other comprehensive income, net of tax	-	-	-	181,565	181,565
Dividends paid	-	-	(19,362)	-	(19,362)
Balance at December 31, 2021	**$321,682**	**$4,319,274**	**$4,455,612**	**$(183,819)**	**$8,912,749**
Net income	-	-	554,386	-	554,386
Other comprehensive income, net of tax	-	-	-	240,818	240,818
Dividends paid	-	-	(19,555)	-	(19,555)
Balance at December 31, 2022	**$321,682**	**$4,319,274**	**$4,990,443**	**$56,999**	**$9,688,398**
Net income	-	-	555,578	-	555,578
Other comprehensive income, net of tax	-	-	-	240,906	240,906
Dividends paid	-	-	(19,791)	-	(19,791)
Balance at December 31, 2023	**$321,682**	**$4,319,274**	**$5,526,230**	**$297,905**	**$10,465,091**

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The following table summarizes the components of other comprehensive income during the periods presented:

(In thousands)	2023	2022	2021
Change in unrealized capital gains and losses	$129,392	$177,574	$61,364
Change in unrealized foreign currency translation adjustments	32,349	44,393	15,341
Change in unrealized insurance reserves adjustments	2	(38)	510
Change in discount rate for liability for future policy benefits	81,889	87,667	93,792
Change in instrument-specific credit risk for market risk benefits	(2,726)	(68,778)	10,558
Other comprehensive income, net of tax	$240,906	$240,818	$181,565

4.2 Notes to consolidated financial statements

4.2.1 Note [x] — Significant accounting policies

Liability for future policy benefits

A liability for future policy benefits, which is the present value of estimated future policy benefits to be paid to or on behalf of policyholders and certain related expenses less the present value of estimated future net premiums to be collected from policyholders, is accrued as premium revenue is recognized. The liability is estimated using current assumptions that include discount rate, mortality, lapses, and expenses. These current assumptions are based on judgments that consider Company's historical experience, industry data, and other factors.

For nonparticipating traditional and limited-payment contracts, contracts are grouped into cohorts by contract type and issue year. The liability is adjusted for differences between actual and expected experience. With the exception of the expense assumption, Company reviews its historical and future cash flow assumptions quarterly and updates the net premium ratio used to calculate the liability each time the assumptions are changed. Company has elected to use expense assumptions that are locked in at contract inception and are not subsequently reviewed or updated. Each quarter, Company updates its estimate of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. These updated cash flows are used to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits as of the beginning of the current reporting period, discounted at the original contract issuance discount rate. This amount is then compared to the carrying amount of the liability as of that same date, before the updating of cash flow assumptions, to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented as a separate component of benefit expense in the consolidated income statement. In subsequent periods, the revised net premiums are used to measure the liability for future policy benefits, subject to future revisions.

For nonparticipating traditional and limited-payment contracts, the discount rate assumption is an equivalent single rate that is derived based on A-credit-rated fixed-income instruments with similar duration to the liability. Company selects fixed-income instruments that have been A-rated by one of the major credit rating agencies, such as Moody's, Standard & Poor's, or Fitch. The discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change reflected in other comprehensive income. For liability cash flows that are projected beyond the duration of market-observable A-credit-rated fixed-income instruments, Company uses the last market-observable yield level, and uses linear interpolation to determine yield assumptions for durations that do not have market-observable yields.

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Deferred profit liability

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability (DPL). Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses, and expenses.

The DPL is amortized and recognized as premium revenue in proportion to insurance in force for life insurance contracts and expected future benefit payments for annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. Company reviews and updates its estimates of cash flows for the DPL at the same time as the estimates of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, and any difference is recognized as either a charge or credit to premium revenue.

On the balance sheet, DPL is recorded as a component of the liability for future policy benefits.

Additional insurance liabilities

Company establishes additional liabilities for contracts or contract features that provide for potential benefits in addition to the account balance but are not market risk benefits or embedded derivatives. These benefits include annuitization benefits and death or other insurance benefits (e.g., universal life secondary guarantees other than annuitization). For these benefits, the liability is the sum of the current benefit ratio multiplied by cumulative assessments and accreted interest, less excess payments.

For annuitization benefits, the benefit ratio is the present value of expected annuitization payments to be made less the accrued account balance at the expected annuitization date divided by the present value of expected assessments during the accumulation phase of the contract, discounted at the contract rate. Expected annuitization payments and related incremental claim adjustment expenses, expected assessments, and expected excess payments are calculated using discount rate, mortality, lapse, and expense assumptions.

For death or other insurance benefits, the benefit ratio is the present value of expected excess payments over the life of the contract divided by the present value of expected assessments over the life of the contract, discounted at the contract rate.

Company recognizes a shadow reserve adjustment for the additional insurance liabilities when unrealized gains and losses are not included in the investment margin while calculating the present value of expected assessments for the benefit ratios. Shadow reserve adjustments are recognized in other comprehensive income.

For additional liabilities for death or other insurance benefits, the discount rate assumption is based on the contract rate at inception. The mortality, lapse, and expense assumptions are based on Company's experience, industry data, and other factors. Assumptions are reviewed and updated, if necessary, at least annually. When those assumptions are updated, the benefit ratio and the liability are remeasured, with the resulting gain or loss reflected in total benefits expense.

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Market risk benefits

Market risk benefits are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose Company to other-than-nominal capital market risk. Market risk benefits include certain contract features on variable annuity products that provide minimum guarantees to policyholders, such as guaranteed minimum death benefits (GMDBs) and guaranteed lifetime withdrawal benefits (GLWBs). Market risk benefits are measured at fair value using an option-based valuation model based on current net amounts at risk, market data, Company experience, and other factors. Changes in fair value are recognized in net income each period with the exception of the portion of the change in fair value due to a change in the instrument-specific credit risk, which is recognized in other comprehensive income.

Deferred acquisition costs and deferred sales inducements

Deferred acquisition costs (DAC) are costs that are incremental and directly related to the successful acquisition of new or renewal insurance contracts. Such costs include the incremental direct costs of contract acquisition, such as sales commissions; the portion of employees' total compensation and payroll-related fringe benefits related directly to time spent performing acquisition activities, such as underwriting, issuing, and processing policies for contracts that have actually been acquired; and other costs related directly to acquisition activities that would not have been incurred if the contract had not been acquired.

Contracts are grouped by contract type and issue year into cohorts consistent with the grouping used in estimating the associated liability. DAC is amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. For all life insurance products, the constant level basis used is face amount in force. For all annuity products, the constant level basis used is initial deposit in force. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on Company's experience, industry data, and other factors and are consistent with those used for the liability for future policy benefits. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at that time. Unexpected lapses, due to higher mortality and lapse experience than expected, are recognized in the current period as a reduction of the capitalized balances.

Amortization of DAC is included in amortization expense. The DAC balance is reduced for actual experience in excess of expected experience. Changes in future estimates are recognized prospectively over the remaining expected contract term.

Deferred sales inducements are contract features that are intended to attract new customers or to persuade existing customers to keep their current policy. Deferred sales inducements may be deferred if Company can demonstrate that the deferred sales inducement amounts are both incremental to the amounts Company credits on similar contracts without sales inducements and the amounts are higher than the contract's expected ongoing crediting rates for periods after the inducement. Day-one bonuses and persistency bonuses generally meet the criteria to be deferred. Deferred sales inducements are amortized using the same methodology and assumptions used to amortize DAC.

Balances amortized on a basis consistent with DAC

Company recognizes an intangible asset or liability for the difference between the fair value of the insurance and reinsurance assets acquired and liabilities assumed in a business combination and those same assets and liabilities measured according to Company's accounting policies. This intangible asset is referred to as the present value of future profits (PVFP), which is amortized on a basis consistent with DAC, such that it is amortized in proportion to face amount in force for life insurance products and initial deposit in force for annuity products to approximate straight-line amortization.

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4.2.2 Note [y] — Policyholders' liabilities

4.2.2.1 Liability for future policy benefits and additional insurance liabilities

In both 2022 and 2023, Company updated the net premium ratio when updating for actual historical experience each quarter; future cash flow assumptions were reviewed each quarter and updated in the third quarter.

The following tables summarize balances and changes in the liability for future policy benefits for nonparticipating traditional and limited-payment contracts: [944-40-50-6(a), 944-40-50-6(b)(4)]

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	(In thousands)	December 31, 2023 Life benefits Whole life	Term life	Single-premium life	Retirement services SPIA (life contingent)
Present value of expected net premiums	Balance, beginning of year	$1,835,002	$381,009	$-	$-
	Beginning balance at original discount rate	1,683,688	379,680	-	-
	Effect of changes in cash flow assumptions	-	-	-	-
	Effect of actual variances from expected experience	1,933	26,556	-	-
	Adjusted beginning of year balance	1,685,621	406,236	-	-
	Issuances[1]	504,859	128,755	633,366	349,212
	Interest accrual[2]	106,958	18,521	-	-
	Net premiums collected[3]	(318,979)	(105,374)	(633,366)	(349,212)
	Derecognition (lapses and withdrawals)[4]	-	-	-	-
	Ending balance at original discount rate	1,978,459	448,138	-	-
	Effect of changes in discount rate assumptions	133,441	1,925	-	-
	Balance, end of year	2,111,900	450,063	-	-
Present value of expected future policy benefits	Balance, beginning of year	4,367,643	512,156	2,524,528	963,296
	Beginning balance at original discount rate	3,506,288	508,980	2,088,756	845,770
	Effect of changes in cash flow assumptions	-	-	-	-
	Effect of actual variances from expected experience	2,737	43,719	(1,498)	261
	Adjusted beginning of year balance	3,509,025	552,699	2,087,258	846,031
	Issuances	504,859	128,755	633,366	349,212
	Interest accrual	221,164	27,576	138,759	53,404
	Benefit payments[5]	(380,998)	(155,665)	(225,157)	(135,868)
	Derecognition (lapses and withdrawals)[4]	-	-	-	-
	Ending balance at original discount rate	3,854,050	553,365	2,634,226	1,112,779
	Effect of changes in discount rate assumptions	801,211	3,625	407,404	106,423
	Balance, end of year	4,655,261	556,990	3,041,630	1,219,202
	Net liability for future policy benefits	2,543,361	106,927	3,041,630	1,219,202
	Less: Reinsurance recoverable	-	-	-	-
	Net liability for future policy benefits, after reinsurance recoverable	$2,543,361	$106,927	$3,041,630	$1,219,202

[1] Issuances: The present value, using the original discount rate, of the expected net premiums or the expected future policy benefits related to new policies issued during the current period

[2] Interest accrual: The interest earned on the beginning present value of either the expected net premiums or the expected future policy benefits using the original interest rate

[3] Net premiums collected: The product of the current period net premium ratio and the gross premiums collected during the period on the inforce business

[4] Derecognition (lapses and withdrawals): Equal to $0 as all expected lapse and withdrawal benefits are accounted for in the net premium ratio

[5] Benefit payments: The release of the present value, using the original discount rate, of the expected future policy benefits due to death, lapse/withdrawal, and maturity benefit payments based on the revised expected assumptions

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	(In thousands)	December 31, 2022 Life benefits Whole life	 Term life	 Single-premium life	 Retirement services SPIA (life contingent)
Present value of expected net premiums	Balance, beginning of year	$1,564,806	$349,707	$-	$-
	Beginning balance at original discount rate	1,397,307	347,724	-	-
	Effect of changes in cash flow assumptions	37,944	(558)	-	-
	Effect of actual variances from expected experience	2,426	(2,886)	-	-
	Adjusted beginning of year balance	1,437,677	344,280	-	-
	Issuances[1]	420,716	107,395	482,965	261,909
	Interest accrual[2]	89,616	15,822	-	-
	Net premiums collected[3]	(264,321)	(87,817)	(482,965)	(261,909)
	Derecognition (lapses and withdrawals)[4]	-	-	-	-
	Ending balance at original discount rate	1,683,688	379,680	-	-
	Effect of changes in discount rate assumptions	151,314	1,329	-	-
	Balance, end of year	1,835,002	381,009	-	-
Present value of expected future policy benefits	Balance, beginning of year	4,108,646	484,946	2,169,854	769,993
	Beginning balance at original discount rate	3,183,212	480,569	1,704,401	642,922
	Effect of changes in cash flow assumptions	44,025	(655)	(25,308)	4,243
	Effect of actual variances from expected experience	2,859	(4,264)	(1,497)	262
	Adjusted beginning of year balance	3,230,096	475,650	1,677,596	647,427
	Issuances	420,716	107,395	482,965	261,909
	Interest accrual	208,356	23,787	116,413	43,798
	Benefit payments[5]	(352,880)	(97,852)	(188,218)	(107,364)
	Derecognition (lapses and withdrawals)[4]	-	-	-	-
	Ending balance at original discount rate	3,506,288	508,980	2,088,756	845,770
	Effect of changes in discount rate assumptions	861,355	3,176	435,772	117,526
	Balance, end of year	4,367,643	512,156	2,524,528	963,296
	Net liability for future policy benefits	2,532,641	131,147	2,524,528	963,296
	Less: Reinsurance recoverable	-	-	-	-
	Net liability for future policy benefits, after reinsurance recoverable	$2,532,641	$131,147	$2,524,528	$963,296

[1] Issuances: The present value, using the original discount rate, of the expected net premiums or the expected future policy benefits related to new policies issued during the current period

[2] Interest accrual: The interest earned on the beginning present value of either the expected net premiums or the expected future policy benefits using the original interest rate

[3] Net premiums collected: The product of the current period net premium ratio and the gross premiums collected during the period on the inforce business

[4] Derecognition (lapses and withdrawals): Equal to $0 as all expected lapse and withdrawal benefits are accounted for in the net premium ratio

[5] Benefit payments: The release of the present value, using the original discount rate, of the expected future policy benefits due to death, lapse/withdrawal, and maturity benefit payments based on the revised expected assumptions

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The following table reconciles the net liability for future policy benefits to the liability for future policy benefits in the consolidated balance sheet. The DPL for single premium and immediate annuity products is presented together with the liability for future policy benefits in the consolidated balance sheet. The DPL has been included as a reconciling item in the table: [944-40-50-6(c)]

	December 31,	
(In thousands)	**2023**	**2022**
Whole life	$2,543,361	$2,532,641
Term life	106,927	131,147
Single-premium life	3,041,630	2,524,528
SPIA (life contingent)	1,219,202	963,296
Single-premium life DPL	55,163	54,962
SPIA (life contingent) DPL	6,256	6,316
Total	$6,972,539	$6,212,890

The following tables summarize the amount of revenue and interest related to nonparticipating traditional and limited-payment contracts recognized in the consolidated income statement: [944-40-50-6(b)(3), 944-40-50-6(c)]

	Gross premiums or assessments			Interest expense		
	December 31,			December 31,		
(In thousands)	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Whole life	$375,269	$310,966	$179,200	$114,206	$118,740	$117,276
Term life	123,969	103,314	66,260	9,055	7,965	7,887
Single-premium life	745,136	568,194	378,796	138,759	116,413	101,038
SPIA (life contingent)	388,014	291,010	192,484	53,404	43,798	36,670
Total	$1,632,388	$1,273,484	$816,740	$315,424	$286,916	$262,871

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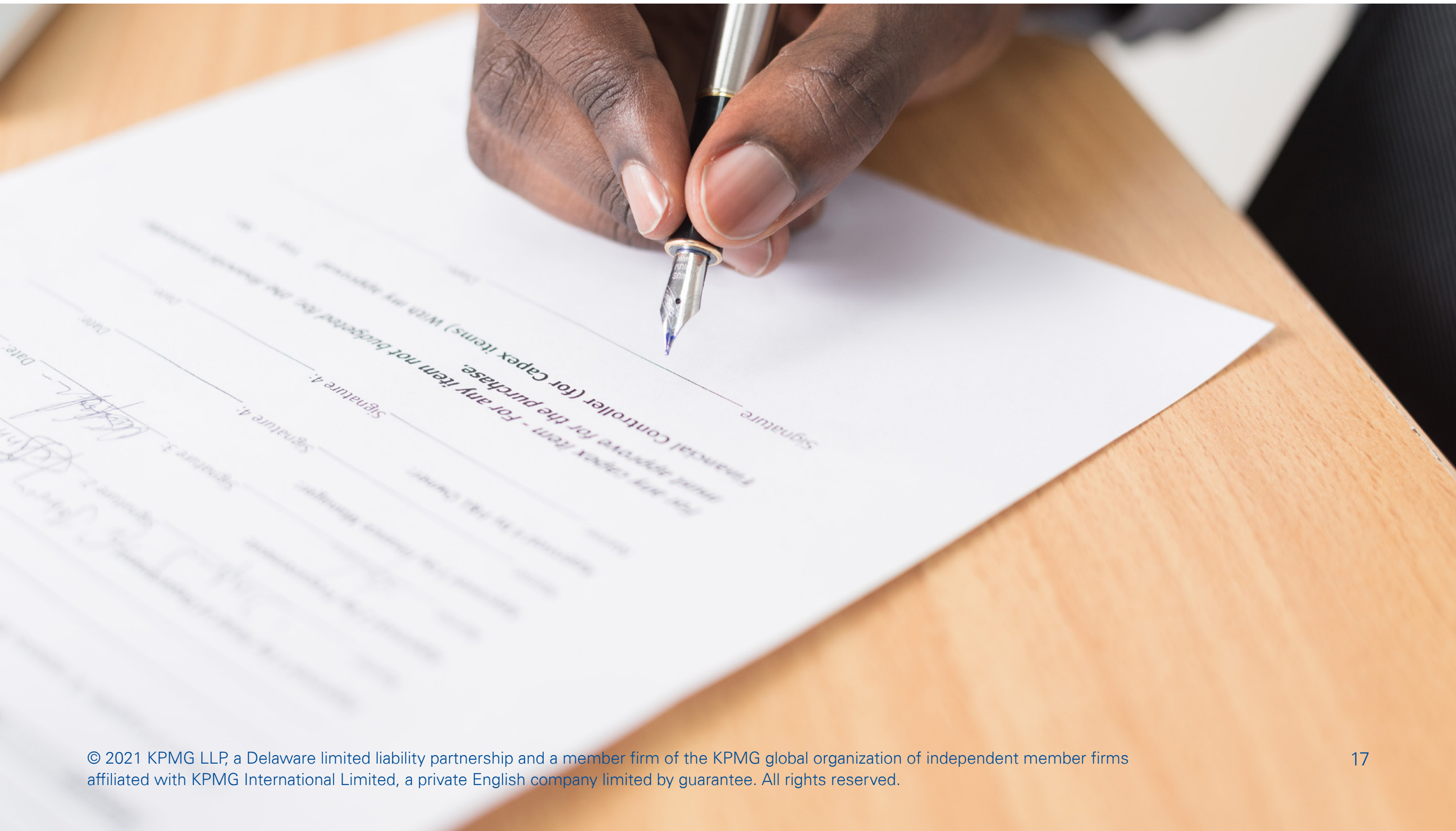
The following table provides the amount of undiscounted and discounted expected gross premiums and expected future benefits and expenses for nonparticipating traditional and limited-payment contracts: [944-40-50-6(b)(1)]

	December 31,			
	2023		2022	
(In thousands)	Undiscounted	Discounted	Undiscounted	Discounted
Whole life				
Expected future gross premiums	$ 5,358,229	$ 2,484,589	$ 4,690,700	$ 2,158,826
Expected future benefits and expenses	11,974,787	4,655,261	10,925,053	4,367,643
Term life				
Expected future gross premiums	627,130	529,485	557,298	448,245
Expected future benefits and expenses	785,351	556,990	710,657	512,156
Single-premium life				
Expected future gross premiums	-	-	-	-
Expected future benefits and expenses	8,274,144	3,041,630	6,862,349	2,524,528
SPIA (life contingent)				
Expected future gross premiums	-	-	-	-
Expected future benefits and expenses	2,212,386	1,219,202	1,801,612	963,296

In 2023, Company recorded a charge of $3.3 million to income because net premiums exceeded gross premiums for the term life line of business. This was a result of claim volatility on some of Company's older term issues, where the remaining inforce is small and the impact of claim volatility more pronounced. No charge was incurred in 2022 resulting from net premiums exceeding gross premiums for the term line of business. [944-40-50-6(d)]



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The following table provides the balances and changes in the additional insurance liabilities related to universal life that are in addition to the account balance, including annuitization benefits and death or other insurance benefits: [944-40-50-6(a), 944-40-50-6(b)(4)]

	December 31, 2023	December 31, 2022
	Life benefits	Life benefits
(In thousands)	Universal life	Universal life
Balance, beginning of year	$32,494	$27,505
Beginning balance before shadow reserve adjustments	33,306	28,355
Effect of changes in cash flow assumptions	(2,239)	1,151
Effect of actual variances from expected experience	(393)	335
Adjusted beginning of year balance	30,674	29,841
Issuances[1]	194	172
Interest accrual[2]	328	319
Assessments collected[3]	6,886	6,699
Benefit payments[4]	(4,701)	(3,725)
Derecognition (lapses and withdrawals)[5]	-	-
Ending balance before shadow reserve adjustments	33,381	33,306
Effect of shadow reserve adjustments	(814)	(812)
Balance, end of year	32,567	32,494
Less: Reinsurance recoverable, end of year	-	-
Net additional liability, after reinsurance recoverable	$32,567	$32,494

The following table reconciles the net additional insurance liability to the additional insurance liability in the consolidated balance sheet: [944-40-50-6(c)]

	December 31,	
(In thousands)	2023	2022
Universal life	$32,567	$32,494
Total	$32,567	$32,494

The following table provides the amount of gross assessments and interest expense related to annuitization and death or other insurance benefits recognized in the consolidated income statement: [944-40-50-6(b)(3), 944-40-50-6(c)]

	Gross assessments			Interest expense		
	December 31,			December 31,		
(In thousands)	2023	2022	2021	2023	2022	2021
Universal life	$6,886	$6,699	$6,631	$328	$319	$241
Total	$6,886	$6,699	$6,631	$328	$319	$241

[1] Issuances: The additional liabilities related to new issues during the period

[2] Interest accrual: The interest accrued on the adjusted beginning of year balance using the original discount rate

[3] Assessments collected: The product of the fees collected during the period and the current benefit ratio

[4] Benefit payments: The release of the additional liabilities due to benefit payments based on the expected assumptions

[5] Derecognition (lapses and withdrawals): Equal to $0 as all expected lapse and withdrawal benefits are accounted for in the benefit ratio

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The following table summarizes the actual experience and expected experience for mortality and lapses of the liability for future policy benefits and the additional insurance liabilities: [944-40-50-6(b)(2)]

	December 31, 2023				
	Life benefits				Retirement services
	Whole life	Term life	Single-premium life	Universal life	SPIA (life contingent)
Mortality					
Actual experience	2.3%	1.3%	1.6%	0.1%	1.4%
Expected experience	2.2%	0.5%	1.8%	0.1%	1.6%
Lapses					
Actual experience	5.0%	8.0%	5.0%	1.6%	5.0%
Expected experience	5.0%	7.0%	5.0%	1.5%	5.0%

	December 31, 2022				
	Life benefits				Retirement services
	Whole life	Term life	Single-premium life	Universal life	SPIA (life contingent)
Mortality					
Actual experience	2.1%	0.5%	1.5%	0.1%	1.4%
Expected experience	1.8%	0.5%	1.6%	0.1%	1.6%
Lapses					
Actual experience	5.0%	7.0%	5.0%	1.6%	5.0%
Expected experience	5.0%	6.0%	5.0%	1.5%	5.0%

The following table provides the weighted-average durations of the liability for future policy benefits and the additional insurance liabilities, in years: [944-40-50-6(b)(5)]

	December 31,	
	2023	2022
Whole life	16.3	16.1
Term life	5.1	4.8
Single-premium life	21.7	18.6
Universal life	19.3	19.5
SPIA (life contingent)	12.9	12.6

The following table provides the weighted-average interest rates for the liability for future policy benefits and the additional insurance liabilities: [944-40-50-6(b)(6)]

	December 31,	
	2023	2022
Whole life		
Interest accretion rate	6.3%	6.6%
Current discount rate	3.9%	4.0%
Term life		
Interest accretion rate	6.2%	6.1%
Current discount rate	3.9%	3.8%
Single-premium life		
Interest accretion rate	6.6%	6.9%
Current discount rate	3.9%	4.0%
Universal life		
Interest accretion rate	1.1%	1.1%
Current discount rate	1.1%	1.1%
SPIA (life contingent)		
Interest accretion rate	6.3%	6.8%
Current discount rate	3.7%	3.8%

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Company realized actual-to-expected experience variances and made changes to assumptions during 2022 and 2023 as follows: [944-40-50-7(b)]

Whole life

Significant assumption inputs to the calculation of the liability for future policy benefits for whole life include mortality, lapses, and discount rates (both accretion and current). In 2023, Company undertook a review of all significant assumptions and did not make any changes to mortality or lapse assumptions because actual experience for mortality and lapses was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2022 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. In 2022, Company similarly undertook a review of all significant assumptions and did not make any changes to lapses, but Company revised its future mortality expectations upward due to higher-than-expected mortality experience in later durations for its Stability II product. The number of policies in force at these later durations had previously been limited, increasing the volatility of actual results, but the number of policies in force grew in 2022 and the actual results became more stable as the product matured. Lapses in 2022 were unchanged because actual experience for lapses was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2021 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. Impacts to expected net premiums and expected future policy benefits due to assumption changes in 2022 can be observed in the liability for future policy benefits rollforward tables at December 31, 2022.

Term life

Significant assumption inputs to the calculation of the liability for future policy benefits for term life include mortality, lapses, and discount rates (both accretion and current). In 2023, Company undertook a review of all significant assumptions and did not make any changes to mortality and lapse assumptions because actual experience for mortality and lapses across most products was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2022 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. Certain older products (particularly Company's Protector I and II products) had net premiums that exceeded gross premiums due to significant unfavorable claims volatility, resulting in a $3.3 million charge to income. However, because of the small size of these products and expected ongoing volatility, Company did not believe there was sufficient data to warrant any changes to future mortality expectations at this time. In 2022, Company similarly undertook a review of all significant assumptions and did not make any changes to mortality or current discount rates; however, Company revised its future lapse expectations upward due to higher-than-expected shock lapses on its Assurance product as these policies were near the end of their 15-year term. In 2022, mortality rates were unchanged because actual experience for mortality was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2021 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. Impacts to expected net premiums and expected future policy benefits due to assumption changes in 2022 can be observed in the liability for future policy benefits rollforward tables at December 31, 2022.

Single-premium life

Significant assumption inputs to the calculation of the liability for future policy benefits for single-premium life include mortality, lapses, and discount rates (both accretion and current). In 2023, Company undertook a review of all significant assumptions and did not make any changes to mortality and lapse assumptions because actual experience for mortality and lapses across most products was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2022 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. In 2022, Company similarly undertook

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a review of all significant assumptions and did not make any changes to lapses or current discount rates, but Company revised its future mortality expectations downward due to ongoing favorable experience in its Wealth Accumulator products. These products were largely sold as part of estate planning strategies for affluent policyholders and claims have been lower than anticipated. In 2022, lapse rates were unchanged because actual experience for lapses was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2021 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. Impacts to expected future policy benefits due to assumption changes in 2022 can be observed in the liability for future policy benefits rollforward tables at December 31, 2022.

Universal life

Significant assumption inputs to the calculation of the additional insurance liability for death benefits for universal life include mortality, lapses, premium payment patterns, and crediting rates. In 2023, Company undertook a review of all significant assumptions and revised its lapse assumption downward due to continuing higher-than-expected persistency in its older products with lifetime shadow guarantees. Other assumptions were unchanged because actual experience was materially consistent with the underlying assumptions. In 2022, Company similarly undertook a review of all significant assumptions and revised both mortality and crediting rate assumptions due to higher-than-expected mortality for younger issue ages on its Generation products and lower declared crediting rates across products due to the ongoing low interest rate environment. In 2022, mortality and premium payment pattern assumptions were unchanged because actual experience was materially consistent with the underlying assumptions. Impacts to the additional insurance liability due to assumption changes can be observed in the rollforward tables.

SPIAs (life contingent)

Significant assumption inputs to the calculation of the liability for future policy benefits for SPIAs (life contingent) include longevity, lapses, and discount rates (both accretion and current). In 2023, Company undertook a review of all significant assumptions and did not make any changes to mortality and lapse assumptions because actual experience for mortality and lapses across most products was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2022 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. In 2022, Company similarly undertook a review of all significant assumptions and did not make any changes to longevity or current discount rates, but did revise its future lapse expectations downward due to lower-than-expected surrenders on its Stability Pro products, which Company believes is largely attributable to the ongoing low interest rate environment. Longevity rates in 2022 were unchanged because actual experience for lapses was materially consistent with the underlying assumptions. Market data that underlies current discount rates was updated from 2021 but was relatively static year-over-year, resulting in insignificant impacts to the liability for future policy benefits. Impacts to expected future policy benefits due to assumption changes in 2022 can be observed in the liability for future policy benefits rollforward tables at December 31, 2022.

Premium deficiency testing

Company conducts annual premium deficiency testing for its long-duration contracts except for the liability for future policy benefits for nonparticipating traditional and limited-payment contracts. Company also conducts annual premium deficiency testing for the PVFP of all long-duration contracts. Premium deficiency testing is performed by reviewing assumptions used to calculate the insurance liabilities and determining whether the sum of the existing contract liabilities and the present value of future gross premiums is sufficient to cover the present value of future benefits to be paid to or on behalf of policyholders and settlement costs and recover unamortized present value of future profits. Anticipated investment income, based on Company's experience, is considered when performing premium deficiency testing for long-duration contracts. During 2023 and 2022, Company was not required to establish any additional liabilities as a result of premium deficiency testing. [944-60-50-2(b), 944-60-50-2(c)]

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4.2.2.2 Liability for policyholders' account balances

Company recognizes a liability for policyholders' account balances. The following tables summarize balances of and changes in policyholders' account balances: [944-40-50-7A(a), 944-40-50-7A(b)]

	December 31, 2023				
	Life benefits	Retirement services			
(In thousands)	Universal life	Deferred fixed annuity	Fixed indexed annuity	Deferred variable annuity	SPIA (non-life contingent)
Balance, beginning of year	$900,373	$414,578	$441,070	$757,917	$90,642
Issuances[1]	478,656	220,398	234,481	402,924	48,187
Premiums received[2]	431,260	198,574	211,263	363,026	43,415
Policy charges[3]	(28,199)	(12,984)	(13,814)	(23,738)	(2,839)
Surrenders and withdrawals[4]	(115,537)	(53,199)	(56,599)	(97,257)	(11,631)
Benefit payments[5]	(697,786)	(321,297)	(341,828)	(587,383)	(70,247)
Net transfers from (to) separate account	-	-	-	(24,952)	-
Interest credited[6]	28,530	11,429	15,234	25,937	2,712
Other	(95,561)	(44,001)	(46,813)	(80,442)	(9,620)
Balance, end of year	$901,736	$413,498	$442,994	$736,032	$90,619
Weighted-average crediting rate	3.2%	2.8%	3.5%	3.4%	3.0%
Net amount at risk[7]	$34,998	$27,563	$29,529	$54,435	$5,834
Cash surrender value	$874,684	$396,958	$431,919	$702,911	$90,619

[1] Issuances: Funds collected from new business with policyholder to fund policyholder's account balance

[2] Premiums received: Premiums collected from policyholders during the period for inforce business

[3] Policy charges: Charges assessed against a policyholders' account balance for administration and other fees

[4] Surrenders and withdrawals: Reductions to the policyholders' account balance due to policyholders surrendering the policy or withdrawing funds from the account balance

[5] Benefit payments: Benefits due under contract that were paid to policyholder during the period

[6] Interest credited: Interest earned and credited to policyholders' account balance during the period

[7] Net amount at risk: Guaranteed benefit amounts less current policyholders' account balance at the reporting date

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	December 31, 2022				
	Life benefits	Retirement services			
	Universal life	Deferred fixed annuity	Fixed indexed annuity	Deferred variable annuity	SPIA (non-life contingent)
Balance, beginning of year	$891,877	$413,103	$435,026	$778,452	$89,984
Issuances[1]	474,139	219,614	231,268	413,841	47,837
Premiums received[2]	427,190	197,868	208,368	372,862	43,100
Policy charges[3]	(27,933)	(12,938)	(13,625)	(24,381)	(2,818)
Surrenders and withdrawals[4]	(114,447)	(53,010)	(55,823)	(99,892)	(11,547)
Benefit payments[5]	(691,202)	(320,154)	(337,144)	(603,298)	(69,737)
Net transfers from (to) separate account	-	-	-	(28,569)	-
Interest credited[6]	35,408	13,940	19,171	31,523	3,373
Other	(94,659)	(43,845)	(46,171)	(82,621)	(9,550)
Balance, end of year	$900,373	$414,578	$441,070	$757,917	$90,642
Weighted-average crediting rate	4.0%	3.4%	4.4%	4.0%	3.7%
Net amount at risk[7]	$32,668	$27,635	$29,401	$54,215	$5,836
Cash surrender value	$868,860	$395,922	$427,838	$720,021	$90,642

[1] Issuances: Funds collected from new business with policyholder to fund policyholder's account balance

[2] Premiums received: Premiums collected from policyholders during the period for inforce business

[3] Policy charges: Charges assessed against a policyholders' account balance for administration and other fees

[4] Surrenders and withdrawals: Reductions to the policyholders' account balance due to policyholders surrendering the policy or withdrawing funds from the account balance

[5] Benefit payments: Benefits due under contract that were paid to policyholder during the period

[6] Interest credited: Interest earned and credited to policyholders' account balance during the period

[7] Net amount at risk: Guaranteed benefit amounts less current policyholders' account balance at the reporting date

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The following table reconciles policyholders' account balances to the policyholders' account balance liability in the consolidated balance sheet: [944-40-50-7A(c)]

	December 31,	
(In thousands)	**2023**	**2022**
Universal life	$901,736	$900,373
Deferred fixed annuity	413,498	414,578
Fixed indexed annuity	442,994	441,070
Deferred variable annuity	736,032	757,917
SPIA (non-life contingent)	90,619	90,642
Total	$2,584,879	$2,604,580

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums: [944-40-50-7A(d)]

	December 31, 2023				
Range of guaranteed minimum crediting rate *(In thousands)*	**At guaranteed minimum**	**1–50 basis points above**	**51–150 basis points above**	**Greater than 150 basis points above**	**Total**
Less than 2.00%	$68,143	$240,771	$626,912	$27,257	$963,083
2.00%–2.99%	59,057	31,800	136,285	31,800	258,942
3.00%–3.99%	1,212,939	90,857	18,171	-	1,321,967
4.00% and greater	40,887	-	-	-	40,887
Total	$1,381,026	$363,428	$781,368	$59,057	$2,584,879

	December 31, 2022				
Range of guaranteed minimum crediting rate *(In thousands)*	**At guaranteed minimum**	**1–50 basis points above**	**51–150 basis points above**	**Greater than 150 basis points above**	**Total**
Less than 2.00%	$68,662	$242,606	$631,691	$27,465	$970,424
2.00%–2.99%	59,507	32,042	137,324	32,042	260,915
3.00%–3.99%	1,222,184	91,549	18,310	-	1,332,043
4.00% and greater	41,198	-	-	-	41,198
Total	$1,391,551	$366,197	$787,325	$59,507	$2,604,580

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4.2.2.3 Separate account liabilities

Separate account assets and liabilities consist of investment accounts established and maintained by Company for certain variable contracts. Some of these variable contracts include minimum guarantees such as GMDBs that guarantee a minimum payment to the policyholder in the event of death. [944-80-50-1(a)]

The assets that support variable contracts are measured at fair value and are reported as separate account assets on the consolidated balance sheet. An equivalent amount is reported as separate account liabilities. Market risk benefit assets and liabilities for minimum guarantees are valued and presented separately from separate account assets and separate account liabilities. Market risk benefits are discussed further in the market risk benefits section of Company's footnote disclosures. Policy charges assessed against the policyholders for mortality, administration and other services are included in the life premiums and contract charges line item on the consolidated income statement. [944-80-50-1(b)]

The following table presents the balances of and changes in separate account liabilities: [944-80-50-2(a), 944-80-50-2(b)]

	Retirement services	
	Deferred variable annuity	
	December 31,	
(In thousands)	**2023**	**2022**
Balance, beginning of year	$2,235,261	$2,621,009
Premiums and deposits	195,710	229,484
Policy charges	(9,281)	(10,882)
Surrenders and withdrawals	(442,577)	(518,954)
Benefit payments	(2,261)	(2,651)
Investment performance	65,301	(104,118)
Net transfers from (to) general account	24,952	28,569
Other charges	(6,137)	(7,196)
Balance, end of year	$2,060,968	$2,235,261
Cash surrender value	$1,873,264	$1,990,387

The following table reconciles the separate account liabilities to the separate account liability balance in the consolidated balance sheet: [944-80-50-2(c)]

	December 31,	
(In thousands)	**2023**	**2022**
Variable annuities	$2,060,968	$2,235,261
Total	$2,060,968	$2,235,261

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The following table presents the aggregate fair value of assets, by major investment asset category, supporting separate accounts: [944-80-50-1(e)]

	December 31,	
(In thousands)	**2023**	**2022**
Asset Type		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$20,153	$21,857
Obligations of states of the United States and political subdivisions of the states	51,595	55,958
Corporate debt securities:		
Investment grade	121,400	131,666
Noninvestment grade	30,350	32,917
Foreign debt securities	45,525	49,375
Mortgage-backed securities	54,630	59,250
Equity securities (including mutual funds)	806,060	874,227
Real estate	167,087	181,218
Mortgage loans	92,826	100,676
Derivative financial instruments	111,392	120,812
Cash and cash equivalents	559,950	607,305
Total	$2,060,968	$2,235,261

The following table presents the amount of gains and losses recognized on assets transferred to separate accounts: [944-80-50-1(f)]

	December 31,		
(In thousands)	**2023**	**2022**	**2021**
Gains	$5,074	$4,458	$3,791
Losses	(1,800)	(1,466)	(658)
Net	$3,274	$2,992	$3,133

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4.2.3 Market risk benefits

The following table presents the balances of and changes in market risk benefits associated with deferred variable annuities and fixed indexed annuities: [944-40-50-7B(a), 944-40-50-7B(b)]

	December 31, 2023		**December 31, 2022**	
(In thousands)	**Deferred variable annuity**	**Fixed indexed annuity**	**Deferred variable annuity**	**Fixed indexed annuity**
Balance, beginning of year	$81,009	$303,141	$70,230	$263,629
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	76,963	288,013	80,929	302,535
Issuances[1]	770	17,281	728	15,127
Interest accrual[2]	1,770	6,624	2,023	7,563
Attributed fees collected[3]	11,545	46,082	12,139	48,406
Benefit payments[4]	(847)	(2,880)	(890)	(3,025)
Effect of changes in interest rates	1,385	5,760	(4,613)	(17,547)
Effect of changes in equity markets	(9,620)	(43,202)	(12,139)	(60,507)
Effect of changes in equity index volatility	(2,116)	(8,640)	(2,023)	(7,563)
Actual policyholder behavior different from expected behavior	616	2,304	809	3,024
Effect of changes in future expected policyholder behavior	-	-	-	-
Effect of changes in other future expected assumptions	-	-	-	-
Balance, end of year, before effect of changes in the instrument-specific credit risk	$80,466	$311,342	$76,963	$288,013
Effect of changes in the instrument-specific credit risk	4,618	17,281	4,046	15,128
Balance, end of year	$85,084	$328,623	$81,009	$303,141
Less: Reinsurance recoverable, end of year	-	-	-	-
Balance, end of year, net of reinsurance	$85,084	$328,623	$81,009	$303,141
Net amount at risk[5]	$160,930	$778,356	$171,030	$822,895
Weighted-average attained age of contract holders	52	49	53	49

[1] Issuances: The additional market risk benefits related to new issues during the period

[2] Interest accrual: The interest accrued, using the original discount rate, on the beginning of year balance before effect of changes in the instrument-specific credit risk

[3] Attributed fees collected: The product of the fees collected during the period and the current benefit ratio

[4] Benefit payments: The release of the market risk benefits due to benefit payments based on the expected assumptions

[5] Net amount at risk: Current guaranteed minimum benefit less current account balance at the reporting date

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The following table reconciles market risk benefits by amounts in an asset position and amounts in a liability position to the market risk benefit amounts in the consolidated balance sheet: [944-40-50-7B(c)]

	December 31, 2023			December 31, 2022		
(In thousands)	**Asset**	**Liability**	**Net liability**	**Asset**	**Liability**	**Net liability**
Deferred variable annuity	$4,254	$89,338	$85,084	$4,051	$85,060	$81,009
Fixed indexed annuity	16,431	345,054	328,623	15,157	318,298	303,141
Balance, end of year	$20,685	$434,392	$413,707	$19,208	$403,358	$384,150

In 2023, the following notable changes were made to the inputs to the fair value estimates of market risk benefit calculations: [944-40-50-7C(b)]

— Risk-free rates decreased slightly, leading to an increase in the market risk benefits associated with both deferred variable annuities (VA) and fixed indexed annuities (FIA).

— Increases in the equity markets resulted in a decrease in the net amount of risk associated with VA and FIA, leading to a decrease in the value of the associated market risk benefits.

— Volatility indices decreased, leading to a decrease in the market risk benefits associated with both VA and FIA.

— Nonfinancial assumptions were unchanged because the experience did not warrant changes to the assumptions.

— Company's credit spread decreased, leading to a corresponding increase in the market risk benefits associated with both VA and FIA.

In 2022, the following notable changes were made to the inputs to the market risk benefit calculations:

— Risk-free rates increased moderately, leading to a decrease in the market risk benefits associated with both VA and FIA.

— Increases in the equity markets resulted in a decrease in the net amount at risk associated with VA and FIA, leading to a decrease in the value of the associated market risk benefits.

— Volatility indices decreased, leading to a decrease in the market risk benefits associated with both VA and FIA.

— Nonfinancial assumptions were unchanged because the experience did not warrant changes to the assumptions.

— Company's credit spread decreased, leading to a corresponding increase in the market risk benefits associated with both VA and FIA. Prior to 2022, Company's current credit spreads had been higher than at-issue credit spreads, leading to a decrease in the market risk benefits associated with both VA and FIA; with the decrease observed in 2022, this trend reversed and credit spreads became lower than at-issue credit spreads.

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4.2.4 DAC and deferred sales inducements

The following tables roll forward the deferred policy acquisition costs for the years ended December 2023 and 2022: [944-30-50-2B(a)]

	December 31, 2023							
	Life benefits				Retirement services			
(In thousands)	Whole life	Term life	Single-premium life	Universal life	SPIA (life contingent)[1]	Deferred fixed annuity	Fixed indexed annuity	Deferred variable annuity
Balance, beginning of year	$496,473	$190,802	$300,930	$522,013	$55,826	$267,492	$281,209	$521,267
Capitalizations	39,375	33,750	56,000	69,763	10,400	43,607	45,843	89,978
Amortization expense	(43,121)	(37,882)	(27,036)	(56,546)	(5,053)	(29,120)	(30,613)	(56,746)
Experience adjustment	(648)	(3,485)	-	(2,067)	-	(1,007)	(1,059)	(1,963)
Balance, end of year	$492,079	$183,185	$329,894	$533,163	$61,173	$280,972	$295,380	$552,536

	December 31, 2022							
	Life benefits				Retirement services			
(In thousands)	Whole life	Term life	Single-premium life	Universal life	SPIA (life contingent)[1]	Deferred fixed annuity	Fixed indexed annuity	Deferred variable annuity
Balance, beginning of year	$506,950	$202,035	$284,015	$522,856	$52,713	$260,858	$274,235	$508,339
Capitalizations	32,815	28,125	42,000	55,369	7,800	34,990	36,785	68,186
Amortization expense	(42,943)	(36,376)	(25,085)	(54,546)	(4,687)	(27,544)	(28,957)	(53,676)
Experience adjustment	(349)	(2,982)	-	(1,666)	-	(812)	(854)	(1,582)
Balance, end of year	$496,473	$190,802	$300,930	$522,013	$55,826	$267,492	$281,209	$521,267

[1] SPIA (non-life contingent) products use an effective interest method to calculate the policyholder account balance, so no explicit DAC balance is calculated.

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The following table presents a reconciliation of deferred policy acquisition costs to the consolidated balance sheet: [944-30-50-2B(b)]

	December 31,	
(In thousands)	**2023**	**2022**
Whole life	$492,079	$496,473
Term life	183,185	190,802
Single-premium life	329,894	300,930
Universal life	533,163	522,013
SPIA (life contingent)	61,173	55,826
Deferred fixed annuity	280,972	267,492
Fixed indexed annuity	295,380	281,209
Deferred variable annuity	552,536	521,267
Total	$2,728,382	$2,636,012

The assumptions used to amortize DAC were consistent with the assumptions used to estimate the liability for future policy benefits for nonparticipating traditional and limited-payment contracts. The underlying assumptions for DAC and the liability for future policy benefits were updated at the same time. [944-30-50-2A]

In 2023, Company undertook a review of all significant assumptions and did not make any changes to future assumptions because actual experience for mortality, longevity, and lapses was materially consistent with underlying assumptions.

In 2022, Company undertook a review of all significant assumptions and revised its future mortality expectations for whole life, single-pay life, and universal life, and future lapse expectations for term life and immediate annuity. While revisions varied by factors including plan code, policy duration, and issue age, in general, future mortality expectations for whole life, single-pay life, and universal life were increased and future lapse expectations for term life and immediate annuity were also increased.

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The following tables roll forward the deferred sales inducements balance for the years ended December 31, 2023 and 2022: [944-30-50-2B(a)]

	December 31, 2023	
	Life benefits	Retirement services
(In thousands)	Universal life	Deferred fixed annuity
Balance, beginning of year	$39,524	$18,457
Capitalizations	7,350	3,413
Amortization expense	(3,555)	(1,650)
Experience adjustment	23	150
Balance, end of year	$43,342	$20,370

	December 31, 2022	
	Life benefits	Retirement services
(In thousands)	Universal life	Deferred fixed annuity
Balance, beginning of year	$37,270	$17,304
Capitalizations	5,513	2,559
Amortization expense	(3,298)	(1,531)
Experience adjustment	39	125
Balance, end of year	$39,524	$18,457

The following table reconciles deferred sales inducements to the consolidated balance sheet: [944-30-50-2B(b)]

	December 31,	
(In thousands)	2023	2022
Universal life	$43,342	$39,524
Deferred fixed annuity	20,370	18,457
Total	$63,712	$57,981

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4.2.5 Balances amortized on a basis consistent with DAC

The following tables provide a rollforward of the PVFP balance for the years ended December 31, 2023 and 2022:

December 31, 2023

	Life benefits				Retirement services			
(In thousands)	**Whole life**	**Term life**	**Single-premium life**	**Universal life**	**SPIA (life contingent)**	**Deferred fixed annuity**	**Fixed indexed annuity**	**Deferred variable annuity**
Balance, beginning of year	$48,684	$17,082	$27,188	$48,998	$5,043	$24,413	$25,665	$47,574
Additions	-	-	-	-	-	-	-	-
Amortization expense	(4,228)	(3,391)	(2,443)	(5,308)	(456)	(2,658)	(2,794)	(5,179)
Experience adjustment	(64)	(312)	-	(194)	-	(92)	(97)	(179)
Balance, end of year	$44,392	$13,379	$24,745	$43,496	$4,587	$21,663	$22,774	$42,216

December 31, 2022

	Life benefits				Retirement services			
(In thousands)	**Whole life**	**Term life**	**Single-premium life**	**Universal life**	**SPIA (life contingent)**	**Deferred fixed annuity**	**Fixed indexed annuity**	**Deferred variable annuity**
Balance, beginning of year	$53,230	$21,214	$29,822	$54,900	$5,535	$27,390	$28,795	$53,376
Additions	-	-	-	-	-	-	-	-
Amortization expense	(4,509)	(3,819)	(2,634)	(5,727)	(492)	(2,892)	(3,040)	(5,636)
Experience adjustment	(37)	(313)	-	(175)	-	(85)	(90)	(166)
Balance, end of year	$48,684	$17,082	$27,188	$48,998	$5,043	$24,413	$25,665	$47,574

The following table reconciles PVFP to the consolidated balance sheet:

	December 31,	
(In thousands)	**2023**	**2022**
Whole life	$44,392	$48,684
Term life	13,379	17,082
Single-premium life	24,745	27,188
Universal life	43,496	48,998
SPIA	4,587	5,043
Deferred fixed annuity	21,663	24,413
Fixed indexed annuity	22,774	25,665
Deferred variable annuity	42,216	47,574
Total	$217,252	$244,647

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4.2.6 Transition

Company adopted ASU 2018-12 for the liability for future policy benefits, additional insurance liabilities, DAC, and balances amortized on a basis consistent with DAC on a modified retrospective basis such that those balances were adjusted to conform to ASU 2018-12 on January 1, 2021. Company adopted ASU 2018-12 for market risk benefits on a full retrospective basis, using hindsight where necessary. For both variable annuities and fixed indexed annuities, actuarial assumptions (mortality, lapse, and utilization) used to measure market risk benefits are unobservable for years prior to 2010, so hindsight was used to determine relevant assumptions for transition purposes. The factors used in applying hindsight included available pricing information, assumption sets for years 2010 and later, the historical economic environment, actual performance of the business, and relevant industry information.

The following table summarizes the balance of and changes in the liability for future policy benefits on January 1, 2021 due to adoption of ASU 2018-12. The impact of shifts between DPL and the liability for future policy benefits for limited-payment products are presented as offsetting line items in the effect of net premiums exceeding gross premiums and the effect of decrease/increase of the deferred profit liability.

	Life benefits			Retirement services
(In thousands)	**Whole life**	**Term life**	**Single-premium life**	**SPIA (life contingent)**
Balance, end of year December 31, 2020	$1,777,381	$137,795	$1,466,148	$515,336
Change in discount rate assumptions	809,911	3,060	496,231	137,443
Change in cash flow assumptions, effect of net premiums exceeding gross premiums	-	-	(232,807)	13,912
Change in cash flow assumptions, effect of decrease (increase) of the deferred profit liability	-	-	232,807	(13,912)
Adjustment for removal of related balances in accumulated other comprehensive income	-	-	-	-
Adjusted balance, beginning of year January 1, 2021	2,587,292	140,855	1,962,379	652,779
Less: Reinsurance recoverable	-	-	-	-
Adjusted balance, beginning of year January 1, 2021, net of reinsurance	$2,587,292	$140,855	$1,962,379	$652,779

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The following table summarizes the balance of and changes in DAC on January 1, 2021 due to adoption of ASU 2018-12: [944-40-65-2(g)(1)]

	Life benefits				Retirement services			
(In thousands)	**Whole life**	**Term life**	**Single-premium life**	**Universal life**	**SPIA (life contingent)**	**Deferred fixed annuity**	**Fixed indexed annuity**	**Deferred variable annuity**
Balance, end of year December 31, 2020	$525,000	$225,000	$ 280,000	$536,807	$52,000	$246,595	$256,468	$470,264
Adjustment for removal of related balances in accumulated other comprehensive income	-	-	-	31,243	-	17,143	20,795	43,686
Adjusted balance, beginning of year January 1, 2021	$525,000	$225,000	$280,000	$568,050	$52,000	$263,738	$277,263	$513,950

The following table summarizes the balance of and changes in deferred sales inducements on January 1, 2021 due to adoption of ASU 2018-12: [944-40-65-2(g)(1)]

	Life benefits	Retirement services
(In thousands)	**Universal life**	**Deferred fixed annuity**
Balance, end of year December 31,2020	$35,213	$17,294
Adjustment for removal of related balances in accumulated other comprehensive income	1,291	806
Adjusted balance, beginning of year January 1, 2021	$36,504	$18,100

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The following table summarizes the balance of and changes in PVFP on January 1, 2021 due to adoption of ASU 2018-12: [944-40-65-2(g)(1)]

	Life benefits				Retirement services			
(In thousands)	**Whole life**	**Term life**	**Single-premium life**	**Universal life**	**SPIA (life contingent)**	**Deferred fixed annuity**	**Fixed indexed annuity**	**Deferred variable annuity**
Balance, end of year December 31, 2020	$55,125	$23,625	$29,400	$56,365	$5,460	$25,892	$26,929	$49,378
Adjustment for removal of related balances in accumulated other comprehensive income	-	-	-	3,281	-	1,800	2,183	4,587
Adjusted balance, beginning of year January 1, 2021	$55,125	$23,625	$29,400	$59,646	$5,460	$27,692	$29,112	$53,965

The following table summarizes the balance of and changes in the net liability position of market risk benefits on January 1, 2022 due to adoption of ASU 2018-12: [944-40-65-2(h)(1)]

(In thousands)	**Deferred variable annuity**	**Fixed indexed annuity**
Balance, end of year December 31, 2020	$40,219	$146,250
Adjustment for the difference between carrying amount and fair value, except for the difference due to instrument-specific credit risk	2,578	9,375
Adjustment for the cumulative effect of changes in the instrument-specific credit risk since issuance	(8,422)	(30,625)
Total adjustment for the difference between carrying amount and fair value	(5,844)	(21,250)
Balance, beginning of year January 1, 2021	34,375	125,000
Less: Reinsurance recoverable	-	-
Balance, beginning of year January 1, 2021, net of reinsurance	$34,375	$125,000

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The following table presents the effect of transition adjustments on stockholders' equity due to adoption of ASU 2018-12: [944-40-65-2(g)(2)(i), 944-40-65-2(g)(2)(ii), 944-40-65-2(h)(2)]

	January 1, 2021	
(*In thousands)*	**Retained earnings**	**Accumulated other comprehensive income**
Liability for future policy benefits	$-	$(1,446,645)
DAC	-	112,867
Deferred sales inducements	-	2,097
PVFP		11,851
Market risk benefits	(11,953)	39,047
Total	$(11,953)	$(1,280,783)

For the liability for future policy benefits, the net transition adjustment is related to the difference in the discount rate used pre-transition and the discount rate at January 1, 2021. At transition, Company did not identify any instances, at the cohort level, where net premiums exceeded gross premiums. For DAC and deferred sales inducements, Company removed shadow adjustments previously recorded in accumulated other comprehensive income for the impact of unrealized gains and losses that were included in the pre-ASU 2018-12 expected gross profits amortization calculation as of the transition date. [944-40-65-2(g)(2)]

Before the adoption of ASU 2018-12, PVFP was amortized consistent with DAC. Company decided to change its amortization method for PVFP from the expected gross profits (for investment and universal life-type contracts) and premiums (for traditional and limited payment contracts) methods to a method that amortizes PVFP on a constant level basis that approximates straight-line amortization, consistent with the method used to amortize DAC under ASU 2018-12. Based on Company's historical practice of using consistent amortization methods for both DAC and PVFP, Company decided that it would be appropriate to change the amortization method for PVFP to maintain consistency with the amortization method for DAC. At transition, shadow adjustments previously recorded in accumulated other comprehensive income, consistent with the historic amortization of DAC, have been removed.

For market risk benefits, the transition adjustment to accumulated other comprehensive income relates to the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date. The remaining difference between the fair value and carrying amount of the market risk benefits at transition, excluding the amounts recorded in accumulative other comprehensive income, was recorded as an adjustment to retained earnings as of the transition date. [944-40-65-2(h)(2)]

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5 Keeping in touch

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