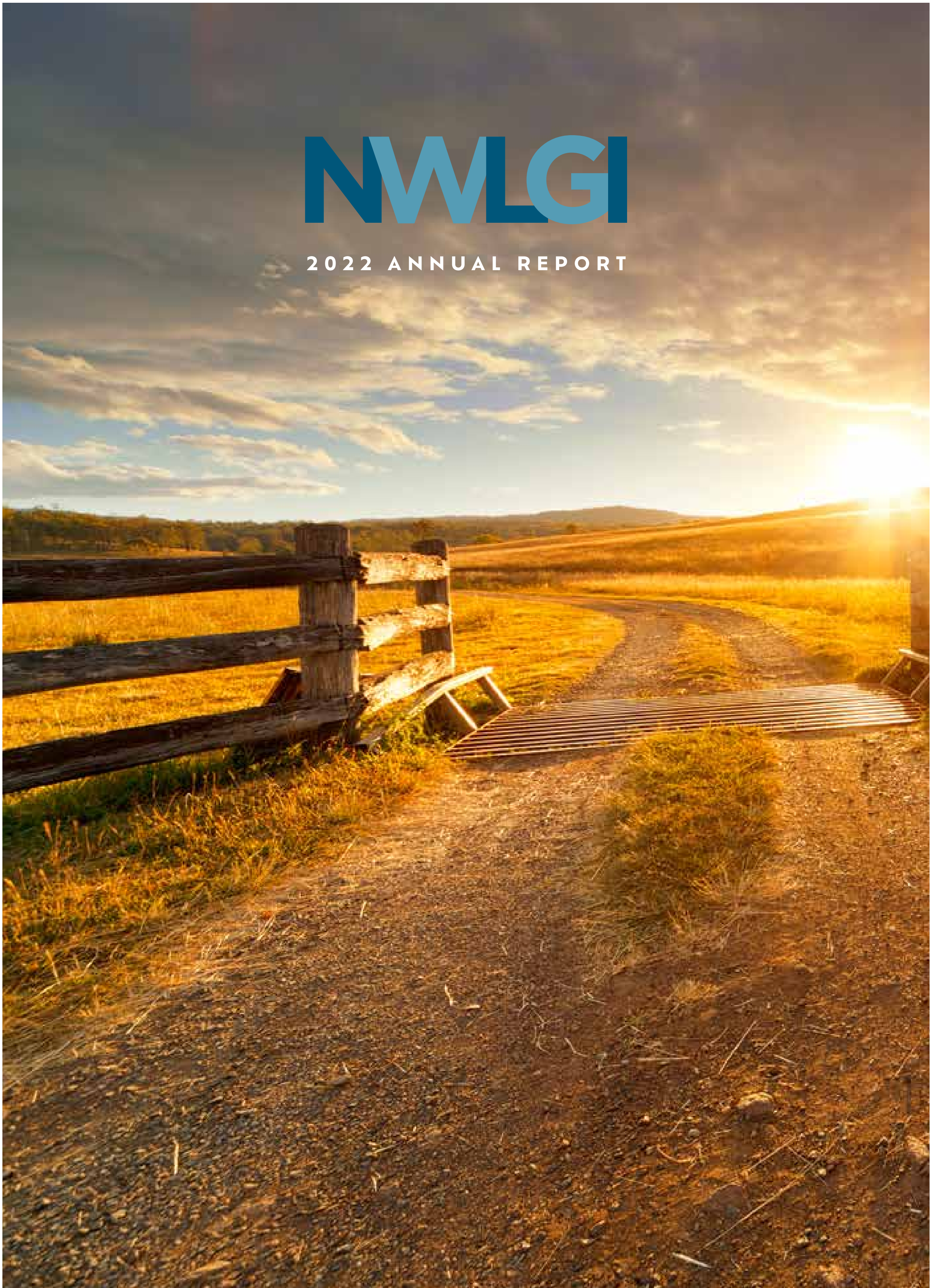
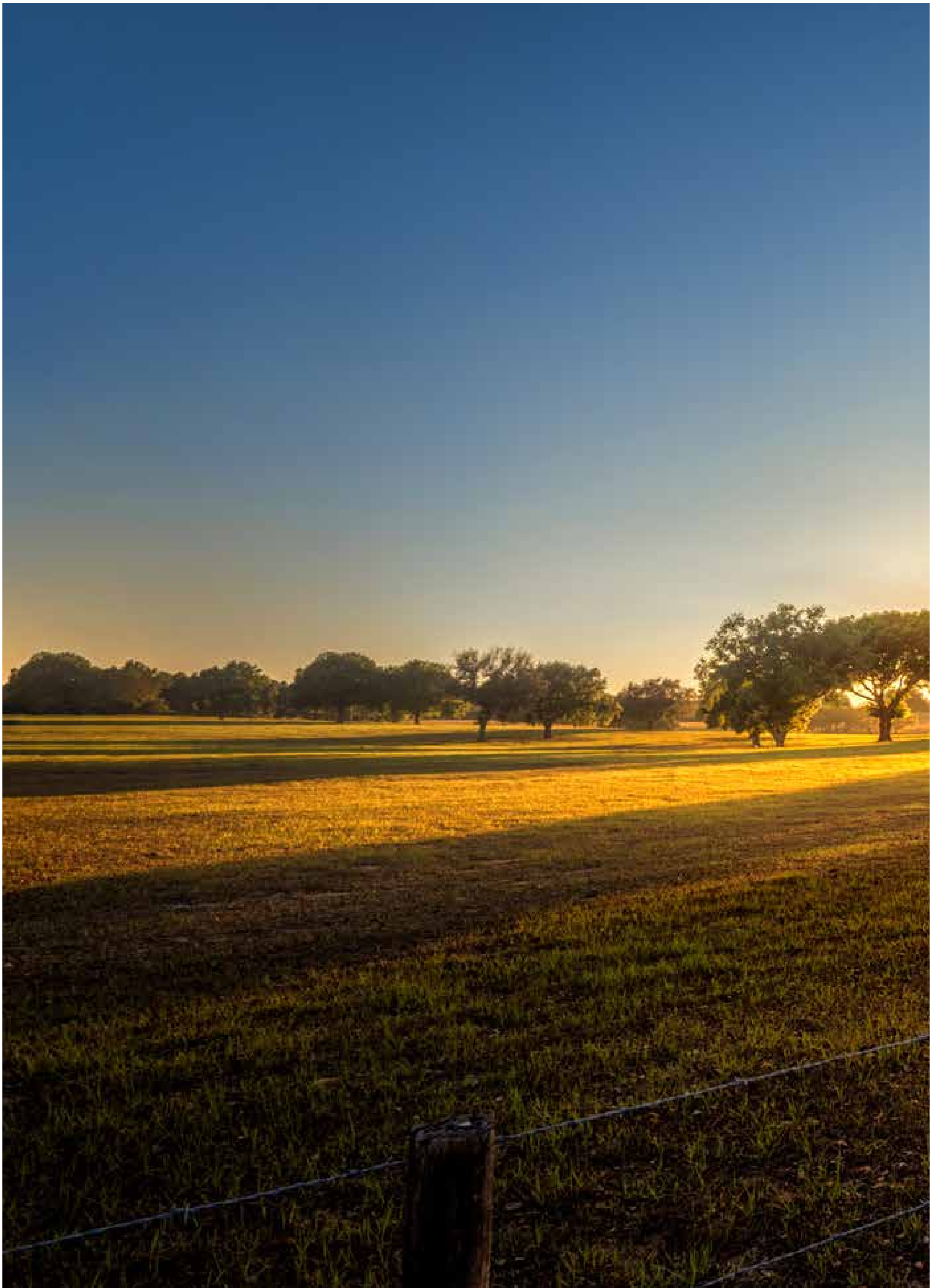
NWLGI

2022 ANNUAL REPORT





National Western Life Group, Inc.

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PART I

PART II

National Western Life Group, Inc. (NWLGI) is the parent holding company of National Western Life Insurance Company, Ozark National Life Insurance Company, and various non-insurance subsidiaries (NASDAQ: NWLI).

National Western Life Insurance Company
(NWLIC) is a stock life insurance company offering a broad portfolio of individual universal life, whole life and term insurance plans, annuity products, and investment contracts meeting the financial needs of its customers in 49 states, the District of Columbia, and certain U.S. territories or possessions.

Ozark National Life Insurance Company (Ozark National) is a Missouri domiciled, stock life insurance company organized and incorporated in 1964. It is licensed to conduct business in thirty states utilizing a unique distribution system to market its flagship "Balance Program" consisting of a coordinated sale of a traditional life insurance product in tandem with a mutual fund investment product.

At a Glance

NWLGI COMPANY PROFILE

- Headquartered in Austin, Texas; Incorporated in Delaware
- Traded on the Nasdaq Stock Market, ticker symbol “NWLI”
- Direct wholly owned subsidiaries: National Western Life Insurance Company (NWLIC); N.I.S. Financial Services, Inc.; NWL Services, Inc.; Regent Care San Marcos Holdings, LLC
- $13.1 billion in total consolidated assets

NWLIC COMPANY PROFILE

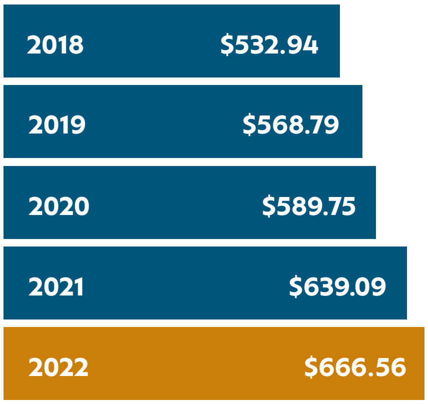
- Founded in 1956
- Headquartered in Austin, Texas; Domiciled in Colorado
- 267 Home office employees
- A.M. Best Rating of “A” (Excellent)
  Standard & Poors Rating of “A-” (Strong)
- 99,000 annuity contracts and $13.9 billion of life insurance in force

OZARK NATIONAL COMPANY PROFILE

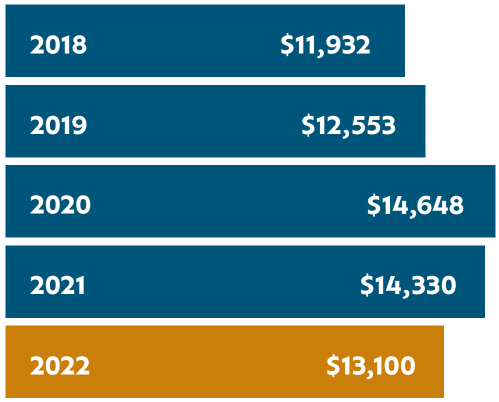
- Founded in 1964
- Headquarted in Kansas, City, Missouri; Domiciled in Missouri
- 64 Home office employees
- A.M. Best Rating of “A-” (Excellent)
- $5.7 billion of life insurance in force

Financial Highlights

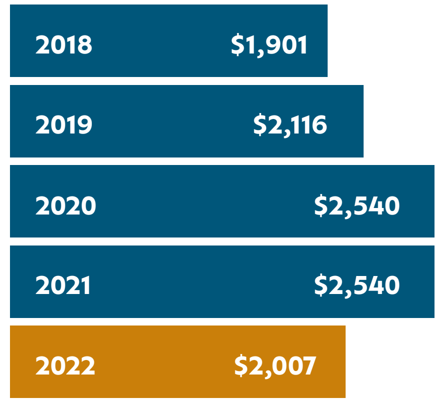
ADJUSTED BOOK VALUE PER SHARE (B)



TOTAL ASSETS IN $ MILLIONS



STOCKHOLDERS' EQUITY IN $ MILLIONS



SELECTED FINANCIAL INFORMATION

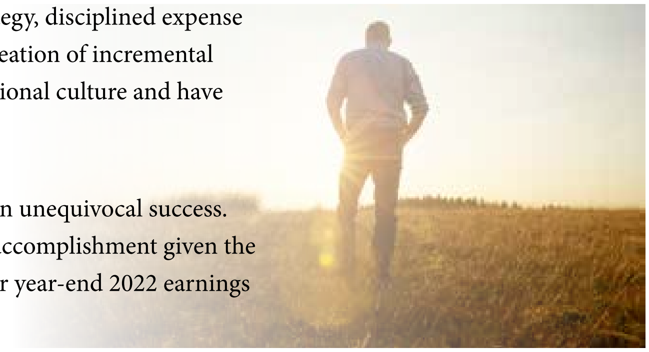
($'s in thousands, except per share data)	2022	2021	2020	2019	2018
Insurance revenues	$638,907	$688,423	$658,917	$689,740	$623,180
Total revenues	558,397	824,091	694,742	819,188	551,599
Earnings from operations (a)	96,123	168,871	75,666	126,685	110,104
Net earnings	101,144	180,681	92,312	131,616	116,758
Earnings per Class A share from operations (a)					
Basic	$27.18	$47.76	$21.40	$35.83	$31.14
Diluted	$27.18	$47.76	$21.40	$35.83	$31.14
Earnings per Class A share					
Basic	$28.60	$51.10	$26.11	$37.22	$33.02
Diluted	$28.60	$51.10	$26.11	$37.22	$33.02
Total assets	13,100,227	14,330,189	14,648,270	12,553,447	11,931,691
Stockholders' equity	2,007,211	2,539,691	2,539,750	2,116,430	1,900,777
Book value per share (b)	$666.56	$639.09	$589.75	$568.79	$532.94

(a) Excluding net realized gains (losses) on investments.

(b) Excluding accumulated other comprehensive income (loss)

Letter to our stockholders

We appreciate the opportunity to again present our annual report to you discussing the 2022 results for National Western Life Group, Inc. and providing commentary pertaining to the Company and its operations. Long-time readers of our annual letter to stockholders are well familiar with the recurring themes we have consistently used to describe our company such as conservative fiscal management, prudent operational approaches and strategy, disciplined expense controls, long-term profitable growth, capital strength and stability, and creation of incremental intrinsic value. These themes have been embedded as part of the organizational culture and have served as guideposts by which the Company has directed its operations.

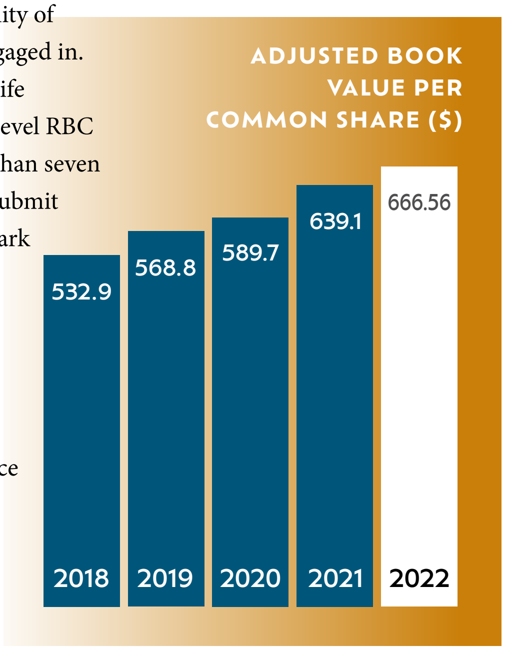


Using those themes as measuring rods, the results achieved in 2022 were an unequivocal success. Net earnings again surpassed the $100 million mark, not an insignificant accomplishment given the fact many life insurance companies reported substantial reductions in their year-end 2022 earnings as a result of declining equity markets and rising interest rates.

The proxy we have long referenced for assessing the growth in the Company's intrinsic value is book value per share, adjusted to remove fair value fluctuations associated with recording debt security investments at their market values. These market value fluctuations are not recorded in the earnings statement but rather are recorded directly against stockholders' equity and represent temporary adjustments which ultimately return to their par values as the securities mature. At December 31, 2022, the Company's adjusted book value per share increased to $666.56 representing a compounded annual growth rate of 6% over the past five years.

The results achieved in 2022 were an unequivocal success.

Regulators monitor the capital position and solvency of life insurance companies using a risk-based capital (RBC) formula which assesses required capital amounts dependent upon the quality of insurer assets and the inherent risk of the products and lines of business an insurer is engaged in. At December 31, 2022, the Company's two life insurance operations, National Western Life Insurance Company and Ozark National Life Insurance Company, had company action level RBC ratios of 717% and 814%, respectively. This means that National Western Life had more than seven times the amount of capital required before regulators would call upon the company to submit a written plan detailing action steps to be taken for strengthening its capital position. Ozark National's capital was over eight times this similar level. These solid ratios serve the dual purpose of maintaining the strong financial strength ratings assigned by independent rating agencies by these companies and for having ample capital ready to take advantage of opportunities in the marketplace as they present themselves.

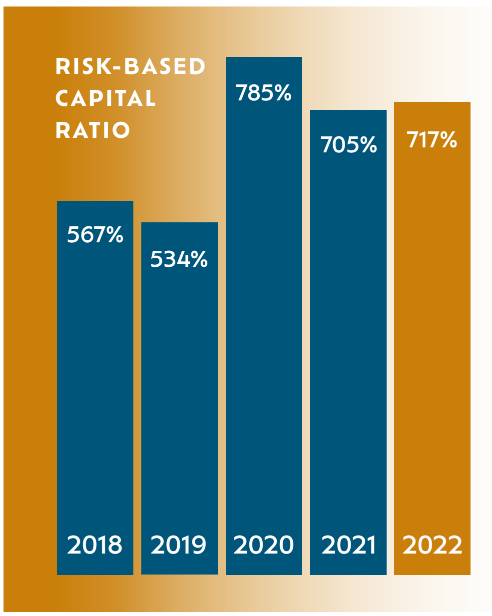


The composition of the Company's consolidated investment assets again presents evidence of conservative financial management. The allocation of investable assets toward debt securities continues to hover around the 90% level and, consistent with prior years, 98% to 99% of these bonds have investment grade quality ratings. This financial position is consistent with past reports we have provided over an extended period of time.

From a high-level perspective, the Company checked all of the requisite boxes in 2022 of managing its business and franchise by the precepts established by its founder, Robert L. Moody, Sr. These axioms were diligently adhered to during the five decades in which Mr. Moody provided direct oversight as Chairman of the Board and Chief Executive Officer of the Company, as well as in the years subsequent to his retirement.

Looking Back

Yogi Berra, former New York Yankee great and legend, is credited with saying, "The future ain't what it used to be." Recently, we have found Mr. Berra's wisdom to be applicable to both National Western Life and the life insurance industry. This becomes more apparent when looking back at a timeline of the Company's history and development.



Beginning with the acquisition of National Western Life in 1963, Mr. Moody skillfully grew the enterprise through carefully identified and vetted acquisitions, building scale and entering into new product arenas such as universal life and fixed-index annuities, and expanding geographic regions from which the Company accepted applications for its products. Concurrent with this expansion in the 1960s through the 1990s era, the financial disciplines previously described were established and carefully followed. At its core, this philosophy emphasized minimization of risk, investment guidelines with an emphasis on high quality, unsophisticated investment instruments, and a stable and pristine financial balance sheet. It was a philosophy that, with self-discipline, was capable of being executed to a high degree of certainty and success. Consequently, individuals seeking strength, stability, and reliability gravitated to National Western Life to meet their needs for financial security and protection.

The prudence and foresight of this philosophy became evident at the turn of the century when financial markets were shaken by the Enron and Worldcom accounting scandals and the subsequent collateral fallout. Many competitors of National Western Life encountered substantial investment impairments and losses, along with material decrements to their capital and surplus accounts. In response, these competitors, for all practical purposes, closed their doors for an abbreviated period by not contracting new agents, pulling products for sale, or otherwise reducing product crediting rates and features to unattractive levels. During this period of time, having not incurred the same level of financial harm, National Western Life's sales mushroomed. In one year, life insurance sales more than doubled from $19 million to $39 million and the following year annuity sales tripled from $0.4 billion to $1.2 billion.

1956

National Western is founded in Colorado

NATIONAL WESTERN
LIFE INSURANCE COMPANY

1963

Robert L. Moody, Sr. acquired the company and relocated to Texas

1963-1978

Multiple acquisitions increase the scale of the company

2008

Great Recession impacts global economies

NWLGI

2015

Completed a holding company reorganization, NWLGI becomes publicly-traded parent holding company

Robert L. Moody, Sr. retires and Ross R. Moody appointed Chairman, CEO and President

2019

Acquired Ozark National Life and broker-dealer N.I.S. Financial Services

Ozark NATIONAL LIFE

2020

Worldwide COVID-19 pandemic

2021

Executed a funds withheld coinsurance agreement with Prosperity

PROSPERITY℠

2022

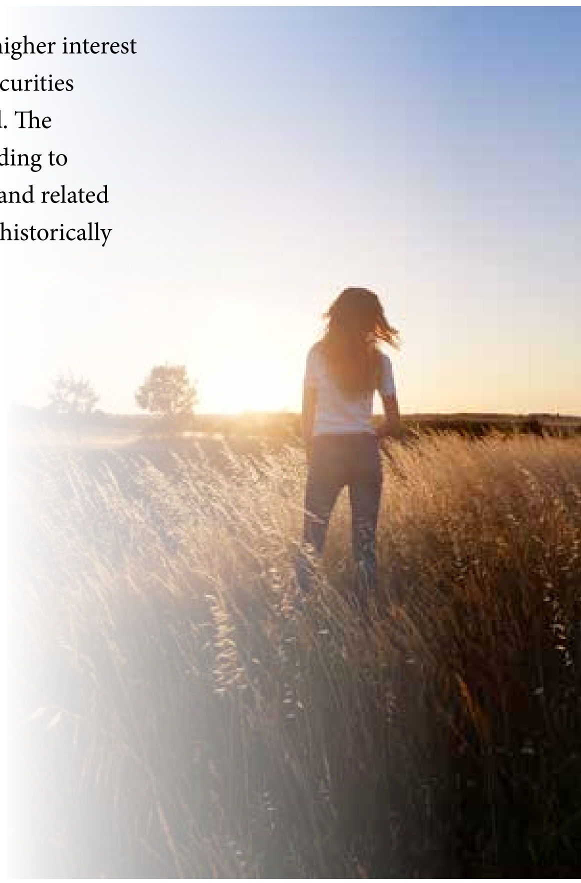
Executed a funds withheld coinsurance agreement with Aspida

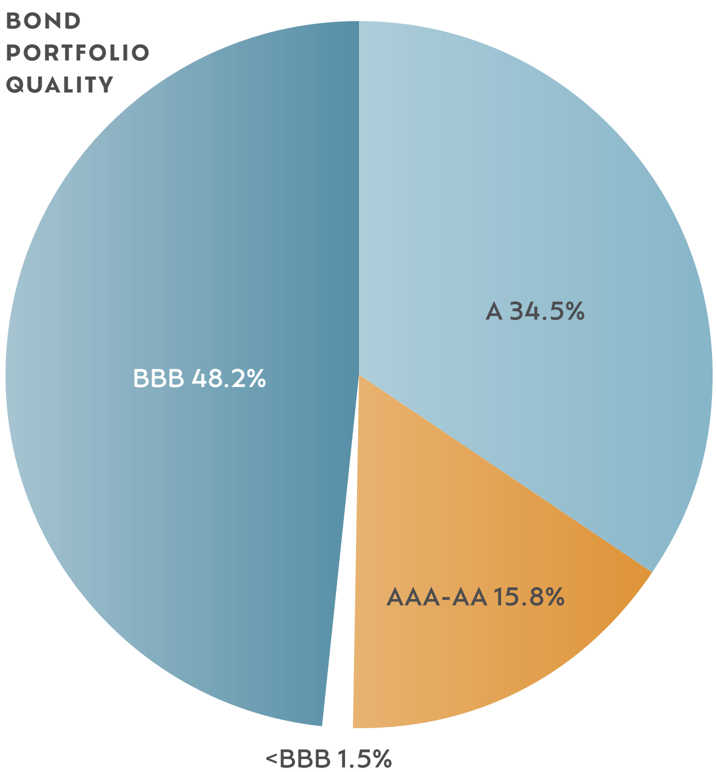
ASPIDA

As new regulatory oversight protocols were put in place, such as those contained in the Sarbanes-Oxley Act, stability returned to financial markets and the economy, and the insurance industry largely resumed business as usual. Similarly, National Western marched forward enjoying success in its life and annuity markets, operating within the same financial policies and precepts proven to be successful, until the arrival of an unprecedented multinational financial crisis that eventually became known as the "Great Recession." This financial tsunami was triggered by the collapse of a housing bubble formed by excessive home price speculation financed through subprime lending. The relaxed lending standards leading up to this debacle resulted in highly indebted U.S. households relative to disposable income.

National Western marched forward enjoying success.

A decline in home prices combined with adjustable-rate mortgages resetting to ever higher interest rates induced an avalanche of mortgage delinquencies which cratered the values of securities backed by these mortgages, securities widely held by financial firms around the world. The soundness of U.S. credit markets and financial markets was brought into question leading to tightening crediting conditions and slowing economic growth. Government bailouts and related stimulus packages in concert with central banks' intervention brought on a period of historically low interest rates in order to stem the tide and mitigate further economic damage.



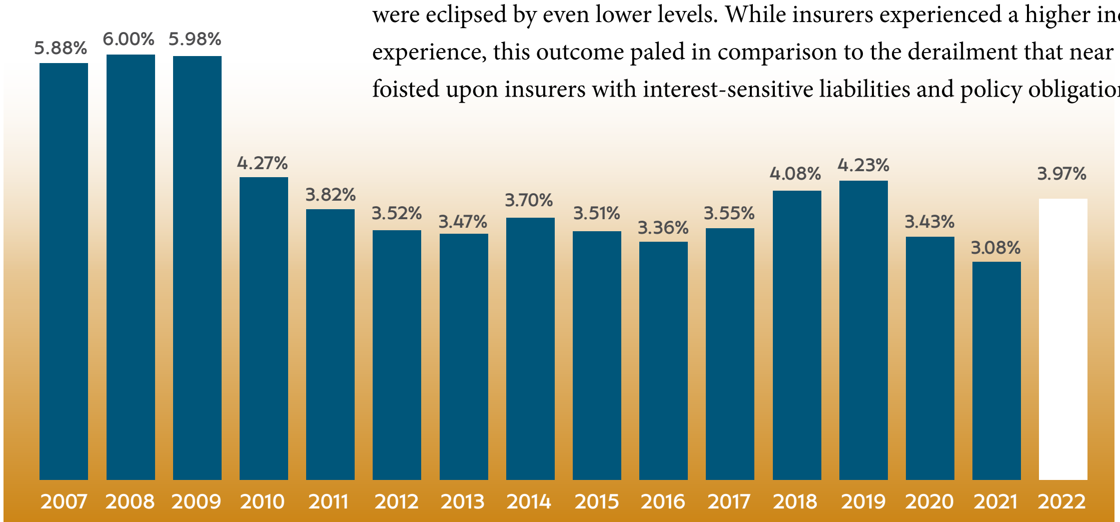


For National Western, our conservative approach of purchasing high quality, investment grade bonds centered around ten-year maturities became a victim of a financial system nurtured through artificially low interest rates. Investment yields obtained on new purchases by the company were rapidly cut nearly in half from where they existed prior to the meltdown. The reduction in investment yield challenged the Company's product pricing predicated on being able to offer attractive crediting rates and income features making it increasingly difficult to compete without compromising financial self-discipline.

We initiated a series of action steps to better position ourselves.

In response, rather than abandoning the Company's core philosophies and financial management disciplines, we initiated a series of action steps to better position ourselves in this changing landscape. In 2015, we created a new entity, National Western Life Group, Inc., as a publicly-traded parent holding company, in order to provide organizational flexibility and to strategically reposition non-insurance subsidiaries to provide corporate governance advantages and protections. In 2018, we entered into a stock purchase agreement to acquire Ozark National Life Insurance Company and its affiliated broker-dealer, N.I.S. Financial Services, to diversify a portion of the Company's business away from interest-sensitive products and towards permanent life insurance products not dependent upon crediting rates. Simultaneous with these changes, we shifted National Western Life's life and annuity product portfolio toward equity-index versions and away from pure interest rate product plays. Operating within our longstanding investment guidelines, we sought additional yield by changing the investment quality of new bond purchases to lower investment grade levels while holding to diligent credit analysis and exposure management. In conjunction with this, we chose to increase the diversification of our investment portfolio with increased allocations to mortgage loans and real estate investments.

These action steps provided the results we were seeking. Despite the challenges imposed by a manufactured low interest rate environment, it appeared that we had successfully maneuvered our way around and through the associated obstacles. Then in the first quarter of 2020, the Covid-19 pandemic appeared spreading around the globe with swiftness and society-altering effects. Quarantines, lockdowns, social distancing, and curtailment of human interaction had a chilling impact on the global economy. What had previously been historically low interest rate levels were eclipsed by even lower levels. While insurers experienced a higher incidence of mortality experience, this outcome paled in comparison to the derailment that near zero interest rates foisted upon insurers with interest-sensitive liabilities and policy obligations.



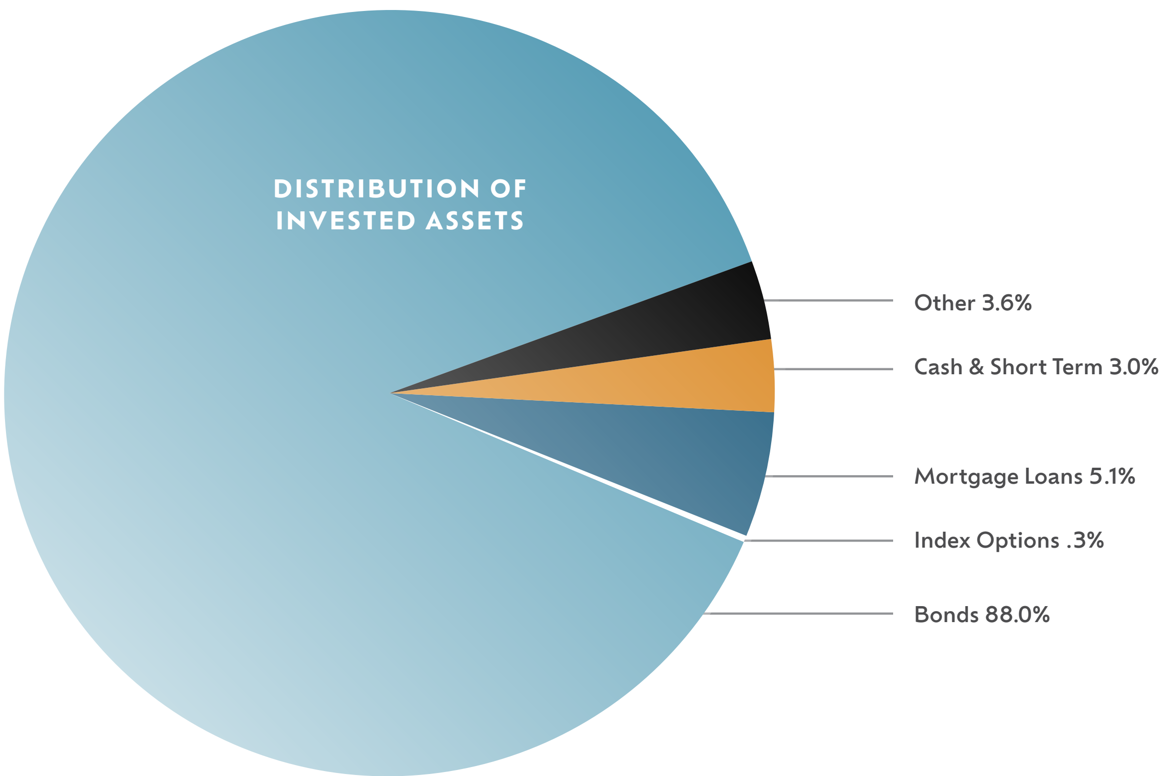
NEW BOND INVESTMENT YIELDS

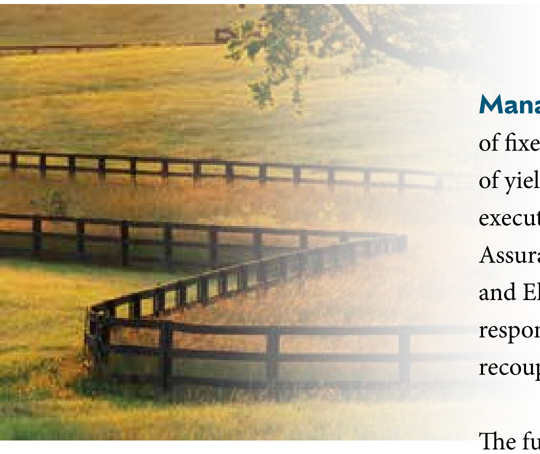
A New Paradigm

In the midst of these developments, in the background, virtually undetected by the general public, financial institutions such as investment banks and hedge funds were seeking new arenas to deploy their investment sophistication and expertise. Searching for available funds for their investment management ambitions, these firms identified the life insurance industry with its abundant portfolios of low-yielding, staid corporate debt securities as a potential area to pursue.

Consequently, through the formation of reinsurance subsidiary companies or via direct acquisitions of life insurance companies, these financial institutions set on a course of gaining access to investment portfolios in order to churn existing investments in these portfolios into higher yielding investments utilizing their particular investing area of expertise. Financial firms such as Apollo, Ares Management, Elliot Investment Management, Goldman Sachs, Guggenheim Partners, and Brookfield Asset Management were active in this area.

We were able to recoup capital space for National Western Life to operate with.





Management of National Western Life recognized that it was burdened with a legacy block of fixed-interest rate annuity contracts backed by an underlying invested asset portfolio comprised of yields insufficient to meet the Company's profitability requirements. As a result, we initiated and executed a funds withheld coinsurance agreement effective December 31, 2020 with Prosperity Life Assurance Limited, a Bermuda-based reinsurer having business relationships with Goldman Sachs and Elliot Investment Management. Through this transaction, we were able to transfer the financial responsibility for approximately $1.7 billion of in force fixed-interest rate annuity obligations and recoup capital space for National Western Life to operate with.

The funds withheld reinsurance deal with Prosperity addressed an existing situation that weighed on the Company. However, the combination of low interest rates along with the presence of these financial firms and their ability to obtain higher investment rates of return than what life insurance companies traditionally had been able to achieve also pressured the pricing and product profitability of the company's existing products being offered for sale. We made our best efforts to

We are extremely excited with the potential of these new products.

obtain incremental investment yields by supplementing our debt security investments with increased allocations for commercial mortgage loan investing, private placement debt securities, and alternative investment vehicles. However, we eventually concluded that we would not be able to offer competitively priced products without the assistance of external investment expertise. Consequently, we executed a second funds withheld coinsurance arrangement with Aspida Life Re Ltd. in July of 2022. Like Prosperity, Aspida is a reinsurer organized under the laws of Bermuda, and they maintain a business relationship with Ares Management. The transaction with Aspida is different from the Prosperity arrangement in that it has a "flow reinsurance" feature meaning that Aspida provides National Western Life with an additional investment return on new product sales in return for a coinsured percentage of the business. The incremental investment yield provided by Aspida has allowed National Western Life to competitively price its product offerings.

The Aspida reinsurance agreement was constructed to include annuity products newly designed by the Company which are targeted for distribution through financial institutions such as banks. These products, "New Frontiers," "Blue Chip," "Choice Optimizer," and "Capital Solutions," are designed better utilizing the Company's capital while incorporating product features desired by financial institution distributors. We are extremely excited with the potential of these new products and the investment assistance being provided by Aspida that allows us to compete in the market space.

Yogi Berra had no idea how prophetic his phrase would become for life insurers in a post Great Recession, post global pandemic world, but his insight was right on target. Given a "future that ain't what it used to be," we believe that we are taking the appropriate steps to continue to be the successful business our founder invested over a half-century creating.

Concluding Thoughts

The Company's filings with the Securities and Exchange Commission, including the annual Form 10-K filing, are available on our website www.nwlgi.com located under the Financial Information link. The audited financial statements included in our most recent Form 10-K filing submitted to the Securities and Exchange Committee are included as a part of this Annual Report. Please utilize the Investors Relation link on our website to convey any questions you may have about the Company's financial statement numbers or disclosures.

This past year we were saddened by the loss of one of our members of the Board of Directors. Mrs. Ann Moody passed away in April of 2022 after having served on National Western Life Group, Inc.'s Board of Directors since 2014. Mrs. Moody's pleasant and cheerful demeanor brightened the meeting room particularly in the midst of difficult conversations pertaining to challenges presented to the Company over the past several years. Her positive and calming presence have certainly been missed.

At the same time, we were fortunate to welcome Todd Wallace to National Western Life Group, Inc.'s Board of Directors. As President of the Central Texas Region of Jones Lang LaSalle, Mr. Wallace has substantial expertise and knowledge of commercial real estate markets and pertinent insight into investing and lending in this area. His financial and business acumen have brought immediate value through his participation in the Company's Investment Committee and we look forward to his ongoing counsel and leadership as we move forward.

We believe the company is well-positioned to implement the strategies necessary to be successful in this new arena.

Not to be remiss, I want to thank our entire Board of Directors for another year of loyal and faithful service. In addition to regularly scheduled Board meetings, they have been available at a moment's notice to convene as necessary over critical matters requiring their deliberation and direction. I have had the opportunity to observe firsthand their earnest commitment toward their fiduciary responsibilities as members of the Board of Directors and appreciate their devoted attention to the ongoing success of the Company.

There has been substantial narrative and commentary directed to the changes brought about by the Covid-19 pandemic concerning the work environment and the changing attitudes and preferences of the work force. Descriptive phrases such as the "Great Resignation" and "quiet quitting" have been used frequently to capture the changes emanating from the disruption and dislocation experienced during this period. The rapid switch to remote work configurations and virtual communication medias has brought plusses and minuses. The pandemic accelerated the technological application of remote network connectivity allowing enterprises to continue operations uninterrupted despite physical limitations and constraints. This advancement has certainly facilitated real-time application of business interruption and disaster recovery disciplines greatly enhancing the preparedness of organizations in the event circumstances dictate their use. On the negative side, there has been a loss of connectivity and productivity due to the absence of in-person collaboration and interaction. It is difficult to measure and quantify the impact of this phenomenon but nearly every CEO and Human Resource professional will tell you that the effects are real and not insignificant. We have been fortunate that the staff of our home offices, both in Austin and in Kansas City, demonstrated remarkable adaptability in the midst of the pandemic as well as striking flexibility as they returned back to their respective facilities as circumstances permitted. Their professionalism and commitment have been noteworthy throughout for which I and senior management are extremely appreciative.

Our report this year has been much more difficult to pen than in prior years. While we continue to be a viable and profitable business, there is a sense that a door is closing behind us as we transition to a different future than what we may have imagined just a few years ago. Personally, I cherish the memories of my father leading National Western as he grew the Company from millions to billions of dollars. The vision he instilled of conservative financial management and adherence to profitable growth was the model that I anticipated perpetuating when I was appointed to succeed him. For all of the reasons expressed earlier in this letter, we believe the Company is well-positioned to implement the strategies necessary to be successful in this new arena. Our expectation is that the investment and re-positioning we have undertaken will achieve the vision of continuing to build value for all our stakeholders.

Best regards,

Ross R. Moody
Chairman of the Board
Chief Executive Officer and President

Financial Summary

($'s in thousands, except per share amounts)	2022	2021	2020	2019
Operating results				
Premiums and contract revenues	$226,880	$224,297	$237,947	$239,969
Net investment income (a)	386,505	441,812	402,448	432,285
Realized gains (losses) on investments	6,355	14,950	12,071	6,241
Total revenues	558,397	824,091	694,742	819,188
Policyholder benefits and contract interest	175,148	400,761	337,587	432,673
Operating expenses	257,215	196,073	245,087	221,360
Federal income taxes	24,890	46,576	19,756	33,540
Net earnings	101,144	180,681	92,312	131,616
Net earnings per class A share				
Basic	$28.60	$51.10	$26.11	$37.22
Diluted	$28.60	$51.10	$26.11	$37.22
Financial position				
Cash and investments	$9,860,909	$11,687,107	$12,013,264	$11,312,417
Other assets	3,239,318	2,643,082	2,635,006	1,241,030
Total assets	13,100,227	14,330,189	14,648,270	12,553,447
Liability for future policy benefits	9,418,334	9,912,987	9,933,419	10,141,971
Other liabilities	1,674,682	1,877,511	2,175,101	295,046
Stockholders' equity	2,007,211	2,539,691	2,539,750	2,116,430
Other year-end data				
Life insurance in force	$19,668,410	$20,888,430	$21,954,162	$23,299,827
Life insurance issued	$445,054	$643,318	$533.510	$599,437
Number of employees	331	338	355	353
Class A shares issued and outstanding	3,436,020	3,436,020	3,436,020	3,436,020
Closing stock price	$281.00	$214.44	$206.44	$290.88
Market capitalization	$965,522	$736,820	$709,332	$999,470
Book value per share	$552.04	$698.48	$698.50	$582.07

(a) Excluding Net Income (Loss) on Index Options

2018	2017	2016	2015	2014	2013	2012
$173,496	$178,930	$182,723	$175,307	$170,115	$167,466	$167,944
429,081	436,810	439,312	440,864	436,814	434,534	432,901
8,423	14,763	13,070	7,209	11,605	8,653	13,200
551,599	874,448	682,368	589,796	708,780	860,267	664,662
201,352	508,504	313,919	244,353	352,553	514,644	314,181
208,740	221,389	215,587	198,775	198,706	203,926	209,900
24,749	34,134	51,970	48,272	51,933	45,450	48,023
116,758	110,421	100,892	98.396	105,588	96,247	92,558
$33.02	$31.23	$28.53	$27.83	$29.87	$27.23	$26.19
$33.02	$31.23	$28.53	$27.82	$29.85	$27.19	$26.19
$10,710,219	$11,035,470	$10,678,700	$10,395,021	$10,203,510	$9,681,762	$9,225,730
1,221,472	1,189,624	1,216,281	1,217,555	1,148,382	1,148,654	1,038,128
11,931,691	12,225,094	11.894,981	11,612.576	11,351,892	10,830,416	10,263,858
9,744,286	10,098,484	9,859,095	9,699.358	9,522,522	9,125,134	8,568,854
286,628	294,436	314,058	301,232	273,050	257,334	303,324
1,900,777	1,832,174	1,721,828	1,611,986	1,556,320	1,447,948	1,391,680
$18,595.209	$19,675,583	$20,909,257	$22,026,201	$23,081,004	$22,372,798	$21,602,618
$838,159	$1,221,327	$1,440,167	$2,346,669	$2,761,329	$2,802,859	$2,685,595
276	279	265	261	264	279	280
3,436,020	3,436,166	3,436,166	3,436,166	3,436,166	3,434,765	3,434,763
$300.70	$331.02	$310.80	$251.94	$269.25	$223.55	$157.74
$1,033,211	$1,137,440	$1,067,960	$865,708	$925,188	$767,842	$541,800
$522.76	$503.88	$473.53	$443.32	$428.01	$398.36	$382.88

National Western Life Group, Inc.

BOARD OF DIRECTORS

Ross R. Moody
Chairman of the Board
President and Chief Executive Officer
Austin, Texas
Since 1981

Dr. Thomas A. Blackwell
Associate Dean for Graduate Medical
Education and Professor of Medicine
University of Texas Medical Branch
Galveston, Texas
Since 2017

David S. Boone
Chief Executive Officer
United Allergy Services, LLC
Dallas, Texas
Since 2016

Stephen E. Glasgow
Managing Partner
Texas GSA Holdings, LP, RAM Investments,
and ABIA Retail, LLC
Austin, Texas
Since 2004

E. Douglas McLeod
Attorney at Law, Investments
Galveston, Texas
Since 1979

Charles D. Milos
Retired Senior Vice President – Mortgage Loans
and Real Estate
National Western Life Insurance Company®
Galveston, Texas
Since 1981

Frances A. Moody-Dahlberg
Executive Director & Trustee
The Moody Foundation
Dallas, Texas
Since 1990

E.J. Pederson
Retired Executive Vice President
and Chief Operating Officer
The University of Texas Medical Branch
Galveston, Texas
Since 1992

Todd M. Wallace
President of the Central Texas Region
of Jones Lang LaSalle
Austin, Texas
Since 2022

Robert L. Moody, Sr.
Chairman Emeritus
Former Chairman of the Board
and Chief Executive Officer
National Western Life Insurance Company®
Galveston, Texas
Director 1963 to 2016

Russell S. Moody
Advisory Director
Investments
League City, Texas
Director 1988 to 2016

OFFICERS

Ross R. Moody
President and Chief Executive Officer

Gina Byrne Miller
Senior Vice President –
Chief Legal Officer and Secretary

Rey Perez
Senior Vice President

Brian M. Pribyl
Senior Vice President –
Chief Financial Officer and Treasurer

National Western Life Insurance Company

BOARD OF DIRECTORS

Ross R. Moody
Chairman of the Board
Chief Executive Officer
National Western Life Insurance Company®

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Chief Executive Officer
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Dallas, Texas

Stephen E. Glasgow
Managing Partner
Texas GSA Holdings, LP, RAM Investments,
and ABIA Retail, LLC
Austin, Texas

E.J. Pederson
Retired Executive Vice President
and Chief Operating Officer
The University of Texas Medical Branch
Galveston, Texas

Rey Perez
President and Chief Operating Officer
National Western Life Insurance Company®

Brian M. Pribyl
Executive Vice President –
Chief Financial Officer and Treasurer
National Western Life Insurance Company®

Todd M. Wallace
President of the Central Texas Region
of Jones Lang LaSalle
Austin, Texas

National Western Life Insurance Company

OFFICERS

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Chief Executive Officer

Rey Perez
JD, President and Chief Operating Officer

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Chief Financial Officer and Treasurer

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JD, Vice President – Corporate Counsel

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Allison L. Lounsbury
Vice President – Controller

D. Chad Mercer
Vice President – Sales Development and Analytics

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FLMI, ARA, ACS, Vice President –
Life Pricing and Reinsurance

Cynthia L. Pearce-Karrick
Vice President – Marketing and Sales Operations

Christopher G. Vaughn
Vice President – Customer Service and Policy Benefit

David W. Weaver
Vice President – Mortgage Loans

Robert L. Woodward
Vice President – Investments

Rachel B. Beaulier
JD, Assistant Vice President – Corporate Councel

Kimorn Bo Chheng
Assistant Vice President – Infrastructure Services

Jeffery J. Dick
Assistant Vice President – Mortgage Loans

Karen A. Johnston
Assistant Vice President – I.T. Portfolio Management

Christie H. Mathis
Assistant Vice President – Client Services

Alex J. Santiago
ASA, MAAA, CERA, Assistant Vice President –
Annuity Pricing

Paul S. Stanton
Assistant Vice President – Sales Development
and Analytics

Terry L. Valadez
FLMI, Assistant Vice President – General Accounting
& Treasury

Justin Williams
Assistant Vice President – Application Services

Ozark National Life Insurance Company

BOARD OF DIRECTORS

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President and Chief Operating Officer
National Western Life Insurance Company

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President
Ozark National Life Insurance Company

James T. Emerson
Retired President
Ozark National Life Insurance Company

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Vice President – Human Resources
National Western Life Insurance Company

David R. Melton
Senior Vice President – General Council and Secretary
Ozark National Life Insurance Company

Gregory J. Owen
Senior Vice President – Chief Information Officer
National Western Life Insurance Company

Brian M. Pribyl
Executive Vice President – Chief Financial Officer and Treasurer
National Western Life Insurance Company

Michelle R. Salyer
President
N.I.S. Financial Services, Inc.

Chad J. Tope
Executive Vice President – Chief Marketing Officer
National Western Life Insurance Company

OFFICERS

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Chairman of the Board and Chief Executive Officer

J. Brent Burkholder
CPA, President

Richard J. Clark
CPA, Vice President of Accounting and Financial Reporting, Treasurer

Philip M. Kircher
Senior Vice President of Marketing and Agency

David R. Melton
Chief Legal Officer, Senior Vice President and Secretary

Richard A. Otte
Vice President of Recruiting

Gregory P. Thompson
Vice President of Information Technology

Jill E. Thompson
Vice President

Corporate Information

Executive Offices

National Western Life Group, Inc.
10801 N. Mopac Expressway, Building 3
Austin, Texas 78759-5415
Telephone: (512) 836-1010

Independent Auditors

ForVis, LLP
1401 50th Street
West Des Moines, Iowa, 50266-5935

General Counsel

Gregory S. Garrison
Greer, Herz & Adams, LLP
Galveston, Texas

Subsidiaries

National Western Life Insurance Company
Ozark National Life Insurance Company
NWL Services, Inc.
NWLSM, Inc.
NWL Financial, Inc.
The Westcap Corporation
Regent Care San Marcos Holdings, LLC
Braker P III, LLC
N.I.S. Financial Services, Inc.

Stock Transfer Agent

Continental Stock Transfer & Trust Company
1 State Street – 30th Floor, New York, NY 10004-1561
Telephone: (212) 509-4000

Communications regarding stock transfer requirements, lost certificates, and change of address should be directed to the Transfer Agent or to the Office of the Corporate Secretary of National Western Life Group, Inc.

Stock Information

Shares of National Western Life Group, Inc. are traded on The Nasdaq Stock Market under the symbol "NWLI."

Annual Stockholders' Meeting

The annual meeting of stockholders will be at 11:15 A.M. (CDT) on June 22, 2023, at Moody Gardens Hotel in Galveston, Texas.

Form 10-K

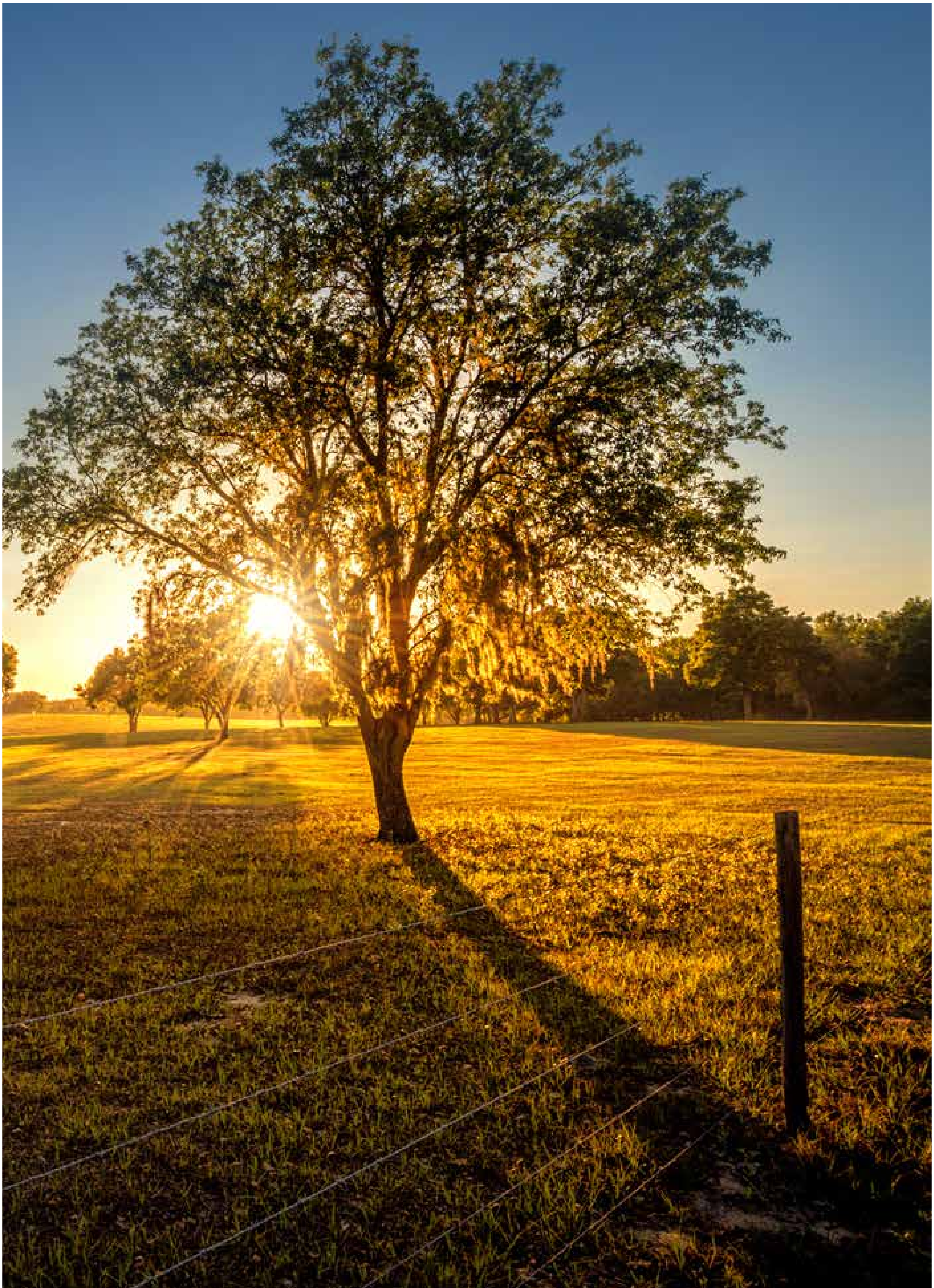
National Western Life Group, Inc.'s 2022 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, can be found on the World Wide Web at www.nwlgi.com or on the SEC's internet site at www.sec.gov. For other investor data, contact Investor Relations. Copies are available upon request without charge.

Investor Relations

Direct inquiries to
Chief Financial Officer
P.O. Box 209080
Austin, Texas 78720-9080
Telephone: (512) 719-2493

Information on the Internet

Information about our companies is available on the Internet.
Visit our home pages at:
www.nwlgi.com
www.nationalwesternlife.com
www.ozark-national.com



FORV/S

1401 50th Street, Suite 350 / West Des Moines, IA 50266
P 515.223.0159 / F 515.223.5429
forvis.com

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
National Western Life Group, Inc.
Austin, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of National Western Life Group, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes and schedules I (summary of investments other than investments in related parties), II (condensed financial information of registrant), IV (reinsurance), and V (valuation and qualifying accounts) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Future Policy Benefits

Critical Audit Matter Description

Future policy benefits consist of universal life and annuity contracts of approximately $8.5 billion and traditional life reserves of approximately $920 million at December 31, 2022. As described in *Note 1*, the liability for future policy benefits on traditional products is calculated using assumptions as to future mortality, interest rates and withdrawals based on the Company's experience. The liability for future policy benefits for universal life and annuity contracts represents the contract balance. Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an equity index. The equity return component of such policy contracts is identified separately and accounted for at fair value as an embedded derivative. The remaining portion of these policy contracts are recorded separately as fixed annuity or universal life contracts. These contracts are recorded as discounted debt instruments that are accreted to their minimum account values at their projected maturities or termination dates using the effective yield method.

Auditing estimates for future policy benefits required a high degree of judgment, including the need to involve an actuarial specialist, due to the nature of the data utilized in the complex actuarial models and the high degree of judgment applied by management in determining these liabilities.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the future policy benefits liabilities included the following procedures, among others:

a. Obtained an understanding, evaluated the design and tested the operating effectiveness of controls, including technology controls, over the Company's inputs and processes utilized in the calculation of future policy benefits, and the design and operating effectiveness of controls over the completeness and accuracy of the underlying source data.
b. Tested the completeness and accuracy of the underlying policy data used in the actuarial analysis.
c. Engaged an actuarial specialist to evaluate the appropriateness of actuarial methods and assumptions used in developing the estimates related to these liabilities.

Amortization of Deferred Policy Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

Critical Audit Matter Description

As described in *Note 1*, deferred policy acquisition costs include certain costs of successfully acquiring new insurance business, including commissions and other expenses directly related to the acquisition of new business, to the extent the costs are recoverable from future policy revenues and gross profits. Premium bonuses and bonus interest credited to contracts during the first contract year are also deferred to the extent the costs are recoverable. For interest sensitive universal life and annuity products, these costs are amortized in relation to the present value of expected gross margins or gross profits on these policies. For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies in proportion to the ratio of annual premium revenues to total anticipated premium revenues.

The Company evaluates the recoverability of deferred policy acquisition costs and sales inducement costs by considering expected mortality, interest earned, credit rates, persistency and expenses and estimated future gross profits or future premiums. Amortization is reviewed each year and adjusted retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of investment gains and losses) to be realized from a group of products are revised.

The value of business acquired (VOBA) is an intangible asset based upon the difference between the fair value of policyholder liabilities acquired in a business combination and the same policyholder liability measured in accordance with the Company's accounting policies. It represents the portion of the purchase price allocated to the value of the rights to receive future cash flows from business in force at the acquisition date. VOBA is subject to recoverability testing, and is amortized following a methodology similar to that used for deferred policy acquisition costs.

Auditing the amortization of deferred policy acquisition costs, deferred sales inducements and VOBA was especially challenging due to the complexity and high degree of judgment applied by management, including the need to involve an actuarial specialist, in determining estimated future gross profits. The estimate of future gross profits includes assumptions regarding premium payment and expense patterns, mortality, persistency and investment performance.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the amortization of deferred policy acquisition costs, deferred sales inducements and VOBA included the following procedures, among others:

a. Obtained an understanding, evaluated the design and tested the operating effectiveness of controls, including technology controls, over the Company's inputs and processes utilized in estimating future gross profits and resulting amortization and the design and operating effectiveness of controls over the completeness and accuracy of the underlying source data.
b. Tested the completeness and accuracy of the underlying data used in the actuarial analysis.
c. Engaged an actuarial specialist to evaluate the appropriateness of actuarial methods and assumptions utilized in the estimated gross profits used for amortization.

FORVIS, LLP

FORVIS, LLP

(Formerly, BKD, LLP)

We have served as the Company's auditor since 2014.

West Des Moines, Iowa

March 14, 2023

NWLGI

National Western Life Group, Inc.

Consolidated Financial Statements
As of December 31, 2022 and 2021 and the
Three-Year Period Ended December 31, 2022

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(In thousands)

ASSETS	2022	2021
Investments:		
Debt securities available-for-sale, at fair value (cost: $8,438,760 and $8,604,250)	$ 7,611,633	9,068,946
Debt securities trading, at fair value (cost: $1,269,597 and $1,066,108)	1,065,993	1,077,438
Mortgage loans, net of allowance for credit losses ($3,575 and $2,987), ($19,334 and $8,469 at fair value)	505,730	487,304
Policy loans	70,495	71,286
Derivatives, index options	23,669	101,622
Equity securities, at fair value (cost: $14,547 and $16,549)	22,076	28,217
Other long-term investments	262,106	137,670
Short-term investments	3,937	—
Total investments	9,565,639	10,972,483
Cash and cash equivalents	295,270	714,624
Deferred policy acquisition costs	909,786	569,839
Deferred sales inducements	114,399	78,136
Value of business acquired	146,494	154,499
Cost of reinsurance	78,328	89,686
Accrued investment income	92,250	84,394
Federal income tax receivable	6,508	—
Deferred federal income tax asset	57,867	—
Amounts recoverable from reinsurer, net of allowance for credit losses ($450 and $0)	1,723,347	1,539,919
Other assets	110,339	126,609
Total assets	$ 13,100,227	14,330,189

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	2022	2021
LIABILITIES:		
Future policy benefits:		
Universal life and annuity contracts	$ 8,498,684	9,003,275
Traditional life reserves	919,650	909,712
Other policyholder liabilities	175,089	134,338
Funds withheld liability	1,333,036	1,485,267
Deferred Federal income tax liability	—	101,166
Federal income tax payable	—	2,331
Other liabilities	166,557	154,409
Total liabilities	11,093,016	11,790,498
COMMITMENTS AND CONTINGENCIES (Notes 5, 14, and 17)		
STOCKHOLDERS' EQUITY (Note 12):		
Common stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2022 and 2021	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2022 and 2021	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income (loss)	(416,397)	215,953
Retained earnings	2,381,856	2,281,986
Total stockholders' equity	2,007,211	2,539,691
Total liabilities and stockholders' equity	$ 13,100,227	14,330,189

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands except per share amounts)

	2022	2021	2020
Premiums and other revenues:			
Universal life and annuity contract charges	$ 139,022	134,254	145,405
Traditional life premiums	87,858	90,043	92,542
Net investment income	299,640	562,530	417,202
Other revenues	25,522	22,314	18,522
Net realized investment gains:			
Total other-than-temporary impairment (“OTTI”) gains (losses)	—	—	5
Portion of OTTI (gains) losses recognized in other comprehensive income	—	—	(5)
Net OTTI losses recognized in earnings	—	—	—
Other net investment gains	6,355	14,950	21,071
Total net realized investment gains	6,355	14,950	21,071
Total revenues	558,397	824,091	694,742
Benefits and expenses:			
Life and other policy benefits	159,470	187,577	131,337
Amortization of deferred transaction costs	121,398	69,461	140,503
Universal life and annuity contract interest	15,678	213,184	206,250
Other operating expenses	135,817	126,612	104,584
Total benefits and expenses	432,363	596,834	582,674
Earnings before Federal income taxes	126,034	227,257	112,068
Federal income taxes	24,890	46,576	19,756
Net earnings	$ 101,144	180,681	92,312
Basic Earnings Per Share:			
Class A	$ 28.60	51.10	26.11
Class B	$ 14.30	25.55	13.05
Diluted Earnings Per Share:			
Class A	$ 28.60	51.10	26.11
Class B	$ 14.30	25.55	13.05

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	2022	2021	2020
Net earnings	$ 101,144	180,681	92,312
Other comprehensive income (loss), net of effects of deferred costs and taxes:			
Unrealized gains (losses) on securities:			
Net unrealized holding gains (losses) arising during period	(642,148)	(179,587)	352,561
Net unrealized liquidity gains (losses)	—	—	6
Reclassification adjustment for net amounts included in net earnings	(4,038)	(12,934)	(4,485)
Net unrealized gains (losses) on securities	(646,186)	(192,521)	348,082
Foreign currency translation adjustments	407	(16)	15
Benefit plans:			
Amortization of net prior service cost and net gain (loss)	13,428	13,069	(12,784)
Other comprehensive income (loss)	(632,351)	(179,468)	335,313
Comprehensive income (loss)	$ (531,207)	1,213	427,625

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	2022	2021	2020
Common stock:			
Balance at beginning of period	$ 36	36	36
Balance at end of period	36	36	36
Additional paid-in capital:			
Balance at beginning of period	41,716	41,716	41,716
Balance at end of period	41,716	41,716	41,716
Accumulated other comprehensive income:			
Unrealized gains (losses) on non-impaired securities:			
Balance at beginning of period	226,220	418,741	70,665
Change in unrealized gains (losses) during period	(646,185)	(192,521)	348,076
Balance at end of period	(419,965)	226,220	418,741
Unrealized losses on impaired held-to-maturity securities:			
Balance at beginning of period	—	—	(4)
Amortization	—	—	4
Change in shadow deferred policy acquisition costs	—	—	(2)
Disposals of previously impaired securities	—	—	2
Balance at end of period	—	—	—
Unrealized losses on impaired available-for-sale securities:			
Balance at beginning of period	—	—	(2)
Cumulative change in accounting principle (see Note 1)	—	—	2
Balance at end of period	—	—	—

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	2022	2021	2020
Foreign currency translation adjustments:			
Balance at beginning of period	5,100	5,116	5,101
Change in translation adjustments during period	407	(16)	15
Balance at end of period	5,507	5,100	5,116
Benefit plan liability adjustment:			
Balance at beginning of period	(15,367)	(28,436)	(15,652)
Amortization of net prior service cost and net gain (loss), net of tax	13,428	13,069	(12,784)
Balance at end of period	(1,939)	(15,367)	(28,436)
Accumulated other comprehensive income (loss) at end of period	(416,397)	215,953	395,421
Retained earnings:			
Balance at beginning of period	2,281,986	2,102,577	2,014,570
Reclassification from accumulated other comprehensive income (loss) (see Note 1)	—	—	(3,032)
Net earnings	101,144	180,681	92,312
Stockholder dividends	(1,274)	(1,272)	(1,273)
Balance at end of period	2,381,856	2,281,986	2,102,577
Total stockholders' equity	$ 2,007,211	2,539,691	2,539,750

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	2022	2021	2020
Cash flows from operating activities:			
Net earnings	$ 101,144	180,681	92,312
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Universal life and annuity contract interest	15,678	213,184	206,250
Surrender charges and other policy revenues	(19,166)	(26,315)	(26,623)
Realized (gains) losses on investments	(6,355)	(14,950)	(21,071)
Accretion/amortization of discounts and premiums, investments	(4,547)	1,846	3,371
Depreciation and amortization	14,330	13,001	11,903
Increase (decrease) in estimated credit losses on investments	588	501	(2,027)
(Increase) decrease in value of debt securities trading	214,935	(11,331)	—
(Increase) decrease in value of equity securities	2,731	(6,369)	937
(Increase) decrease in value of derivative options	86,866	(120,717)	(14,754)
(Increase) decrease in deferred policy acquisition and sales inducement costs, and value of business acquired	74,561	(25,594)	82,897
(Increase) decrease in accrued investment income	(7,856)	3,929	4,975
(Increase) decrease in reinsurance recoverable	121,607	169,313	728
(Increase) decrease in cost of reinsurance	11,358	13,154	—
(Increase) decrease in other assets	(2,097)	(6,017)	(620)
Increase (decrease) in liabilities for future policy benefits	112,712	114,873	14,138
(Decrease) increase in other policyholder liabilities	40,741	(4,142)	10,873
(Decrease) increase in Federal income tax liability	(8,839)	12,739	(14,156)
Increase (decrease) in deferred Federal income tax	9,061	3,746	20,031
Increase (decrease) in funds withheld liability	(395,354)	(212,324)	—
(Decrease) increase in other liabilities	(3,558)	(22,383)	3,907
Net cash provided by operating activities	358,540	276,825	373,071
Cash flows from investing activities:			
Proceeds from sales of:			
Debt securities available-for-sale	39,254	1,221,308	—
Debt securities trading	21,253	15,734	—
Other investments	5,999	23,241	9,198
Proceeds from maturities, redemptions, and prepayments of:			
Debt securities held-to-maturity	—	—	960,360
Debt securities available-for-sale	1,073,194	1,520,734	334,397
Debt securities trading	89,848	61,313	—
Other investments	27,373	22,597	13,715
Derivatives, index options	46,563	197,877	106,451

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	2022	2021	2020
Purchases of:			
Debt securities held-to-maturity	—	—	(544,092)
Debt securities available-for-sale	(939,820)	(1,382,318)	(297,998)
Debt securities trading	(310,144)	(1,140,965)	—
Equity securities	(1,013)	(15,265)	(1,395)
Derivatives, index options	(53,996)	(47,383)	(62,568)
Other investments	(145,391)	(57,153)	(52,944)
Property, equipment, and other productive assets	(1,594)	(9,977)	(12,106)
Net change in short-term investments	(3,937)	—	—
Principal payments on mortgage loans	26,804	28,847	14,814
Cost of mortgage loans acquired	(47,402)	(183,601)	(80,220)
(Increase) decrease in policy loans	(18)	2,797	5,925
Other (increases) decreases to funds withheld	97	(77,191)	—
Net cash provided by (used in) investing activities	(172,930)	180,595	393,537
Cash flows from financing activities:			
Dividends on common stock	(1,274)	(1,272)	(1,273)
Deposits to account balances for universal life and annuity contracts	287,799	610,357	501,867
Return of account balances on universal life and annuity contracts	(891,666)	(932,531)	(939,309)
Principal payments under finance lease obligation	(338)	(389)	(378)
Net cash provided by (used in) financing activities	(605,479)	(323,835)	(439,093)
Effect of foreign exchange	515	(20)	19
Net increase (decrease) in cash, cash equivalents, and restricted cash	(419,354)	133,565	327,534
Cash, cash equivalents, and restricted cash at beginning of year	714,624	581,059	253,525
Cash, cash equivalents, and restricted cash at end of year	$ 295,270	714,624	581,059

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:				
Interest	$	75	75	75
Income taxes		24,712	30,043	13,980
Noncash operating activities:				
Net deferral and amortization of sales inducements	$	(9,992)	4,355	(12,464)
Establishment of funds withheld liability (see Note 5)		243,123	—	1,697,591
Deferred cost of reinsurance (see Note 5)		—	—	102,840
Deferred gain on reinsurance (see Note 5)		30,811	—	—
Noncash investing activities:				
Exchange of debt securities trading	$	—	4,800	—
Right of use asset obtained in exchange for finance lease liability		—	1,422	—

See accompanying notes to Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

National Western Life Insurance Company ("National Western" or "NWLIC") became a wholly owned subsidiary of National Western Life Group, Inc. ("NWLGI") effective October 1, 2015 under a previously announced holding company reorganization. As a result of the reorganization, NWLGI replaced National Western as the publicly held company.

The accompanying Consolidated Financial Statements include the accounts of NWLGI and its wholly owned subsidiaries: National Western, Regent Care San Marcos Holdings, LLC, NWL Services, Inc., and N.I.S. Financial Services, Inc. ("NIS"). National Western's wholly owned subsidiaries include The Westcap Corporation, NWL Financial, Inc., NWLSM, Inc., Braker P III, LLC, and Ozark National Life Insurance Company ("Ozark National"). All significant intercorporate transactions and accounts have been eliminated in consolidation.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the accompanying Consolidated Financial Statements include (1) liabilities for future policy benefits, (2) valuation of derivative instruments, (3) recoverability and amortization of deferred policy acquisition costs ("DPAC"), deferred sales inducements ("DSI"), the value of business acquired ("VOBA"), and the cost of reinsurance ("COR"), (4) valuation allowances for deferred tax assets, (5) goodwill, (6) allowances for credit losses on available-for-sale debt securities, (7) allowance for credit losses for mortgage loans and real estate, and (8) commitments and contingencies.

The table below shows the unrealized gains and losses on available-for-sale securities that were reclassified out of accumulated other comprehensive income for the years ended December 31, 2022, 2021 and 2020.

Affected Line Item In the Consolidated Statements of Earnings	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		
	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Other net investment gains	$ 5,111	16,372	5,677
Net OTTI losses recognized in earnings	—	—	—
Earnings before Federal income taxes	5,111	16,372	5,677
Federal income taxes	1,073	3,438	1,192
Net earnings	$ 4,038	12,934	4,485

National Western and Ozark National also file financial statements with insurance regulatory authorities which are prepared on the basis of statutory accounting practices prescribed or permitted by the Colorado Division of Insurance and Missouri Department of Commerce and Insurance, respectively, which are significantly different from Consolidated Financial Statements prepared in accordance with GAAP. These differences are described in detail in Note (9) *Statutory Information*.

Certain amounts in the prior year Consolidated Financial Statements have been reclassified to conform to the current year financial statement presentation.

Investments

Fixed Maturities and Equity Securities

The Company purchases debt securities with the intent to hold to maturity. However, the Company's execution of a funds withheld reinsurance agreement introduced embedded derivative accounting requiring fair value reporting for debt securities. This precluded the Company from using a historical cost basis which is typically associated with a hold to maturity approach. Accordingly, all debt securities were classified as available-for-sale as of December 31, 2020.

Investments in debt securities classified as securities available-for-sale are reported in the accompanying Consolidated Financial Statements at fair value. Valuation changes resulting from changes in the fair value of these securities are reflected as a component of Stockholders' Equity in Accumulated other comprehensive income (loss). The unrealized gains or losses in stockholders' equity are reported net of taxes and adjustments to deferred policy acquisition costs.

With the execution of a funds withheld coinsurance agreement, the Company implemented accounting policies related to trading debt securities in its financial statements for debt securities purchased and held in the funds withheld assets. These trading securities represent debt securities that are included in the fund assets withheld as part of the funds withheld coinsurance agreement to support the policyholder liability obligations ceded to the reinsurer. Trading debt securities are reported in the accompanying Consolidated Financial Statements at their fair values with changes in their values reflected as a component of Net investment income in the Consolidated Statements of Earnings. Since these trading debt securities pertain to investment activities related to coinsurance agreements rather than as an income strategy based on active trading, they are classified as investing activities in the Consolidated Statements of Cash Flows.

Transfers of securities between categories are recorded at fair value at the date of transfer.

Premiums and discounts on purchased securities are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method. For mortgage-backed and asset-backed securities, the effective interest method is used based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied at the time of acquisition (retrospective method). This adjustment is reflected in net investment income. For loan-backed securities not meeting the definition of "highly rated", the prospective method is evaluated and, if materially different from the retrospective method, utilized to account for these securities. The retrospective adjustment method has been used to value all loan-backed and structured securities included in the accompanying Consolidated Financial Statements.

As further disclosed under *Accounting Standards and Changes in Accounting* in this note, the Company adopted accounting guidance for current expected credit loss recognition as of January 1, 2020. The Company determines current expected credit losses for available-for-sale debt securities when fair value is less than amortized cost, interest payments are missed and the security is experiencing credit issues. The Company considers a number of factors in making a determination including: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline in fair value, 4) the intent and ability to hold the investment until recovery, 5) the time period during which the decline had occurred, 6) an economic analysis of the issuer’s industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Provisions to and releases from the allowance for credit losses are recorded in Net investment income in the Consolidated Statements of Earnings.

Equity securities, common and non-redeemable preferred stocks are reported at fair value with changes in fair value included in Net investment income in the Consolidated Statement of Earnings.

Alternative Investments

The Company invests in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (i.e. investment funds). The Company does not have a controlling interest and is not the primary beneficiary for any of its alternative investments; accordingly, these investments are accounted for using the equity method of accounting where the cost is recorded as an investment in the fund. Adjustments to the carrying amount reflect the pro rata ownership percentage of the operating results as indicated by the net asset value in the investment fund financial statements, which can be done on a lag of up to three months when investee information is not received in a timely manner. Alternative investments are reported in other long-term investments in the Consolidated Balance Sheets. The proportionate share of investment fund income is reported as a component of Net investment income in the Consolidated Statements of Earnings.

Derivatives

Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an underlying equity index. The equity return component of such policy contracts is identified separately and accounted for in future policy benefits as embedded derivatives on the Consolidated Balance Sheets. The remaining portions of these policy contracts are considered the host contracts and are recorded separately within future policy benefits as fixed annuity or universal life contracts. The host contracts are accounted for under debt instrument type accounting, recorded as discounted debt instruments that are accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The Company purchases over-the-counter index options, which are derivative financial instruments, to hedge the equity return component of its index annuity and life products. The amounts which may be credited to policyholders are linked, in part, to the returns of the underlying index. The index options act as hedges to match closely the returns on the underlying index. Cash is exchanged upon purchase of the index options and no principal or interest payments are made by either party during the option periods, typically one year. Upon maturity or expiration of the options, cash is paid to the Company based on the underlying index performance and terms of the contract. As a result, amounts credited to policyholders' account balances are substantially offset by changes in the value of the options.

The Company does not elect hedge accounting relative to derivative instruments. The derivatives are reported at their fair value in the accompanying Consolidated Financial Statements. Changes in the values of the index options and changes in the policyholder liabilities are both reflected in the Consolidated Statement of Earnings. Any gains or losses from the sale or expiration of the options, as well as period-to-period changes in values, are reflected as Net investment income in the Consolidated Statement of Earnings. Any changes relative to the embedded derivatives associated with policy contracts are reflected in contract interest in the Consolidated Statement of Earnings.

Although there is credit risk in the event of nonperformance by counterparties to the index options, the Company does not expect any counterparties to fail to meet their obligations, given their high credit ratings. In addition, credit support agreements are in place with all counterparties for option holdings in excess of specific limits, which further reduces the Company's credit exposure. At December 31, 2022 and 2021, the fair value of index options owned by the Company totaled $23.7 million and $101.6 million, respectively. Of these amounts, $(30.7) million and $54.4 million represent net unrealized gains/(losses) on the options held at December 31, 2022 and 2021, respectively.

Additionally, the Company is a party to coinsurance funds withheld reinsurance agreements under which identified assets are maintained in funds withheld accounts. Under terms of these coinsurance funds withheld agreements, while the assets are withheld, the associated interest and credit risk of these assets are transferred to the reinsurers creating an embedded derivative on reinsurance in the funds withheld liability. Accordingly, the Company is required to bifurcate the embedded derivative from the host contract in accordance with ASC 815-15. The bifurcated embedded derivative on reinsurance is computed as the fair value unrealized gain (loss) on the underlying funds withheld assets. This amount is included as a component of the funds withheld liability on the Consolidated Balance Sheets, with changes in the embedded derivative on reinsurance reported in the Net investment income in the Consolidated Statements of Earnings. The embedded derivative on reinsurance is classified as a Level 2 and Level 3 financial instrument in the fair value hierarchy because its valuation input is the fair value market adjustments on the underlying Level 2 and Level 3 debt securities. See Note (4) *Fair Values of Financial Instruments* for further details of fair value disclosures. In the Consolidated Statements of Cash Flows, changes in the funds withheld liability are reported in operating activities. Realized gains on funds withheld assets are transferred to the reinsurer and reported as investing activities in the Consolidated Statements of Cash Flows. The value of the embedded derivative at December 31, 2022 and 2021 was $335.0 million and $84.7 million, respectively.

Mortgage Loans and Other Long-term Investments

Mortgage loans and other long-term investments are primarily stated at cost, less unamortized discounts, deferred fees, and allowances for possible losses. Mortgage loans made by the reinsurers under the funds withheld reinsurance agreements are reported at fair value. Policy loans are stated at their aggregate unpaid balances. Real estate is stated at the lower of cost or fair value less estimated costs to sell.

Credit loss allowances for mortgage loan investments are recorded following the current expected credit loss (“CECL”) standards under GAAP. The Company uses the Weighted Average Remaining Maturity ("WARM") method, which uses an average annual charge-off rate applied to each mortgage loan risk category. The WARM method is also used to calculate the CECL allowance on unfunded mortgage loan commitments. The CECL allowance on unfunded mortgage loan commitments is reported in other liabilities in the Consolidated Balance Sheets, with changes in the CECL allowance related to unfunded commitments recorded through Other operating expenses in the Consolidated Statements of Earnings.

Mortgage loans are placed on non-accrual status if there are concerns regarding the collectability of future payments. Interest income on non-performing loans is generally recognized on a cash basis. Once mortgage loans are classified as nonaccrual loans, the resumption of the interest accrual would commence only after all past due interest had been collected or the mortgage loan had been restructured such that the collection of interest was considered likely.

Accrued Investment Income

The accrual of investment income on invested assets is discontinued when it is determined that it is probable that the income will not be collected.

Realized Gains and Losses on Investments

Realized gains and losses for securities available-for-sale and trading securities are included in earnings and are derived using the specific identification method for determining the cost of securities sold or called. Prepayment penalty fees received from issuers that call their securities before maturity are excluded from the calculation of realized gain or loss and are included as a component of investment income.

Fair Values

Fair values of equity securities are based on quoted market prices in active markets when available. Fair values of fixed maturities are based on market prices in the fixed income markets. Fair values of derivative investments are based on the latest counterparty model market prices. Items not readily marketable are generally based on values that are representative of the fair values of comparable issues. Fair values for all securities are reviewed for reasonableness by considering overall market conditions and values for similar securities. See Note (4) *Fair Values of Financial Instruments* for more information on fair value policies, including assumptions and the amount of securities priced using the valuation models.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers all short-term investments with a maturity at the date of purchase of three months or less to be cash equivalents.

Deferred Transaction Costs

Deferred policy acquisition costs ("DPAC") include certain costs of successfully acquiring new insurance business, including commissions and other expenses related directly to the production of new business, to the extent recoverable from future policy revenues and gross profits (indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expenses as incurred). Also included are premium bonuses and bonus interest credited to contracts during the first contract year only. These deferred sales inducements ("DSI") are also deferrable to the extent recoverable.

For interest sensitive universal life and annuity products, these costs are amortized in relation to the present value of expected gross margins or gross profits on these policies. For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. The Company evaluates the recoverability of deferred policy acquisition and sales inducement costs on a quarterly basis. In this evaluation, the Company considers estimated future gross profits or future premiums, as applicable for the type of contract. The Company also considers expected mortality, interest earned and credited rates, persistency, and expenses.

In accordance with GAAP guidance, the Company must also write off deferred policy acquisition costs and unearned revenue liabilities upon internal replacement of certain contracts as well as annuitizations of deferred annuities. All insurance and investment contract modifications and replacements are reviewed to determine if the internal replacement results in a substantially changed contract. If so, the acquisition costs, sales inducements and unearned revenue associated with the new contract are deferred and amortized over the lifetime of the new contract. In addition, the existing deferred policy acquisition costs, sales inducement costs and unearned revenue balances associated with the replaced contract are written off. If an internal replacement results in a substantially unchanged contract, the acquisition costs, sales inducements and unearned revenue associated with the new contract are immediately recognized in the period incurred. In addition, the existing deferred policy acquisition costs, sales inducement costs or unearned revenue balance associated with the replaced contract are not written off, but instead are carried over to the new contract.

Amortization of DPAC and DSI is reviewed each year and adjusted retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of investment gains and losses) to be realized from a group of products are revised.

The value of insurance in force business acquired ("VOBA") is a purchase accounting convention for life insurance companies in business combinations based upon an actuarial determination of the difference between the fair value of policy liabilities acquired and the same policyholder liabilities measured in accordance with the acquiring company's accounting policies. The difference, referred to as VOBA, is an intangible asset subject to periodic amortization. It represents the portion of the purchase price allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. The Company performs recoverability testing of the value of business acquired annually.

The Company has recorded on the Consolidated Balance Sheet a deferred Cost of Reinsurance ("COR") asset having an original amount of $102.8 million associated with the funds withheld reinsurance transaction with Prosperity. This represents the amount of assets transferred at the closing date of the funds withheld agreement (debt securities, policy loans, and cash) in excess of the GAAP liability ceded plus a $48.0 million ceding commission paid to the reinsurer. The COR balance is amortized commensurate with the runoff of the ceded block of funds withheld business and the amortization expense reported in the Consolidated Statements of Earnings.

Reinsurance

The Company cedes insurance and investment contracts under a coinsurance with funds withheld arrangement, following reinsurance accounting for transactions that provides indemnification against loss or liability relating to insurance risk. To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Cessions under reinsurance do not discharge the Company's obligations as the primary insurer. Assets and liabilities are presented on a gross basis on the Consolidated Balance Sheets.

Under funds withheld reinsurance agreements, funds withheld assets consist of a segregated portfolio of cash and invested assets sufficient to support the current ceded balance of statutory reserves. The fair value of the funds withheld is recorded as a funds withheld liability and any excess or shortfall in relation to statutory reserves is settled periodically. Refer to Note (5) *Reinsurance* for more information.

Other Assets

Other assets include property and equipment, primarily comprised of capitalized software costs, furniture and equipment and leasehold improvements, which are reported at cost less allowances for depreciation and amortization. Costs incurred in the preliminary stages of developing internal-use software as well as costs incurred post-implementation for maintenance are expensed. Capitalization of internal-use software costs occurs after management has authorized the project and it is probable that the software will be used as intended. Amortization of capitalized costs begins after the software has been placed in production. Depreciation and amortization expense is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Capitalized software, property, and equipment had a carrying value of $165.6 million at December 31, 2022 and $165.3 million at December 31, 2021, and accumulated depreciation and amortization of $96.7 million at December 31, 2022 and $84.0 million at December 31, 2021. Depreciation and amortization expense for capitalized software, furniture and equipment, and leasehold improvements was $14.3 million, $13.0 million, and $11.9 million in 2022, 2021, and 2020, respectively.

Other assets also include goodwill at December 31, 2022 and 2021 of $13.9 million related to the excess of the amounts paid to acquire companies over the fair value of other net tangible and intangible assets acquired. It represents the future economic benefits arising from assets acquired and liabilities assumed that could not be individually identified. Goodwill is not amortized but is subject to annual impairment analysis or more frequently if indicators are present. If indicators suggest an impairment may have occurred and suggest the value has declined below the carrying value of goodwill the balance is adjusted downward. Refer to Note (7) *Goodwill and Specifically Identifiable Intangible Assets* for further information.

Other assets at December 31, 2022 and 2021 further include $6.7 million and $7.5 million, respectively, of identifiable intangible assets that were acquired in a business combination. These intangible assets include trademarks and trade names, internally developed software, and various insurance licenses. Identifiable intangible assets are amortized using a straight-line method over their estimated useful lives.

Future Policy Benefits

Under GAAP, the liability for future policy benefits on traditional products has been calculated using assumptions as to future mortality (based on the 1965-1970, 1975-1980, and 2001 Select and Ultimate mortality tables), interest ranging from 3.25% to 8.00%, and withdrawals based on Company experience. For universal life and annuity contracts, the liability for future policy benefits represents the account balance. Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an equity index. In accordance with GAAP guidance, the equity return component of such policy contracts must be identified separately and accounted for as an embedded derivative. The remaining portions of these policy contracts are considered the host contracts and are recorded separately as fixed annuity or universal life contracts. The host contracts are accounted for under GAAP guidance provisions that require debt instrument type accounting. The host contracts are recorded as discounted debt instruments that are accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The embedded derivatives are recorded at fair value. The fair value of the embedded derivative component of policy benefit reserves is estimated at each valuation date by (a) projecting policy and contract values and minimum guaranteed values over the expected lives of the policies and contracts and (b) discounting the excess of the projected value amounts at the applicable risk free interest rates adjusted for nonperformance risk related to those liabilities. The projections of policy and contract values are based upon best estimate assumptions for future policy growth and future policy decrements. Best estimate assumptions for future policy growth includes assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual cost options purchased 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.

Other Policy Claims and Benefits

Unearned revenue reserves are maintained that reflect the unamortized balance of charges assessed to interest sensitive contract holders which serve as compensation for services to be performed over future periods (policy premium loads). These charges are deferred and recognized in income over the period benefited using the same assumptions and factors used to amortize deferred policy acquisition costs.

Share-based Compensation

The Company accounts for share-based compensation under GAAP using liability accounting, and measures compensation cost using the fair value method at each reporting date. For stock appreciation rights, fair value is determined using an option pricing model that takes into account various information and assumptions including the Company's stock price, volatility, option price, vesting dates, exercise dates and projected lapses from forfeiture or termination.

Deferred Income Taxes

Federal income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance for deferred tax assets is provided if all or some portion of the deferred tax asset may not be realized. An increase or decrease in a valuation allowance that results from a change in circumstances that affects the realizability of the related deferred tax asset is included in income in the period the change occurs.

Recognition of Premiums, Contract Revenues and Costs

Premiums on traditional life insurance products are recognized as revenues as they become due from policyholders. Benefits and expenses are matched with premiums in arriving at profits by providing for policy benefits over the lives of the policies and by amortizing costs over premium-paying periods of the policies.

Revenues for interest sensitive universal life and annuity products consist of policy charges for the cost of insurance asset charges, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. The timing of revenue recognition as it relates to these charges and fees is determined based on the nature of such charges and fees. Policy charges for the cost of insurance, asset charges and policy administration charges are assessed on a daily or monthly basis and are recognized as revenue when assessed and earned. Certain policy initiation fees that represent compensation for services to be provided in the future are reported as unearned revenue and recognized in income over the periods benefited. Surrender charges are determined based upon contractual terms and are recognized upon surrender of a contract. Policy benefits and claims charged to expense include interest amounts credited to policyholder account balances and benefit claims incurred in excess of policyholder account balances during the period. Amortization of DPAC, DSI, VOBA, and COR balances are recognized as expense over the life of the underlying policies. All insurance-related revenues, benefits and expenses are reported net of reinsurance ceded. The cost of reinsurance ceded is recognized over the contract periods of the reinsurance agreements.

Comprehensive Income

Comprehensive income includes net income, as well as other comprehensive income items not recognized through net income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities as well as the underfunded obligations for certain retirement and postretirement benefit plans. These items are included in accumulated other comprehensive income, net of tax and other offsets, in stockholders' equity. The changes in unrealized gains and losses reported in the Consolidated Statements of Comprehensive Income (Loss), excludes net investment gains and losses included in net income that represent transfers from unrealized to realized gains and losses. These transfers are further discussed in Note (2) *Investments*. The components of the underfunded obligation for certain retirement and postretirement benefit plans are provided in Note (14) *Pension and Other Postretirement Plans*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. For example, significant estimates and assumptions are utilized in the valuation of investments, the determination of credit losses and impairments of investments, the recoverability and amortization of deferred policy acquisition costs, deferred sales inducements and value of business acquired, the calculation of policyholder liabilities and accruals and the determination of pension expense. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized, which could have a material impact on the Consolidated Financial Statements.

Accounting Standards and Changes in Accounting

Recent accounting pronouncements not yet adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-12 *Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI"). This update pertains to long-duration contracts and improving the timeliness of recognizing changes in the liability for future policy benefits, simplifying accounting for certain market-based options, simplifying the amortization of deferred policy acquisition costs, and improving the effectiveness of required disclosures. Amendments include the following:

A. Require an insurance entity to (1) review and update assumptions used to measure cash flows at least annually (with changes recognized in net income) and (2) update discount rate assumptions at each quarterly reporting date with the impact recognized in other comprehensive income ("OCI").

B. Require an insurance entity to measure all market risk benefits, which are contracts or contract features that provide protection to the policyholder from capital market risk, associated with deposit (i.e. account balance) contracts at fair value. The periodic change in fair value attributable to change in instrument-specific credit risk is recognized in OCI.

C. Simplify amortization of deferred policy acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require those balances be amortized on a constant basis over the expected term of the related contracts. Deferred policy acquisition costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.

D. Require an insurance entity to add disclosures of disaggregated rollforwards of significant insurance liabilities and other account balances (i.e. 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 insurance entity must also 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.

In November 2020, the FASB released ASU 2020-11 *Financial Services – Insurance (Topic 944)*. The amendments in this update deferred the effective date of adoption of ASU 2018-12 for all entities by one year. In particular, for publicly traded business entities, adoption of LDTI was made effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Accordingly, the Company's required adoption date is January 1, 2023.

The Company has selected the modified retrospective transition method, which requires the amended guidance be applied to the earliest period presented, which for comparable prior period reporting will be a January 1, 2021 transition date. When the Company adopts the updated standard beginning January 1, 2023, opening retained earnings and accumulated other comprehensive income balances will be adjusted for the January 1, 2021 transition date impacts and prior periods presented will be restated following the updated standard. While the Company has substantially completed the necessary data gathering, valuation modeling, and computations, the results are still subject to independent review and vetting. Accordingly, at the time of this filing, the Company currently expects an increase in Total stockholders' equity ranging from $100.0 million to $200.0 million as of the transition date.

Accounting pronouncements adopted

In March 2022, the FASB released ASU 2022-02 Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures. The amendments in this Update eliminate the accounting guidance for troubled-debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, but enhances disclosure requirements for certain loan modifications in which the debtor is experiencing financial difficulties. Additionally, the amendments in this Update require public business entities to disclose current-period gross write offs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. The updates are required to be applied prospectively beginning in fiscal years after December 15, 2022, including interim periods within those fiscal years. The Company elected to adopt the requirements of this update in its Consolidated Financial Statements for the year ended December 31, 2022. The adoption of this ASU did not have a material impact on the results of operations or financial position of the Company.

In December 2019, the FASB issued ASU 2019-12 *Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740)*, which simplifies various aspects of the income tax accounting guidance and is applied using different approaches depending on the specific amendment. The amendments were effective for fiscal periods beginning after December 15, 2020. The adoption of this ASU did not have a material impact on the results of operations or financial position of the Company.

In June 2016, the FASB released ASU 2016-13, *Financial Instruments-Credit Losses*, which revised the credit loss recognition criteria for certain financial assets measured at amortized cost. The new guidance replaced the existing incurred loss recognition model with an expected loss recognition model ("CECL"). The objective of the CECL model is for the reporting entity to recognize its estimate of current expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in this Update added clarification and correction to ASU 2016-13 around accrued interest, transfers between classifications or categories for loans and debt securities, consideration of recoveries in estimating allowances, reinsurance recoveries, consideration of prepayments and estimated costs to sell when foreclosure is probable. In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses.* The amendments in this Update added clarification and correction to ASU 2016-13 around expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, and financial assets secured by collateral maintenance provisions. The guidance for these pronouncements was effective for interim and annual periods beginning after December 15, 2019, and for most affected instruments adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained earnings. Effective January 1, 2020, the Company adopted the expected loss recognition model related to mortgage loans, debt securities held-to-maturity at that time and reinsurance recoverable using a modified retrospective approach. The change in accounting, net of tax, of $3.0 million was recorded as a charge to retained earnings in the first quarter of 2020 reflecting initial allowance for estimated credit losses balances of $1.2 million on mortgage loans and $3.3 million on debt securities held to maturity. The estimated credit losses for the reinsurance recoverable were immaterial to the financial statements, but are monitored on a quarterly basis for any changes. Refer to Note (2) *Investments* for more information. Certain disclosures required by ASU 2016-13 are not included in the Consolidated Financial Statements as the impact of this standard was not material.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future Consolidated Financial Statements.

(2) INVESTMENTS

(A) Investment Income

The major components of net investment income are as follows:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Gross investment income:			
Debt and equity securities	$ 298,965	309,082	373,479
Mortgage loans	20,691	20,155	13,162
Policy loans	2,626	2,667	3,361
Short-term investments	3,940	293	2,160
Other investment assets	27,409	16,321	12,698
Total investment income	353,631	348,518	404,860
Less investment expenses	2,420	2,762	2,412
Net investment income (excluding derivatives and trading securities)	351,211	345,756	402,448
Index option derivative gain (loss)	(86,866)	120,718	14,754
Embedded derivative on reinsurance	250,230	84,725	—
Trading securities market adjustments	(214,935)	11,331	—
Net investment income	$ 299,640	562,530	417,202

(B) Mortgage Loans and Real Estate

A financing receivable is a contractual right to receive money on demand or on fixed or determinable dates that is recognized as an asset in a company’s statement of financial position. The Company’s mortgage, participation and mezzanine loans on real estate are the only financing receivables included in the Consolidated Balance Sheets.

In general, the Company originates loans on high quality, income-producing properties such as shopping centers, freestanding retail stores, office buildings, storage units, industrial and sales or service facilities, selected apartment buildings, hotels, and health care facilities. The location of these properties are typically in major metropolitan areas that offer a potential for property value appreciation. Credit and default risk are minimized through strict underwriting guidelines and diversification of underlying property types and geographic locations. In addition to being secured by the property, mortgage loans with leases on the underlying property are supported by the lease payments. This approach has proven to result in quality mortgage loans with few defaults. Mortgage loan interest income is recognized on an accrual basis with any premium or discount amortized over the life of the loan. Prepayment and late fees are recorded on the date of collection.

The Company targets a minimum specified yield on mortgage loan investments determined by reference to currently available debt security instrument yields plus a desired amount of incremental basis points. A low interest rate environment and a competitive marketplace, had resulted in fewer loan opportunities being available that met the Company's required rate of return. Mortgage loan originations were further impeded by the COVID-19 pandemic and its effects upon the commercial real estate market. As stabilization returned to the commercial real estate market, the Company directed resources and effort towards expanding its mortgage loan investment portfolio. The rapid rise in interest rate levels during 2022 caused potential mortgage loan opportunities to fall outside the Company's underwriting criteria resulting in a lower level of originations. Mortgage loans originated by the Company totaled $47.4 million and $183.6 million for the years 2022 and 2021, respectively.

Loans in foreclosure, loans considered impaired or loans past due 90 days or more are placed on a non-accrual status. If a mortgage loan is determined to be on non-accrual status, the mortgage loan does not accrue any revenue into the Consolidated Statements of Earnings. The loan is independently monitored and evaluated as to potential impairment or foreclosure. If delinquent payments are made and the loan is brought current, then the Company returns the loan to active status and accrues income accordingly. The Company has no loans past due 90 days which are accruing interest.

Included in the mortgage loan investment balance at December 31, 2022, and 2021 were three mortgage loan investments made by Prosperity under the funds withheld reinsurance agreement totaling $19.3 million and $8.5 million, respectively. The Company has elected fair value measurement for these mortgage loans, and similar to trading debt securities, these loans are reported at fair market values in order to allow the market value fluctuation to be recorded directly in the Consolidated Statements of Earnings and to offset the embedded derivative liability change due to market value fluctuations.

The Company held net investments in mortgage loans, after allowances for credit losses, totaling $505.7 million and $487.3 million at December 31, 2022 and 2021, respectively. The diversification of the portfolio by geographic region, property type, and loan-to-value ratio was as follows:

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Geographic Region:				
West South Central	$ 220,357	43.2	$ 237,644	48.5
East North Central	60,520	11.9	61,397	12.6
South Atlantic	104,334	20.4	81,847	16.7
East South Central	18,753	3.7	20,069	4.1
West North Central	11,942	2.3	12,213	2.5
Pacific	11,924	2.3	13,800	2.8
Middle Atlantic	40,742	8.0	36,296	7.4
Mountain	42,023	8.2	26,613	5.4
Gross balance	510,595	100.0	489,879	100.0
Market value adjustment	(1,290)	(0.3)	412	0.1
Allowance for credit losses	(3,575)	(0.7)	(2,987)	(0.6)
Totals	$ 505,730	99.0	$ 487,304	99.5

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Property Type:				
Retail	$ 169,618	33.2	$ 164,895	33.7
Office	140,092	27.4	142,824	29.2
Storage facility	79,853	15.7	73,401	15.0
Industrial	35,896	7.0	34,212	7.0
Hotel	23,431	4.6	23,748	4.8
Land/lots	4,605	0.9	4,597	0.9
Apartments	38,377	7.5	38,920	7.9
Residential	14,599	2.9	1,905	0.4
All other	4,124	0.8	5,377	1.1
Gross balance	510,595	100.0	489,879	100.0
Market value adjustment	(1,290)	(0.3)	412	0.1
Allowance for credit losses	(3,575)	(0.7)	(2,987)	(0.6)
Totals	$ 505,730	99.0	$ 487,304	99.5

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Loan-to-Value Ratio (1):				
Less than 50%	$ 100,757	19.7	$ 100,806	20.6
50% to 60%	145,093	28.4	128,191	26.2
60% to 70%	217,445	42.6	202,670	41.3
70% to 80%	47,300	9.3	58,212	11.9
Gross balance	510,595	100.0	489,879	100.0
Market value adjustment	(1,290)	(0.3)	412	0.1
Allowance for credit losses	(3,575)	(0.7)	(2,987)	(0.6)
Totals	$ 505,730	99.0	$ 487,304	99.5

(1) Loan-to-Value Ratio is determined using the most recent appraised value. Appraisals are required at the time of funding and may be updated if a material change occurs from the original loan agreement.

All mortgage loans, excluding mortgage loans carried at fair value, are analyzed on an ongoing basis in order to monitor the financial quality of these assets. Mortgage loans with a likelihood of becoming delinquent are identified and placed on an internal "watch list." Among the criteria that would indicate a potential problem include: major tenant vacancies or bankruptcies, late payments, and loan relief/restructuring requests. Specific mortgage loans on the internal watch list are analyzed to determine whether an impairment has occurred on any loan that would require a write down of its carrying value in the financial statements.

The Company maintains a general valuation allowance following the GAAP standard for current expected credit losses ("CECL"). The objective of the CECL model is for the reporting entity to recognize its estimate of current expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of financial assets at the amount expected to be collected. For mortgage loan investments the Company employs the Weighted Average Remaining Maturity ("WARM") method in estimating current expected losses with respect to mortgage loan investments. The WARM method applies publicly available data of default incidence of commercial real estate properties by several defined segmentations combined with future assumptions regarding economic conditions (i.e. GDP forecasts) both in the near term and the long term. Changes in the allowance for current expected credit losses are reported in Net investment income in the Consolidated Statements of Earnings.

The following table represents the mortgage loans allowance for credit losses.

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Mortgage Loans Allowance for Credit Losses:		
Balance, beginning of the period	$ 2,987	2,486
Provision (release) during the period	588	501
Balance, end of period	$ 3,575	2,987

The Company does not recognize interest income on loans past due 90 days or more. The Company had no mortgage loans past due six months or more at December 31, 2022, 2021 and 2020. There was no interest income not recognized in 2022 or 2021.

The contractual maturities of mortgage loan principal balances at December 31, 2022 and 2021 were as follows:

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Principal Balance by Contractual Maturity:				
Due in one year or less	$ 2,299	0.5	$ 13,422	2.7
Due after one year through five years	184,439	36.1	127,766	26.1
Due after five years through ten years	205,712	40.3	222,444	45.4
Due after ten years through fifteen years	107,503	21.0	115,313	23.5
Due after fifteen years	10,869	2.1	11,280	2.3
Totals	$ 510,822	100.0	$ 490,225	100.0

The Company's direct investments in real estate investments are not a significant portion of its total investment portfolio. These investments totaled approximately $27.7 million at December 31, 2022 and $28.6 million at December 31, 2021, and consist primarily of income-producing properties which are being operated by a wholly owned subsidiary of National Western. The Company recognized operating income on its direct investments in real estate of $3.0 million, $2.9 million and $2.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Company had real estate investments that were non-income producing for the preceding twelve months totaling $0.0 million, $0.1 million, and $0.4 million at December 31, 2022, 2021 and 2020, respectively.

Net real estate gains for the year ended December 31, 2022, are related to the sale of land located in Freeport, Texas and Houston, Texas along with a retail property located in Ruidoso, New Mexico for a total combined net realized gain of $1.2 million. Net real estate loss for the year ended December 31, 2021 was related to the Ozark National's sale of their home office, parking garage and parking lot all located in Kansas City, Missouri at a net realized loss of $1.4 million. Net real estate gains for the year ended December 31, 2020 were $2.7 million, and related to the sale of a property located in Travis County Texas.

(C) Debt Securities

The table below presents amortized costs and fair values of debt securities available-for-sale at December 31, 2022.

	Debt Securities Available-for-Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
	(In thousands)				
Debt securities:					
U.S. Agencies	$ 21,003	—	(377)	20,626	—
U.S. Treasury	2,813	6	(90)	2,729	—
States and political subdivisions	476,338	668	(65,507)	411,499	—
Foreign governments	62,964	—	(17,076)	45,888	—
Public utilities	681,785	117	(66,765)	615,137	—
Corporate	6,199,886	1,940	(570,255)	5,631,571	—
Commercial mortgage-backed	21,965	—	(1,680)	20,285	—
Residential mortgage-backed	337,186	183	(16,338)	321,031	—
Asset-backed	634,820	168	(92,121)	542,867	—
Totals	$ 8,438,760	3,082	(830,209)	7,611,633	—

The table below presents amortized costs and fair values of debt securities available-for-sale at December 31, 2021.

	Debt Securities Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
U.S. Agencies	$ 43,472	1,071	—	44,543
U.S. Treasury	2,469	21	—	2,490
States and political subdivisions	479,148	27,733	(921)	505,960
Foreign governments	62,979	293	(881)	62,391
Public utilities	745,359	39,919	(309)	784,969
Corporate	6,322,471	391,287	(12,805)	6,700,953
Commercial mortgage-backed	27,016	741	—	27,757
Residential mortgage-backed	530,702	18,921	—	549,623
Asset-backed	390,634	2,123	(2,497)	390,260
Totals	$ 8,604,250	482,109	(17,413)	9,068,946

The Company's investment policy includes investing in high quality securities with the primary intention of holding these securities until the stated maturity. As such, the portfolio has exposure to interest rate risk, which is the risk that funds are invested today at a market interest rate and in the future interest rates rise causing the current market price on that investment to be lower. This risk is not a significant factor relative to the Company's buy and hold philosophy, since the intention is to receive the stated interest rate and principal at maturity to match liability requirements to policyholders. The Company manages these risks, for example, by purchasing mortgage-backed securities types that have more predictable cash flow patterns.

The Company held below investment grade debt securities totaling $112.0 million and $153.0 million at December 31, 2022 and 2021, respectively. These amounts represent 1.2% and 1.4% of total invested assets for December 31, 2022 and 2021, respectively. Below investment grade holdings are the result of credit rating downgrades subsequent to purchase, as the Company only invests in high quality securities with ratings quoted as investment grade. Below investment grade securities generally have greater default risk than higher rated corporate debt. The issuers of these securities are usually more sensitive to adverse industry or economic conditions than are investment grade issuers.

For the years ended December 31, 2022, 2021, and 2020, the Company recorded net realized gains totaling $6.4 million, $15.0 million and $21.1 million, respectively, related to the disposition of investment securities and real estate.

Debt securities balances at December 31, 2022 and 2021 include Ozark National holdings of $674.8 million and $823.0 million in available-for-sale, respectively. At the acquisition date of Ozark National the Company employed purchase accounting procedures in accordance with GAAP which revalued the acquired investment portfolio to their fair values as of the date of the acquisition. These fair values became the book values for Ozark National from that point going forward.

The following table shows the gross unrealized losses and fair values of the Company's available-for-sale debt securities by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2022.

	Debt Securities Available-For-Sale					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
U.S. Government agencies	$ 20,626	(377)	—	—	20,626	(377)
U.S. Treasury	1,749	(90)	—	—	1,749	(90)
States and political subdivisions	346,009	(55,014)	28,420	(10,493)	374,429	(65,507)
Foreign governments	22,591	(7,658)	23,296	(9,420)	45,887	(17,078)
Public utilities	601,824	(61,970)	10,747	(4,795)	612,571	(66,765)
Corporate bonds	4,985,075	(432,492)	434,625	(137,763)	5,419,700	(570,255)
Commercial mortgage-backed	20,285	(1,680)	—	—	20,285	(1,680)
Residential mortgage-backed	307,410	(16,338)	—	—	307,410	(16,338)
Asset-backed	368,132	(59,936)	156,719	(32,185)	524,851	(92,121)
Total	$ 6,673,701	(635,555)	653,807	(194,656)	7,327,508	(830,211)

The following table shows the gross unrealized losses and fair values of the Company's available-for-sale debt securities by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2021.

	Debt Securities Available-For-Sale					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
States and political subdivisions	$ 38,853	(779)	1,790	(142)	40,643	(921)
Foreign governments	31,862	(881)	—	—	31,862	(881)
Public utilities	15,286	(309)	—	—	15,286	(309)
Corporate bonds	541,974	(11,378)	25,319	(1,427)	567,293	(12,805)
Home equity	188,960	(2,497)	—	—	188,960	(2,497)
Total	$ 816,935	(15,844)	27,109	(1,569)	844,044	(17,413)

Unrealized losses increased in 2022 from 2021 amounts primarily as a result of an increase in market interest rate levels during 2022. The ten-year U.S. Treasury bond increased 237 basis points during the year ended December 31, 2022.

The amortized cost and fair value of investments in available-for-sale debt securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Debt Securities Available-for-Sale	
	Amortized Cost	Fair Value
	(In thousands)	
Due in 1 year or less	$ 719,108	714,084
Due after 1 year through 5 years	2,866,915	2,747,445
Due after 5 years through 10 years	1,812,394	1,625,461
Due after 10 years	2,046,372	1,640,459
	7,444,789	6,727,449
Mortgage and asset-backed securities	993,971	884,184
Total before allowance for credit losses	8,438,760	7,611,633
Allowance for credit losses	—	—
Total	$ 8,438,760	7,611,633

The Company uses the specific identification method in computing realized gains and losses. The table below presents realized gains and losses for the periods indicated.

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Available-for-sale debt securities:			
Realized gains on disposal	$ 5,304	16,377	5,677
Realized losses on disposal	(193)	(5)	—
Held-to-maturity debt securities:			
Realized gains on redemption	—	—	12,734
Realized losses on redemption	—	—	(1)
Real estate	1,244	(1,421)	2,661
Mortgage loans	—	—	—
Other	—	(1)	—
Totals	$ 6,355	14,950	21,071

Disposals in the held-to-maturity category during the year ended December 31, 2020 represent calls initiated by the credit issuer of the debt security. At year-end 2020, the Company transferred all of its held-to-maturity debt securities to the available-for-sale category as a result of entering into a funds withheld reinsurance agreement effective December 31, 2020. The Company's policy was to initiate disposals of debt securities in the held-to-maturity category only in instances in which the credit status of the issuer came into question and the realization of all or a significant portion of the investment principal of the holding was deemed to be in jeopardy.

Except for the total U.S. government agency mortgage-backed securities held, the Company had no other investments in any entity in excess of 10.0% of stockholders' equity at December 31, 2022 or 2021.

The following table presents the available-for-sale debt securities allowance for credit losses for the years ended December 31, 2022 and 2021.

	December 31,	
	2022	2021
	Debt Securities Available-for- Sale	
	(In thousands)	
Balance, beginning of period	$ —	—
(Releases)/provision during period	—	—
Balance, end of period	$ —	—

The Company determines current expected credit losses for available-for-sale debt securities when fair value is less than amortized cost, interest payments are missed, and the security is experiencing credit issues. Provisions to and releases from the allowance for credit losses are recorded in Net investment income in the Consolidated Statements of Earnings. Based on its review, the Company determined none of these investments required an allowance for credit loss at December 31, 2022 or 2021. The Company's operating procedures include monitoring the investment portfolio on an ongoing basis for any changes in issuer facts and circumstances that might lead to future need for a credit loss allowance.

(D) Net Unrealized Gains (Losses)

Net unrealized gains (losses) on investment securities included in stockholders' equity at December 31, 2022 and 2021, are as follows:

	December 31,	
	2022	2021
	(In thousands)	
Gross unrealized gains	$ 3,082	482,109
Gross unrealized losses	(830,209)	(17,413)
Adjustments for:		
Deferred policy acquisition costs and sales inducements	295,527	(178,340)
Deferred Federal income tax expense	111,636	(60,135)
Net unrealized gains (losses) on investment securities	$ (419,964)	226,221

(E) Transfer of Securities

There were no transfers in 2022 or 2021 between debt securities available-for-sale and trading. The Company does not classify any debt securities as held-to-maturity.

(3) DERIVATIVE INVESTMENTS

Fixed-index products provide traditional fixed annuities and universal life contracts with the option to have credited interest rates linked in part to an underlying equity index or a combination of equity indices. The equity return component of such policy contracts is identified separately and accounted for in future policy benefits as embedded derivatives on the Consolidated Balance Sheets. The remaining portions of these policy contracts are considered the host contracts and are recorded separately as fixed annuity or universal life contracts. The host contracts are accounted for under debt instrument type accounting in which future policy benefits are recorded as discounted debt instruments and accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The Company purchases over-the-counter index options, which are derivative financial instruments, to hedge the equity return component of its fixed-index annuity and life products. The index options act as hedges to match closely the returns on the underlying index or indices. The amounts which may be credited to policyholders are linked, in part, to the returns of the underlying index or indices. As a result, changes to policyholders' liabilities are substantially offset by changes in the value of the options. Cash is exchanged upon purchase of the index options and no principal or interest payments are made by either party during the option periods. Upon maturity or expiration of the options, cash may be paid to the Company depending on the performance of the underlying index or indices and terms of the contract.

The Company does not elect hedge accounting relative to these derivative instruments. The index options are reported at fair value in the accompanying Consolidated Financial Statements. The changes in the values of the index options and the changes in the policyholder liabilities are both reflected in the Consolidated Statements of Earnings. Any changes relative to the embedded derivatives associated with policy contracts are reflected in contract interest in the Consolidated Statements of Earnings. Any gains or losses from the sale or expiration of the options, as well as period-to-period changes in values, are reflected as Net investment income in the Consolidated Statements of Earnings.

Although there is credit risk in the event of nonperformance by counterparties to the index options, the Company does not expect any of its counterparties to fail to meet their obligations, given their high credit ratings. In addition, credit support agreements are in place with all counterparties for option holdings in excess of specific limits, which may further reduce the Company's credit exposure.

The Company maintains two coinsurance funds withheld reinsurance agreement under which identified assets with underlying unrealized gains (losses) are maintained in a funds withheld account. While the assets are withheld, the associated interest and credit risk of these assets are transferred to the reinsurers, creating an embedded derivative on reinsurance in the funds withheld liability. Accordingly, the Company is required to bifurcate the embedded derivative from the host contract in accordance with GAAP. The fair value of the embedded derivative on reinsurance is computed as the unrealized gain (loss) on the underlying funds withheld assets. This amount is included as a component of the funds withheld liability balance on the Consolidated Balance Sheets with changes in the embedded derivative on reinsurance reported in Net investment income in the Consolidated Statements of Earnings. Changes in the funds withheld liability are reported in operating activities in the Consolidated Statements of Cash Flows.

The tables below present the fair value of derivative instruments as of December 31, 2022 and 2021.

	December 31, 2022			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		(In thousands)
Derivatives not designated as hedging instruments:				
Equity index options	Derivatives, Index Options	$ 23,669		
Fixed-index products			Universal Life and Annuity Contracts	$ 62,258
Embedded derivative on reinsurance contract			Funds Withheld Liability	(334,955)
Total		$ 23,669		$ (272,697)

	December 31, 2021			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		(In thousands)
Derivatives not designated as hedging instruments:				
Equity index options	Derivatives, Index Options	$ 101,622		
Fixed-index products			Universal Life and Annuity Contracts	$ 142,761
Embedded derivative on reinsurance contract			Funds Withheld Liability	(84,725)
Total		$ 101,622		$ 58,036

The table below presents the effect of derivative instruments in the Consolidated Statements of Earnings for the years ended December 31, 2022, 2021 and 2020.

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized In Income on Derivatives	Amount of Gain or (Loss) Recognized In Income on Derivatives 2022	2021	2020
		(In thousands)		
Equity index options	Net investment income	$ (86,865)	120,718	14,754
Fixed-index products	Universal life and annuity contract interest	89,415	(133,327)	(44,970)
Embedded derivative on reinsurance contract	Net investment income	250,230	84,725	—
		$ 252,780	72,116	(30,216)

The embedded derivative liability on fixed-index products, the change of which is recorded in universal life and annuity contract interest in the Consolidated Statements of Earnings, includes projected interest credits that are offset by the expected collectability by the Company of asset management fees on fixed-index products. The anticipated asset management fees to be collected increases or decreases based upon the most recent performance of index options and adds to or reduces the offset applied to the embedded derivative liability (increasing or decreasing contract interest expense). In the years ended December 31, 2022, 2021, and 2020, the change in the embedded derivative liability due to the expected collectability of asset management fees increased contract interest expense by $0.0 million, $6.5 million, and $34.4 million, respectively.

During 2020, the Company changed its budget for purchasing these options to match the collection of asset management fees with the payoff from out-of-the-money options, thereby removing the option premium that was previously being paid for the probability or expectation of collecting asset management fees ("out-of-the-money" hedging). Consequently, for annuity products having asset management fee features, the remaining one-year options purchased under the prior method expired during 2021 and were replaced by out-of-the-money hedges, Accordingly, the embedded derivative liability component due to the projected collectability of asset management fees no longer existed in 2022.

(4) FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments the FASB provides guidance which defines fair value, establishes a framework for measuring fair value under GAAP, and requires additional disclosures about fair value measurements. In compliance with this GAAP guidance, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Company's Level 1 assets are equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs. The Company's Level 2 assets include fixed maturity debt securities (corporate and private bonds, government or agency securities, asset-backed and mortgage-backed securities). The Company's Level 2 liabilities include the embedded derivative on reinsurance. Valuations are generally obtained from third party pricing services for identical or comparable assets or determined through use of valuation methodologies using observable market inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service's assumptions about the assumptions market participants would use in pricing an asset or liability. The Company's Level 3 assets are debt securities available-for-sale, trading securities, over-the-counter derivative contracts and mortgage loans. The Company's Level 3 liabilities consist of share-based compensation obligations, certain equity-index product-related embedded derivatives, and an embedded derivative on reinsurance. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

The following tables set forth the Company's assets and liabilities that are measured at fair value on a recurring basis as of the date indicated.

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale	$ 7,611,633	—	7,148,838	462,795
Debt securities, trading	1,065,993	—	942,756	123,237
Equity securities	22,076	18,407	3,669	—
Mortgage loans	19,334	—	—	19,334
Derivatives, index options	23,669	—	—	23,669
Short-term investments	3,937	—	3,937	—
Total assets	$ 8,746,642	18,407	8,099,200	629,035
Policyholder account balances (a)	$ 62,258	—	—	62,258
Other liabilities (b)	(314,413)	—	(324,712)	10,299
Total liabilities	$ (252,155)	—	(324,712)	72,557

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale	$ 9,068,946	—	8,741,984	326,962
Debt securities, trading	1,077,438	—	1,002,616	74,822
Equity securities	28,217	23,795	4,422	—
Mortgage loans	8,469	—	—	8,469
Derivatives, index options	101,622	—	—	101,622
Total assets	$ 10,284,692	23,795	9,749,022	511,875
Policyholder account balances (a)	$ 142,761	—	—	142,761
Other liabilities	(76,856)	—	(84,725)	7,869
Total liabilities	$ 65,905	—	(84,725)	150,630

(a) Represents the fair value of certain product-related embedded derivatives that were recorded at fair value.
(b) Represents the liability for share-based compensation and the embedded derivative for funds withheld.

The following tables provide additional information about fair value measurements for which significant unobservable inputs (Level 3) were utilized to determine fair value.

	December 31, 2022					
	Assets					
	Debt Securities, Available-for-Sale		Trading Securities	Derivatives, Index Options	Mortgage Loans	Total Assets
				(In thousands)		
Beginning balance, January 1, 2022	$	326,962	74,822	101,622	8,469	511,875
Total realized and unrealized gains (losses):						
Included in net earnings		—	(9,709)	(86,866)	(1,703)	(98,278)
Included in other comprehensive income (loss)		(41,424)	—	—	—	(41,424)
Purchases, sales, issuances and settlements, net:						
Purchases		209,616	58,389	54,190	12,693	334,888
Sales		—	—	—	—	—
Issuances		—	—	—	—	—
Settlements		(32,359)	(265)	(45,277)	(125)	(78,026)
Transfers into (out of) Level 3		—	—	—	—	—
Balance at end of period December 31, 2022	$	462,795	123,237	23,669	19,334	629,035
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/liabilities held at the end of the reporting period:						
Net investment income		—	(9,709)	(30,779)	(1,703)	(42,191)
Benefits and expenses		—	—	—	—	—
Total	$	—	(9,709)	(30,779)	(1,703)	(42,191)

	December 31, 2022			
	Total Liabilities			
	Embedded Derivative on Funds Withheld Liability	Policyholder Account Balances	Share-based Comp	Total Liabilities
			(In thousands)	
Beginning balance, January 1, 2022	$ —	142,761	7,869	150,630
Total realized and unrealized gains (losses):				
Included in net earnings	(11,412)	(89,416)	14,221	(86,607)
Included in other comprehensive income (loss)	—	—	—	—
Purchases, sales, issuances and settlements, net:				
Purchases	—	54,190	—	54,190
Sales	—	—	—	—
Issuances	—	—	1,015	1,015
Settlements	—	(45,277)	(2,563)	(47,840)
Transfers into (out of) Level 3	1,169	—	—	1,169
Balance at end of period December 31, 2022	$ (10,243)	62,258	20,542	72,557
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/liabilities held at the end of the reporting period:				
Net investment income	(11,412)	—	—	(11,412)
Benefits and expenses	—	(30,779)	14,221	(16,558)
Total	$ (11,412)	(30,779)	14,221	(27,970)

	December 31, 2021				
	Assets				
	Debt Securities, Available-for-Sale	Trading Securities	Derivatives, Index Options	Mortgage Loans	Total Assets
			(In thousands)		
Beginning balance, January 1, 2021	$ —	—	132,821	—	132,821
Total realized and unrealized gains (losses):					
Included in net earnings	—	757	120,717	412	121,886
Included in other comprehensive income (loss)	876	—	—	—	876
Purchases, sales, issuances and settlements, net:					
Purchases	245,456	75,265	47,203	8,103	376,027
Sales	—	—	—	—	—
Issuances	—	—	—	—	—
Settlements	(13,031)	(1,200)	(199,119)	(46)	(213,396)
Transfers into (out of) Level 3	93,661	—	—	—	93,661
Balance at end of period December 31, 2021	$ 326,962	74,822	101,622	8,469	511,875
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/liabilities held at the end of the reporting period:					
Net investment income	$ —	757	54,420	412	55,589
Benefits and expenses	—	—	—	—	—
Total	$ —	757	54,420	412	55,589

	December 31, 2021		
	Other Liabilities		
	Policyholder Account Balances	Share-based Comp	Total Other Liabilities
		(In thousands)	
Beginning balance, January 1, 2021	$ 161,351	6,202	167,553
Total realized and unrealized gains (losses):			
Included in net earnings	133,326	5,581	138,907
Included in other comprehensive income (loss)	—	—	—
Purchases, sales, issuances and settlements, net:			
Purchases	47,203	—	47,203
Sales	—	—	—
Issuances	—	182	182
Settlements	(199,119)	(4,096)	(203,215)
Transfers into (out of) Level 3	—	—	—
Balance at end of period December 31, 2021	$ 142,761	7,869	150,630
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/liabilities held at the end of the reporting period:			
Net investment income	$ —	—	—
Benefits and expenses	54,420	5,581	60,001
Total	$ 54,420	5,581	60,001

The following table presents the valuation method for financial assets and liabilities categorized as level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

	December 31, 2022			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(In thousands)			
Assets:				
Debt securities, available-for-sale	$ 76,003	Discounted cash flow	Discount rate	4.32% - 7.28% (5.79%)
Derivatives, index options	23,669	Broker prices	Implied volatility	12.94% - 34.75% (19.32%)
Mortgage loans	19,334	Discounted cash flow	Spread	150 - 300 bps
Total assets	$ 119,006			
Liabilities:				
Policyholder account balances	$ 62,258	Deterministic cash flow model	Projected option cost	0.00% - 6.07% (0.65%)
Share based compensation	20,542	Black-Scholes model	Expected term	0.9 to 10.0 years
			Expected volatility	36.18%
Total liabilities	$ 82,800			

	December 31, 2021			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(In thousands)			
Assets:				
Debt securities, available-for-sale	$ 113,268	Discounted cash flow	Discount rate	2.40% - 6.14% (4.06%)
Derivatives, index options	101,622	Broker prices	Implied volatility	11.76% - 16.54% (14.55%)
Mortgage loans	8,469	Discounted cash flow	Spread	100 - 250 bps
Total assets	$ 223,359			
Liabilities:				
Policyholder account balances	$ 142,761	Deterministic cash flow model	Projected option cost	0.03% - 14.49% (2.65%)
Share based compensation	7,869	Black-Scholes model	Expected term	1.9 to 10.0 years
			Expected volatility	35.05%
Total liabilities	$ 150,630			

The tables above exclude certain securities for which fair values are obtained and unadjusted from third party vendors, including the funds withheld trading debt securities supporting the embedded derivative liability. Realized gains (losses) on debt securities are reported in the Consolidated Statements of Earnings as Net realized investment gains (losses) with liabilities reported as expenses. Unrealized gains (losses) on available-for-sale debt securities are reported as Other comprehensive income (loss) within the stockholders' equity section of the Consolidated Balance Sheets. Unrealized gains (losses) on trading debt securities are reported in the Consolidated Statements of Earnings as Net investment income.

The fair value hierarchy classifications are reviewed each reporting period. Reclassification of certain financial assets and liabilities may result based on changes in the observability of valuation attributes. Reclassifications are reported as transfers into and out of Level 3 at the beginning fair value for the reporting period in which the changes occur.

GAAP defines fair value, establishes a framework for measuring fair value, and requires additional disclosures about fair value measurements. Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. GAAP also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a variety of factors including the type of instrument and the characteristics of instruments. Financial instruments with readily available active quoted prices or those for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measures.

The following methods and assumptions were used in estimating the fair value of financial instruments and liabilities during the periods presented in the Consolidated Financial Statements.

Fixed maturity securities. Fair values for debt securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from various independent pricing services with any adjustments based upon observable data. In the cases where prices are unavailable for these sources, values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments.

Equity securities. Fair values for equity securities are based upon quoted market prices, where available. For equity securities that are not actively traded, estimated values are based on values of comparable issues or audited financial statements of the issuer.

Cash and cash equivalents. The carrying amounts reported in the Consolidated Balance Sheets for these instruments approximate their fair values due to the relatively short time between the purchase of the instrument and its expected repayment or maturity.

Mortgage and other loans. The fair values of performing mortgage and other loans are estimated by discounting scheduled cash flows through the scheduled maturities of the loans, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Fair values for significant nonperforming loans are based on recent internal or external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information.

Policy Loans. Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these loans are collateralized by the cash surrender value of the underlying insurance policy.

Derivatives. Fair values for index (call) options are based on counterparty market prices. The counterparties use market standard valuation methodologies incorporating market inputs for volatility and risk free interest rates in arriving at a fair value for each option contract. Prices are monitored for reasonableness by the Company using analytical tools. There are no performance obligations related to the call options purchased to hedge the Company's fixed-index life and annuity policy liabilities. Fair values for embedded derivatives on reinsurance contracts are classified consistently with the underlying assets withheld under coinsurance funds withheld agreements, which were Level 2 fixed maturity securities. Valuations are obtained from third party pricing services for identical or comparable assets or determined through use of valuation methodologies using observable market inputs.

Life interest in Libbie Shearn Moody Trust. The fair value of the life interest asset is determined annually based on assumptions as to future distributions from the trust over the life expectancy of Robert L. Moody, Sr., Chairman Emeritus of the Board of Directors of NWLGI. These estimated cash flows are discounted at a rate consistent with uncertainties relating to the amount and timing of future cash distributions subject to the maximum amount to be received by the Company from life insurance proceeds in the event of Mr. Moody's death. The carrying value or cost basis of the life interest asset is amortized ratably over the remaining expected life of Mr. Moody, updated for changes in expected mortality.

Annuity and supplemental contracts. Fair values for the Company's insurance contracts other than annuity contracts are not required to be disclosed. This includes the Company's traditional and universal life products. Fair values for immediate annuities without mortality features are based on the discounted future estimated cash flows using current market interest rates for similar maturities. Fair values for deferred annuities, including fixed-index annuities, are determined using estimated projected future cash flows discounted at the rate that would be required to transfer the liability in an orderly transaction. The fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with the duration of amounts due under insurance and annuity contracts.

The Company utilizes independent third-party pricing services to determine the majority of its fair values of investment securities. The independent pricing services provide quoted market prices when available or otherwise incorporate a variety of observable market data in their valuation techniques including reported trading prices, broker-dealer quotes, bids and offers, benchmark securities, benchmark yields, credit ratings, and other reference data. The Company reviews prices received from service providers for unusual fluctuations to ensure that the prices represent a reasonable estimate of fair value but generally accepts the price identified from the primary pricing service.

When quoted market prices in active markets are unavailable, the Company determines fair values using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates, and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed in Level 2 of the fair value hierarchy. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

Fair value measurements for investment securities where there exists limited or no observable data are calculated using the Company's estimates based on current interest rates, credit spreads, liquidity premium or discount, the economic and competitive environment, unique characteristics of the security, and other pertinent factors. These estimates are derived a number of ways including, but not limited to, pricing provided by brokers where the price indicates reliability as to value, fair values of comparable securities incorporating a spread adjustment (for maturity differences, credit quality, liquidity, and collateralization), discounted cash flow models and margin spreads, bond yield curves, and observable market prices and exchange transaction information not provided by external pricing services. The resulting prices may not be realized in an actual sale or immediate settlement and there may be inherent weaknesses in any calculation technique. In addition, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

The following table presents, by pricing source and fair value hierarchy level, the Company's assets that are measured at fair value on a recurring basis:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale:				
Priced by third-party vendors	$ 7,535,630	—	7,148,838	386,792
Priced internally	76,003	—	—	76,003
Subtotal	7,611,633	—	7,148,838	462,795
Debt securities, trading:				
Priced by third-party vendors	1,065,993	—	942,756	123,237
Subtotal	1,065,993	—	942,756	123,237
Equity securities:				
Priced by third-party vendors	22,076	18,407	3,669	—
Priced internally	—	—	—	—
Subtotal	22,076	18,407	3,669	—
Mortgage loans:				
Priced internally	19,334	—	—	19,334
Subtotal	19,334	—	—	19,334
Derivatives, index options:				
Priced by third-party vendors	23,669	—	—	23,669
Subtotal	23,669	—	—	23,669
Short-term Investments:				
Priced by third-party vendors	3,937	—	3,937	—
Subtotal	3,937	—	3,937	—
Total	$ 8,746,642	18,407	8,099,200	629,035
Percent of total	100.0 %	0.2 %	92.6 %	7.2 %

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2022				
			Fair Value Hierarchy Level		
	Carrying Values	Fair Values	Level 1	Level 2	Level 3
	(In thousands)				
ASSETS					
Debt securities, available-for-sale	$ 7,611,633	7,611,633	—	7,148,837	462,796
Debt securities, trading	1,065,993	1,065,993	—	942,756	123,237
Cash and cash equivalents	295,270	295,270	295,270	—	—
Mortgage loans	505,730	457,873	—	—	457,873
Real estate	27,712	47,867	—	—	47,867
Policy loans	70,495	87,478	—	—	87,478
Other loans	31,586	31,915	—	—	31,915
Derivatives, index options	23,669	23,669	—	—	23,669
Equity securities	22,076	22,076	18,407	3,669	—
Short-term investments	3,937	3,937	—	3,937	—
Life interest in Libbie Shearn Moody Trust	7,100	12,775	—	—	12,775
Other investments	4,513	26,230	—	—	26,230
LIABILITIES					
Deferred annuity contracts	$ 6,054,030	4,405,510	—	—	4,405,510
Immediate annuity and supplemental contracts	397,318	373,346	—	—	373,346

	December 31, 2021				
			Fair Value Hierarchy Level		
	Carrying Values	Fair Values	Level 1	Level 2	Level 3
			(In thousands)		
ASSETS					
Debt securities, available-for-sale	$ 9,068,946	9,068,946	—	8,741,984	326,962
Debt securities, trading	1,077,438	1,077,438	—	1,002,616	74,822
Cash and cash equivalents	714,624	714,624	702,632	11,992	—
Mortgage loans	487,304	513,246	—	—	513,246
Real Estate	28,606	47,027	—	—	47,027
Policy loans	71,286	110,492	—	—	110,492
Other loans	24,266	25,085	—	—	25,085
Derivatives, index options	101,622	101,622	—	—	101,622
Equity Securities	28,217	28,217	23,795	4,422	—
Life interest in Libbie Shearn Moody Trust	8,254	12,775	—	—	12,775
Other investments	4,537	24,876	—	—	24,876
LIABILITIES					
Deferred annuity contracts	$ 6,463,314	4,703,331	—	—	4,703,331
Immediate annuity and supplemental contracts	422,209	457,787	—	—	457,787

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(5) REINSURANCE

National Western reinsures the risk on any one life in excess of $500,000. Total life insurance in force was $13.9 billion and $15.0 billion at December 31, 2022 and 2021, respectively. Of these amounts, life insurance in force totaling $3.0 billion and $3.3 billion was ceded to reinsurance companies on a yearly renewable term basis at December 31, 2022 and 2021, respectively. In accordance with these reinsurance contracts, reinsurance receivables, including amounts related to claims incurred but not reported and liabilities for future policy benefits, totaled $91.2 million and $31.6 million at December 31, 2022 and 2021, respectively. Premiums and contract revenues were reduced by $23.7 million, $22.0 million and $21.0 million for reinsurance premiums ceded during 2022, 2021 and 2020, respectively. Benefit expenses were reduced by $12.7 million, $29.3 million and $8.4 million, for reinsurance recoveries during 2022, 2021 and 2020, respectively.

In addition to the above, National Western is a party to a Funds Withheld Coinsurance Agreement ("Prosperity Agreement") with Prosperity Life Assurance Limited ("Prosperity"), an unauthorized reinsurer organized under the Laws of Bermuda. Under the Prosperity Agreement, National Western ceded, on a coinsurance with funds withheld basis, a 100% quota share of contractual statutory reserve liabilities approximating $1.7 billion pertaining to a group of in force fixed rate and payout annuity contracts issued by the Company on or before December 31, 2020, and paid to Prosperity a ceding commission of $48.0 million. The annuity statutory reserve liabilities ceded to Prosperity are secured by the funds withheld assets and a comfort trust established by Prosperity under which National Western is the sole beneficiary. The funds withheld assets and the assets in the trust are required to remain at a value prescribed under the Prosperity Agreement sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the funds withheld assets and the comfort trust account assets were ever to be less than the prescribed amount under the Prosperity Agreement, Prosperity is required to deposit funds into the trust for the amount of any shortfall. At December 31, 2022 and 2021, the current balance of policy benefit liabilities ceded on a statutory basis were $1.3 billion and $1.5 billion, respectively.

At the date of the Prosperity Agreement, December 31, 2020, the Company recorded as an asset on the Consolidated Balance Sheet a deferred cost of reinsurance ("COR") amount of $102.8 million associated with the funds withheld reinsurance transaction. This represents the amount of assets transferred at the closing date of the Prosperity Agreement (debt securities, policy loans, and cash) in excess of the GAAP liability ceded to Prosperity. This COR balance is amortized as a component of benefits and expenses commensurate with the runoff of the ceded block of funds withheld business. COR amortization expense for the years ended December 31, 2022 and 2021 was $11.4 million and $13.2 million, respectively.

On July 27, 2022, National Western entered into a second Funds Withheld Coinsurance Agreement ("Aspida Agreement") with Aspida Life Re Ltd. (“Aspida"), a reinsurer organized under the Laws of Bermuda. Pursuant to the Aspida Agreement, the Company agreed to cede, on a coinsurance with funds withheld basis, a specified quota share of certain liabilities pertaining to an in-force block of annuity contracts issued by the Company before July 1, 2022. The amount of statutory reserve liabilities ceded by the Company to Aspida under the agreement approximated $250.0 million. In addition, under the Aspida Agreement, the Company agreed to cede, on a coinsurance with funds withheld basis, a specified quota share of certain annuity contracts issued or to be issued by the Company on or after July 1, 2022. As consideration for Aspida’s commitment to provide reinsurance, the Company transferred into a funds withheld account permitted assets approximating the statutory reserve liabilities ceded to Aspida. In accordance with the Aspida Agreement and in order to provide additional security for Aspida’s obligations, the parties established a trust account for the benefit of the Company in which Aspida maintains certain assets and grants the Company a first priority security interest in such assets.

At the date of the Aspida Agreement, the Company recorded as a liability (deferred revenue) on the Consolidated Balance Sheet a deferred Gain on Reinsurance amount of $30.8 million associated with the funds withheld reinsurance transaction. This represents the net amount of GAAP reserves, deferred policy acquisition costs and sales inducements reinsured at the closing date, plus a $68.2 million ceding commission payable by Aspida, which in the aggregate was in excess of the Statutory Reserves ceded to Aspida. This balance is amortized and included in Other revenues in the Consolidated Statements of Earnings. For the year ended December 31, 2022, amortization revenue from the deferred Gain on Reinsurance was $1.4 million.

Ozark National generally reinsures the risk on any one life in excess of $200,000. Total life insurance in force was $5.7 billion and $5.9 billion at December 31, 2022 and 2021, respectively. Of this amount, life insurance in force totaling $0.5 billion and $0.5 billion was ceded to reinsurance companies at December 31, 2022 and 2021, respectively. In accordance with the reinsurance contracts, reinsurance receivables, including amounts related to claims incurred but not reported and liabilities for future policy benefits, totaled $32.4 million and $32.4 million at December 31, 2022 and 2021, respectively. Premiums and contract revenues were reduced by $2.8 million and $2.8 million for reinsurance premiums ceded during 2022 and 2021, respectively. Benefit expenses were reduced by $2.6 million and $2.4 million for reinsurance recoveries during 2022 and 2021, respectively.

A contingent liability exists with respect to reinsurance, as the Company remains liable if the reinsurance companies are unable to perform and meet their obligations under the existing agreements. The Company does not assume reinsurance but Ozark National maintains a closed block of assumed reinsurance.

Amounts recoverable under reinsurance agreements are financial assets subject the accounting requirements of current expected credit losses ("CECL"). For a reinsurance agreement to qualify for reinsurance accounting, it must meet certain risk transfer conditions that include the possibility of financial loss by the assuming reinsurer. The Company conducted a credit loss analysis which included historical loss information, historical credit rating data, and consideration of existing collateral arrangements in order to estimate expected credit losses over the life of its reinsurance recoverable assets. At December 31, 2022 and 2021 the CECL allowance related to reinsurance agreements was $0.5 million and $0.0 million.

(6) DEFERRED TRANSACTION COSTS

Deferred transaction costs include deferred policy acquisition costs (DPAC), deferred sales inducements (DSI), value of business acquired (VOBA), and cost of reinsurance (COR).

A summary of information related to DPAC is provided in the following table:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Balance, beginning of year	$ 569,839	382,080	723,972
Deferrals	45,444	77,306	69,857
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(101,477)	(84,349)	(107,917)
Unlocking	(559)	36,510	(22,358)
Adjustments related to unrealized (gains) losses	416,397	158,292	(261,186)
Reinsurance	(19,858)	—	(20,288)
Balance, end of year	$ 909,786	569,839	382,080

A summary of information related to DSI is provided in the following table:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Balance, beginning of year	$ 78,136	43,845	104,359
Deferrals	4,039	18,118	10,344
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(14,130)	(14,755)	(18,363)
Unlocking	99	993	(4,445)
Adjustments related to unrealized (gains) losses	57,498	29,935	(43,557)
Reinsurance	(11,243)	—	(4,493)
Balance, end of year	$ 114,399	78,136	43,845

A summary of information related to VOBA is provided in the following table:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Balance, beginning of year	$ 154,499	162,968	138,071
Business acquired	—	—	—
Other increase	—	—	35,125
Amortization:			
Amortization, excluding unlocking	(8,005)	(8,469)	(10,228)
Unlocking	—	—	—
Balance as of end of year	$ 146,494	154,499	162,968

During the year ended December 31, 2020, the cash value of certain acquired reserves was increased which resulted in a commensurate increase in both the traditional life reserve liability and the related VOBA balance reported on the Consolidated Balance Sheets.

Estimated future amortization of VOBA, net of interest (in thousands), as of December 31, 2022, is as follows:

2023	$ 7,673
2024	7,363
2025	7,172
2026	7,030
2027	6,823

A summary of information related to COR is provided in the following table:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Balance, beginning of year	$ 89,686	102,840	—
Additions	—	—	102,840
Amortization	(11,358)	(13,154)	—
Balance as of end of year	$ 78,328	89,686	102,840

The COR balance was recorded on the effective date of the funds withheld coinsurance agreement with Prosperity, December 31, 2020. Accordingly, no amortization was recorded in 2020.

(7) GOODWILL AND SPECIFICALLY IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill were as follows:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Gross goodwill as of beginning of year	$ 13,864	13,864	13,864
Goodwill resulting from business acquisition	—	—	—
Gross goodwill, before impairments	13,864	13,864	13,864
Accumulated impairment as of beginning of year	—	—	—
Current year impairments	—	—	—
Net goodwill as of end of year	$ 13,864	13,864	13,864

The Company periodically evaluates the goodwill balance for potential impairment and, as of the dates presented, determined that there was sufficient evidence to support not impairing the balance.

Identifiable Intangible Assets

The gross carrying amounts and accumulated amortization for each specifically identifiable intangible asset were as follows.

	December 31, 2022			December 31, 2021	
	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)				
Trademarks/trade names	15	$ 2,800	(731)	2,800	(545)
Internally developed software	7	3,800	(2,126)	3,800	(1,583)
Insurance licenses	N/A	3,000	—	3,000	—
		$ 9,600	(2,857)	9,600	(2,128)

The value of trademarks was estimated using the relief from royalty method, based on the assumption that in lieu of ownership, an organization would be willing to pay a royalty in order to receive the related benefits of using the brand. The value of insurance licenses was estimated using the market approach to value, based on values paid for licenses in recent shell company transactions. The value of internally developed software was estimated using the replacement cost method. Trademarks, trade names and internally developed software are amortized using a straight-line method over their estimated useful lives. These intangibles assets are evaluated for impairment if indicators of impairment arise. Insurance licenses were determined to have an indefinite useful life. The Company evaluates the useful life of the insurance licenses at each reporting period to determine whether the useful life remains indefinite.

As of December 31, 2022, expected amortization expenses relating to purchased intangible assets for each of the next 5 years and thereafter is as follows:

	Expected Amortization
	(In thousands)
2023	$ 730
2024	730
2025	730
2026	232
2027	187
Thereafter	1,134
	$ 3,743

(8) SEGMENT AND OTHER OPERATING INFORMATION

(A) Operating Segment Information

The Company defines its reportable operating segments as domestic life insurance, international life insurance, annuities, and ONL and Affiliates (previously referred to as "Acquired Businesses"). These segments are organized based on product types, geographic marketing areas, and business groupings. Ozark National and NIS have been combined into a separate segment given their inter-related marketing and sales approach which consists of a coordinated sale of a non-participating whole life insurance product (Ozark National) and a mutual fund investment product (NIS). A fifth category "All Others" primarily includes investments and earnings of non-operating subsidiaries as well as other remaining investments and assets not otherwise supporting specific segment operations. In accordance with GAAP guidance for segment reporting, the Company excludes or segregates realized investment gains and losses.

A summary of segment information is provided below.

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
			(In thousands)			
2022:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 233,460	270,035	584,158	161,354	—	1,249,007
Total segment assets	1,737,992	958,699	8,521,636	1,008,004	335,343	12,561,674
Future policy benefits	1,533,155	678,103	6,409,784	797,292	—	9,418,334
Other policyholder liabilities	25,596	15,560	118,615	15,318	—	175,089
Funds withheld liability	—	—	1,333,036	—	—	1,333,036
Condensed Income Statements:						
Premiums and contract revenues	$ 59,379	76,115	15,353	76,033	—	226,880
Net investment income	17,671	1,681	229,324	29,198	21,766	299,640
Other revenues	93	71	6,777	11,539	7,042	25,522
Total revenues	77,143	77,867	251,454	116,770	28,808	552,042
Life and other policy benefits	25,090	20,777	48,029	65,574	—	159,470
Amortization of deferred transaction costs	18,968	19,643	73,926	8,861	—	121,398
Universal life and annuity contract interest	758	(3,840)	18,760	—	—	15,678
Other operating expenses	31,046	20,146	58,799	19,579	6,247	135,817
Federal income taxes	251	4,139	10,169	4,580	4,417	23,556
Total expenses	76,113	60,865	209,683	98,594	10,664	455,919
Segment earnings	$ 1,030	17,002	41,771	18,176	18,144	96,123

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
			(In thousands)			
2021:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 150,688	152,340	423,318	165,814	—	892,160
Total segment assets	1,791,017	975,942	9,187,610	1,115,380	356,716	13,426,665
Future policy benefits	1,537,482	749,537	6,843,457	782,511	—	9,912,987
Other policyholder liabilities	20,950	14,268	82,650	16,470	—	134,338
Funds withheld liability	—	—	1,485,267	—	—	1,485,267
Condensed Income Statements:						
Premiums and contract revenues	$ 51,294	79,085	16,809	77,109	—	224,297
Net investment income	90,006	52,227	368,234	26,989	25,074	562,530
Other revenues	105	95	5,374	12,654	4,086	22,314
Total revenues	141,405	131,407	390,417	116,752	29,160	809,141
Life and other policy benefits	24,416	26,481	67,515	69,165	—	187,577
Amortization of deferred transaction costs	9,580	(11,118)	61,881	9,118	—	69,461
Universal life and annuity contract interest	77,246	31,696	104,242	—	—	213,184
Other operating expenses	26,959	19,679	53,817	20,244	5,913	126,612
Federal income taxes	656	13,249	21,094	3,675	4,762	43,436
Total expenses	138,857	79,987	308,549	102,202	10,675	640,270
Segment earnings	$ 2,548	51,420	81,868	14,550	18,485	168,871

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
			(In thousands)			
2020:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 94,100	124,480	302,397	170,756	—	691,733
Total segment assets	3,242,794	1,034,280	7,976,588	1,117,509	382,149	13,753,320
Future policy benefits	1,337,174	798,952	7,028,860	768,433	—	9,933,419
Other policyholder liabilities	16,378	11,086	94,049	16,967	—	138,480
Funds withheld liability	—	—	1,697,591	—	—	1,697,591
Condensed Income Statements:						
Premiums and contract revenues	$ 53,834	88,167	17,025	78,921	—	237,947
Net investment income	54,516	27,273	290,576	26,383	18,454	417,202
Other revenues	58	67	43	10,118	8,236	18,522
Total revenues	108,408	115,507	307,644	115,422	26,690	673,671
Life and other policy benefits	18,471	14,084	31,043	67,739	—	131,337
Amortization of deferred transaction costs	17,661	24,929	87,133	10,780	—	140,503
Universal life and annuity contract interest	44,782	(2,087)	163,555	—	—	206,250
Other operating expenses	25,730	17,829	36,870	18,454	5,701	104,584
Federal income taxes (benefit)	265	9,143	(1,649)	4,413	3,159	15,331
Total expenses	106,909	63,898	316,952	101,386	8,860	598,005
Segment earnings (loss)	$ 1,499	51,609	(9,308)	14,036	17,830	75,666

Reconciliations of segment information to the Company's Consolidated Financial Statements are provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Premiums and Other Revenues:			
Premiums and contract revenues	$ 226,880	224,297	237,947
Net investment income	299,640	562,530	417,202
Other revenues	25,522	22,314	18,522
Realized gains on investments	6,355	14,950	21,071
Total consolidated premiums and other revenues	$ 558,397	824,091	694,742

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Federal Income Taxes:			
Total segment Federal income taxes	$ 23,556	43,436	15,331
Taxes on realized gains on investments	1,334	3,140	4,425
Total consolidated Federal income taxes	$ 24,890	46,576	19,756

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Net Earnings:			
Total segment earnings	$ 96,123	168,871	75,666
Realized gains on investments, net of taxes	5,021	11,810	16,646
Total consolidated net earnings	$ 101,144	180,681	92,312

	December 31,		
	2022	2021	2020
	(In thousands)		
Assets:			
Total segment assets	$ 12,561,674	13,426,665	13,753,320
Other unallocated assets	538,553	903,524	894,950
Total consolidated assets	$ 13,100,227	14,330,189	14,648,270

(B) Geographic Information

A portion of the Company's premiums and contract revenues are from international policies with residents of countries other than the United States. Premiums and contract revenues detailed by country are provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
United States	$ 163,733	156,614	165,217
Brazil	21,043	20,535	22,190
Taiwan	11,566	10,954	11,433
Peru	8,543	8,635	9,167
Venezuela	8,090	8,560	9,949
Haiti	7,519	4,453	4,708
Other foreign countries	32,866	39,382	38,969
Revenues, excluding reinsurance premiums	253,360	249,133	261,633
Reinsurance premiums	(26,480)	(24,836)	(23,686)
Total premiums and contract revenues	$ 226,880	224,297	237,947

Premiums and contract revenues are attributed to countries based on the location of the policyholder. All premiums from international policies are renewal premiums. The Company has no significant assets, other than certain limited financial instruments, located in countries other than the United States.

(C) Major Agency Relationships

A portion exceeding 10% of National Western's annual annuity sales has been sold through one or more of its top independent marketing agencies in recent years. Business from one top agency accounted for approximately 13% of annuity sales in 2022. In 2022, one domestic independent marketing agency exceeded 10% of total Domestic Life sales accounting for 54%. Ozark National did not have a single distributor accounting for 10% or more of its sales in 2022.

(9) STATUTORY INFORMATION

Domiciled in Colorado, National Western prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the Colorado Division of Insurance, while Ozark National, domiciled in Missouri, follows the accounting practices prescribed or permitted by the Missouri Department of Commerce and Insurance. These insurance departments have adopted the provisions of the National Association of Insurance Commissioners' ("NAIC") Statutory Accounting Practices ("SSAP") as the basis for its statutory accounting practices.

The following are major differences between GAAP and SSAP.

1. The Company accounts for universal life and annuity contracts based on the provisions of GAAP. The basic difference between GAAP and SSAP with respect to certain long-duration contracts is that deposits for universal life and annuity contracts are not reflected as revenues, and surrenders and certain other benefit payments are not reflected as expenses. Only contracts with no insurance risk qualify for such treatment under statutory accounting practices. For all other contracts, SSAP does reflect such items as revenues and expenses.

A summary of direct premiums and deposits collected is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Annuity deposits	$ 236,931	462,632	358,900
Universal life insurance deposits	187,987	270,717	267,809
Traditional life and other premiums	94,379	96,429	98,711
Totals	$ 519,297	829,778	725,420

2. SSAP requires commissions and related acquisition costs to be expensed as incurred; under GAAP these items are deferred and amortized.

3. For SSAP, liabilities for future policy benefits for life insurance policies are calculated by the net level premium method, the commissioners reserve valuation method, or principles-based reserving under VM-20. Future policy benefit liabilities for annuities are calculated based on the continuous commissioners annuity reserve valuation method and provisions of Actuarial Guidelines 33 and 35.

4. Deferred Federal income taxes are provided for temporary differences which are recognized in the Consolidated Financial Statements in a different period than for Federal income tax purposes. Deferred taxes are also recognized under SSAP; however, there are limitations as to the amount of deferred tax assets that may be reported as admitted assets. The change in the deferred taxes under SSAP is recorded directly in surplus, rather than as a component of income tax expense.

5. For SSAP, debt securities are recorded at amortized cost, except for securities in or near default, which are reported at fair value. Under GAAP, debt securities are carried at amortized cost or fair value based on their classification as either held-to-maturity, available-for-sale, or trading.

6. Investments in subsidiaries are recorded as affiliated common stock investments at their respective SSAP investment value under statutory accounting with the change in value recorded directly in surplus; under GAAP the financial statements of the subsidiaries have been consolidated with those of the Company.

7. The asset valuation reserve and interest maintenance reserve are investment valuation reserves prescribed by SSAP; under GAAP these valuation reserves are not required and have been eliminated.

8. Beginning January 1, 2022, derivative investments were accounted for under a Colorado statutory permitted practice in which index option derivatives are recorded at amortized cost; under GAAP, index option derivatives are carried at fair value.

9. GAAP requires that embedded derivatives on funds withheld reinsurance agreements in which the credit risk of funds held is transferred to the reinsurer, are recognized as a component of the funds withheld liability. SSAP does not follow embedded derivative accounting.

10. The table below provides the National Western and Ozark National net gain from operations, net income, unassigned surplus (retained earnings) and capital and surplus (stockholders' equity), on the statutory basis used to report to regulatory authorities for the years ended December 31.

		2022	2021	2020
			(In thousands)	
National Western Life Insurance Company:				
Net gain from operations before Federal and foreign income taxes	$	72,793	85,440	1,423
Net income	$	67,888	63,476	6,487
Unassigned surplus	$	1,500,445	1,536,112	1,461,100
Capital and surplus	$	1,544,509	1,580,176	1,505,163
Ozark National Life Insurance Company:				
Net gain from operations before Federal and foreign income taxes	$	26,926	23,103	24,976
Net income	$	21,629	28,183	20,966
Unassigned surplus	$	99,089	77,806	50,054
Capital and surplus	$	127,043	105,761	78,009

(10) EARNINGS PER SHARE

Basic earnings per share of common stock are computed by dividing net earnings available to each class of common stockholders on an as if distributed basis by the weighted-average number of common shares outstanding for the period. Diluted earnings per share, by definition, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock, that then shared in the distributed earnings of each class of common stock. U.S. GAAP requires a two-class presentation for the Company’s two classes of common stock (refer to Note (13) *Information Regarding Controlling Stockholder*). The Company currently has no share-based compensation awards outstanding that could be redeemed for shares of common stock.

Net earnings for the periods shown below are allocated between Class A shares and Class B shares based upon (1) the proportionate number of shares issued and outstanding as of the end of the period, and (2) the per share dividend rights of the two classes under the Company's Restated Certificate of Incorporation (the Class B dividend per share is equal to one-half the Class A dividend per share).

	Years Ended December 31,					
	2022		2021		2020	
	Class A	Class B	Class A	Class B	Class A	Class B
	(In thousands except per share amounts)					
Numerator for Basic and Diluted Earnings Per Share:						
Net earnings	$ 101,144		180,681		92,312	
Dividends – Class A shares	(1,237)		(1,237)		(1,237)	
Dividends – Class B shares	(36)		(36)		(36)	
Undistributed earnings	$ 99,871		179,408		91,039	
Allocation of net earnings:						
Dividends	$ 1,237	36	1,237	36	1,237	36
Allocation of undistributed earnings	97,047	2,824	174,334	5,074	88,464	2,575
Net earnings	$ 98,284	2,860	175,571	5,110	89,701	2,611
Denominator:						
Basic earnings per share - weighted-average shares	3,436	200	3,436	200	3,436	200
Effect of dilutive stock options	—	—	—	—	—	—
Diluted earnings per share - adjusted weighted-average shares for assumed conversions	3,436	200	3,436	200	3,436	200
Basic earnings per share	$ 28.60	14.30	51.10	25.55	26.11	13.05
Diluted earnings per share	$ 28.60	14.30	51.10	25.55	26.11	13.05

(11) COMPREHENSIVE INCOME

GAAP guidance requires that all items recognized under accounting standards as components of comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other financial statements. This guidance requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income (loss) separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. This guidance affects the Company's reporting presentation of certain items such as foreign currency translation adjustments, unrealized gains and losses on investment securities, and benefit plan liabilities. These items are reflected as components of other comprehensive income (loss), net of taxes, as reported in the accompanying Consolidated Financial Statements.

Components of other comprehensive income (loss) for 2022, 2021 and 2020 and the related tax effect are detailed below.

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2022:			
Unrealized gains (losses) on securities, net of effects of deferred costs of $(473,867):			
Net unrealized holding gains (losses) arising during the period	$ (812,846)	170,698	(642,148)
Reclassification adjustment for net (gains) losses included in net earnings	(5,111)	1,073	(4,038)
Net unrealized gains (losses) on securities	(817,957)	171,771	(646,186)
Foreign currency translation adjustments	515	(108)	407
Benefit plan liability adjustment	16,997	(3,569)	13,428
Other comprehensive income (loss)	$ (800,445)	168,094	(632,351)

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2021:			
Unrealized gains (losses) on securities, net of effects of deferred costs of $187,987:			
Net unrealized holding gains (losses) arising during the period	$ (227,325)	47,738	(179,587)
Reclassification adjustment for net (gains) losses included in net earnings	(16,372)	3,438	(12,934)
Net unrealized gains (losses) on securities	(243,697)	51,176	(192,521)
Foreign currency translation adjustments	(20)	4	(16)
Benefit plan liability adjustment	16,543	(3,474)	13,069
Other comprehensive income (loss)	$ (227,174)	47,706	(179,468)

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2020:			
Unrealized gains (losses) on securities, net of effects of deferred costs of $(304,955):			
Net unrealized holding gains (losses) arising during the period	$ 446,280	(93,719)	352,561
Unrealized liquidity gains (losses)	8	(2)	6
Reclassification adjustment for net (gains) losses included in net earnings	(5,677)	1,192	(4,485)
Net unrealized (losses) gains on securities	440,611	(92,529)	348,082
Foreign currency translation adjustments	18	(4)	14
Benefit plan liability adjustment	(16,182)	3,398	(12,784)
Other comprehensive income (loss)	$ 424,447	(89,135)	335,312

(12) STOCKHOLDERS' EQUITY

(A) Changes in Common Stock Shares Outstanding

Changes in shares of common stock outstanding are provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Common stock shares outstanding:			
Shares outstanding at beginning of year	$ 3,636	3,636	3,636
Shares exercised under stock option plan	—	—	—
Shares outstanding at end of year	$ 3,636	3,636	3,636

(B) Dividend Restrictions

National Western is restricted by state insurance laws as to dividend amounts which may be paid to stockholders without prior approval from the Colorado Division of Insurance. The restrictions are based on the lesser of statutory earnings from operations, excluding capital gains, or 10% of statutory surplus as of the previous year-end. Under these guidelines, the maximum dividend payment which may be made without prior approval in 2023 is $66.5 million.

As the sole owner of NWLIC, all dividends declared by National Western are payable entirely to NWLGI and are eliminated in consolidation. During 2022, the Board of Directors of National Western declared ordinary cash dividends totaling $2.0 million which were paid to NWLGI during the year. National Western did not declare or pay cash dividends to NWLGI during the year ended December 31, 2021.

Ozark National is similarly restricted under the state insurance laws of Missouri as to dividend amounts which may be paid to stockholders without prior approval to the greater of 10% of the statutory surplus of the company from the preceding year-end or the company's net gain from operations, excluding capital gains, from the prior calendar year. Based upon this restriction, the maximum dividend payment which may be made in 2023 without prior approval is $21.6 million.

All dividends declared by Ozark National are payable entirely to NWLIC as the sole owner and are eliminated in consolidation. Ozark National did not declare or pay cash dividends to NWLIC during the years ended December 31, 2022 and 2021.

NIS is restricted under FINRA rules as to maximum dividend amounts that can be paid out to stockholders. Maximum allowable dividend amounts are determined based on calculations which require that certain net capital thresholds be maintained after dividends are paid out. Under these guidelines, the maximum dividend payment which may be made as of December 31, 2022 was $13.6 million. No dividends were declared or paid in the years ended December 31, 2022 and 2021.

On October 21, 2022, the Board of Directors of NWLGI declared a cash dividend to stockholders on record as of November 7, 2022 which was paid December 1, 2022. The dividends approved were $0.36 per common share to Class A stockholders and $0.18 per common share to Class B stockholders. A dividend in the same amounts per share on Class A and Class B shares was declared in October 2021 and paid in December of 2021.

(C) Regulatory Capital Requirements

The Colorado Division of Insurance and Missouri Department of Commerce and Insurance impose minimum risk-based capital requirements on insurance companies that were developed by the National Association of Insurance Commissioners ("NAIC"). The formulas for determining the amount of risk-based capital ("RBC") specify various weighting factors that are applied to statutory financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of a company's regulatory total adjusted capital to its authorized control level RBC, as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. National Western's current authorized control level RBC of $118.3 million is significantly below its regulatory total adjusted capital of $1.7 billion. In addition, Ozark National's regulatory total adjusted capital of $131.4 million is also materially greater than its current authorized control level RBC of $8.1 million.

(D) Share-Based Payments

The Company's stockholders approved an Incentive Plan in 2016 which provides for the grant of any or all of the following types of awards to eligible employees: (1) stock options, including incentive stock options and nonqualified stock options; (2) stock appreciation rights ("SARs"), in tandem with stock options or freestanding; (3) restricted stock or restricted stock units; and (4) performance awards. The number of shares of Class A Common Stock, $0.01 par value, allowed to be issued under the Incentive Plan, cannot exceed 300,000. The Incentive Plan includes additional provisions, most notably regarding the definition of performance objectives which can be used in the issuance of the fourth type of award noted above (performance awards). The term of the Incentive Plan is for ten years from the date of stockholder approval.

All of the employees of the Company and its subsidiaries are eligible to participate in the Incentive Plan. In addition, directors of the Company are eligible to receive the same types of awards as employees except that they are not eligible to receive incentive stock options. Company directors, including members of the Compensation and Stock Option Committee, are eligible for nondiscretionary stock options. SARs granted prior to 2016 under a prior plan vest 20% annually following three years of service following the grant date. Employee SARs granted in 2016 and forward vest 33.3% annually following one year of service from the date of the grant. Directors' SARs grants vest 20% annually following one year of service from the date of grant.

The Incentive Plan allows for certain other share or unit awards which are solely paid out in cash based on the value of the Company's shares, or changes therein, as well as the financial performance of the Company under pre-determined target performance metrics. Certain awards, such as restricted stock units ("RSUs") provide solely for cash settlement based upon the market price of the Company's Class A Common Stock, often referred to as "phantom stock-based awards" in equity compensation plans. Unlike share-settled awards, which have a fixed grant-date fair value, the fair value of unsettled or unvested liability awards is remeasured at the end of each reporting period based on the change in fair value of a share. The liability and corresponding expense are adjusted accordingly until the award is settled. For employees, the vesting period for RSUs is 100% at the end of three years from the grant date. RSUs granted prior to 2019 were paid in cash at the vesting date equal to the closing price of the Company's Class A Common Stock on the three year anniversary date. RSUs granted in 2019 and after are payable in cash at the three year vesting date equal to the 20-day moving average closing price of the Company's Class A Common Stock at that time.

Other awards may involve performance share units ("PSUs") which are units granted at a specified dollar amount per unit, typically linked to the share price of the Class A Common Stock, that are subsequently multiplied by an attained performance factor to derive the number of PSUs to be paid as cash compensation at the vesting date. PSUs also vest three years from the date of grant. For PSUs, the performance period begins the first day of the calendar year for which the PSUs are granted and runs three calendar years. At that time, the three-year performance outcome is measured against the pre-defined target amounts to determine the number of PSUs earned as compensation. PSUs granted prior to 2019 were paid at the closing price of the Class A Common Stock on the vesting date. PSUs granted in 2019 and forward are payable at the 20-day moving average closing price of the Class A Common Stock at the vesting date.

PSU awards covering the three year measurement period ended December 31, 2021 were paid out in the first quarter of 2022. The performance factor during the measurement period used to determine compensation payouts was 110.19% of the pre-defined metric target.

PSU awards covering the three year measurement period ended December 31, 2020 were paid out in April 2021. The performance factor during the measurement period used to determine compensation payouts was 85.16% of the pre-defined metric target.

Directors of the Company are eligible to receive RSUs under the Incentive Plan. Unlike RSUs granted to officers, the RSUs granted to directors vest one year from the date of grant and are payable in cash at the vesting date equal to the 20-day moving average closing price of the Class A Common Stock at that time.

The following table shows all grants issued to officers and directors for the twelve months ended December 31, 2022 and 2021. These grants were made based upon the 20-day moving average closing market price of the Class A Common Stock at the grant date.

	Years Ended			
	December 31, 2022		December 31, 2021	
	Officers	Directors	Officers	Directors
SARs	113,127	—	64,157	—
RSUs	7,591	3,710	5,301	3,530
PSUs	5,989	—	4,066	—

The grant prices of Officer awards were $218.44 in 2021 and $220.61 in 2022. The grant prices of Director awards were $218.44 in 2021 and $207.84 in 2022. The annual allocation of PSU, SAR, and RSU awards to Officers was changed beginning in 2021 to place greater emphasis on SARs and less on PSU awards.

The Company uses the current fair value method to measure compensation costs for awards granted under the share-based plans. As of December 31, 2022 and 2021, the liability balance for these plans was $20.5 million and $7.9 million, respectively. A summary of awards by type and related activity is detailed below.

		Options Outstanding	
	Shares Available For Issuance Pursuant to Grants	Shares	Weighted-Average Exercise Price
Stock Options:			
Balance at January 1, 2022	291,000	—	$ —
Exercised	—	—	$ —
Forfeited	—	—	$ —
Expired	—	—	$ —
Stock options granted	—	—	$ —
Balance at December 31, 2022	291,000	—	$ —

	Liability Awards		
	SARs	RSUs	PSUs
Other Share/Unit Awards:			
Balance at January 1, 2022	186,994	18,955	24,485
Exercised	(209)	(7,210)	(4,213)
Forfeited	(13,323)	(1,185)	(1,416)
Granted	113,127	11,301	5,989
Balance at December 31, 2022	286,589	21,861	24,845

SARs, RSUs, and PSUs shown as forfeited in the above tables represent vested and unvested awards not exercised by plan participants upon their termination from the Company in accordance with the expiration provisions of the awards. Furthermore, under the terms of all outstanding SARs, RSUs and PSUs, all such awards may be settled only in cash. Accordingly, no shares of Class A Common Stock are issuable under the terms of such awards.

The total intrinsic value of share-based compensation exercised and paid was $2.6 million, $4.1 million, and $2.8 million for the years ended December 31, 2022, 2021, and 2020, respectively. The total fair value of SARs, RSUs, and PSUs vested during the years ended December 31, 2022, 2021, and 2020 was $7.7 million, $3.7 million, and $4.2 million, respectively. No cash amounts were received from the exercise of stock options under the Plans during the periods reported on.

The following table summarizes information about SARs outstanding at December 31, 2022.

	SARs Outstanding		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Exercisable
Exercise prices:			
$210.22	21,850	0.9 years	21,850
$216.48	10,342	3.1 years	10,342
$311.16	7,981	4.1 years	7,981
$310.55	203	4.3 years	203
$334.34	7,631	5.0 years	7,631
$303.77	9,574	6.0 years	9,574
$252.91	17,638	6.8 years	17,638
$192.10	37,394	7.9 years	25,023
$218.44	60,849	9.0 years	20,272
$220.61	113,127	10.0 years	—
Totals	286,589		120,514
Aggregate intrinsic value (in thousands)	$ 16,672		$ 6,202

The aggregate intrinsic value in the table above is based on the closing Class A Common Stock price of $281.00 per share on December 31, 2022.

In estimating the fair value of SARs outstanding at December 31, 2022 and 2021, the Company employed the Black-Scholes option pricing model with assumptions as detailed below.

	December 31, 2022	December 31, 2021
Expected term	0.9 to 10.0 years	1.9 to 10.0 years
Expected volatility weighted-average	36.18 %	35.05 %
Expected dividend yield	0.13 %	0.17 %
Risk-free rate weighted-average	4.19 %	1.01 %

The Company reviewed the contractual term relative to the SARs as well as perceived future behavior patterns of exercise. Volatility is based on the Company's historical volatility over the expected term of the SARs by expected exercise date.

The pre-tax compensation expense/(benefit) recognized in the Consolidated Financial Statements related to these plans was $15.2 million, $5.8 million, and $(2.2) million for the years ended December 31, 2022, 2021 and 2020, respectively. The related tax (benefit)/expense recognized was $(3.2) million, $(1.2) million, and $0.5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the years ended December 31, 2022, 2021 and 2020, the total pre-tax compensation expense related to nonvested share-based awards not yet recognized was $27.4 million, $11.9 million, and $9.1 million, respectively. The December 31, 2022 amount is expected to be recognized over a weighted-average period of 1.5 years. The Company recognizes compensation cost over the graded vesting periods.

(13) INFORMATION REGARDING CONTROLLING STOCKHOLDER

Robert L. Moody, Sr., through the Robert L. Moody Revocable Trust controls 99.0% of the 200,000 aggregate outstanding shares of the Company's Class B Common Stock as of December 31, 2022. The shares of Class B Common Stock owned by the revocable trust represent 5.45% of the total number of outstanding shares of the Company. Holders of the Company's Class A Common Stock elect one-third of the Board of Directors of the Company (rounded up to the nearest whole number if not evenly divisible by three), and holders of the Class B Common Stock elect the remainder. Any cash or in-kind dividends paid on each share of Class B Common Stock are to be only one-half of the cash or in-kind dividends paid on each share of Class A Common Stock. In the event of liquidation of the Company by dissolution, the holders of Class A Common Stock will receive the par value of their shares; then the holders of Class B Common Stock will receive the par value of their shares; and the remaining net assets of the Company shall be divided between the stockholders of both Class A Common Stock and Class B Common Stock based upon the number of shares held. The approval of the holders of two-thirds of the outstanding Class A Common Stock is required to modify these dividend and liquidation provisions. Except as described above in this paragraph, on all matters submitted to the Company's stockholders other than the election or removal of directors, the holders of Class A Common Stock and Class B Common Stock vote together as a single class, with each share entitled to one vote.

(14) PENSION AND OTHER POSTRETIREMENT PLANS

(A) Defined Benefit Pension Plans

National Western sponsors a qualified defined benefit pension plan covering employees enrolled prior to 2008. The plan provides benefits based on the participants' years of service and compensation. The company makes annual contributions to the plan that comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). On October 19, 2007, National Western's Board of Directors approved an amendment to freeze the pension plan as of December 31, 2007. The freeze ceased future benefit accruals to all participants and closed the plan to any new participants. In addition, all participants became immediately 100% vested in their accrued benefits as of that date. As participants are no longer earning a credit for service, future qualified defined benefit plan expense is projected to be minimal. Fair values of plan assets and liabilities are measured as of the prior December 31 for each year. A detail of plan disclosures is provided below.

Obligations and Funded Status

	December 31,	
	2022	2021
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 22,056	23,927
Service cost	131	119
Interest cost	581	528
Actuarial (gain) loss	(4,217)	(805)
Benefits paid	(1,574)	(1,713)
Projected benefit obligations at end of year	16,977	22,056
Changes in plan assets:		
Fair value of plan assets at beginning of year	23,241	20,833
Actual return on plan assets	(3,407)	3,265
Contributions	250	856
Benefits paid	(1,574)	(1,713)
Fair value of plan assets at end of year	18,510	23,241
Funded status at end of year	$ 1,533	1,185

The service cost shown above for each year represents plan expenses expected to be paid out of plan assets. Under the clarified rules of the Pension Protection Act, plan expenses paid from plan assets are to be included in the plan's service cost component.

The Projected Benefit Obligation decreased in 2022 due to the following:

- An experience gain of approximately $177,000 due to census demographics.
- An experience loss of approximately $48,000 due to the difference in expected and actual benefit payments.
- An experience gain of approximately $4,088,000 due to the increase in the discount rate from 2.75% to 5.00%.

The Projected Benefit Obligation decreased in 2021 from the previous year due to the following:

- An experience loss of approximately $309,000 due to census demographics.
- An experience loss of approximately $78,000 due to the change in mortality.
- An experience loss of approximately $127,000 due to the difference in expected and actual benefit payments.
- An experience gain of approximately $1,319,000 due to the increase in the discount rate from 2.25% to 2.75%.

	December 31,	
	2022	2021
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ 1,533	1,185
Liabilities	—	—
Net amount recognized	$ 1,533	1,185
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ 4,273	3,642
Prior service cost	—	—
Net amount recognized	$ 4,273	3,642

The accumulated benefit obligation was $17.0 million and $22.1 million at December 31, 2022 and 2021, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Components of net periodic benefit costs:			
Interest cost	$ 581	528	674
Service cost	131	119	107
Expected return on plan assets	(1,575)	(1,425)	(1,261)
Amortization of net loss (gain)	134	539	580
Net periodic benefit cost	(729)	(239)	100
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	765	(2,645)	503
Amortization of net loss (gain)	(134)	(539)	(580)
Total recognized in other comprehensive income (loss)	631	(3,184)	(77)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (98)	(3,423)	23

The components of net periodic benefit cost including service cost are reported in "Other operating expenses" in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2022	2021
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	5.00 %	2.75 %
Rate of compensation increase	n/a	n/a

	December 31,		
	2022	2021	2020
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	2.75 %	2.25 %	3.00 %
Expected long-term return on plan assets	7.00 %	7.00 %	7.00 %
Rate of compensation increase	n/a	n/a	n/a

The assumed long-term rate of return on plan assets is generally set at the rate expected to be earned based on the long-term investment policy of the plan and the various classes of invested funds, based on the input of the plan’s investment advisors and consulting actuary and the plan’s historic rate of return. As of December 31, 2022, the plan’s average 5-year and inception-to-date returns were 6.91% and 6.23%, respectively.

In setting the annual discount rate assumption, the Pension Committee designated by National Western's Board of Directors reviews current 10 year and 30 year corporate bond yields, the current spread to treasuries, and their relative change during the past twelve months. It also considers the present value of the projected benefit payment stream based on the Citigroup Pension Discount Curve and market data observations provided by independent consultants.

Plan Assets

As discussed in Note (4) *Fair Values of Financial Instruments*, GAAP defines fair value and establishes a framework for measuring fair value of financial assets. Using this guidance, the Company has categorized its pension plan assets into a three level hierarchy, based on the priority of inputs to the valuation process. The fair value hierarchy classifications are reviewed annually. Reclassification of certain financial assets and liabilities may result based on changes in the observability of valuation attributes. The following tables set forth the Company's pension plan assets within the fair value hierarchy as of December 31, 2022 and 2021.

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash and cash equivalents	$ 787	787	—	—
Equity securities:				
Domestic	11,533	11,533	—	—
International	117	117	—	—
Debt securities:				
U.S. government agencies	601	—	601	—
Corporate bonds	5,471	—	5,471	—
Other invested assets	1	1	—	—
Total	$ 18,510	12,438	6,072	—

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash and cash equivalents	$ 852	852	—	—
Equity securities:				
Domestic	15,752	15,752	—	—
International	163	163	—	—
Debt securities:				
Corporate bonds	6,474	—	6,474	—
Other invested assets	—	—	—	—
Total	$ 23,241	16,767	6,474	—

Investment securities. Fair values for investments in debt and equity securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from various independent pricing services. In cases where prices are unavailable from these sources, values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments.

Cash and cash equivalents. Carrying amounts for these instruments approximate their fair values.

The plan’s weighted-average asset allocations by asset category have been as follows:

	December 31,		
	2022	2021	2020
Asset Category:			
Equity securities	63%	68%	67%
Debt securities	33%	28%	28%
Cash and cash equivalents	4%	4%	5%
Total	100%	100%	100%

The Company has established and maintains an investment policy statement for the assets held in the plan's trust. The investment strategies are of a long-term nature and are designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due
- Set forth an investment structure detailing permitted assets and expected allocation ranges among classes
- Ensure that plan assets are managed in accordance with ERISA

The pension plan is a highly diversified portfolio. The 96% of pension assets not invested in cash is allocated among 244 different investments, with no single issuer representing more than 4.1% of the fair value of the portfolio. The investment policy statement sets forth the following acceptable ranges for each asset's class.

	Acceptable Range
Asset Category:	
Equity securities	55-70%
Debt securities	30-40%
Cash and cash equivalents	0-15%

Deviations from these ranges are permitted if such deviations are consistent with the duty of prudence under ERISA. Investments in natural resources, venture capital, precious metals, futures and options, real estate, and other vehicles that do not have readily available objective valuations are not permitted. Short sales, use of margin or leverage, and investment in commodities and art objects are also prohibited.

The investment policy statement is reviewed annually to ensure that the objectives are met considering any changes in benefit plan design, market conditions, or other material considerations.

Contributions

National Western expects to contribute $0 to the plan during 2023 which amount includes a $0 voluntary contribution for the 2022 plan year. Additional amounts may be contributed at NWLIC's discretion. The plan’s funding status is reviewed periodically throughout the year by National Western’s Pension Plan Committee. NWLIC intends to contribute at least the minimum amounts necessary for tax compliance and to maintain an Adjusted Funding Target Attainment Percentage ("AFTAP") of over 80% to meet the Pension Protection Act Plan’s threshold.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2023	$ 1,503
2024	1,455
2025	1,459
2026	1,405
2027	1,410
2028-2032	6,398

National Western also sponsors three non-qualified defined benefit pension plans. The first plan covers certain senior officers and provides benefits based on the participants' years of service and compensation. The primary pension obligations and administrative responsibilities of the plan are maintained by a pension administration firm, which is a subsidiary of American National Group, Inc. ("American National"), previously a related party. In the second quarter of 2022, American National was acquired by Brookfield Asset Management Reinsurance Partners Ltd. and is therefore no longer a related party of National Western. American National has guaranteed the payment of pension obligations under the plan. However, the Company has a contingent liability with respect to the plan should American National be unable to meet its obligations under the existing agreements. Also, NWLGI has a contingent liability with respect to the plan in the event that a plan participant continues employment with National Western beyond age seventy, the aggregate average annual participant salary increases exceed 10% per year, or any additional employees become eligible to participate in the plan. If any of these conditions are met, NWLGI would be responsible for any additional pension obligations resulting from these items. Amendments were made to this plan to allow an additional employee to participate and to change the benefit formula for Robert L. Moody, Sr., who was then Chairman of the Company. As previously mentioned, these additional obligations are a liability to the Company. Effective December 31, 2004, this plan was frozen with respect to the continued accrual of benefits of the then Chairman and Ross R. Moody (then President of the Company) in order to comply with law changes under the American Jobs Creation Act of 2004 ("Act").

Effective July 1, 2005, National Western established a second non-qualified defined benefit plan for the benefit of Robert L. Moody, Sr., who was then Chairman of the Company. This plan is intended to provide for post-2004 benefit accruals that mirror and supplement the pre-2005 benefit accruals under the previously discussed non-qualified plan, while complying with the requirements of the Act.

Effective November 1, 2005, National Western established a third non-qualified defined benefit plan for the benefit of Ross R. Moody, who was then President of the Company. This plan is intended to provide for post-2004 benefit accruals that supplement the pre-2005 benefit accruals under the first non-qualified plan as previously discussed, while complying with the requirements of the Act.

Ozark National and NIS have no defined benefit plans.

A detail of plan disclosures related to the amendments of the original plan and the additional two plans is provided below:

Obligations and Funded Status

	December 31,	
	2022	2021
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 44,448	51,571
Service cost	1,038	1,235
Interest cost	1,114	1,044
Actuarial (gain) loss	(13,096)	(7,420)
Benefits paid	(1,982)	(1,982)
Projected benefit obligations at end of year	31,522	44,448
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions	1,982	1,982
Benefits paid	(1,982)	(1,982)
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (31,522)	(44,448)

The Projected Benefit Obligation decreased in 2022 due to the following:

- An experience gain of approximately $2,956,000 due to census demographics different than assumed including changes in compensation different than assumed.
- An experience gain of approximately $10,140,000 due to the increase in the discount rate from 2.75% to 5.00%.

The Projected Benefit Obligation decreased in 2021 from the prior year due to the following:

- An experience gain of approximately $4,208,000 due to census demographics different than assumed including changes in compensation different than assumed.
- An experience loss of approximately $80,000 due to the change in mortality.
- An experience gain of approximately $3,292,000 due to the increase in the discount rate from 2.25% to 2.75%.

	December 31, 2022	December 31, 2021
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(31,522)	(44,448)
Net amount recognized	$ (31,522)	(44,448)
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ (1,509)	13,925
Prior service cost	286	345
Net amount recognized	$ (1,223)	14,270

The accumulated benefit obligation was $23.2 million and $26.4 million at December 31, 2022 and 2021, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31, 2022	2021	2020
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	$ 1,038	1,235	1,209
Interest cost	1,114	1,044	1,350
Amortization of prior service cost	59	59	59
Amortization of net loss (gain)	2,338	5,131	5,781
Net periodic benefit cost	4,549	7,469	8,399
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	(13,096)	(7,420)	21,736
Amortization of prior service cost	(59)	(59)	(59)
Amortization of net loss (gain)	(2,338)	(5,131)	(5,781)
Total recognized in other comprehensive income (loss)	(15,493)	(12,610)	15,896
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (10,944)	(5,141)	24,295

The components of net periodic benefit cost including service cost are reported in "Other operating expenses" in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2022	2021
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	5.00 %	2.75 %
Rate of compensation increase	8.00 %	8.00 %

	December 31,		
	2022	2021	2020
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	2.75 %	2.25 %	3.00 %
Expected long-term return on plan assets	n/a	n/a	n/a
Rate of compensation increase	8.00 %	8.00 %	8.00 %

The plan is unfunded and therefore no assumption has been made related to the expected long-term return on plan assets.

Plan Assets

The plan is unfunded and therefore had no assets at December 31, 2022 or 2021.

Contributions

National Western expects to contribute approximately $2.0 million to the plan in 2023.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2023	$ 1,982
2024	1,982
2025	1,982
2026	1,982
2027	2,375
2028-2032	11,814

(B) Defined Contribution Pension Plans

In addition to the defined benefit pension plans, National Western sponsors a qualified 401(k) plan for substantially all employees and a non-qualified deferred compensation plan primarily for senior officers. National Western made annual contributions to the 401(k) plan in 2022, 2021, and 2020 of up to four percent of each employee's compensation, based on the employee's personal level of salary deferrals to the plan. Contributions prior to 2021 are subject to a vesting schedule based on the employee's years of service and those for 2021 and forward are not subject to a vesting schedule. For the years ended December 31, 2022, 2021, and 2020, NWLIC contributions totaled $703,000, $755,000, and $720,000, respectively.

The non-qualified deferred compensation plan sponsored by National Western was established to allow eligible employees to defer the payment of a percentage of their compensation and to provide for additional company contributions. Contributions are subject to a vesting schedule based on the employee's years of service. For the years ended December 31, 2022, 2021, and 2020, contributions totaled $128,000, $143,000, and $175,000, respectively.

Ozark National sponsors a qualified 401(k) plan for substantially all employees of Ozark National and NIS. The employer match was discretionary for deferral dates prior to 2021. In 2021, Ozark National contributions for employee deferrals increased to four percent of each employee's compensation, based on the employee's personal level of salary deferrals to the plan. Contributions for deferral dates prior to 2021 were subject to a graded vesting schedule while contributions for 2021 and after are not subject to a vesting schedule. Expense related to this plan totaled $112,000, $125,000, and $175,000 for Ozark National and $15,000, $10,000, and $17,000 for NIS for the years ended December 31, 2022, 2021, and 2020, respectively.

Ozark National also sponsors a non-qualified, unfunded retirement plan covering certain members of executive staff. The plan is funded solely through discretionary employer contributions. Expense related to this plan totaled $(75,000), $24,000, and $247,000 for the years ended December 31, 2022, 2021, and 2020, respectively.

(C) Postretirement Employment Plans Other Than Pension

National Western sponsors two health care plans that were amended in 2004 to provide postretirement benefits to certain fully-vested individuals. The plans are unfunded. The measurement date for the plans is December 31st. A detail of plan disclosures related to the plans is provided below:

Obligations and Funded Status

	December 31,	
	2022	2021
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 6,160	6,469
Interest cost	173	148
Actuarial (gain) loss	(1,927)	(457)
Benefits paid	—	—
Projected benefit obligations at end of year	4,406	6,160
Changes in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions	—	—
Benefits paid	—	—
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (4,406)	(6,160)

The Projected Benefit Obligation decreased in 2022 due to the following:

- An experience loss of approximately $129,000 due to the claims/healthcare cost trend experience.
- An experience gain of approximately $318,000 due to the death of a participant's spouse.
- An experience loss of $264,000 due to the change in the trend rate.
- An experience gain of approximately $2,002,000 due to the increase in the discount rate from 2.75% to 5.00%.

The Projected Benefit Obligation decreased in 2021 from the prior year due to the following:

- An experience loss of approximately $123,000 due to the claims/healthcare cost trend experience.
- An experience loss of approximately $30,000 due to the change in mortality.
- An experience gain of approximately $610,000 due to the increase in the discount rate from 2.25% to 2.75%.

	December 31,	
	2022	2021
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(4,406)	(6,160)
Net amount recognized	$ (4,406)	(6,160)
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ (596)	1,539
Prior service cost	—	—
Net amount recognized	$ (596)	1,539

The accumulated benefit obligation was $4.4 million and $6.2 million at December 31, 2022 and 2021, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Components of net periodic benefit cost:			
Interest cost	$ 173	148	165
Amortization of prior service cost	—	—	—
Amortization of net loss	208	292	158
Net periodic benefit cost	381	440	323
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	(1,927)	(457)	522
Amortization of prior service cost	—	—	—
Amortization of net loss (gain)	(208)	(292)	(158)
Total recognized in other comprehensive income (loss)	(2,135)	(749)	364
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (1,754)	(309)	687

As the plans are not funded, there is no expected return on plan assets shown in the net periodic benefit cost table above. Ozark National and NIS do not offer postretirement employment benefits.

The components of net periodic benefit cost including service cost are reported in "Other operating expenses" in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2022	2021
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	5.00 %	2.75 %
Expected long-term return on plan assets	n/a	n/a

	December 31,		
	2022	2021	2020
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	2.75 %	2.25 %	3.00 %
Expected long-term return on plan assets	n/a	n/a	n/a

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023, decreasing annually by 0.25% until reaching an ultimate rate of 5%.

Plan Assets

The plans are unfunded and therefore had no assets at December 31, 2022 and 2021.

Contributions

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2023	$	—
2024		—
2025		—
2026		157
2027		119
2028-2032		1,416

(15) FEDERAL INCOME TAXES

Total Federal income taxes were allocated as follows:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Taxes (benefits) on earnings from continuing operations:			
Current	$ 15,830	42,829	(275)
Deferred	9,060	3,747	20,031
Taxes on earnings	24,890	46,576	19,756
Taxes (benefits) on components of stockholders' equity:			
Net unrealized gains and losses on securities available-for-sale	(171,770)	(51,177)	92,528
Foreign currency translation adjustments	108	(4)	4
Change in benefit plan liability	3,569	3,474	(3,398)
Change in accounting	—	—	(806)
Total Federal income taxes	$ (143,203)	(1,131)	108,084

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The provisions for Federal income taxes attributable to earnings from continuing operations vary from amounts computed by applying the statutory income tax rate to income statement earnings before Federal income taxes due to differences between the financial statement reporting and income tax treatment of certain items. These differences and the corresponding tax effects are as follows:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Income tax expense at statutory rate of 21%	$ 26,467	47,724	23,534
Dividend received deduction	(405)	(394)	(401)
Tax exempt interest	(1,194)	(1,263)	(1,436)
Non deductible salary expense	642	439	351
Adjustments pertaining to prior tax years	(538)	(63)	(8)
Nondeductible insurance	96	96	96
Nondeductible expenses	42	54	44
Tax rate differential for loss carryback	—	—	(2,497)
Other, net	(220)	(17)	73
Taxes on earnings from continuing operations	$ 24,890	46,576	19,756

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 to provide relief to businesses impacted by the COVID-19 pandemic. The CARES Act included a temporary reprieve from the carryback limitation on the use of net operating losses, allowing taxpayers to carryback certain net operating losses generated from 2018 through 2020 for up to five years in order to claim a refund of taxes paid in prior years. Accordingly, the Company was permitted to carryback the taxable loss generated in the year ended December 31, 2020 to tax years when the corporate tax rate was 35%. This resulted in a permanent tax benefit equal to the 14% corporate tax rate differential between the carryback rate of 35% and the current statutory rate of 21%. As a result, there was a permanent tax benefit of $2.5 million reflected in the reconciliation of the tax rate for the year ended December 31, 2020. An additional permanent tax benefit of $120,000 was included in the reconciliation of the tax rate for the year ended December 31, 2021 as a true up from provision to actual for the carryback claim.

The Company generally expects its effective tax rate to be slightly less than the current statutory rate due to recurring permanent differences that reduce tax expense, principally tax exempt interest income and the dividend received deduction.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are presented below.

	December 31, 2022	December 31, 2021
	(In thousands)	
Deferred tax assets:		
Future policy benefits, excess of financial accounting liabilities over tax liabilities	$ 142,476	183,692
Investment securities write-downs for financial accounting purposes	1,088	735
Benefit plan liabilities	8,974	12,546
Accrued operating expenses recorded for financial accounting purposes not currently tax deductible	5,915	4,490
Accrued and unearned investment income recognized for tax purposes and deferred for financial accounting purposes	42	64
Net unrealized losses on debt and equity securities	151,284	—
Goodwill	1,315	1,696
Other	6,637	88
Total gross deferred tax assets	317,731	203,311
Deferred tax liabilities:		
Deferred policy acquisition costs, sales inducement costs, and VOBA, principally expensed for tax purposes	(136,092)	(157,543)
Tax reform reserve adjustment	(26,198)	(34,942)
Debt securities, principally due to deferred market discount for tax	(5,895)	(5,611)
Real estate, principally due to adjustments for financial accounting purposes	(30)	(14)
Net unrealized gains on debt and equity securities	—	(66,696)
Foreign currency translation adjustments	(1,464)	(1,356)
Fixed assets, due to different depreciation bases	(11,729)	(13,032)
Cost of reinsurance	(16,449)	(18,834)
Funds withheld liability	(61,198)	(5,591)
Other	(809)	(858)
Total gross deferred tax liabilities	(259,864)	(304,477)
Net deferred tax assets (liabilities)	$ 57,867	(101,166)

The 2017 Tax Cuts and Jobs Act ("Tax Act") imposed a limitation on life insurance tax reserves based upon the greater of net surrender value or 92.81% of the reserve method prescribed by the National Association of Insurance Commissioners which covers such contracts as of the date the reserve is determined. The Company determined that this limitation resulted in a tax reserve decrease of $332.9 million which the Tax Act allowed to be recognized over an eight-year period. At the statutory rate of 21%, the Company recorded a deferred tax liability as of December 31, 2017 of $69.9 million. This amount is incorporated into the periodic measurement of net deferred tax liabilities and at December 31, 2022 is $26.2 million as shown in the table above. The total tax reserve adjustment of $332.9 million which resulted from the limitation imposed under the Tax Act is recognized as an increase in taxable income of $41.6 million per year through the year 2025. At the statutory rate of 21%, this results in additional tax of $8.7 million per year.

There were no valuation allowances for deferred tax assets at December 31, 2022 and 2021. In assessing deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is primarily dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and available tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

In accordance with GAAP, the Company assessed whether it had any significant uncertain tax positions related to open examination or other IRS issues and determined that there were none. Accordingly, no reserve for uncertain tax positions has been recorded. Should a provision for any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to accrue for such in its income tax accounts. There were no such accruals as of December 31, 2022 or 2021. The Company and its corporate subsidiaries file a consolidated U.S. Federal income tax return, which is subject to examination for all years after 2018.

The Company's federal income tax return is consolidated with the entities listed below.

- National Western Life Group, Inc. (NWLGI)
- National Western Life Insurance Company (NWLIC, a subsidiary of NWLGI)
- The Westcap Corporation (subsidiary of NWLIC)
- Braker P III, LLC (subsidiary of NWLIC)
- NWL Financial, Inc. (subsidiary of NWLIC)
- NWLSM, Inc. (subsidiary of NWLIC)
- NWL Services, Inc. (subsidiary of NWLGI)
- Regent Care Operations General Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care Operations Limited Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care General Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care Limited Partner, Inc. (subsidiary of NWL Services, Inc.)
- N.I.S. Financial Services, Inc. (NIS, a subsidiary of NWLGI)

Ozark National will not be consolidated with NWLGI for federal tax filings until it has been a member of the affiliated group for five full years, per section 1504(c)(2) of the Internal Revenue Code.

Allocation of the consolidated Federal income tax liability amongst the Company and its consolidated subsidiaries is based on separate return calculations pursuant to the "wait-and-see" method as described in sections 1.1552-1(a)(1) and 1.1502-33(d)(2) of the current Treasury Regulations. Under this method, consolidated group members are not given current credit for net losses until future net taxable income is generated to realize such credits.

(16) SHORT-TERM BORROWINGS

National Western has available a $75 million bank line of credit (with Moody National Bank, its custodian bank and a related party) primarily for cash management purposes. The Company is required to maintain a collateral security deposit in trust with the sponsoring bank having a fair value equal to 110% of the line of credit. The Company had no outstanding borrowings under the line of credit at December 31, 2022 or 2021. The Company maintained assets having an amortized value of $92.4 million (fair value of $82.5 million) on deposit with the lender at December 31, 2022.

During 2020, National Western became a member of the Federal Home Loan Bank of Dallas ("FHLB") through an initial minimum required stock investment of $4.3 million. Through this membership, National Western has a specified borrowing capacity based upon the amount of collateral it establishes. At December 31, 2022, cash and securities in the amount of $196.9 million (fair value of $187.7 million) were pledged to FHLB.

(17) COMMITMENTS AND CONTINGENCIES

(A) Legal Proceedings

In the normal course of business, the Company is involved or may become involved in various legal actions in which claims for alleged economic and punitive damages have been or may be asserted, some for substantial amounts. In recent years, carriers offering life insurance and annuity products have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices, and similar claims. As previously disclosed, the Company has been a defendant in prior years in such class action lawsuits. Given the uncertainty involved in these types of actions, the ability to make a reliable evaluation of the likelihood of an unfavorable outcome or an estimate of the amount of or range of potential loss is endemic to the particular circumstances and evolving developments of each individual matter on its own merits.

On September 28, 2017, a purported stockholder derivative lawsuit was filed in the 122nd District Court of Galveston County, State of Texas titled Robert L. Moody, Jr. derivatively on behalf of National Western Life Insurance Company and National Western Life Group, Inc. v. Ross Rankin Moody, et al., naming certain current and former directors and current officers as defendants. The complaint challenged the directors' oversight of insurance sales to non-U.S. residents and alleged that the defendants breached their fiduciary duties in the conduct of their duties as board members by failing to act (i) on an informed basis and (ii) in good faith or with the honest belief that their actions were in the best interests of the Company. The complaint sought an undetermined amount of damages, attorneys' fees and costs, and equitable relief, including the removal of the Company's Chairman and Chief Executive Officer and other board members and/or officers of the Company. The companies and directors filed their respective Pleas to the Jurisdiction ("Pleas") contesting the plaintiff's standing to even pursue this action, along with their Answers, on October 27, 2017. The case was litigated through 2021, ultimately culminating in the court granting the companies' and directors' Pleas, dismissing Mr. Moody, Jr.'s claims with prejudice, and ordering that Mr. Moody, Jr. pay the companies their attorney's fees and expenses. On October 15, 2021, Defendants received final payment in satisfaction of judgment from Mr. Moody, Jr. for a total amount of $1,803,503. The Court of Appeals stated in its opinion that the evidence supported the trial court's implied finding that Mr. Moody, Jr.'s suit was filed without reasonable cause and for an improper purpose, and therefore, the court's order that he pay $1,803,503 in attorneys' fees to the Defendants was proper. Defendants filed a Notice of Satisfaction of Judgment with the trial court on October 19, 2021. Judgment in the Defendants' favor is now final and not subject to any further appeals.

In April of 2019, National Western defended a two-week jury trial in which it was alleged that the Company committed actionable Financial Elder Abuse in its issuance of a $100,000 equity indexed annuity to the Plaintiff in the case of *Williams v Pantaleoni et al*, Case No. 17CV03462, Butte County California Superior Court. The Court entered an Amended Judgment on the Jury Verdict on July 27, 2019 against National Western in the amount of $14,949 for economic damages and $2.92 million in non-economic and punitive damages. National Western vigorously disputed the verdicts and the amounts awarded, and in furtherance of such, filed a Motion for Judgment Notwithstanding Jury Verdict and a Motion for New Trial, both of which were rejected by the Court. On September 9, 2019, NWLIC filed its Notice of Appeal. On November 11, 2019, the judge awarded the Plaintiff attorney's fees in the amount of $1.26 million. Both the Plaintiff and NWLIC appealed this ruling. On June 11, 2021, the appellate court reversed the judgment and directed the trial court to enter judgment in favor of NWLIC. Plaintiff then filed an appeal with the Supreme Court of California. On September 22, 2021, the California Supreme Court granted review and transferred the case back to the appellate court with instructions to vacate its decision and reconsider its finding that Mr. Pantaleoni did not have an agency relationship with NWLIC. On March 4, 2022, the appellate court filed an opinion completely striking the award of punitive damages that had been in the amount of $2.50 million, affirming economic damages of $14,949 and non-economic damages of $420,000, and awarding Plaintiff costs on appeal. The appellate court remanded the case to the trial court to reconsider the attorney fee award of $1.26 million in light of the reversal of punitive damages. Upon petitions for rehearing separately filed by both parties, the appellate court vacated its March 4th decision. On May 10, 2022, the appellate court filed its new opinion once again completely striking the award of punitive damages that had been in the amount of $2.5 million, affirming economic damages of $14,949 and non-economic damages of $420,000, and awarding Plaintiff costs on appeal. The appellate court again remanded the case to the trial court to reconsider the attorney fee award of $1.26 million in light of the reversal of punitive damages. The California Supreme Court denied National Western's appeal while ordering the appellate decision depublished. This denial made the appellate court's decision final, which was to strike the award of punitive damages, to affirm the award of economic damages of $14,949 and non-economic damages of $420,000, and to award Plaintiff costs on appeal. The trial court subsequently awarded Plaintiff appellate costs of $538,461, and reduced Plaintiff's trial fees to $842,380. The parties agreed to a judgment, and final payment of fees was tendered by the Company in January 2023. The amount was accrued for and included in the Company's financial statements for the year ended December 31, 2022.

In the Form 10-Q for the quarter ended September 30, 2020, the Company reported that it experienced a data event in which an intruder accessed and exfiltrated certain data from the Company's network and that it was aware of two proposed class actions filed against National Western: *Mildred Baldwin, on behalf of herself and others similarly situated vs. National Western Life Insurance Company*, Missouri Circuit Court for the 18th Judicial Circuit (Pettis County) filed February 16, 2021, and *Douglas Dyrssen Sr., individually and on behalf of all others similarly situated vs. National Western Life Insurance Company and National Western Life Group, Inc.*, United States District Court for the Eastern District of California filed March 8, 2021. The parties subsequently agreed to consolidate those two proposed class actions into a single proposed class action, *Mildred Baldwin, on behalf of herself and others similarly situated vs. National Western Life Insurance Company*, United States District Court for the Western District of Missouri. Baldwin was seeking an undetermined amount of damages, attorneys' fees and costs, injunctive relief, declaratory and other equitable relief, and enjoinment. National Western filed a Motion to Dismiss on July 16, 2021. On July 26, 2021, the parties filed a Joint Motion to Stay Pending Mediation, which the court denied. On September 15, 2021, the court granted in part and denied in part National Western's Motion to Dismiss. At a mediation held on October 12, 2021, the parties agreed on preliminary terms to settle the litigation. The parties filed a Joint Notice of Settlement and Motion to Stay Deadlines with the court on October 20, 2021. The Company accrued $4.4 million for this matter at December 31, 2021. The Court issued an order preliminarily approving the settlement on January 19, 2022. The Court issued an order granting final approval of the settlement on June 16, 2022. The ultimate payments due under the settlement terms were paid in 2022.

The Company was informed by the Internal Revenue Service ("IRS") that it had countersigned a previously negotiated closing agreement effective February 11, 2022 ("Agreement") by and between National Western and the Commissioner of Internal Revenue pertaining to an open matter regarding the tax status of certain of the Company's international life insurance products. Under terms of the Agreement, the Company was to remit to the IRS a payment in the amount of $4.9 million within sixty days of the effective date of the Agreement and to make stipulated adjustments to the policies covered under the Agreement within ninety days of the effective date. The Company had previously accrued for this contingency in a financial statement period predating the financial statements for the three years ended December 31, 2022.

Separately, in 2015 Brazilian authorities commenced an investigation into possible violations of Brazilian criminal law in connection with the issuance of National Western insurance policies to Brazilian residents, and in assistance of such investigation a Commissioner appointed by the U.S. District Court for the Western District of Texas issued a subpoena in March of 2015 upon NWLIC to provide information relating to such possible violations. National Western cooperated with the relevant governmental authorities in regard to this matter. National Western has been informed that the investigation in Brazil has been closed without any action being taken against the Company, its directors, officers, or employees.

Although there can be no assurances, at the present time, the Company does not anticipate that the ultimate liability arising from such other potential, pending, or threatened legal actions will have a material adverse effect on the financial condition or operating results of the Company.

(B) Financial Instruments

In order to meet the financing needs of its customers in the normal course of business, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments are commitments to extend credit which involve elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by another party to the financial instrument for commitments to extend credit is represented by the contractual amounts, assuming that the amounts are fully advanced and that collateral or other security is of no value. Commitments to extend credit are legally binding agreements to lend to a customer that generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments do not necessarily represent future liquidity requirements, as some could expire without being drawn upon. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company controls the credit risk of these transactions through credit approvals, limits, and monitoring procedures.

The Company had no commitments to fund new loans and $1.4 million in commitments to extend credit relating to existing loans at December 31, 2022. The Company evaluates each customer's creditworthiness on a case-by-case basis. The Company also had open commitments to make capital contributions to alternative investment debt and equity funds of $232.8 million as of December 31, 2022. The Company had unfunded commitments on private placements of $9.7 million and unfunded commitments on revolver loans of $0.3 million as of December 31, 2022.

(C) Guaranty Association Assessments

National Western and Ozark National are subject to state guaranty association assessments in all states in which they are licensed to do business. These associations generally guarantee certain levels of benefits payable to resident policyholders of insolvent insurance companies. Many states allow premium tax credits for all or a portion of such assessments, thereby allowing potential recovery of these payments over a period of years. However, several states do not allow such credits.

The Company estimates its liabilities for guaranty association assessments by using the latest information available from the National Organization of Life and Health Insurance Guaranty Associations. The Company monitors and revises its estimates for assessments as additional information becomes available which could result in changes to the estimated liabilities. As of December 31, 2022, 2021 and 2020, liabilities for guaranty association assessments totaled $0.3 million, $0.1 million and $0.2 million, respectively. Other operating expenses related to state guaranty association assessments were $0.2 million for the year ended December 31, 2022 and were minimal for the years ended December 31, 2021 and 2020.

(D) Leases

The Company leases various office related equipment. Rental expenses for these leases were $0.4 million, $0.4 million and $0.5 million for the years ended December 31, 2022, 2021, and 2020, respectively. In 2021, the Company entered into two lease agreements for new equipment under finance leases. These leases will expire in October 2024 and November 2026. The present value of future payments capitalized amounted to $1.4 million and amortization commenced in 2021. The Company's future annual lease obligations under finance leases as of December 31, 2022 are as shown below (in thousands).

2023	$	343
2024		316
2024		179
2026		165
2027		—
Total minimum lease payments		1,003
Less: Interest		(6)
Present value of net minimum lease payments	$	997

(18) DEPOSITS WITH REGULATORY AUTHORITIES

The following assets, stated at amortized cost, were on deposit with state and other regulatory authorities, as required by law, at the dates shown in the table below.

	December 31,		
	2022		2021
	(In thousands)		
National Western:			
Debt securities available-for-sale	$	15,379	15,307
Short-term investments		475	475
Total National Western		15,854	15,782
Ozark National:			
Debt securities available-for-sale		3,368	3,319
Total Ozark National		3,368	3,319
Total	$	19,222	19,101

(19) RELATED PARTY TRANSACTIONS

Robert L. Moody, Jr. ("Mr. Moody, Jr.") is the brother of Ross R. Moody, NWLGI's Chairman, President and Chief Executive Officer, son of Robert L. Moody, Sr., Chairman Emeritus of the Board of Directors of NWLGI, brother of Russell S. Moody who serves as an advisory director of NWLGI, and a half-brother of Frances A. Moody-Dahlberg who serves as a director of NWLGI.

Mr. Moody, Jr. wholly owns an insurance marketing organization that maintains agency contracts with National Western pursuant to which agency commissions are paid in accordance with standard commission schedules. Mr. Moody, Jr. also maintains an independent agent contract with National Western for policies personally sold under which commissions are also paid in accordance with standard commission schedules. Commissions paid under these agency contracts totaled $46,507 and $155,107 in 2022 and 2021, respectively.

National Western holds an investment totaling approximately 9.4% of the issued and outstanding shares of Moody Bancshares, Inc. at December 31, 2022 and the Three R Trusts owns a majority of the issued and outstanding shares. The Three R Trusts are four separate Texas trusts for the benefit of the children of Robert L. Moody, Sr. (Robert L. Moody, Jr., Ross R. Moody, Russell S. Moody, and Frances A. Moody-Dahlberg). Moody Bancshares, Inc. owns 100% of the outstanding shares of Moody Bank Holding Company, Inc., which owns approximately 98.5% of the outstanding shares of The Moody National Bank of Galveston ("MNB"). Ross R. Moody and Frances A. Moody-Dahlberg are members of the Board of Directors of Moody Bancshares, Inc. National Western utilizes MNB for certain bank custodian services as well as for certain administrative services with respect to its defined benefit plan. Fees totaling $486,813 and $536,101 were paid to MNB with respect to these services in 2022 and 2021, respectively. The Company maintains an office space lease with MNB and made payments totaling $32,101 and $32,101 in 2022 and 2021, respectively, under this lease.

American National Group, Inc. ("American National") was previously a related party until it was acquired by Brookfield Asset Management Reinsurance Partners Ltd. in the second quarter of 2022. Related party transaction totals with American National disclosed here for 2022 cover the period prior to the acquisition. National Western paid American National $116,314 and $642,099 in 2022 and 2021, respectively, in premiums for certain company sponsored benefit plans and $1,506,422 and $3,021,197 in 2022 and 2021, respectively, in reimbursements for claim costs for which American National provides third party administrative services. American National paid National Western $1,569,190 and $3,147,080 in 2022 and 2021, respectively, in premiums for its company sponsored benefit plans. National Western maintained an investment agreement with American National Registered Investment Advisory, Inc., a subsidiary of American National, under which $29,753 and $58,032 was paid in 2022 and 2021, respectively, for services. Robert L. Moody, Sr., served as Chairman Emeritus and Ross R. Moody served as a non-executive Chairman of the Board of American National. E. Douglas McLeod and E. J. Pederson, members of the NWLGI Board of Directors, were also members of the American National Board of Directors.

During 2015, American National sold a 24.93% undivided participation in a mortgage loan to The Westcap Corporation for $20.0 million. The Westcap Corporation will receive 24.93% of all future cash receipts, which will be recognized over the life of the loan. This mortgage loan investment was no longer a related party transaction at December 31, 2022. The mortgage loan investment had a balance of $17.9 million as of December 31, 2021, which is reflected in the Consolidated Balance Sheets.

Todd M. Wallace serves as a director of NWLGI. Mr. Wallace is the President of the Central Texas Region of Jones, Lang, LaSalle Brokerage, Inc. ("JLL"). Braker P III, LLC, a subsidiary of National Western, entered into a leasing agent agreement with JLL in 2022 under which payments were made totaling $180,208 in 2022. Ozark National also entered into a services agreement with JLL in 2022, and no payments were made under that agreement in 2022.

(20) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of filing and no other reportable items were identified.

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE I
SUMMARY OF INVESTMENTS
OTHER THAN INVESTMENTS IN RELATED PARTIES
December 31, 2022
(In thousands)

Type of Investment	Amortized Cost or Cost (1)	Fair Value	Balance Sheet Amount
Debt securities available-for-sale:			
United States government and government agencies and authorities	$ 23,816	23,355	23,355
States, municipalities, and political subdivisions	476,338	411,499	411,499
Foreign governments	62,964	45,887	45,887
Public utilities	681,785	615,137	615,137
Corporate	6,199,886	5,631,571	5,631,571
Commercial mortgage-backed	21,965	20,285	20,285
Residential mortgage-backed	337,186	321,032	321,032
Asset-backed	634,820	542,867	542,867
Total securities available-for-sale	8,438,760	7,611,633	7,611,633
Debt securities trading:			
United States government and government agencies and authorities	—	—	—
States, municipalities, and political subdivisions	16,603	12,126	12,126
Foreign Government	—	—	—
Public utilities	36,010	26,030	26,030
Corporate	574,227	450,135	450,135
Commercial mortgage-backed	253,567	221,096	221,096
Residential mortgage-backed	18,369	16,857	16,857
Asset-backed	343,618	313,588	313,588
Collateralized loan obligation	27,203	26,162	26,161
Total securities trading	1,269,597	1,065,994	1,065,993
Total fixed maturity bonds	9,708,357	8,677,627	8,677,626
Equity securities:			
Common stocks:			
Public utilities	688	1,441	1,441
Banks, trust, and insurance companies	1,575	3,098	3,098
Industrial, miscellaneous, and all others	7,959	13,868	13,868
Preferred stocks	4,325	3,669	3,669
Total equity securities	14,547	22,076	22,076
Derivatives, index options	23,669		23,669
Mortgage loans on real estate	507,020		505,730
Policy loans	70,495		70,495
Other long-term investments (2)	262,106		262,106
Short-term investments	3,937		3,937
Total investments other than investments in related parties	$ 10,590,131		9,565,639

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE I
SUMMARY OF INVESTMENTS
OTHER THAN INVESTMENTS IN RELATED PARTIES (Continued)
December 31, 2022
(In thousands)

(1) Bonds and mortgages are shown at amortized cost reduced by repayments and allowances for possible losses. Real estate is stated at cost net of accumulated depreciation. Derivatives are shown at fair value.
(2) There was no real estate acquired by foreclosure included in other long-term investments.

See accompanying report of Independent Registered Public Accounting Firm.

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Financial Position as of December 31, 2022 and 2021
(Parent Company Only)
(In thousands)

	2022	2021
ASSETS		
Investment in subsidiaries	$ 2,009,817	2,538,996
Cash and cash equivalents	1,939	7,017
Deferred Federal income tax asset	14,972	8,258
Other assets	233	263
Total assets	$ 2,026,961	2,554,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current Federal income tax liability	$ 18,444	14,388
Other liabilities	1,306	455
Total liabilities	19,750	14,843
Stockholders' Equity:		
Common Stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2022 and 2021	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2022 and 2021	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income (loss)	(416,397)	215,953
Retained earnings	2,381,856	2,281,986
Total stockholders’ equity	2,007,211	2,539,691
Total liabilities and stockholders' equity	$ 2,026,961	2,554,534

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Operations for the Years Ended December 31, 2022, 2021 and 2020
(Parent Company Only)
(In thousands)

	2022	2021	2020
Revenues:			
Dividend income from subsidiaries	$ 2,000	—	1,395
Net investment income	36	10	9
Total revenues	2,036	10	1,404
Expenses:			
Other operating expenses	5,140	2,660	3,322
Total expenses	5,140	2,660	3,322
Earnings (loss) before Federal income taxes	(3,104)	(2,650)	(1,918)
Federal income taxes (benefit)	(1,077)	(537)	(2,212)
Earnings (loss) before equity in earnings of affiliates	(2,027)	(2,113)	294
Equity in earnings of affiliates	103,171	182,794	92,018
Net earnings	$ 101,144	180,681	92,312

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020
(Parent Company Only)
(In thousands)

	2022	2021	2020
Cash flows from operating activities:			
Net earnings	$ 101,144	180,681	92,312
Adjustments to reconcile net earnings to cash provided by operating activities:			
Equity in earnings of affiliates	(103,171)	(182,794)	(92,018)
Depreciation and amortization	30	30	30
Change in:			
Federal income tax, net	4,056	2,721	16,397
Deferred Federal income tax	(6,714)	(537)	(7,481)
Other, net	851	(188)	(830)
Net cash provided by (used in) operating activities	(3,804)	(87)	8,410
Cash flows from investing activities:			
Payments to acquire businesses	—	—	—
Net cash provided by (used in) investing activities	—	—	—
Cash flows from financing activities:			
Dividends on common stock	(1,274)	(1,272)	(1,273)
Net cash provided by (used in) financing activities	(1,274)	(1,272)	(1,273)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(5,078)	(1,359)	7,137
Cash, cash equivalents, and restricted cash at the beginning of year	7,017	8,376	1,239
Cash, cash equivalents, and restricted cash at the end of year	$ 1,939	7,017	8,376

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Notes to the Condensed Financial Information of Registrant
(Parent Company Only)

1. Basis of Presentation

The accompanying condensed financial information of the Parent Company Only should be read in conjunction with the consolidated financial statements and notes thereto of National Western Life Group, Inc. ("NWLGI").

As discussed in Note (1) *Summary of Significant Accounting Policies* of the Consolidated Financial Statements, on October 1, 2015, National Western Life Insurance Company ("National Western" or "NWLIC") completed its previously announced holding company reorganization and became a wholly owned subsidiary of NWLGI. As a result of the reorganization, NWLGI replaced National Western as the publicly held company.

In the Parent Company Only condensed financial statements, NWLGI's investments in subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition. The subsidiary information presented is eliminated in the consolidated financial statements. NWLGI and its subsidiaries pay service fees to NWLIC which are included in expenses and equity earnings. These service fees are also eliminated in the consolidated financial statements.

2. Dividend Payments

In the years ended December 31, 2022, 2021, and 2020, dividends of $2.0 million, $0.0 million and $0.0 million were declared and paid by NWLIC to NWLGI, respectively. In the years ended December 31, 2022, 2021, and 2020, dividends of $0.0 million, $0.0 million, and $1.4 million were declared and paid by NIS to NWLGI, respectively. These dividend payments are eliminated in the consolidated financial statements.

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE IV
REINSURANCE INFORMATION
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net amount	Percentage of Amount Assumed to Net
		(In thousands)			
2022					
Life insurance face amount in force	$19,668,410	3,549,917	—	16,118,493	— %
Premiums:					
Life insurance	$ 90,854	6,443	177	84,588	0.2 %
Accident and health insurance	3,252	—	—	3,252	— %
Annuities	18	—	—	18	— %
Total premiums	$ 94,124	6,443	177	87,858	0.2 %
2021					
Life insurance face amount in force	$20,888,431	3,781,167	—	17,107,264	— %
Premiums:					
Life insurance	$ 92,891	6,419	194	86,666	0.2 %
Accident and health insurance	3,346	—	—	3,346	— %
Annuities	31	—	—	31	— %
Total premiums	$ 96,268	6,419	194	90,043	0.2 %
2020					
Life insurance face amount in force	$21,954,160	4,013,073	—	17,941,087	— %
Premiums:					
Life insurance	$ 95,579	6,217	205	89,567	0.2 %
Accident and health insurance	2,956	—	—	2,956	— %
Annuities	19	—	—	19	— %
Total premiums	$ 98,554	6,217	205	92,542	0.2 %

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE V
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2022, 2021 and 2020
(In thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	(1) Charged to Retained Earnings	Reductions	Balance at End of Period
Valuation accounts deducted from applicable assets:					
Allowance for current expected credit losses on mortgage loans:					
December 31, 2022	$ 2,987	588	—	—	3,575
December 31, 2021	$ 2,486	501	—	—	2,987
December 31, 2020	$ 675	1,307	504	—	2,486
Allowance for current expected credit losses on debt securities:					
December 31, 2022	$ —	—	—	—	—
December 31, 2021	$ —	—	—	—	—
Allowance for current expected credit losses on reinsurance recoverables:					
December 31, 2022	$ —	450	—	—	450
December 31, 2021	$ —	—	—	—	—
December 31, 2020	$ —	—	—	—	—
Allowance for possible losses on real estate:					
December 31, 2022	$ 424	—	—	(74)	350
December 31, 2021	$ 424	—	—	—	424
December 31, 2020	$ 596	—	—	(172)	424

Notes:
(1) On January 1, 2020, the Company adopted ASU 2016-13 and recorded a transition adjustment to retained earnings.

See accompanying report of Independent Registered Public Accounting Firm.