UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2022

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File Number: **000-55522**

NATIONAL WESTERN LIFE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**47-3339380**
(State of Incorporation)	(I.R.S. Employer Identification Number)

10801 N. Mopac Expy Bldg 3 **Austin, Texas** **78759**	**(512) 836-1010**
(Address of Principal Executive Offices) (Zip Code)	(Telephone Number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class to be so registered:	Trading Symbol	Name of each exchange on which each class is to be registered:
Class A Common Stock, $0.01 par value	**NWLI**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12 (g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "accelerated filer." "large accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflects the correction of an error or previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock (based upon the closing price) held by non-affiliates of the Registrant on June 30, 2022 was $518,891,325.

As of March 13, 2023, the number of shares of Registrant's common stock outstanding was: Class A - 3,436,020 and Class B - 200,000.

DOCUMENTS INCORPORATED BY REFERENCE

Documents incorporated by reference: Portions of the registrant’s definitive proxy statement for the annual meeting of stockholders to be held June 22, 2023, which will be filed within 120 days after December 31, 2022, are incorporated by reference into Part III of this report.

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Cautionary Statement Regarding Forward Looking Information

This Form 10-K includes statements pertaining to anticipated financial performance, business endeavors, product development, and other similar matters. These statements, which may include words such as "may," "likely," "projected," "expect," "anticipate," "believe," "intend," and other like expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. A variety of factors could cause actual results and experiences to differ materially from the anticipated results or other expectations expressed in forward-looking statements. The risks and uncertainties that may affect the operations, performance, and results of business include, but are not limited to, the following:

- Difficult conditions globally and in the U.S. economy may materially and adversely affect our business and results of operations.
- Occurrence of natural or man-made disasters and catastrophes could adversely affect our ability to conduct business operations and the financial condition and results of operations.
- We are subject to incurring difficulties in marketing and distributing our products through our current and future distribution channels.
- There can be no assurance that our initiative to distribute products through financial institutions will be successful.
- We are subject to competition from new sources as well as companies having substantially greater financial resources, higher ratings, and more expansive product offerings which could have an adverse impact upon our business levels and profitability.
- A single stockholder has significant influence in the election and removal of directors.
- Our enterprise risk management practices and procedures may prove to be ineffective exposing us to unidentified or unanticipated risks.
- We are dependent upon effective information technology systems and the development and implementation of new technologies.
- Cyber attacks, data protection breaches, and other technology failures could adversely affect our business.
- We and third parties who distribute our products are subject to U.S. federal and state privacy laws and regulations.
- Competition for employees is intense and the Company may not be able to attract and retain highly skilled people needed to support its business.
- Our investment portfolio is subject to several risks which may lessen the value of our invested assets and the amounts credited to policyholders.
- The determination of valuation and impairments of fixed income securities include estimations and assumptions that are subjective and prone to differing interpretations and could materially impact our results of operations or financial condition.
- We are subject to changing interest rates and credit spreads, market volatility and general economic conditions which may affect the risk and returns on both our investment portfolio and our products.
- We are subject to a downgrade in our financial strength ratings which may negatively affect our ability to attract and retain independent distributors, make our products less attractive to consumers, and may have an adverse effect on our operations.
- We could be liable with respect to liabilities ceded to reinsurers if the reinsurers fail to meet the obligations assumed by them.
- We are subject to policy claims experience which can fluctuate and vary from past results or expectations.
- We are subject to assumption and estimate inaccuracies used in determining deferred policy acquisition costs, deferred sales inducements, and value of business acquired which may require us to accelerate our amortization.
- The Company may be required to establish a valuation allowance against its deferred tax assets which could materially affect the Company's results of operations and financial condition.
- We are subject to regulation, changes to existing laws, and investigations, domestic and international, which may affect our profitability or means of operation.
- Changes in accounting standards issued by standard-setting bodies may adversely affect our financial statements and affect the management of business operations.

- We may be subject to unfavorable judicial developments, including the time and expense of litigation, which potentially could affect our financial position and results of operations.
- The Company could be adversely affected by changes to tax law or interpretations of existing tax law which could reduce the demand for certain insurance products.

See Part 1A, Risk Factors, for additional information.

PART I

ITEM 1. BUSINESS

General

National Western Life Group, Inc. ("NWLGI"), a Delaware corporation, is the parent holding company which was established effective October 1, 2015 under a holding company plan of reorganization. As a result of the reorganization, NWLGI replaced National Western Life Insurance Company as the publicly held company with the latter becoming a wholly owned subsidiary of NWLGI.

National Western Life Insurance Company (hereinafter referred to as "National Western" or "NWLIC") is a stock life insurance company, chartered in the State of Colorado in 1956, currently licensed to do business in all U.S. states (except for New York), the District of Columbia, as well as four U.S. territories or possessions. National Western is also licensed in Haiti. Until the fourth quarter of 2018, National Western accepted life insurance and investment contract applications on a global basis for its international products from residents of certain countries. At December 31, 2022, National Western maintained 81,917 policies for its life insurance products and 99,041 annuity contracts.

Effective January 31, 2019, National Western acquired Ozark National Life Insurance Company ("Ozark National"), a Missouri domiciled, stock life insurance company currently licensed to conduct business in thirty states. At December 31, 2022, Ozark National maintained 171,915 policies for its life insurance products. As part of this acquisition, NWLGI acquired N.I.S. Financial Services, Inc. ("NIS"), a broker-dealer affiliated with Ozark National providing mutual fund investment products.

The Company's total assets decreased to $13.1 billion at December 31, 2022, from $14.3 billion at December 31, 2021. The Company generated revenues of $558.4 million, $824.1 million, and $694.7 million in 2022, 2021, and 2020, respectively. NWLGI produced net income of $101.1 million, $180.7 million, and $92.3 million in 2022, 2021, and 2020, respectively.

Unless otherwise indicated or the context otherwise requires, references in this report to the "Company" shall also be deemed to include NWLGI and its direct and indirect subsidiaries, including National Western, Ozark National and NIS.

Funds Withheld Reinsurance Agreements

On December 31, 2020, National Western entered into a Funds Withheld Coinsurance Agreement with Prosperity Life Assurance Limited ("Prosperity"), a reinsurer organized under the Laws of Bermuda. Under the agreement with Prosperity, National Western ceded, on a coinsurance with funds withheld basis, a 100% quota share of contractual liabilities approximating $1.7 billion pertaining to a group of in force fixed and payout annuity contracts issued by NWLIC on or before December 31, 2020, along with certain supplementary contracts issued by NWLIC upon the annuitization of these annuity contracts. The structure of the agreement with Prosperity transferred the credit and interest rate risk for this group of policies from National Western to Prosperity.

On July 27, 2022, National Western entered into a Funds Withheld Coinsurance Agreement with Aspida Life Re Ltd. (“Aspida"), a reinsurer organized under the Laws of Bermuda. Pursuant to this agreement, National Western 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 National Western before July 1, 2022. The amount of statutory reserve liabilities ceded by National Western to Aspida under the agreement approximates $250.0 million. In addition, pursuant to the agreement, National Western has agreed to cede, on a coinsurance with funds withheld basis, a specified quota share of certain annuity contracts issued or to be issued by National Western on or after July 1, 2022. The structure of the agreement with Aspida transferred the credit and interest rate risk for this group of policies from National Western to Aspida. For more information concerning reinsurance arrangements see Note (5), *Reinsurance*, in the accompanying Notes to Consolidated Financial Statements in this report.

Products

National Western offers a broad portfolio of individual whole life, universal life and term insurance plans, and annuities, including supplementary riders. In the following discussion, the Company reports sales and other statistical information. These statistics are derived from various sales tracking and administrative systems and are not derived from the Company's financial reporting systems or financial statements. These statistics are used to measure the relative progress of our marketing and acquisition efforts. Sales data for traditional life insurance is based upon annualized premiums, while non-single premium universal life sales are based on annualized "target" premiums which are those premiums upon which full first year commissions are paid. Sales of single premium universal life sales products and annuities are measured based on the amount of deposits received. These statistics attempt to measure only some of the many factors that may affect future profitability, and therefore, are not intended to be predictive of future profitability.

Life Products. National Western's life products provide protection for the life of the insured and, in some cases, allow for cash value accumulation on a tax-deferred basis. These product offerings include universal life insurance ("UL"), interest-sensitive whole life, and traditional products such as term insurance coverage. Interest sensitive products, such as UL, accept premiums that are applied to an account value. Deducted from the account value are costs of insurance charges which vary by age, gender, plan, and class of insurance, as well as various expense charges. Interest is credited to account values at a fixed interest rate generally determined in advance and guaranteed for a policy year at a time, subject to minimum guaranteed rates specified in the policy contract. A slight variation to this general interest crediting practice involves equity-index universal life ("EIUL") policies whose credited interest may be linked in part to an outside index at the election of the policyholder. These products offer both flexible and fixed premium modes and provide policyholders with flexibility in the available coverage, the timing and amount of premium payments and the amount of the death benefit, provided there are sufficient policy funds to cover all policy charges for the coming year. Traditional products generally provide for a fixed death benefit payable in exchange for regular premium payments.

Annuity Products. Annuity products sold include flexible premium and single premium deferred annuities, equity-index (fixed-index) annuities, and single premium immediate annuities. These products can be tax qualified or nonqualified annuities. A fixed single premium deferred annuity ("SPDA") provides for a single premium payment at the time of issue, an accumulation period, and an annuity payout period commencing at some future date. A flexible premium deferred annuity ("FPDA") provides the same features but allows, generally with some conditions, additional payments into the contract. Interest is credited to the account value of the annuity initially at a current rate of interest which is guaranteed for a period of time, typically the first year. After this period, the interest credited is subject to change based upon market rates and product profitability subject to a minimum guaranteed rate specified in the contract. Interest accrues during the accumulation period generally on a tax-deferred basis to the contract holder. After a number of years specified in the annuity contract, the owner may elect to have the proceeds paid as a single payment or as a series of payments over a period of time. The owner is permitted at any time during the accumulation period to withdraw all or part of the annuity account balance subject to contract provisions such as surrender charges and market value adjustments. A fixed-index deferred annuity performs essentially in the same manner as SPDAs and FPDAs with the exception that, in addition to a fixed interest crediting option, the contract holder has the ability to elect an interest crediting mechanism that is linked, in part, to an outside index. A single premium immediate annuity ("SPIA") forgoes the accumulation period and immediately commences an annuity payout period.

Ozark National utilizes a unique distribution system to market its flagship Balanced Program which consists of a coordinated sale of a non-participating whole life insurance product with a mutual fund investment product offered through its affiliated broker-dealer, NIS. Its largest markets by state are Missouri, Iowa, Minnesota, Nebraska, and Louisiana.

The following table sets forth information regarding the Company's sales activity by product type.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Annuities:			
Fixed-index deferred	$ 222,293	421,046	330,364
Other deferred	2,789	3,717	6,227
Single premium immediate	2,871	28,571	13,888
Total annuities	$ 227,953	453,334	350,479
Life:			
Single premium life	$ 125,902	202,408	194,456
Other universal life insurance	1	1	1
Traditional life and other	3,629	3,995	2,905
Total life	$ 129,532	206,404	197,362

The table below sets forth information regarding the Company's life insurance in force for each date presented.

	Insurance In Force as of December 31,	
	2022	2021
	($ in thousands)	
National Western		
Universal life:		
Number of policies	26,378	28,640
Face amounts	$ 3,621,812	$ 3,966,160
Traditional life:		
Number of policies	22,751	24,500
Face amounts	$ 2,103,366	$ 2,257,490
Fixed-index life:		
Number of policies	32,788	34,200
Face amounts	$ 8,224,415	$ 8,772,280
Total life insurance:		
Number of policies	81,917	87,340
Face amounts	$ 13,949,593	$ 14,995,930
Ozark National		
Total life insurance (all traditional):		
Number of policies	171,915	175,610
Face amounts	$ 5,718,817	$ 5,892,500

The following table sets forth information regarding annuities in force for each date presented.

	Annuities In Force as of December 31,	
	2022	2021
	($ in thousands)	
Fixed-index annuities:		
Number of policies	61,292	64,860
GAAP annuity reserves	$ 4,797,550	$ 5,151,890
Other deferred annuities:		
Number of policies	27,526	30,260
GAAP annuity reserves	$ 1,028,629	$ 1,119,207
Immediate annuities:		
Number of policies	10,223	10,930
GAAP annuity reserves	$ 352,436	$ 376,667
Total annuities:		
Number of policies	99,041	106,050
GAAP annuity reserves	$ 6,178,615	$ 6,647,764

Operating Segments

National Western has historically managed its business between Domestic Insurance Operations and International Insurance Operations. For segment reporting purposes, NWLIC's annuity business is separately identified. The Company also has a corporate segment, which consists of the assets and activities of other wholly owned subsidiaries that have not been allocated to any other operating segment. With the acquisition of Ozark National and NIS in 2019, the Company created an additional reporting segment, named "ONL and Affiliates."

Domestic Insurance Operations. National Western is currently licensed to do business in all U.S. states (except New York) and the District of Columbia. Products marketed are annuities, universal life insurance, and traditional life insurance, which include both term and whole life products. Domestic sales in terms of premium levels have historically been more heavily weighted toward annuities. Most of these annuities can be sold either as tax qualified or non-qualified products. More recently, a greater proportion of sales activity has been derived from single premium life insurance products, predominantly those with equity-index crediting mechanisms. Presently, nearly 100% of National Western's life premium sales come from single premium life products. National Western markets and distributes its domestic products primarily through independent national marketing organizations ("NMOs"). These NMOs assist in recruiting, contracting, and managing independent agents. These agents are independent contractors who are compensated on a commission basis. At December 31, 2022, NWLIC's NMO relationships had contracted approximately 29,300 independent agents. At December 31, 2022, National Western had 44,556 domestic life insurance policies in force representing nearly $3.65 billion in face amount of coverage and 99,041 annuity contracts representing account balances of $6.2 billion.

Although reported separately for segment disclosure purposes, domestic insurance operations include the activities of Ozark National. At December 31, 2022, Ozark National maintained 171,915 life insurance policies in force representing $5.7 billion in face amount of coverage. There were 211 agents contracted at December 31, 2022 who solely market Ozark National products. Due to Ozark National's coordinated sale of a non-participating whole life insurance with a mutual fund investment product its agents hold a securities license in addition to an insurance license.

The following table sets forth National Western's domestic life insurance sales as measured in annualized first year premium for the last three years.

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Single premium life	$ 125,902	202,408	194,456
Universal life	1	1	1
Traditional life	—	—	20
Total	$ 125,903	202,409	194,477

Not included in the above, Ozark National's sales for the years ended December 31, 2022, 2021, and 2020 were $3.6 million, $4.0 million, and $2.9 million, respectively, and were comprised entirely of traditional life product sales.

International Insurance Operations. National Western's international operations consists solely of a closed block of in force policies. The Company previously did not conduct business or maintain offices or employees in any other country, but until the fourth quarter of 2018, did accept applications at its home office in Austin, Texas, and issued policies from there to non-U.S. residents. Insurance products issued were primarily to residents of countries in South America consisting of product offerings not available in the local markets. Issuing policies to residents of countries in these different regions had provided diversification that helped to minimize large fluctuations that could arise due to various economic, political, and competitive pressures that could occur from one country to another. International life insurance products issued to international residents were almost entirely universal life and traditional life insurance products.

There were some inherent risks of accepting international applications which are not present within the domestic market that were reduced substantially by the Company in several ways. National Western accepted applications from foreign nationals of other countries in upper socioeconomic classes who had substantial financial resources. This targeted customer base, coupled with National Western's conservative underwriting practices, historically resulted in claims experience, due to natural causes, similar to that in the United States. The Company minimized exposure to foreign currency risks by requiring payment of premiums and claims in United States dollars. In addition, the Company adopted an extensive anti-money laundering compliance program in order to fully comply with all applicable U.S. monitoring and reporting requirements pertaining to anti-money laundering and other illegal activities. All of the above served to minimize risks.

Approximately seven years ago, National Western began the process of phasing out new policies in various countries outside the U.S., ultimately ceasing all application for new policies from all remaining countries by the end of 2018. At December 31, 2022, the Company had 37,361 international life insurance policies in force representing approximately $10.3 billion in face amount of coverage.

National Western's average face amount of insurance coverage per policy for domestic contracts has exhibited an upward trend reflecting the shift in sales toward single premium life products, primarily fixed-index, as part of its wealth transfer strategy for domestic life sales. The average new policy face amounts, excluding riders, since 2018 are as shown in the following table.

	Average New Policy Face Amount		
	NWLIC Domestic	Ozark National	NWLIC International
Year ended December 31, 2018	162,600	—	290,900
Year ended December 31, 2019	179,900	45,200	—
Year ended December 31, 2020	209,900	46,230	—
Year ended December 31, 2021	221,300	47,560	—
Year ended December 31, 2022	219,600	45,920	—

Geographical Distribution of Business. The following table depicts the distribution of the Company's premium revenues and deposits.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
United States domestic products:			
Annuities	$ 236,869	462,575	358,825
Life insurance	228,204	306,695	300,250
Total domestic products	465,073	769,270	659,075
International products:			
Annuities	62	57	75
Life insurance	54,162	60,451	66,270
Total international products	54,224	60,508	66,345
Total direct premiums and deposits collected	$ 519,297	829,778	725,420

Although many agents sell National Western's products, annuity sales in any year typically reflect several NMOs whose contracted independent agents sold 10% or more of total annuity sales. In 2022, there was one NMO that exceeded this threshold accounting for 13% of total annuity sales. Similarly, National Western life insurance sales in any year may include several NMOs who accounted for 10% or more of total domestic life insurance sales. In 2022, there was one NMO which generated 54% of total NWLIC life insurance sales. Given the independent distribution model National Western employs, the concentration of sales within a particular NMO is not an acute concern as compared to other distribution channels given that the underlying agents are free to contract through any NMO with which NWLIC has a relationship.

Segment Financial Information. A summary of financial information for the Company's segments is as follows:

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
	(In thousands)					
Revenues, excluding realized gains (losses):						
2022	$ 77,143	77,867	251,454	116,770	28,808	552,042
2021	141,405	131,407	390,417	116,752	29,160	809,141
2020	108,408	115,507	307,644	115,422	26,690	673,671
Segment earnings (losses): *(A)*						
2022	$ 1,030	17,002	41,771	18,176	18,144	96,123
2021	2,548	51,420	81,868	14,550	18,485	168,871
2020	1,499	51,609	(9,308)	14,036	17,830	75,666
Segment assets: *(B)*						
2022	$ 1,737,992	958,699	8,521,636	1,008,004	335,343	12,561,674
2021	1,791,017	975,942	9,187,610	1,115,380	356,716	13,426,665
2020	3,242,794	1,034,280	7,976,588	1,117,509	382,149	13,753,320

Notes to Table:
(A) Amounts exclude realized gains and losses on investments, net of taxes.
(B) Amounts exclude other unallocated assets.

Additional information concerning these industry segments is included in Note (8), *Segment and Other Operating Information*, of the accompanying Consolidated Financial Statements in this report.

Competition and Ratings

National Western and Ozark National operate in a mature and highly competitive industry. Each competes with hundreds of life and health insurance company groups in the United States as well as other financial intermediaries such as banks and securities firms who market insurance products. Many of these companies are larger, have more substantial capital and technological resources, possess greater brand recognition, and maintain higher ratings. For National Western, domestic market competitors have included, among others, Allianz Life, American Equity Investment Life, Sammons Financial Group (Midland, NACOLAH), Great American Life, Security Benefit Life, Fidelity and Guaranty Life, Athene USA, Jackson National Life, Equitrust Life Insurance Company, Pacific Life, National Life Group (Life of the Southwest) and Global Atlantic. More recently, merger and acquisitions activity has accelerated with private equity firms being among the most active acquirers and reinsurers of companies or blocks of business. These entities bring alternative investment expertise with which to increase investment yields above that which traditional carriers are able to attain which is an advantage in a low interest rate environment.

Other competitive factors include the breadth and quality of products offered, established positions in niche markets, pricing, relationships with distribution channels, commission structures, the perceived stability of the insurer, quality of underwriting and customer service, scale and cost efficiency. Operating results of life insurers are subject to fluctuations not only from this competitive environment but also due to economic conditions, interest rate levels and changes, performance of investments, and the maintenance of strong insurance ratings from independent rating agencies.

In order to compete successfully, life insurers focus initiatives toward distribution, technology, defined end market targets, speed to the market in terms of product development, and customer relationship management as ways of gaining a competitive edge. The Company's management believes that its insurance entities compete primarily on the basis of financial strength and stability, stable ownership, and its ability to attract and retain distribution based upon product and compensation.

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Ratings with respect to financial strength are an important factor in establishing the competitive position of insurance companies. Financial strength ratings are generally defined as a rating agency's opinion as to a company's financial strength and ability to meet ongoing obligations to policyholders and contract holders. Accordingly, ratings are important to maintaining public confidence and impact the ability to market products. The following summarizes National Western's current financial strength ratings.

Rating Agency	Rating	Outlook
A.M. Best	A (Excellent)	Stable
Standard & Poor's	A- (Strong)	Stable

In addition to the above, Ozark National has a stand-alone current financial strength rating of "A-" (Excellent) with a "stable" outlook with A.M. Best.

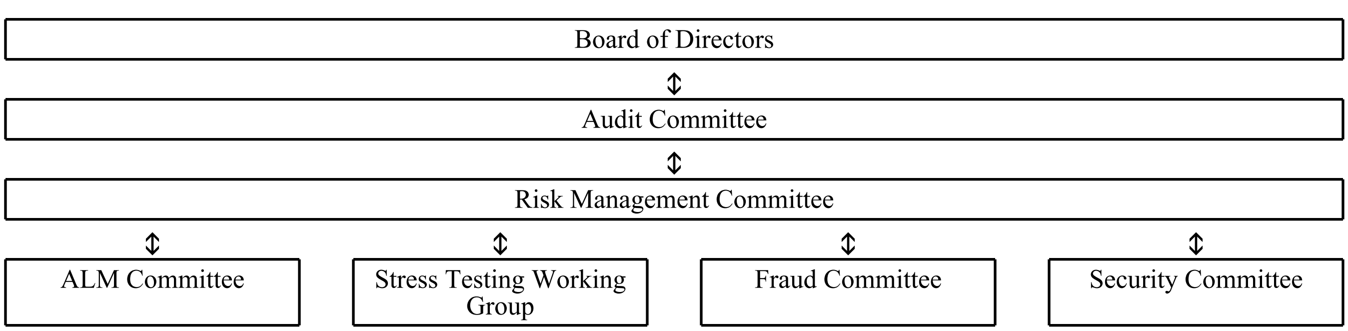
A.M. Best has 16 financial strength ratings assigned to insurance companies which currently range from A++ (Superior) to F (In Liquidation). Standard & Poor's has twenty-one financial strength ratings assigned to insurance companies ranging from "AAA" (Extremely Strong) to "R" (Regulatory Action). Both rating agencies further qualify their current ratings with outlook designations of "Positive", "Stable", and "Negative".

A.M. Best and Standard & Poor's ratings are an independent consideration of National Western's and Ozark National's claims paying ability and are not a rating of the company's investment worthiness. Accordingly, such ratings are not recommendations to buy, sell or hold securities. The rating agencies formally review each company and its rating on an annual basis with interim analysis performed as necessary. Generally speaking, as ratings are subject to revision or withdrawal at any time by the rating agency, there is no assurance that National Western or Ozark National's ratings will continue for a certain period of time. In the event either company's rating is subsequently downgraded, their business may be negatively impacted.

Risk Management

The Company is exposed to a wide spectrum of financial, operational and strategic, and regulatory and legal risks as described in Item 1A "Risk Factors". Effective enterprise risk management ("ERM") is a key discipline for identifying, monitoring, measuring, communicating, and managing risks within limits and risk tolerances. The Company's Board of Directors and senior management are knowledgeable of and accountable for key risks. The full Board of Directors of the Company (as well as the Board of Directors of National Western) meets at least every other month and regularly hears reports from the President and Chief Executive Officer, the Chief Financial Officer, the President and Chief Operating Officer (National Western), the Chief Actuary and Risk Officer (National Western), the Chief Investment Officer (National Western), and the Chief Legal Officer. In addition, the Board of Directors of the Company (including the Board of Directors of National Western) has several committees which include the Executive Committee, the Audit Committee, the Investment Committee, and the Compensation and Stock Option Committee that regularly convene to address various aspects of risk. Day-to-day responsibility for the overall ERM governance framework resides with the Company's designated Chief Risk Officer who directs the Company's Risk Management Committee which also reports to the Audit Committee.

Pursuant to its business strategy, the Company has been expanding the ERM function, modernizing the risk governance structure, and hired personnel specifically tasked with risk management oversight responsibilities. The governance structure integrates the overall risk management activities into one committee structure in order to ensure coordination and compliance with risk limits, and to promote a common risk language and risk management culture.



As shown above, the Risk Management Committee ("RMC") reports to the Audit Committee of the Board of Directors. The RMC has oversight responsibilities for four subcommittees and working groups: the Asset-Liability Management Committee, the Stress Testing Working Group, the Fraud Committee, and the Security Committee. These sub-committees and working groups are tasked with specific areas of risk analysis and management and provide regular reports to the RMC.

National Western maintains other management groups and committees that meet regularly to monitor, discuss and manage a variety of issues and risks associated with the business. These groups and committees include numerous areas such as regulatory compliance, financial reporting process and controls, product spread management, and business strategy. Key members of senior management are involved with these groups and committees providing direction and oversight and serve as a reporting liaison with the RMC as well as the Company's Board of Directors. In addition, the Internal Audit department reviews financial and operational risk exposures and reports directly to the Audit Committee of the Company concerning its independent reviews and assessments of management's efforts in these areas.

The Company maintains a system of disclosure controls and procedures, including internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, executed and recorded. The Company recognizes the importance of full and open presentation of its financial position and operating results and to this end maintains a Disclosure Controls and Procedures Committee ("Disclosure Committee") comprised of senior executives who possess comprehensive knowledge of the Company's business and operations. The Disclosure Committee is responsible for evaluating disclosure controls and procedures and for the gathering, analyzing, and disclosing of information as required to be disclosed under the securities laws. It assists the Chief Executive Officer and Chief Financial Officer in their responsibilities for making the certifications required under the securities laws regarding the Company's disclosure controls and procedures. It ensures that material financial information is properly communicated up the Company's hierarchy to the appropriate person or persons and that all disclosures are made in a timely fashion. This Committee reports directly to the Audit Committee of the Company.

The Company's product designs, underwriting standards and risk management techniques are utilized to protect against disintermediation risk and greater than expected mortality and morbidity risk. Disintermediation risk is limited through the use of surrender charges, certain provisions not allowing discretionary withdrawals, and market value adjustment features. Investment guidelines including duration targets, asset allocation tolerances and return objectives help to ensure that disintermediation risk is managed within the constraints of profitability criteria. Prudent underwriting is applied to select and price insurance risks and management regularly monitors mortality experience relative to its product pricing assumptions. Enforcement of disciplined claims management serves to further protect against greater than expected mortality.

A significant aspect of the Company's risk management oversight is managing the linkage of its asset characteristics with the anticipated behavior of its policy obligations and liabilities, a process commonly referred to as asset-liability matching. National Western maintains an Asset-Liability Management Committee ("ALMC") consisting of senior level members of National Western management who assist and advise the Board of Directors in monitoring the level of risk National Western is exposed to in managing its assets and liabilities in order to attain the risk-return profile desired. Certain members of the ALMC meet as frequently as necessary, to review and recommend for the RMC, current period interest crediting rates to policyholders based upon existing and anticipated investment opportunities. These rates apply to new sales and to products after an initial guaranteed period, if applicable. Rates are established after the initial guaranteed period based upon asset portfolio yields and each product's required interest spread, taking into consideration current competitive market conditions.

Underwriters generally follow detailed policies and procedures to assess and quantify the risk of National Western's individual life products based on the age, gender, health, occupation and financial resources of the applicant and the amount of insurance applied for. As National Western maintains reinsurance treaties with several third party reinsurers, the majority of National Western's risk assessment policies have been established in conjunction with reinsurer policies and practices. National Western bases premiums and policy charges for individual life insurance on expected death benefits, surrender benefits, expenses and required reserves. Assumptions regarding mortality, interest rates, policy persistency, expenses, premium payment patterns and investment performance are embedded in the pricing of policies. Deviations of actual experience from pricing assumptions may positively or negatively impact the profitability of National Western's products.

Insurance Product Liabilities

At December 31, 2022, the Company's total balance for liabilities pertaining to insurance products was $9.6 billion. These product liabilities are payable over an extended period of time for which National Western and Ozark National's product pricing assumptions take into consideration. The profitability of insurance products depends on this pricing and differences between expectations at the time the products are sold and the subsequent actual experience has an impact on future profitability.

Liabilities for insurance products are determined using standard actuarial tables and past experience. Accordingly, establishing reserves can be an uncertain process in some cases. The Company's financial results depend significantly upon the extent to which actual experience is consistent with the assumptions used in determining reserves and pricing products. If assumptions are incorrect with respect to future claims, future policyholder premiums and policy charges or the investment income derived from the assets supporting product liabilities, the Company would be required to increase its liabilities which would negatively affect operating results.

Reinsurance

National Western follows the industry practice of reinsuring (ceding) portions of its life insurance risks with a variety of reinsurance companies in order to protect against severe losses on individual claims and an unusual event in which a number of claims in aggregate produce an extraordinary loss. With the exception of the longer-term reinsurance arrangements of the type described below with Prosperity and Aspida, all reinsurance regarding mortality risk is done on a yearly renewable term basis. The use of reinsurance allows NWLIC to underwrite policies larger than the risk it is willing to retain on any single life and to continue writing a larger volume of new business. New sales of life insurance products are reinsured above prescribed limits and do not require the reinsurer's prior approval within certain guidelines. The maximum amount of life insurance normally retained is $500,000 on any one life. However, the use of reinsurance does not relieve National Western of its primary liability to pay the full amount of the insurance benefit in the event of the failure of a reinsurer to honor its contractual obligation. Consequently, NWLIC avoids concentrating reinsurance risk with any one reinsurer and only participates in reinsurance treaties with reputable carriers which are well-capitalized and highly rated by independent rating agencies. No reinsurer of business ceded by National Western has failed to pay policy claims (individually or in the aggregate) with respect to ceded business. NWLIC continuously monitors the financial strength of its reinsurers and has been able to obtain replacement coverages from financially responsible reinsurers when making changes. At December 31, 2022, National Western ceded approximately 22% of its life insurance in force. The primary reinsurers as of December 31, 2022 were as follows.

Reinsurer	A.M. Best Rating	Amount of In Force Ceded (In thousands)
Hannover Life Reassurance Company (Florida)	A+	$ 1,543,526
SCOR Global Life Americas Reinsurance (Delaware)	A+	900,060
RGA Reinsurance Company (Missouri)	A+	526,583
Swiss Re Life & Health America Inc. (New York)	A+	35,715
SCOR Global Life USA Reinsurance Company (Delaware)	A+	4,727
All others, rated	A- to A+	7,553
All others, not rated	N/A	3,215
		$ 3,021,379

Reinsurance arrangements can be on either a coinsurance or a modified coinsurance ("Modco") basis with other companies to limit exposure. In a coinsurance program, the reinsurer shares proportionally in all terms of the reinsured policies (i.e. premiums, expenses, claims, etc.) based on their respective percentage of the risk. In a Modco program, the ceding company retains the reserves, as well as the assets backing those reserves, and the reinsurer shares proportionally in all financial terms of the reinsured policies based on their respective percentage of the risk.

As described more fully in Note (5) *Reinsurance* in the accompanying Notes to Consolidated Financial Statements in this report, effective December 31, 2020, National Western ceded on a coinsurance with funds withheld basis, a 100% quota share of contractual statutory reserve liabilities pertaining to a group of in force fixed rate and payout annuity contracts approximating $1.7 billion with Prosperity. NWLIC retained the reserves and the assets backing those reserves and has continued to administer the ceded block of business on behalf of Prosperity who assumed all financial risk associated with the ceded business. At December 31, 2022, the funds withheld statutory reserve liability balance under this arrangement was $1.4 billion.

As described more fully in Note (5) *Reinsurance* in the accompanying Notes to Consolidated Financial Statements in this report, effective July 27, 2022, National Western entered into a second funds withheld coinsurance agreement with Aspida, a separate third party reinsurer. At the inception of this agreement, annuity policy obligations approximating $250.0 million were reinsured with Aspida. In addition, for specified new annuity product sales, National Western reinsures an agreed upon quota share in a flow reinsurance structure. The objective of this arrangement is for National Western to be able to offer more competitively priced annuity products utilizing the investment expertise of Aspida and its ability to obtain higher investment yields. At December 31, 2022, the funds withheld statutory reserve liability balance under this arrangement was $257.3 million.

Ozark National utilizes reinsurance for mortality risk in a fashion similar to that of National Western. Ozark National's maximum net amount at risk retention is capped at $200,000 under its reinsurance treaties with limited exceptions related to the conversion of child protection and guaranteed insurability riders. Ozark National's primary reinsurers, as well as the amount in force under the applicable reinsurance treaties were as follows as of December 31, 2022:

Reinsurer	A.M. Best Rating	Amount of In Force Ceded (In thousands)
Optimum Re Insurance Company (Texas)	A	$ 458,997
Wilcac Life Insurance Company (Illinois)	A+	68,939
Swiss Re Life & Health America, Inc. (Missouri)	A+	416
General Re Life Corporation (Connecticut)	A++	186
		$ 528,538

Human Capital

We believe that our employees are among our most important resources and that our success depends on our ability to attract, hire, retain, and develop highly-skilled individuals in a variety of areas including business development, technology, customer service, finance, and management. National Western had 267 employees as of December 31, 2022, substantially all of which worked in its home office in Austin, Texas. Ozark National (including NIS) had 64 employees as of December 31, 2022 substantially all of whom worked in its Kansas City, Missouri home office.

We strive to provide a conducive and safe work environment for our employees. During 2021, we brought substantially all of our employees back into our home offices after utilizing a remote work environment over the proceeding year in response to the COVID-19 pandemic. In addition, we introduced a modified hybrid structure which provided our staff the opportunity to work remotely part-time. Throughout, our businesses have remained fully functional and we have continued to service our policyholders and distribution partners while our employees work in a safe environment.

We require our employees to follow defined rules of professional conduct that protect the interest and safety of all employees and our organization. We maintain a comprehensive code of business conduct and ethics policy that our staff are required to be familiar with to assist them in conducting business in a legal, professional and ethical manner. We respect the privacy and dignity of all individuals and recognize that our staff desire a workplace environment where they are respected and appreciated.

None of the Company's employees are subject to collective bargaining agreements governing their employment with either company or employment agreements. We design our compensation to be competitive in the markets in which we compete and closely monitor industry trends and practices to ensure we are able to attract and retain personnel who are critical to our success. We also monitor internal pay equity to make sure our compensation practices are fair and equitable across our organization. Subject to a cap, we match the contributions of all our employees to our retirement savings plan that supports their long-term financial goals.

Regulatory and Other Issues

Regulation. The Company's insurance business is subject to comprehensive state regulation in each of the states it is licensed to conduct business. The laws enforced by the various state insurance departments provide broad administrative powers with respect to licensing to transact business, licensing and appointing agents, approving policy forms, regulating unfair trade and claims practices, establishing solvency standards, fixing minimum interest rates for the accumulation of surrender values, and regulating the type, amounts, and valuations of permitted investments, among other things. National Western and Ozark National are required to file detailed annual statements with each of the state insurance supervisory departments in which each does business. Annually, each company's board-appointed qualified actuary must submit an opinion to state insurance regulators on whether the statutory assets held backing the statutory reserves are sufficient to meet contractual obligations and related expenses of the insurer. If an opinion cannot be rendered noting the sufficiency of assets, the company is required to establish additional statutory reserves which draw from available statutory surplus until the time such an opinion can be furnished.

National Western and Ozark National's operations and financial records are subject to examination by state insurance departments typically at regular intervals but may be examined at any time. For National Western, statutory financial statements are prepared in accordance with accounting practices prescribed or permitted by the Colorado Division of Insurance, the company's principal insurance regulator, while for Ozark National the statutory financial statements are prepared in accordance with accounting practices prescribed or permitted by the Missouri Department of Commerce and Insurance, its principal insurance regulator. Prescribed statutory accounting practices are largely dictated by the Statutory Accounting Principles adopted by the National Association of Insurance Commissioners ("NAIC"). National Western's most recent Colorado statutory financial examination covered the five year period ended December 31, 2017, and resulted in no financial statement adjustments or material deficiencies. Ozark National's most recent Missouri statutory financial examination covered the five year period ended December 31, 2018 and also resulted in no financial statement adjustments or material deficiencies. Although the NAIC has no legislative authority and insurance companies are at all times subject to the laws of their respective domiciliary states and other states in which they conduct business, the NAIC is influential in determining the form in which insurance laws are enacted. Model Insurance Laws, Regulations, and Guidelines (Model Laws) have been promulgated by the NAIC as a minimum standard by which state regulatory systems and regulations are measured. The NAIC continually evaluates existing laws and regulations pertaining to the operations of life insurers. To the extent that initiatives result as a part of this process, they may be adopted in the various states in which National Western and Ozark National are licensed to do business. It is not possible to predict the ultimate content and timing of new statutes and regulations adopted by state insurance departments and the related impact upon the Company's operations although it is conceivable that they may be more restrictive.

The NAIC's Own Risk and Solvency Assessment ("ORSA") model act, which has been enacted by almost all states, including Colorado and Missouri, requires insurers to make a formal assessment of the adequacy of their risk management and current and future solvency positions. National Western has filed annual ORSA reports with the Colorado Division of Insurance since 2017 in compliance with the regulation. Ozark National has been exempt from filing an ORSA report as its premium level is below the minimum level triggering the requirement to submit such a report.

Each state has insurance guaranty association laws under which insurers doing business in a state can be assessed contributions, up to prescribed limits, in order to cover contractual benefit obligations of insolvent insurance companies. The state guaranty associations levy assessments on each insurer on the basis of their proportionate share of the premiums written in the lines of business in which the insolvent insurer had been engaged. Some states permit the member insurers to recover the assessments paid through full or partial premium tax offsets.

National Western and Ozark National are also subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting, and escheatment of unclaimed or abandoned funds. Compliance with these requirements is subject to audit and examination by state regulators.

State insurance laws and regulations contain numerous provisions pertaining to the marketplace activities of insurers, including various provisions governing the form and content of disclosures made to consumers, policy illustrations, advertising material, sales practices and handling of policyholder complaints. State regulatory authorities enforce these prerequisites through periodic market conduct examinations.

Given the ongoing legislative developments concerning insurance industry regulation, the NAIC and state regulators continue to revisit existing laws and statutes focusing on matters involving insurance company investments and solvency, market conduct, risk-adjusted capital measurements, enterprise risk management guidelines, interpretations of current laws, and creation of new laws. The Company does not believe the adoption of any of the current NAIC initiatives will have a material adverse impact on its operations; however, the Company cannot predict the form of any future proposals or regulation.

The Company’s business is also affected by U.S. federal, state and local tax laws. Although the federal government does not directly regulate the life insurance industry, federal measures previously considered or enacted by Congress, if revisited, could affect the insurance industry and the Company's business. These measures include the tax treatment of life insurance companies and life insurance products, as well as changes in individual income tax structures and rates. Even though the ultimate impact of any of these changes, if implemented, is uncertain, the persistency of the Company's existing products and the ability to sell products could be materially affected.

The Company is subject to federal and state laws and regulations that require financial institutions and other businesses to protect the security and confidentiality of personal information, including health-related and customer information, and to notify its customers and other individuals of its policies and practices relating to the collection and disclosure of health-related and customer information. Federal or state laws or regulations also provide additional protections regarding the use and disclosure of certain information such as social security numbers; require notice to affected individuals, regulators, and others if there is a breach of the security of certain personal information; require financial institutions to implement effective programs to detect, prevent, and mitigate identity theft; and prescribe the permissible uses of certain financial information, including customer information and consumer report information.

The USA Patriot Act of 2001 ("Patriot Act") amended the Money Laundering Control Act of 1986 and the Bank Secrecy Act of 1970 to expand anti-money laundering ("AML") and financial transparency laws applicable to financial services companies, including insurance companies. Among other things, the Patriot Act seeks to identify parties involved in terrorism, money laundering or other illegal activities. It is the policy of the Company to comply fully with all applicable U.S. anti-money laundering laws and regulations and to maintain company-wide awareness of the importance of these laws and regulations. It has adopted an AML Compliance Program, setting forth policies, procedures, and internal controls designed to detect and prevent money laundering. The goal of this Program is to establish a framework to ensure compliance with all applicable U.S. anti-money laundering laws and regulations, including not only the Patriot Act but also the sanctions programs promulgated by the Office of Foreign Assets Control.

Risk-Based Capital Requirements. In order to enhance the regulation of insurer solvency, the NAIC established risk-based capital ("RBC") requirements to help state regulators monitor the financial strength and stability of life insurers by identifying those companies that may be inadequately capitalized. Under the NAIC's requirements, each insurer must maintain its total capital above a calculated threshold or take corrective measures to achieve the threshold. The threshold of adequate capital is based on a formula that takes into account the amount of risk each company faces on its products and investments. The RBC formula takes into consideration four major areas of risk which are: (i) asset risk which primarily focuses on the quality of investments; (ii) insurance risk which encompasses mortality and morbidity risk; (iii) interest rate risk which involves asset-liability matching issues; and (iv) other business risks. For each category, the RBC requirements are determined by applying specified factors to various assets, premiums, reserves, and other items, with the factor being higher for items with greater underlying risk and lower for items with less risk. The standards require life insurers to submit a report to state regulators on an annual basis regarding their risk-based capital.

The RBC requirements provide for four levels of regulatory attention, varying with the ratio of the insurer's ratio of total adjusted capital to its RBC as measured on December 31 of each year. An insurance company must maintain adjusted capital and surplus of at least 200% of the RBC computed by the NAIC's RBC model which is known as the "Authorized Control Level." In addition, the RBC requirements provide for a trend test if an insurer's total adjusted capital falls to a certain range of its ratio relative to its RBC as of the end of the year. National Western and Ozark National's statutory capital and surplus at December 31, 2022, were each significantly in excess of the threshold RBC requirements for regulatory attention and trend test analysis.

The NAIC has also developed a group capital calculation tool ("GCC") to provide U.S. regulators with a method to aggregate the available capital and the minimum capital of each entity in a group. In connection with the GCC, the NAIC also adopted changes to its holding company model act to require, subject to certain exceptions, the ultimate controlling person of every insurer subject to the holding company registration requirement to file an annual GCC with its lead state. The GCC uses an RBC aggregation methodology for all entities within the insurance holding company system. The NAIC has stated that the calculation will be a regulatory tool and will not be a requirement or standard. The revisions to the holding company model act to implement the requirement to file the GCC have not yet been adopted by Colorado but have been adopted by Missouri.

Available Information

The Company files periodic and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). These reports, including information in this report filed on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to the above reports, are accessible free of charge through the SEC's website (www.sec.gov) or may be viewed by visiting the SEC's Public Reference Room in Washington, D.C.

The Company's press releases, financial information, and reports filed with the SEC are available online free of charge at the Company's website: www.nwlgi.com. Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. The information located on the Company's website is not part of this or any other report filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

Company performance is subject to varying risk factors including operational and strategic, financial, and regulatory and legal risk. Any or all of these risks could have a material adverse effect on the business, financial condition or results of the Company or cause the trading price of shares of the Company's Class A Common Stock (ticker symbol "NWLI") to decline materially. This section provides an overview of possible risk exposures at this point in time that could impact Company performance in the future. Many of these risks are inter-related, ongoing, and endemic to the industry. Consequently, they could occur under similar business and economic conditions, and in turn prompt the emergence or amplify the effect of others. In addition, other risks that the Company is not presently aware of or that are currently considered immaterial may also impair business operations. While these scenarios do not represent expectations of future experience, they are intended to illustrate the potential impacts if any of the following risks were to manifest into actual occurrences.

Operational and Strategic Risks

Difficult conditions globally and in the U.S. economy may materially adversely affect our business and results of operations.

The Company’s results from operations can be materially affected by economic conditions both in the U.S. and elsewhere around the world. Even under relatively beneficial market conditions, demand for our insurance and products, as well as our investment returns, are sensitive to fixed income, equity, real estate and other fluctuations and overall economic and political conditions. General factors such as credit availability, willingness of business to invest, consumer spending, financial market conditions and inflation affect the Company's business. Demand for our products and ultimately the profitability of our business may be adversely affected by anemic activity in any or all of these areas. Our current policyholders may opt to defer or stop paying insurance premiums. High interest rates or inflation could induce those holding interest-sensitive life insurance and annuity products of the Company to begin an elevated level of discretionary withdrawals of policy funds. Conversely, low interest rates and inflation could cause persistency of our products to vary from that anticipated and adversely affect profitability. In addition, changing economic conditions may serve to create unfavorable public perception of financial institutions and influence policyholder behavior. Changes as detailed above could negatively affect our net income and have a material effect on our business, results of operations and financial condition. The Company cannot foretell the occurrence of economic trends or the timing of changes in such trends.

Occurrence of natural or man-made disasters and catastrophes could adversely affect our ability to conduct business operations and the financial condition and results of operations.

The occurrence of natural disasters and catastrophes, including earthquakes, hurricanes, floods, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect the financial condition or results of operations of the Company. Such disasters and catastrophes could impact the Company directly by damaging our facilities, preventing employees from performing their duties or otherwise disturbing the Company’s ordinary business operations, as well as indirectly by changing the condition and behaviors of consumers, business counterparties and regulators and potentially causing declines or volatility in economic and financial markets. The Company's operations in Texas during the past several years have been impacted by winter storms which resulted in statewide power outages, lack of water service, food and supply shortages, property damage, and the inability to travel safely for an extended period of time.

Disasters or a pandemic outbreak could disrupt public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations. The COVID-19 pandemic caused significant disruption in global and U.S. economies and financial markets via illness, quarantines, business and school shutdowns, supply chain interruptions, decline in business activity, and cancellation of events and travel. These conditions manifested in relocation of employees working from home; business disruption to independent agents, brokers, and other distribution partners that market and sell the Company's insurance products; increased credit risk; historically low interest rate levels; and significant volatility in financial markets that affected investment portfolio valuations and returns. While the Company was able to provide uninterrupted service to its policyholders, additional and significant precautions were taken, and continue to be in place, to protect the safety and well-being of employees. The COVID-19 pandemic increased morbidity risk for the Company in 2020 and 2021. For example, on a consolidated basis, the Company incurred approximately $32 million in net death claims, after reinsurance, during the year ended December 31, 2021, which were incremental to the Company's claim experience. The extent of the lingering impact of the COVID-19 pandemic and that of other tangential effects is uncertain and cannot be predicted.

A terrorist attack affecting financial institutions could negatively impact the financial services industry as a whole and our business operations, investment portfolio and our profitability. In addition, such events and conditions could result in a decrease or halt in economic activity in large geographic regions, adversely impacting the marketing of the Company's business within such geographic areas which in turn could have an adverse effect on the Company. In addition, there can be no assurance that our business continuity plans and insurance coverages would be effective in mitigating any negative effects on our operations or profitability in the event of a terrorist attack or other disaster.

The effects of natural and man-made disasters and catastrophes on the Company’s business include, but are not limited to: an acceleration of the timing in which benefits are paid under the Company’s insurance policies due to catastrophic loss of life, unexpected changes in persistency rates as policyholders affected by disaster may be unable to meet their contractual obligations, harm to the financial condition of the Company’s reinsurers due to an increase in claims thereby impacting the cost and availability of reinsurance and possibly increasing the probability of default on reinsurance recoveries, and heightened volatility, loss of liquidity and credit impairment in the financial markets resulting in harm to the Company’s financial condition.

We are subject to incurring difficulties in marketing and distributing our products through our current and future distribution channels.

National Western distributes its life and annuity products through independent broker-agents. These product distributors are not captive and may sell products of competitors of the Company. There is substantial competition in the Company’s domestic market for independent broker-agents with the demonstrated ability to market and sell insurance products. Competition for these individuals or organizations typically centers on company reputation, products and their features, compensation, home office support services and the insurer’s financial position and independent strength ratings. Competitiveness for such individuals and organizations also depends upon the relationships the Company develops with them. An interruption in key relationships could materially affect our ability to market products. Distributors may also elect to reduce or terminate their distribution relationships with the Company at any time. We are further at risk that key distribution partners may change their mode of conducting business that affects how our products are sold. The Company’s future sales and financial condition are dependent upon avoiding significant interruptions in attracting and retaining independent broker-agents and consultants.

Ozark National's selling and marketing is heavily dependent upon continual recruitment of new agents. Its distribution model targets individuals currently not in the insurance business who either desire a new career opportunity or a means of supplementing their current sources of income. Ozark National's success is correlated to not only recruiting these individuals but also providing the training and resources for them to obtain the required insurance and securities licenses in order to market Ozark National's coordinated sale of a traditional life insurance product with a mutual fund investment offered through NIS. Ozark National's future sales and financial condition are dependent upon successfully recruiting new individuals who are able to obtain the necessary licenses to sell its products.

There can be no assurance that our initiative to distribute products through financial institutions will be successful.

In addition to marketing products through independent broker-agents, National Western has recently begun marketing insurance products through financial institutions such as banks and wire houses. National Western has spent considerable time, effort, and finances in recent years to begin developing this distribution channel. In order to successfully access this distribution channel it is necessary to have competitively priced products and commission structures, technology and back office service capabilities, strong financial ratings from independent rating agencies, and brand recognition. This distribution channel is less relationship dependent than the independent agent distribution channel. It is possible that the Company may not be successful in gaining access to this platform in order to generate the level of sales needed to justify the costs incurred.

We are subject to competition from new sources as well as companies having substantially greater financial resources, higher ratings, and more expansive product offerings which could have an adverse impact upon our business levels and profitability.

Life insurance is a mature and highly competitive industry. Our ability to compete is based upon a variety of factors including financial strength ratings, competitive products, quality of service, scale, and distribution capacity. There has been considerable consolidation among companies in the insurance and financial sectors resulting in large, well-capitalized entities that offer products comparable to the Company who have greater market share or breadth of distribution, higher financial strength ratings, and offer a broader range of products and services. Frequently, these larger organizations are not domiciled in the United States or are financial services entities attempting to establish a position in the insurance industry. More recently, larger investment firms in the U.S. have entered the life insurance industry either through direct acquisitions or reinsurance transactions in order to access low-yielding investment portfolios of traditional insurers who are grappling with reduced profit margins. These larger competitors often enjoy extensive investment expertise in certain markets, better name recognition and economies of scale, and lower operating costs and the wherewithal to absorb greater risk allowing them to price products more competitively and, in turn, attract independent distributors. Such competition could result in lower sales or higher lapses of the Company's existing products. In addition, since the actual cost of products is not precisely known when they are sold, the Company is exposed to competitors who may sell products at prices that do not cover actual costs. Consequently, the Company may encounter additional pricing pressures to lower prices for similar products and be challenged to maintain market share, profit margin targets and profitability criteria. Due to these competitive forces, the Company may not be able to effectively compete without negative effects on our financial position and results of operations.

A single stockholder has significant influence in the election and removal of directors.

As of December 31, 2022, the Robert L. Moody Revocable Trust, of which Robert L. Moody, Sr. is the grantor (the "Moody Revocable Trust"), controls 99.0% of the 200,000 aggregate outstanding shares of the Company's Class B Common Stock. 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. As a result, subject to applicable legal and regulatory requirements, the Moody Revocable Trust has the ability to exercise significant influence over matters submitted for stockholder approval, and the directors elected by the holders of the Class B Common Stock have the ability to exercise significant influence regarding the Company's business direction and policies. In addition, Mr. Moody's children, three of whom serve on the Board of Directors (including Ross R. Moody, the Company's CEO and Chairman of the Board), collectively own shares of Class A Common Stock representing 32.44% of the total number of outstanding shares of the Company. This concentration of voting power could deter a change of control or other business combination that might be beneficial or preferable to other stockholders. It may also adversely affect the trading price of the Company's Class A Common Stock if investors perceive disadvantages in owning stock in a company in which a single stockholder has such significant ownership.

Our enterprise risk management practices and procedures may prove to be ineffective exposing us to unidentified or unanticipated risks.

The Company maintains an enterprise-wide risk management framework to mitigate risk and loss to the Company. Under this framework we maintain policies, procedures and controls intended to identify, measure, monitor, report and analyze the risks to which the Company is exposed. There are, however, inherent limitations to risk management strategies because there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. If our risk management framework bears out as to being ineffective, the Company may suffer unexpected losses and could be materially adversely affected.

As our business changes and the markets in which we operate evolve, our risk management framework may not advance at the same pace as those changes. As a result, there is a risk that new products or new business strategies may present risks that are not appropriately identified, monitored or managed. Many of our risk management strategies or techniques are based upon historical customer and market behavior and all such strategies and techniques are based to some degree on management's subjective judgment. We cannot provide assurance that our risk management framework, including the underlying assumptions or strategies, will be accurate and effective. Management of operational, legal and regulatory risks requires, among other things, policies, procedures and controls to record properly and verify a large number of transactions and events, and these policies, procedures and controls may not be fully effective. In addition, there can be no assurance that controls and procedures that we employ, which are designed to monitor associates' business decisions and prevent us from taking excessive or inappropriate risks, will be effective.

We are dependent upon effective information technology systems and the development and implementation of new technologies.

The Company’s business operations are technology dependent for maintaining accurate records, administering complex contract provisions, and complying with increasingly demanding regulation. While systems developments can streamline many processes and in the long term reduce the cost of doing business, these initiatives can present short-term cost and implementation risks. Projections of expenses, implementation time frames and the ultimate enhancement values may be different from expectations and escalate over time. The Company also faces rising costs and time constraints in meeting data security compliance requirements of new and proposed regulations. These increased risks and expanding requirements expose the Company to potential data loss and damages and significant increases in compliance and litigation costs.

The Company's business is dependent on the ability to keep up to date with effective, secure and advanced technology systems to reach a large number of people, provide sizable amounts of information, and secure and store vast quantities of data through our technology systems. More recently, competition for information technology trained individuals who have the experience or expertise in implementing and maintaining necessary technology systems has become intense. Obtaining individuals with the requisite skills and expertise either through employment or consulting arrangements has become challenging and costly. Some of the Company’s information technology systems are older legacy-type systems and require an ongoing commitment of resources to maintain current standards. These legacy systems are written in older programming languages with which fewer and fewer individuals are knowledgeable of and trained in. The Company’s success is in large part dependent on maintaining and enhancing the effectiveness of existing legacy systems until converting to newer technologies and failure of these systems for any reason could disrupt our operations, result in the loss of business and adversely impact our profitability.

Cyber attacks, data protection breaches, and other technology failures could adversely affect our business.

The Company relies heavily on its telecommunication and computer systems to conduct business, service customers, and produce financial statements. These systems may fail to operate properly or become disabled as a result of events wholly or in part beyond our control. For example, as described in Item 3. Legal Proceedings in this report, we experienced such a cyber attack in 2020 and were subject to litigation proceedings as a result. Further, we are at risk of third party vendors and parties which the Company utilizes for services, or to which we outsource the provision of services, incurring operational or technology failures. While policies, procedures and back-up plans designed to prevent or minimize the effect of incapacity or failure are maintained, the Company’s computer systems may be vulnerable to disruptions or breaches which cause operational difficulties, increased costs, or other adverse effects on our business. The Company's computer systems may be inaccessible to its employees, business partners, and customers for an extended period of time. Even if employees of the Company are able to report to work, they may be unable to perform their duties if the Company's data or systems are disabled or destroyed. The failure or incapacity of any of the Company’s computer systems could potentially disrupt operations, damage our reputation and adversely impact our profitability. Unanticipated problems with our disaster recovery or business continuity plans and systems could have a material adverse impact on our ability to resume and conduct business.

Despite implementation of a program of preventative security measures, our information technology and other systems could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches. The Company retains confidential information on its systems, including customer information and proprietary business information, and relies on sophisticated commercial technologies and third parties to maintain the security of those systems and information. The increasing volume and sophistication of computer viruses, hackers and other external threats may increase the vulnerability of the Company’s systems to data breaches. Even with our efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate all types of security breaches, especially in light of the ever-evolving techniques used by hackers, the inability to recognize invasive attacks until launched, and the capability of cyber attacks originating from a wide variety of sources. Anyone who is able to circumvent the Company's security measures could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable customer information, customer financial information, and proprietary business information. The increased use of "phishing" attempts through email systems is subject to employees being sufficiently trained and aware of phishing techniques in order to identify such attempts before inadvertently exposing the Company's systems and data to unauthorized access. Security breaches or other technological failures may also produce regulatory inquiries, proceedings, litigation costs, and reputational damage. An increasing number of states require customers to be notified of any unauthorized access, use, or disclosure of their information. We may incur reimbursement and other expenses, including litigation settlements and other additional compliance costs. Refer to Item 3. Legal Proceedings for further discussion of a previously reported security incident involving National Western.

Interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, whether due to actions by us or others, could delay or disrupt our ability to do business and service our customers, harm our reputation, result in a violation of applicable privacy and other laws, subject us to substantial regulatory sanctions and other claims, lead to a loss of customers and revenues or financial loss to our customers and otherwise adversely affect our business.

We and the third parties who distribute our products are subject to U.S. federal and state privacy laws and regulations.

As noted above, in the course of our business, we and our distributors collect and maintain customer data, including personally identifiable nonpublic financial and health information. We also collect and handle the personal information of our employees and certain third parties who distribute our products. As a result, we and the third parties who distribute our products are subject to U.S. federal and state privacy laws and regulations, including the laws described below. These laws require that we institute and maintain certain policies and procedures to safeguard this information from improper use or disclosure and that we provide notice of our practices related to the collection and disclosure of such information. Other laws and regulations require us to notify affected individuals and regulators of security breaches.

Congress and many states have enacted privacy and information security laws and regulations that impose compliance obligations applicable to our business, including obligations to protect sensitive personal and creditworthiness information, as well as limitations on the use and sharing of such information.

For example, the California Consumer Privacy Act of 2018 (the "CCPA"), which became effective in January 2020, affords California residents expanded privacy protections and control over the collection, use and sharing of their personal information. The CCPA requires companies to make certain disclosures to California consumers regarding personal information, among other privacy protective measures. The CCPA's definition of "personal information" is more expansive than those found in other privacy laws in the United States applicable to us. Failure to comply with the CCPA risks regulatory fines, and the CCPA grants a private right of action and statutory damages for an unauthorized access and exfiltration, theft, or disclosure of certain types of personal information resulting from the Company's violation of a duty to maintain reasonable security procedures and practices. The CCPA, amended by the California Privacy Rights Act (the "CPRA"), effective as of January 1, 2023, requires additional investment in compliance programs and potential modifications to business processes. Further, the amended CCPA creates a California data protection agency to enforce the statute and will impose new requirements relating to additional consumer rights, data minimization, and other obligations. The California legislature did not extend certain exemptions under the amended CCPA, specifically information collected in employment or business-to-business contexts, and such information therefore is now covered by the CCPA. Enforcement of the CCPA, as amended by the CPRA, will begin on July 1, 2023.

In 2017, the NAIC adopted the Insurance Data Security Model Law, which established standards for data security and for the investigation and notification of insurance commissioners of cybersecurity events involving unauthorized access to, or the misuse of, certain nonpublic information. A number of states have enacted the Insurance Data Security Model Law or similar laws, and we expect more states to follow.

All U.S. states, the District of Columbia, and U.S. territories also require entities to provide notification to affected residents and, in certain instances, state regulators, such as state attorneys general or state insurance commissions, in the event of certain security breaches affecting personal information. Also, as noted above, state governments, Congress, and agencies may consider and enact additional legislation or promulgate regulations governing privacy, cybersecurity, and data breach reporting requirements. We cannot predict whether such legislation will be enacted, or what impact, if any, such legislation may have on our business practices, results of operations or financial condition.

Competition for employees is intense and the Company may not be able to attract and retain highly skilled people needed to support its business.

The Company's success and ability to reach goals is dependent upon its ability to attract and retain qualified personnel. The market for qualified personnel has been exceptionally competitive since the COVID-19 pandemic. The well-publicized phenomenon referred to as the "Great Resignation" in which individuals either chose to leave the work force or remain employed only under certain conditions, such as an ongoing remote work environment, has resulted in more unfilled positions and costlier Human Resource efforts to identify and hire for Company personnel needs. An additional outcome of the COVID-19 pandemic has been a shift in individuals' work/life priorities, largely the result of working remotely from home during the quarantine and lockdown mandates, which has led to "quiet quitting" or the decline in productivity efforts of employees to the minimum expected. This serves only to exacerbate the impact of unfilled positions and lack of requisite qualified personnel. For the Company, certain skills particularly in demand include those in the areas of information technology, actuarial science, and accounting which are providing additional challenges in securing appropriate resources. Taken together, the Company may not be able to hire or retain key people.

The unexpected loss of services of one or more of the Company's key personnel could have a material adverse effect on the Company's operations due to their skills, unique and cumulative knowledge of our business, years of industry experience and the potential difficulty of quickly finding qualified replacements. The Company has historically managed to sustain lower than average employee turnover and retained valued employees with decades of experience in the Company's products, business and systems. However, as these individuals attain retirement age, the Company is exposed to the loss of proprietary knowledge in its operations. The Company's named executive officers are not subject to employee contracts. Sales in our lines of business and our results of operations and financial condition could be materially adversely affected if the Company is unsuccessful in attracting and retaining qualified individuals or its recruiting and retention costs increase significantly.

Financial Risks

Our investment portfolio is subject to several risks which may lessen the value of invested assets and the amounts credited to policyholders.

The Company has historically invested monies received primarily in investment grade, fixed income investment securities in order to meet its obligations to policyholders and provide a return on its deployed capital. Accordingly, our business is exposed to customary risks of debt markets including credit defaults and changes in fair value. Adverse market conditions can affect the liquidity and value of our investments and we are subject to the credit risk that issuers of these securities may default on principal and interest payments, particularly in the event of an ongoing downturn in the economic and/or business climate. A ratings downgrade affecting issuers of particular securities could worsen the credit quality of our investments and could increase the amount of capital we must hold to maintain our risk-based capital levels which are monitored by regulators and rating agencies. At December 31, 2022, approximately 1.2% of the Company's $7.6 billion fixed income available-for-sale securities portfolio was comprised of issuers who were investment grade at the time the Company acquired them but have been subsequently downgraded for various reasons. Although this is an extremely low percentage compared to industry averages, a substantial increase in defaults from these or other issuers could negatively impact the Company's financial position and results of operations.

For the Company's fixed-index products, over the counter derivative instruments (index options) are purchased from a number of highly-rated counterparties to fund the index credit provided to policyholders. These index options consist primarily of one-year call options. Market conditions could cause these instruments to not perform as intended or expected and result in higher realized losses and unforeseen stresses on liquidity. The counterparties may also limit the availability of these hedging instruments or further increase the cost of executing product related hedges which may be difficult to recover in the pricing of our underlying products. Amounts that the Company expects to collect under derivative contracts are subject to counterparty risk. In the event that any of these counterparties fails to meet their contractual obligations under these derivative instruments, the Company would be financially at risk for providing the credits due that the counterparty reneged on. The Company attempts to offset this risk through careful credit evaluation of counterparties, diversification of holdings among numerous institutions, and use of credit support agreements requiring counterparties to provide collateral at specified threshold levels. Although the Company has never had a counterparty default on its obligations, the failure of counterparties to perform could negatively impact the Company's financial strength and reduce the Company's profitability.

The concentration of the Company's portfolio in any particular issuer, asset classes, industries, or geographic areas could have an adverse effect on our investment portfolios and, therefore, the Company's results of operations and financial position. In order to minimize this risk, the Company's investment guidelines contain maximum exposure thresholds to concentrations of risk in order to promote a broadly diversified portfolio. Disruptions in individual market sectors within our investment portfolio could result in significant realized and unrealized losses.

More recently, the Company has increased its involvement in other investment areas such as commercial mortgage loans, private debt, and alternative investments funds, as a way to diversify its portfolio and obtain incremental investment yield. While not a significant portion of the Company's overall investment portfolio, these investment areas present additional types and levels of risk not formerly encountered. These investment vehicles are subject to the Company's investment guidelines and stringent underwriting guidelines in order to mitigate risk factors but remain subject to decreases in valuation or loss.

Significant financial and credit market volatility, changes in interest rates and credit spread margins, credit defaults, market liquidity, declines in equity prices, ratings downgrades of the issuers of debt securities, and declines in general economic conditions, either singularly or in combination, could have a material adverse impact on the Company's results of operations and financial condition through realized losses, impairments, and changes in unrealized loss positions.

The determination of valuation and credit losses include estimations and assumptions that are subjective and prone to differing interpretations and could materially impact our results of operations or financial condition.

The Company makes assumptions regarding the fair value and expected performance of its investments. During periods of market disruption and volatility, it becomes more difficult to evaluate securities, particularly if trading becomes less frequent or market data becomes less observable. Fair value of certain securities may be based upon one or more significant unobservable inputs even in typical market conditions. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation and judgment as well as valuation methods which are more complex. These values may not be ultimately realizable in a market transaction and may change rapidly as market conditions change and assumptions are modified. We also consider a wide range of factors about security issuers in evaluating the cause of a decline in the estimated fair value of a security and in assessing the prospects for recovery. Inherent in this evaluation are assumptions about the operations of the issuer and its future earnings potential. Such evaluations are revised as conditions change and new information becomes available.

The decision on whether to record a current expected credit loss allowance on debt securities is determined by our assessment of the financial condition and prospects of a particular issuer, projections of future cash flows and recoverability as well as our ability and intent to hold the securities to recovery or maturity. Expectations that the Company's investments in corporate debt securities will continue to perform in accordance with their contractual terms are based on evidence gathered through our normal credit surveillance process. However, historical trends may not be indicative of future impairments and our conclusions concerning the recoverability of any particular security’s market price could ultimately prove to be invalid as facts and circumstances change. Rapidly changing and unprecedented credit market conditions make it possible that issuers of the Company's investments in corporate securities and/or debt obligations will perform worse than current expectations. Consequently, there can be no assurance that we have accurately assessed the level of credit loss allowances in our financial statements or that additional allowances may not need to be taken in the future. It is also possible that unanticipated events may lead the Company to dispose of such investments and recognize the effects of any market movements in its financial statements.

Other investment vehicles such as commercial mortgage loans, private debt, and alternative investments present additional challenges in making valuation assessments and estimates of future credit losses. These types of investments typically have less readily available market observable inputs with which to assess the potential for credit or valuation loss and rely more on proprietary valuation techniques and models. Consequently, there may be a lower degree of confidence in such values being ultimately realizable in market transactions.

We are subject to changing interest rates and credit spreads, market volatility, and general economic conditions which may affect the risk and returns on both our investment portfolio and our products.

We are exposed to significant capital market risk related to changes in interest rates. Our investment performance, including yields and realization of gains and losses, may vary depending on economic and market conditions. Substantial and sustained changes, up or down, in market interest rate levels can materially affect the profitability of our products, the market value of our investments, and ultimately the reported amount of stockholders’ equity.

A rise in interest rates, as occurred in 2022, will increase the net unrealized loss position of our investment portfolio and may subject the Company to disintermediation risk. Disintermediation risk is the risk that in a change from a period of low interest rates to a period of significantly higher and increasing interest rates more policyholders than assumed in the product pricing assumptions may surrender their contracts or make early withdrawals in order to increase their returns, potentially requiring the Company to liquidate investments in an unrealized loss position (i.e. the market value less than the carrying value of the investments). The Company manages its liabilities and configures its investment portfolio so as to provide and maintain sufficient liquidity to support expected withdrawal demands. If the Company experiences an unexpected increase in the level of withdrawal or surrender activity, it could exhaust liquid assets and be forced to liquidate other assets at a loss or on other unfavorable terms. For fixed income security investments maintained in the Company's “Available-for-Sale” category that are reported at fair values, rising interest rates will cause declines in the market value of these securities. These declines are reported in our financial statements as an unrealized investment loss and a reduction of Stockholders’ equity in the Consolidated Balance Sheets. For trading debt securities that are also reported at fair value, the market value decline in these securities from higher interest rate levels is charged against net investment income in the Company's Consolidated Statements of Earnings.

There may be occasions where the Company could encounter difficulty selling some of its investments due to a lack of liquidity in the marketplace. If the Company required significant amounts of cash during such a period, it may have difficulty selling investments at attractive prices, in a timely manner or both.

Significant changes in interest rates expose insurance companies to the risk of not realizing the anticipated spread between the interest rates earned on investments and the credited rates paid on in force policies and contracts. A decline in interest rates could expose the Company to reduced profitability due to minimum interest rate guarantees that are required in its products by regulation. When interest rates decline or remain low, as has been the case in recent years, the Company will have to reinvest investment portfolio cash proceeds in lower-yielding instruments, further reducing investment income. As a key component of profitability, a narrowing of investment spreads (“spread compression”) could negatively affect operating results. Although the Company has the ability to adjust the rates credited on products in order to maintain our required investment spread, a significant decline in interest rate levels could affect investment yields to the point where the investment spread is compromised due to minimum interest rate guarantees. In addition, the potential for increased policy surrenders and cash withdrawals, competitor activities, and other factors could further limit the Company’s ability to maintain crediting rates on its products at levels necessary to avoid sacrificing investment spread.

When interest rates rise, the Company may not be able to replenish assets in its investment portfolio as rapidly with higher-yielding investments needed to fund/support the higher interest rates necessary to have its product offerings for sale remain competitive. Conversely, a prolonged period during which interest rates remain at lower levels may cause policies to remain in force for longer periods than anticipated in our pricing exposing the Company to additional spread compression and potentially greater claim costs than expected.

Due to regulatory and information system support considerations, delays may occur between the time the Company analyzes the need to make changes in the rates it credits on its products and other assumptions used for product pricing and the time the Company is able to reflect these changes in its products available for sale. These delays could negatively impact the long-term profitability of product sales during the interim period.

Changes in interest rates may also impact the Company's business in other ways. The Company's expectation for future interest earnings and spreads is an important component in determining the amortization of deferred policy acquisition costs ("DPAC") and deferred sales inducements ("DSI"). Significantly lower than expected interest earnings or spreads may cause the Company to accelerate its amortization of DPAC and DSI thereby reducing net income in a reporting period. Additionally, during periods of declining interest rates, life insurance and annuity products may be relatively more attractive savings alternatives to consumers resulting in increased premium payments on products with flexible premium features, repayment of policy loans, or otherwise a higher persistency of policies remaining in force from year-to-year during a period when the Company's investments carry lower returns.

The profitability of the Company’s fixed-indexed products, whose crediting rate mechanism is linked in part to market indices, is significantly affected by the cost of underlying call options purchased to fund the credits owed to contract holders selecting this form of interest crediting. If there are little or no gains on the call options purchased over the expected life of these fixed-indexed products, the Company would incur expenses for credited interest over and above the option costs. In addition, if the Company does not successfully match the terms of the underlying call options purchased with the terms of the fixed-indexed products, the index credits could exceed call option proceeds. This would serve to reduce the Company’s spread on the products and decrease profits.

We are subject to a downgrade in our financial strength ratings which may negatively affect our ability to attract and retain independent distributors, make our products less attractive to consumers, and may have an adverse effect on our operations.

Financial strength ratings are important criteria in establishing the competitive position of insurers. While financial strength ratings are not a recommendation to buy the Company's products, these ratings are important to maintaining public confidence in the Company, its products, and its competitive position. Ratings generally reflect the rating agencies' quantitative and qualitative view of a particular company's financial strength, operating performance, and ability to meet its obligations to policyholders. However, since some of the rating factors often relate to the particular and subjective views of the rating agency, their independent economic modeling, the general economic climate, and other circumstances, these are largely outside of the insurer's control. For example, Standard & Poor's downgraded National Western's financial strength rating several years ago primarily due to the Company's strategic decision to cease accepting applications for its international products from foreign nationals outside the U.S. We cannot predict with any certainty what future actions rating agencies may take.

A downgrade in our financial strength rating, or an announced negative outlook and potential downgrade, could affect our competitive position making it more difficult to market our products vis-à-vis competitors with higher financial strength ratings, and/or hurt our relationships with distributors, reinsurers and other business partners. In extreme situations, a significant downgrade action by one or more rating agencies could cause a decrease in the sale of our products, prompt defections within our independent sales force, and induce existing policyholders to cancel their policies and withdraw funds from the Company. Currently, the major rating agencies, including A.M. Best and Standard & Poor's, maintain stable outlooks on the U.S. life insurance industry. Regardless of their current view, these rating agencies could revise their benchmarks regarding levels of capital, earnings, and other metrics that align with particular rating levels and impact their rating assessments of U.S. life insurance companies. These events could have a material adverse effect on our financial position and liquidity.

We could be liable with respect to liabilities ceded to reinsurers if the reinsurers fail to meet the obligations assumed by them.

The Company cedes material amounts of insurance to other unaffiliated insurance companies through traditional indemnity reinsurance agreements. Accordingly, the Company's ability to be competitive is affected by the availability of reinsurance. The availability and cost of reinsurance protection are impacted by our operating and financial performance as well as conditions beyond our control. In recent years, the number of life reinsurers has decreased as the reinsurance industry has consolidated. The lower number of life reinsurers has resulted in increased concentration of risk for insurers. If the cost of reinsurance were to increase or become unavailable, the Company could be adversely impacted.

New sales of life products are reinsured by the Company within prescribed limits and do not require the reinsurer's prior approval within certain guidelines. National Western's maximum retention limit on an insured life is $500,000 while Ozark National's maximum retention limit is $200,000. However, these reinsurance arrangements do not fully discharge the Company's obligation to pay benefits on the reinsured business. If a reinsurer fails to meet its obligations, the Company would be forced to cover these claims. In addition, if a reinsurer becomes insolvent, it may cause the Company to lose its reserve credits on the ceded business which require the establishment of additional reserves. To mitigate the risks associated with the use of reinsurance, the Company carefully monitors the ratings and financial condition of its reinsurers on a regular basis and attempts to avoid concentration of credit risks by spreading its business among several reinsurers in order to diversify its risk exposure.

Although subject to the same reinsurance risks described above, the Company has entered into a different type of reinsurance structure twice in the past couple of years. National Western executed a coinsurance with funds withheld agreement effective December 31, 2020 ceding a 100% quota share of fixed rate and payout annuity policy contractual obligations to a third party reinsurer. Effective July 27, 2022, National Western entered into a second funds withheld coinsurance agreement with a different third party reinsurer ceding a 80% quota share on certain annuity policies in force as well as agreeing to cede a specific quota share of certain annuity contracts issued subsequently and going forward, also on a funds withheld basis. Unlike traditional indemnity reinsurance agreements, the Company maintains on its Consolidated Balance Sheets invested assets (funds withheld) supporting the policy obligations ceded which also remain on the Company's Consolidated Balance Sheets. As additional security, comfort trusts have been established for the Company's benefit in which the reinsurers are required to maintain certain assets at a minimum threshold level specified in the reinsurance agreements, which the Company has a first priority security interest in. Similar to traditional indemnity reinsurance, the Company remains contingently liable if these reinsurers fail to perform or meet their obligations.

We are subject to policy claims experience which can fluctuate and vary from past results or expectations.

The Company’s earnings are significantly influenced by policy claims received and will vary from period to period depending upon the amount of claims incurred. In any given quarter or year, there is very limited predictability of claims experience. The liability established for future policy benefits is based upon a number of different factors. Our mortality experience could be adversely impacted by a catastrophic event such as a natural disaster, terrorist attack or pandemic event. For example, the Company incurred incremental claims for death benefits in the years ended December 31, 2021 and 2020 associated with the COVID-19 pandemic. These COVID-19 claims significantly declined in the year ended December 31, 2022. Meaningful deviations in actual experience from pricing assumptions could have an adverse effect on the profitability of our products. Some of the Company's products permit premium increases or adjustment of other charges or credits during the life of a policy, but the adjustments permitted under the terms of the policies may not be sufficient to maintain profitability or may induce policies to lapse. Many of our products do not permit us to increase premiums or adjust other charges and credits or otherwise limit the adjustments we can make during the life of a policy. There may be instances in which we may not be able or willing to raise premiums or adjust other charges sufficiently for competitive reasons. Consequently, in the event our future claim experience does not match our past results or pricing assumptions, our operating results could be materially and adversely affected.

We are subject to assumption and estimate inaccuracies used in determining deferred policy acquisition costs ("DPAC"), deferred sales inducements ("DSI"), and value of business acquired ("VOBA") balances which may require us to accelerate our amortization.

Amortization of our DPAC, DSI, and VOBA balances depends on the actual and expected profits generated by the respective lines of businesses. In the course of business, the Company makes certain assumptions regarding expected profits that are dependent upon investment returns, mortality, policy persistency, expenses, interest rates, business mix, and other factors concerning the type of business experience expected in future periods. DPAC, DSI and VOBA amounts are calculated using a number of these assumptions. Amortization is dependent upon actual and estimated future gross profits ("EGP") generated by the lines of business that produced the balances and are amortized over the expected lives of the corresponding contracts. The principal assumptions for determining EGP are mortality, persistency, expenses, investment returns (including capital gains and losses on assets supporting contract liabilities), and interest crediting rates to contract holders. DPAC, DSI and VOBA amounts recorded on the Consolidated Balance Sheets are tested to determine if they are recoverable under current assumptions. The estimates and assumptions used to amortize these balances proportional to expected gross profits are also regularly reviewed. Due to the uncertainty associated with establishing these assumptions, the Company cannot, with precision, determine the exact pattern of profit emergence. Updates to these assumptions (commonly referred to as "unlocking") could result in an acceleration of amortization of these balances. Accordingly, actual results could differ from the related assumptions which could have a material and adverse impact on the Company’s operating results.

Assumptions and estimates involve judgment, and by their nature are imprecise and subject to changes and revisions over time. The Company's results may be affected, positively or negatively, by actual results differing from assumptions, by changes in estimates, and by changes resulting from implementing more sophisticated administrative systems and procedures that facilitate the calculation of more precise estimates.

The Company may be required to establish a valuation allowance against its deferred tax assets which could materially affect the Company's results of operations and financial condition.

Differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases give rise to deferred tax assets. These deferred tax assets represent future tax savings that would otherwise be paid in cash. GAAP requires that such deferred tax assets be analyzed for their future realizability which is dependent upon the generation of sufficient future taxable income with which to utilize the deferred tax assets. If it is determined that it is more likely than not all or a portion of the deferred tax assets cannot be realized, then an offsetting valuation allowance must be established with a corresponding charge to net income.

The Company's current assessment of future taxable income in combination with the consideration of available tax planning opportunities has determined that it is more likely than not that it will generate sufficient taxable income to realize its deferred tax assets. This assessment of the realizability of our deferred tax assets requires significant judgment. If future events deviate from the Company's current assessment and cause a failure to achieve our projections, a valuation allowance may need to be established which could have a material adverse effect on the Company's results of operations and financial condition. The Company's year-end net deferred tax assets reflect the top marginal corporate income tax rate of 21% prescribed by the 2017 Tax Act. Any future reduction in this rate would cause a further write-down of our deferred tax assets.

Regulatory and Legal Risks

We are subject to regulation, changes to existing laws, and investigations, domestic and international, that may affect our profitability or means of operations.

The Company is subject to extensive laws and regulations which are complex and subject to change. In addition, these laws and regulations are enforced by a number of different authorities including, but not limited to, individual state insurance regulators (who adopt model laws and regulations of the NAIC, the SEC, state attorneys general, and the U.S. Department of Justice. Compliance with these laws and regulations is time consuming and any changes may materially increase our compliance costs and other expenses of doing business. The regulatory framework at the state and federal level pertaining to insurance products and practices is subject to ongoing debate and could affect not only the design of our products but our ability to continue to sell certain products.

The Company's financial and operational results could be impacted by emerging risk and changes to the regulatory landscape in areas like ESG (environmental, social, and regulatory) requirements. Policies and regulations promulgated in U.S. legislation pertaining to climate risk management and other ESG practices may result in higher compliance costs and potentially increased capital expenditures. Risks in transitioning to new regulatory requirements could increase the Company's cost of doing business. Failure to adequately address ESG expectations, actual or perceived, could tarnish the Company's image and reputation and lead to a loss of customers and business partners.

The Company is subject to government regulation in each of the states in which it conducts business with such regulation vested in state agencies having broad administrative power dealing with many aspects of the Company's business. Regulators oversee matters relating to sales practices, policy forms, claims practices, types and amounts of investments, reserve adequacy, insurer solvency, minimum amounts of capital and surplus, transactions with related parties, and payments of dividends. At any given time, the Company may be subject to a number of financial, market conduct, or other examinations or audits. These examinations or audits may result in payment of fines and penalties as well as changes in systems or procedures, any of these could have a material adverse effect on the Company's financial condition or results of operations. Other NAIC or state insurance regulator actions, such as the adoption of principles-based reserving or changes to RBC calculations, may adversely impact our business from time to time. The NAIC has been pursuing a variety of changes to its RBC framework which could increase capital requirements for insurers.

As described in more detail below in the risk factor titled "*The Company could be adversely affected by changes to tax law or interpretations of existing tax law which could reduce the demand for certain insurance products,"* most of the life insurance and annuity products that the Company offers receive favorable tax treatment under current U.S. federal income tax laws. These products generally offer tax advantages to policyholders via the deferral of income tax on policy earnings during the accumulation phase of the product, be it an annuity or a life insurance product, as compared to other savings instruments such as certificates of deposit and taxable bonds. Taxes are payable on income attributable to a distribution under a policy/contract for the year in which the distribution is made as opposed to the current taxation of other savings instruments. In addition, death benefit proceeds maintain a tax-free status. Periodically, Congress has considered legislation that would reduce or eliminate this tax advantage inherent to the life insurance industry and subject the industry’s products to treatment more equivalent with other investments. In the event that the tax status of life insurance products is revised or reduced by Congress all life insurers would be adversely impacted.

Insurance companies that do business in a particular state are subject to assessment up to certain prescribed limits by that state’s insurance guaranty association to provide funds to help pay for policyholder losses or liabilities of insolvent insurance companies. As the amount and timing of assessments by state insurance guaranty associations is outside of the Company’s control, the liabilities provided for these potential assessments in our financial statements may differ from the amounts ultimately assessed.

Changes in accounting standards issued by standard-setting bodies may adversely affect our financial statements and affect the management of business operations.

The Company's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as delineated in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("FASB ASC"). GAAP is subject to constant review by various policy-setting organizations to address emerging accounting rules and issue interpretative accounting guidance. From time to time, the Company is required to adopt new or revise accounting standards or guidance that has been integrated into the FASB ASC. Recently, the FASB issued as ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI")*. The changes to GAAP from ASU 2018-12 became effective as of January 1, 2023, which means such changes are effective for the Company with its 2023 financial statements. The adoption of this new standard presents significant accounting changes which have required companies to develop new systems and infrastructure in order to comply. In addition to substantial cost, the standard's complexity and reliance on having accessible data available in policy administration systems has put a heavy compliance burden on insurers. Refer to the discussion on Accounting Standards and Changes in Accounting in Note (1) *Summary of Significant Accounting Policies,* in the accompanying Notes to Consolidated Financial Statements in this report. Future accounting standards required to be adopted could possibly further change the current accounting treatment that the Company uses in its Consolidated Financial Statements and such changes could possibly have a material adverse effect on our financial position and results of operations as well as causing significant incremental costs for initial implementation and ongoing compliance.

The Company is also required to comply with statutory accounting principles ("SAP") which are subject to constant review by the NAIC and related task forces and committees. Various proposals either are currently or have been previously pending before the NAIC. The Company cannot predict whether or in what form reforms will be enacted by state legislatures and whether the enacted reforms will positively or negatively affect the Company.

We may be subject to unfavorable judicial developments, including the time and expense of litigation, which potentially could affect our financial position and results of operations.

Financial services companies are frequently targets of legal proceedings, including class action litigation. In the ordinary course of business, we are involved in various legal actions common to the life insurance industry, some of which may occasionally assert claims for large amounts. Companies in the life insurance and annuity lines of business have encountered litigation pertaining to allegations of improper sales practices in connection with the sale of life insurance, improper product design and disclosures, marketing unsuitable products to customers especially in the senior market, bad faith in the handling of insurance claims, and other similar pleas. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In addition, life insurance companies are subject to risk of errors and misconduct of the agents selling their products for fraud, non-compliance with policies and recommending products or transactions that are not suitable in a particular situation. Often these legal proceedings have involved plaintiffs seeking large and/or indeterminate amounts and resulted in the award of substantial amounts disproportionate to the actual damages including material amounts of punitive compensatory or exemplary damages. In some states, judges and juries have substantial discretion in awarding punitive and compensatory damages which creates the potential for material adverse judgments or awards. In the event of an unfavorable outcome in one or more matters, the ultimate liability may be in excess of the liabilities established in the Company's accounts.

Legal liability or adverse publicity emanating from current or future legal actions, whether or not they actually involve the Company, could have an adverse effect on us or cause us reputational harm, which could, in turn, impair our prospective business. Given the inherent unpredictability of litigation, and the potential complexity and scope of such actions, there can be no assurance that such litigation, current or in the future, will not have a material adverse effect on the Company's results of operations or cash flows in any particular reporting period. In addition, such matters may become more frequent and/or severe in the event that general economic conditions deteriorate.

The Company could be adversely affected by changes to tax law or interpretations of existing tax law which could reduce the demand for certain insurance products.

The Internal Revenue Code (the "IRC") provides that income tax payable on investment earnings of certain life insurance and annuity products is deferred during the accumulation period of the policies/contracts until payments are made to the policyholder or other beneficiary giving certain of the Company's products a competitive advantage over other non-insurance products. In addition, life insurance death benefits paid under terms of the policy are generally exempt from income tax. If the IRC were amended to reduce or eliminate the tax-deferred status of life insurance and annuity products, all life insurance companies, including the Company, would be adversely affected with respect to the ability to sell these products. Such changes in tax law could make the tax advantages of investing in certain life insurance and annuity products less attractive and adversely affect our financial position and results of operations.

In addition, the Company is subject to federal corporate income taxes but receives the benefit of certain tax provisions, including but not limited to, dividends-received deductions, tax-exempt bond interest, and insurance reserve deductions. Due to a variety of factors including the current Federal budget deficit and ongoing proposals from the U.S. Department of Treasury, from time to time Congress and various state legislatures entertain revenue-raising proposals contrary to the life insurance industry, either by raising rates or otherwise changing tax rules, and there is a risk that federal tax legislation could be enacted lessening or eliminating some or all of the tax advantages currently benefiting the Company and result in higher taxes. The Tax Cuts and Job Act ("Tax Act"), which was passed in December 2017, reduced the federal corporate income tax rate from 35% to 21%, but also amended certain tax items unique to the life insurance industry which served to increase the Company's federal taxable income. Chief among these in the Tax Act were the capping of the amount of tax reserves that the Company could currently deduct below previous thresholds and increasing the amount of acquisition expenses the Company is required to defer for deduction to future periods.

The level of profitability of the Company's products is significantly dependent upon current tax law and the Company's ability to generate taxable income, which is incorporated into our product design and pricing. Consequently, changes in tax law could impact product pricing and returns or require the Company to reduce sales of certain products or otherwise implement other courses of action that could be disruptive to our business. The Company cannot predict what other changes to tax laws or interpretations of existing tax law may ultimately be enacted or adopted, or whether such changes will adversely affect the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Braker P III, LLC ("BP III") was created in 2016 to own and manage the operations of an approximately 196,400 square foot commercial office building in Austin, Texas, which BP III acquired. The purchase price of the property was $49.3 million, exclusive of closing costs and fees. The Company relocated its principal office to this facility during the fourth quarter of 2017, and currently occupies approximately 75,400 square feet. Effective December 31, 2022, a third party tenant occupying 29,300 square feet of the facility prepaid the three plus years of its remaining lease obligation (resulting in a $3.8 million early termination fee) in order to terminate its lease with BP III. All of the remaining space is leased by BP III to third party tenants.

Ozark National owned an approximately 63,000 square foot building located in Kansas City, Missouri which it utilized as commercial office space, and leased and utilized as commercial office space for use by its affiliate NIS. The intercompany lease costs related to NIS have been eliminated for consolidated reporting purposes. Additionally, Ozark National owned two parcels of land located in Kansas City, Missouri. The first parcel contained 0.3 acres of land and an unused single-story parking garage. The second parcel contained 2.3 acres of land and operated as a surface parking lot contracted on a monthly basis to a parking lot operator. During the third quarter of 2021, Ozark National executed a sale and leaseback of some of these properties under which Ozark National and NIS may retain use of the facilities for up to five years. The sales price of $12.4 million resulted in a $1.4 million realized loss.

Lease costs and related operating expenses for facilities of the Company’s subsidiaries are not significant in relation to the Company’s Consolidated Financial Statements. The intercompany lease costs have been eliminated for consolidated reporting purposes.

ITEM 3. 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. 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 30, 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Class A Common Stock of National Western Life Group, Inc. ("NWLGI" or the "Company") is listed for trading on The NASDAQ - Stock Market® ("Nasdaq") under the symbol "NWLI". The quarterly high and low sales prices for the Company's common stock for each quarter during the past two calendar years as reported on Nasdaq, and the cash dividends declared per common share, are shown in the following table.

Class A Common Stock Data (per share)		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2022:					
High	$	224.93	221.15	208.82	309.25
Low		205.01	192.67	166.94	168.04
Dividends Declared		—	—	—	0.36
2021:					
High	$	258.14	260.00	258.89	236.97
Low		180.00	222.29	197.62	203.00
Dividends Declared		—	—	—	0.36

There is no established public trading market for the Company's Class B Common Stock.

On March 12, 2020, the SEC voted to adopt amendments to the "accelerated filer" and "large accelerated filer" definitions in Rule 12b-2 under the Securities Exchange Act of 1934 (the "Exchange Act"). The amendments increased the transition thresholds for large accelerated filers to exit the large accelerated filer status from $500 million to $560 million. The measurement is performed annually each June 30th using that day's Class A Common Stock closing price applied to the number of Class A common shares considered to be publicly traded float, which is defined as the number of shares available to the public for trading in the secondary market without restriction. This excludes, among others, shares held by officers and directors. As of June 30, 2020, the Company's public float was less than $560 million and changed the Company's filing status from large accelerated filer to accelerated filer. At June 30, 2022 and 2021, there were no changes in the Company's filing status as an accelerated filer.

Equity Security Holders

The number of stockholders of record on March 13, 2023 was as follows:

Class A Common Stock	1,938
Class B Common Stock	2

Dividends

Class B Common Stockholders receive dividends at one-half the per share amount declared on Class A Common Stock. During 2022, NWLGI paid cash dividends on its Class A and Class B Common Stock in the amounts of $1.2 million and $36,000, respectively. During 2021, the Company also paid cash dividends on its Class A and Class B Common Stock in the amounts of $1.2 million and $36,000, respectively. Payment of dividends is within the discretion of the Company's Board of Directors.

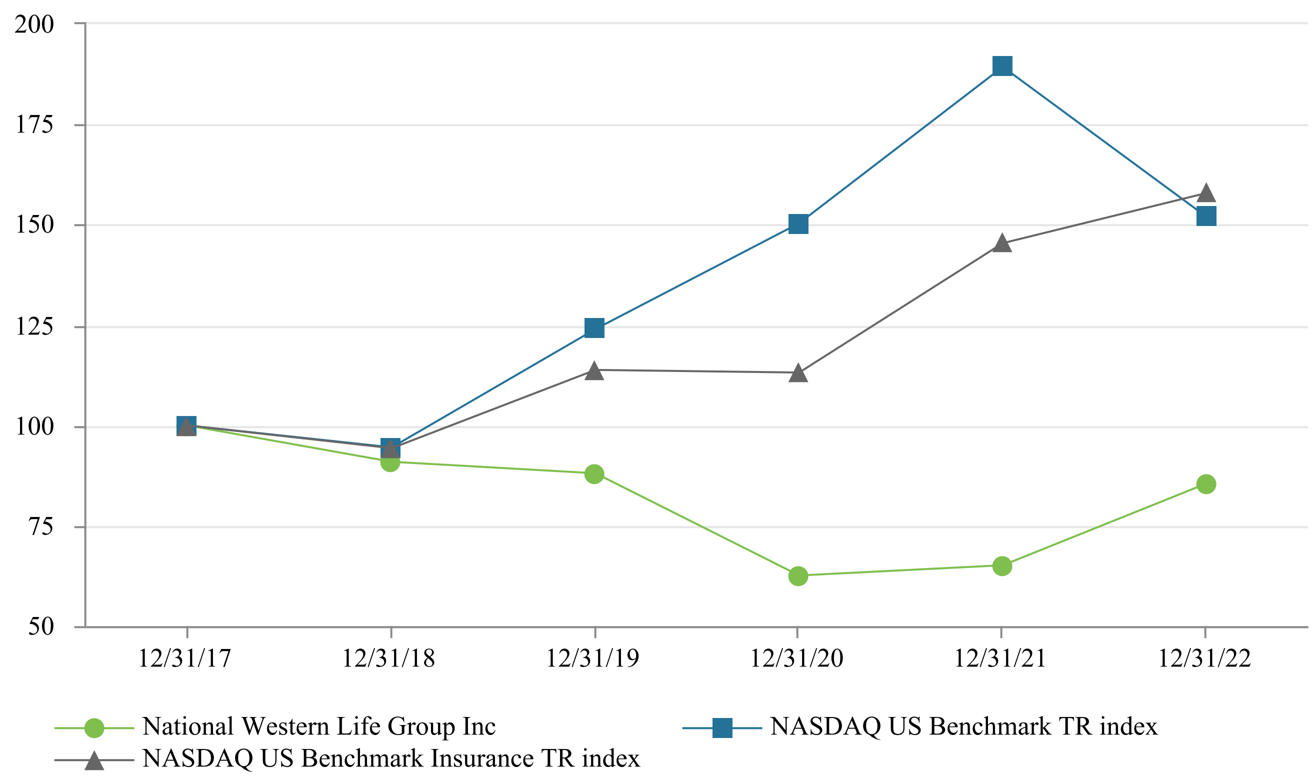
Payment of dividends by National Western Life Insurance Company ("National Western") to NWLGI, as the sole owner of National Western, are also within the discretion of National Western's Board of Directors, but are subject to prescribed limitations set by the Colorado Division of Insurance without prior approval. The Company's general policy is to reinvest earnings internally to finance the development of new business, provide for potential acquisitions, and to lend support to its financial strength ratings assigned by independent rating agencies. In the year ended December 31, 2022, National Western declared and paid a $2.0 million dividend to NWLGI. In the year ended December 31, 2021, National Western did not declare or pay dividends to NWLGI.

Securities Authorized For Issuance Under Equity Compensation Plans

The Company currently has one equity compensation plan, which was originally approved by National Western's stockholders in 2008. That equity plan was assumed by NWLGI from National Western in 2015 pursuant to the terms of the holding company reorganization. Thereafter, the plan was amended, restated and approved by stockholders of NWLGI in June 2016 extending its term for ten years from the date of stockholder approval. As of December 31, 2022, there were a total of 291,000 shares of Class A Common Stock that were authorized for issuance upon the settlement or exercise, as applicable, of awards granted pursuant to the plan. However, as of December 31, 2022, there were no outstanding stock options. Furthermore, under the terms of all outstanding stock appreciation rights, restricted stock units and performance stock units, 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.

Performance Graph

The following graph compares the annual percentage change in the Company's cumulative total return on its common stock over the past five years with the total return of companies comprising the NASDAQ - U.S. Benchmark TR index and the NASDAQ - US Benchmark Insurance TR index. The graph assumes that the value of the Company's Class A Common Stock and each index was $100 at December 31, 2017, and that all dividends were reinvested.



Issuer Purchases of Equity Securities

Effective August 22, 2008, National Western adopted and implemented a limited stock buy-back program associated with the 2008 Incentive Plan which provides Option Holders the additional alternative of selling shares acquired through the exercise of options directly back to the Company. This plan and program was assumed by NWLGI from National Western in 2015 pursuant to the terms of the holding company reorganization. The program provides Option Holders with the ability to elect to sell acquired shares back to the Company at any time within ninety (90) days after the exercise of options at the prevailing market price as of the date of notice of election. As of December 31, 2022, there are no stock options outstanding under the plan. More broadly, there are no immediate plans to repurchase any of its shares of Class A Common Stock or Class B Common Stock.

The following table sets forth the Company’s issuance and repurchase activity of its shares of Class A Common Stock from Option Holders for the quarter ended December 31, 2022.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May yet Be Purchased Under the Plans or Programs
October 1, 2022 through October 31, 2022	—	$ —	N/A	N/A
November 1, 2022 through November 30, 2022	—	$ —	N/A	N/A
December 1, 2022 through December 31, 2022	—	$ —	N/A	N/A
Total	—	$ —	N/A	N/A

Purchased shares are reported in the Company's Consolidated Financial Statements as authorized and unissued.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Certain information contained herein or in other written or oral statements made by or on behalf of National Western Life Group, Inc. and its subsidiaries (the "Company") are or may be viewed as forward-looking. Although the Company has taken appropriate care in developing any such information, forward-looking information involves risks and uncertainties that could significantly impact actual results. These risks and uncertainties include, but are not limited to, matters described in the Company's filings such as exposure to market risks, anticipated cash flows or operating performance, future capital needs, and statutory or regulatory related issues. However, as a matter of policy, the Company does not make any specific projections as to future earnings, nor does it endorse any projections regarding future performance that may be made by others. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable events or developments. Also, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise.

Management’s discussion and analysis of the financial condition and results of operations (“MD&A”) of National Western Life Group, Inc. ("NWLGI") for the three years ended December 31, 2022 follows. Where appropriate, discussion specific to the insurance operations of National Western Life Insurance Company is denoted by "National Western" or "NWLIC". This discussion should be read in conjunction with the Company’s Consolidated Financial Statements and related notes beginning on page 92 of this report.

Overview

National Western provides life insurance products on a global basis for the savings and protection needs of policyholders and issues annuity contracts for the asset accumulation and retirement needs of contract holders. Historically, it has done so for both domestic and international residents. However, the Company discontinued accepting applications for its international life insurance products from foreign nationals outside the U.S. in 2018.

The Company, National Western and Ozark National, accepts funds from policyholders or contract holders and establishes a liability representing future obligations to pay the policy or contract holders and their beneficiaries. To ensure the Company will be able to pay these future commitments, the funds received as premium payments and deposits are invested in high quality investments, primarily fixed income securities.

Due to the business of accepting funds to pay future obligations in later years and the underlying economics, the relevant factors affecting the Company’s overall business and profitability include the following:

- the level of sales and premium revenues collected
- the volume of life insurance and annuity business in force
- persistency of policies and contracts
- the ability to price products to earn acceptable margins over benefit costs and expenses
- return on investments sufficient to produce acceptable spread margins over interest crediting rates
- investment credit quality which minimizes the risk of default or impairment
- levels of policy benefits and costs to acquire business
- the ability to manage the level of operating expenses
- effect of interest rate changes on revenues and investments including asset and liability matching
- maintaining adequate levels of capital and surplus
- corporate tax rates and the treatment of financial statement items under tax rules and accounting
- actual levels of surrenders, withdrawals, claims and interest spreads
- changes in assumptions for amortization of deferred policy acquisition expenses and deferred sales inducements
- changes in the fair value of derivative index options and embedded derivatives pertaining to fixed-index life and annuity products
- pricing and availability of adequate counterparties for reinsurance and index option contracts
- litigation subject to unfavorable judicial development, including the time and expense of litigation

The Company monitors these factors continually as key business indicators. The discussion that follows in this Item 7 includes these indicators and presents information useful to an overall understanding of the Company’s business performance in 2022, incorporating required disclosures in accordance with the rules and regulations of the SEC.

Impact of Recent Business Environment

The Company's business is generally aided by an economic environment experiencing growth, whether moderate or vibrant, characterized by improving employment data and increases in personal income. Important metrics indicating sustained economic growth over the longer term principally revolve around employment and confidence, both consumer and business sentiment.

Forecasts for 2023 generally range from muted growth scenarios to mild recessions to full-blown recession economies in the U.S. The current monetary policy has been aggressive in terms of rate movements as well as the magnitude of the increases in rates in addressing inflation factors. Uncertainty regarding inflation, whether it is transitory in nature or embedded in slower adjusting categories, has created varying opinions on whether a "soft landing" is achievable or whether the Federal Reserve may overshoot and precipitate an economic contraction. Recessions typically have a four quarter duration and the negative impact on personal incomes can cause individual plans for financial and retirement protection to be pushed off into the future. While job markets have been tight given job growth and openings in conjunction with low claims for unemployment benefits, expectations are that this will begin to normalize and put more pressure on household incomes striving to keep pace with persistent price increases.

Interest rates have hovered at historically low levels for a number of years making traditional industry investments in fixed income debt securities having sufficient yields to price products competitively or to meet minimum interest rate guarantees increasingly more challenging. Faced with this situation, insurer responses were to either obtain incremental yield through riskier investment opportunities or to reduce internal rates of return on products below targeted amounts. Identifying the opportunity presented, large investment entities entered the industry through acquisitions or reinsurance transactions in order to tap insurance company portfolios of low yielding assets with the goal of using specific investment expertise to roll these assets into higher yielding, and higher risk, assets. The Company entered into two different funds withheld coinsurance agreements in the past two years to transfer legacy blocks constrained by low or negative interest margins and to obtain incremental investment yield from a reinsurance partner in order to competitively price new products going forward. Both reinsurance organizations are associated with large investment houses. These newer entrants create new competition with products offering attractive crediting rates for consumers while increasing the risk profile of corporate balance sheets.

Industry analysts and observers generally agree that a sudden jump in interest rate levels would be harmful to life insurers with interest-sensitive products as it could provide an impetus for abnormal levels of product surrenders and withdrawals at the same time fixed debt securities held by insurers declined in market value. The current rise of inflation rates has prompted Federal Reserve officials to increase rates a half-dozen times, including four three-quarters of a percentage point, in order to head off the crippling effects of rising prices. Currently, several more increases are anticipated. Ultimately, a mix of monetary policy adjustments, fiscal policy, and economic fundamentals will determine the effectiveness of interest rate increases and the timing of a return to stabilization. It is uncertain what impacts, if any, such movements would have on the Company’s business, results of operations, cash flows or financial condition.

In an environment such as this, the need for a strong capital position that can cushion against unexpected bumps is critical for stability and ongoing business activity. The Company's operating strategy continues to be focused on maintaining capital levels substantially above regulatory and rating agency requirements. In addition, its business model is predicated upon steady growth in invested assets while managing the block of business within profitability objectives. A key premise of the Company's financial management is maintaining a high quality investment portfolio, well matched in terms of duration with policyholder obligations, that continues to outperform the industry with respect to adverse impairment experience. This discipline enables the Company to sustain resources more than adequate to fund future growth and absorb abnormal periods of cash outflows.

Critical Accounting Policies

Accounting policies discussed below are those considered critical to an understanding of the Company’s financial statements.

Impairment of Investment Securities. 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.

Deferred Policy Acquisition Costs (“DPAC”). The Company is required to defer certain policy acquisition costs and amortize them over future periods. These costs include commissions and certain other expenses that vary with and are directly associated with acquiring new business. The deferred costs are recorded as an asset commonly referred to as deferred policy acquisition costs. The DPAC asset balance is subsequently charged to income over the lives of the underlying contracts in relation to the anticipated emergence of revenue or profits. Actual revenue or profits can vary from Company estimates resulting in increases or decreases in the rate of amortization. The Company performs regular evaluations of its universal life and annuity contracts to determine if actual experience or other evidence suggests that earlier estimates should be revised. Assumptions considered significant include surrender and lapse rates, mortality, expense levels, investment performance, and estimated interest spread. Should actual experience dictate that the Company change its assumptions regarding the emergence of future revenues or profits (commonly referred to as “unlocking”), the Company would record a charge or addition to bring its DPAC balance to the level it would have been if using the new assumptions from the inception date of each policy.

DPAC is also subject to periodic recoverability and loss recognition testing. These tests ensure that the present value of future contract-related cash flows will support the capitalized DPAC balance to be amortized in the future. The present value of these cash flows, less the benefit reserve, is compared with the unamortized DPAC balance and if the DPAC balance is greater, the deficiency is charged to expense as a component of amortization and the asset balance is reduced to the recoverable amount. For more information about accounting for DPAC see Note (1), *Summary of Significant Accounting Policies*, in the accompanying Notes to Consolidated Financial Statements in this report.

Deferred Sales Inducements ("DSI"). Costs related to sales inducements offered on sales to new customers, principally on investment type contracts and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts, are deferred and recorded as other assets. All other sales inducements are expensed as incurred and included in interest credited to contract holders' funds. Deferred sales inducements are amortized to income using the same methodology and assumptions as DPAC, and are included in interest credited to contract holders' funds. Deferred sales inducements are also periodically reviewed for recoverability. For more information about accounting for deferred sales inducements see Note (1), *Summary of Significant Accounting Policies*, in the accompanying Notes to Consolidated Financial Statements in this report.

Value of Business Acquired ("VOBA"). 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 policyholder 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. Similar to DPAC and DSI, VOBA is subject to periodic analysis assessing recoverability.

Future Policy Benefits. Because of the long-term nature of insurance contracts, the Company is liable for policy benefit payments many years into the future. The liability for future policy benefits represents estimates of the present value of the Company's expected benefit payments, net of the related present value of future net premium collections. For traditional life insurance contracts, this is determined by standard actuarial procedures, using assumptions as to mortality (life expectancy), morbidity (health expectancy), persistency, and interest rates, which are based on the Company's experience with similar products. The assumptions used are those considered to be appropriate at the time the policies are issued. An additional provision is made on most products to allow for possible adverse deviation from the assumptions assumed. For universal life and annuity products, the Company's liability is the amount of the contract's account balance. Account balances are also subject to minimum liability calculations as a result of minimum guaranteed interest rates in the policies. While management and Company actuaries have used their best judgment in determining the assumptions and in calculating the liability for future policy benefits, there is no assurance that the estimate of the liabilities reflected in the financial statements represents the Company's ultimate obligation. In addition, significantly different assumptions could result in materially different reported amounts. A discussion of the assumptions used to calculate the liability for future policy benefits is reported in Note (1), *Summary of Significant Accounting Policies*, in the accompanying Notes to Consolidated Financial Statements in this report.

Revenue Recognition. Premium income for the Company's traditional life insurance contracts is generally recognized as the premium becomes due from policyholders. For annuity and universal life contracts, the amounts collected from policyholders are considered deposits and are not included in revenue. For these contracts, fee income consists of policy charges for policy administration, cost of insurance charges and surrender charges assessed against policyholders' account balances which are recognized in the period the services are provided.

Investment activities of the Company are integral to its insurance operations. Since life insurance benefits may not be paid until many years into the future, the accumulation of cash flows from premium receipts are invested with income reported as revenue when earned. Anticipated yields on investments are reflected in premium rates, contract liabilities, and other product contract features. These anticipated yields are implied in the interest required on the Company's net insurance liabilities (future policy benefits less deferred acquisition costs) and contractual interest obligations in its insurance and annuity products. The Company benefits to the extent actual net investment income exceeds the required interest on net insurance liabilities and manages the rates it credits on its products to maintain the targeted excess or "spread" of investment earnings over interest credited. The Company will continue to be required to provide for future contractual obligations in the event of a decline in investment yield. For more information concerning revenue recognition, investment accounting, and interest sensitivity, please refer to Note (1), *Summary of Significant Accounting Policies,* and Note (3), *Investments*, in the accompanying Notes to Consolidated Financial Statements in this report, and the discussions under Investments in Item 6 of this report.

Pension Plans and Other Postretirement Benefits. The Company sponsors a qualified defined benefit pension plan, which was frozen effective December 31, 2007, covering substantially all employees at that time, and three non-qualified defined benefit plans covering certain senior officers. In addition, the Company has postretirement health care benefits for certain senior officers and a group excess benefit plan available for senior officers and directors of the Company. The freeze of the qualified benefit pension plan 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. In accordance with prescribed accounting standards, the Company annually reviews plan assumptions.

The Company annually reviews its pension benefit plans' assumptions which include the discount rate, the expected long-term rate of return on plan assets, and the compensation increase rate. The assumed discount rate is set based on the rates of return on high quality long-term fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. 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 plans, the various classes of the invested funds, input of the plan's investment advisors and consulting actuary, and the plan's historic rate of return. The compensation rate increase assumption is generally set at a rate consistent with current and expected long-term compensation and salary policy, including inflation. These assumptions involve uncertainties and judgment, and therefore actual performance may not be reflective of the assumptions.

Other postretirement benefit assumptions include future events affecting retirement age, mortality, dependency status, per capita claims costs by age, health care trend rates, and discount rates. Per capita claims cost by age is the current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan. Health care trend rates involve assumptions about the annual rate(s) of change in the cost of health care benefits currently provided by the plan, due to factors other than changes in the composition of the plan population by age and dependency status. These rates implicitly consider estimates of health care inflation, changes in utilization, technological advances, and changes in health status of the participants.

Share-Based Payments. Liability awards under a share-based payment arrangement have been measured based on the awards' fair value at the reporting date. The Black-Scholes valuation method is used to estimate the fair value of the options. This fair value calculation of the options includes assumptions relative to the following:

- exercise price
- expected term based on contractual term and perceived future behavior relative to exercise
- current price
- expected volatility
- risk-free interest rates
- expected dividends

These assumptions are continually reviewed by the Company and adjustments may be made based upon current facts and circumstances.

Other significant accounting policies, although not involving the same level of measurement uncertainties as those discussed above, but nonetheless important to an understanding of the financial statements, are described in Note (1), *Summary of Significant Accounting Policies*, in the accompanying Notes to Consolidated Financial Statements in this report.

RESULTS OF OPERATIONS

The Company's Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition, the Company regularly evaluates operating performance using non-GAAP financial measures which exclude or segregate derivative and realized investment gains and losses from operating revenues. Similar measures are commonly used in the insurance industry in order to assess profitability and results from ongoing operations. The Company believes that the presentation of these non-GAAP financial measures enhances the understanding of the Company's results of operations by highlighting the results from ongoing operations and the underlying profitability factors of the Company's business. The Company excludes or segregates derivative and realized investment gains and losses because such items are often the result of events which may or may not be at the Company's discretion and the fluctuating effects of these items could distort trends in the underlying profitability of the Company's business. Therefore, in the following sections discussing consolidated operations and segment operations, appropriate reconciliations have been included to report information management considers useful in enhancing an understanding of the Company's operations to reportable GAAP balances reflected in the Consolidated Financial Statements.

In the following discussion of the results of Consolidated Operations and Segment Operations, certain premiums and other revenues financial statement line items as well as certain benefits and expenses line items include amounts which cause the current reported amounts to deviate from historical trends. These amounts typically consist of periodic adjustments required in preparing financial statements such as the unlocking of actuarial assumptions, amounts pertaining to unique transactions with specialized accounting conventions such as those required for embedded derivatives and reinsurance, and amounts that vary with the movement of external financial markets such as fair value market adjustments on investments. We have endeavored in the sections that follow to isolate and discuss these items as they appear in the financial statements. While not an all-inclusive list, the following identifies line items in the Consolidated Statements of Earnings and the associated amounts causing deviations from historical trends:

Financial Statement Line Item	Factor Discussed
Universal life and annuity contract charges	Unearned revenue reserve - actuarial assumption unlocking
Net investment income	Fair market value adjustments on index options
Net investment income	Fair market value adjustments on debt trading securities
Net investment income	Reinsurance fair value embedded derivative accounting
Net investment income	Funds withheld reinsurance - ceded investment income
Life and other policy benefits	Annuity actuarial assumption unlockings of excess death benefit reserve, excess annuitization reserve, and guaranteed minimum withdrawal benefit reserve
Amortization of deferred transaction costs	Deferred policy acquisition costs amortization - actuarial assumption unlocking
Universal life and annuity contract interest	Universal life actuarial assumption unlocking of excess death benefit reserve
Universal life and annuity contract interest	Deferred sales inducement amortization - actuarial assumption unlocking
Universal life and annuity contract interest	Funds withheld reinsurance - ceded interest credited and ceded changes in benefit reserve balances
Universal life and annuity contract interest	Embedded derivative liability accounting for fixed-index products
Other operating expenses	Changes in share-based compensation expense for stock market price changes of the Company Class A Common Stock

Consolidated Operations

Revenues. The following details Company revenues:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Universal life and annuity contract charges	$ 139,022	134,254	145,405
Traditional life premiums	87,858	90,043	92,542
Net investment income (excluding index option derivatives)	386,506	441,812	402,448
Other revenues	25,522	22,314	18,522
Derivative gain (loss), index options	(86,866)	120,718	14,754
Net realized investment gains	6,355	14,950	21,071
Total revenues	$ 558,397	824,091	694,742

Universal life and annuity contract revenues - Revenues for universal life and annuity products consist of policy charges for the cost of insurance, administration charges, and surrender charges assessed against policyholder account balances, less reinsurance premiums. As depicted in the following table, revenues for universal life and annuity contract charges increased in 2022 compared to 2021.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Contract Charges:			
Cost of insurance and administrative charges	$ 128,460	122,961	124,821
Surrender charges	18,732	25,363	26,623
Other charges	11,866	4,347	11,430
Gross contract revenues	159,058	152,671	162,874
Reinsurance premiums	(20,036)	(18,417)	(17,469)
Net contract charges	$ 139,022	134,254	145,405

Cost of insurance charges were $100.6 million in 2022 compared to $95.9 million in 2021 and $98.9 million in 2020. Cost of insurance charges typically trend with the size of the universal life insurance block in force and the amount of new business issued during the period. The volume of universal life insurance in force during 2022 decreased to $11.8 billion from $12.7 billion at year-end 2021 and $13.5 billion at year-end 2020. Administrative charges were $27.8 million, $27.1 million, and $25.9 million for the years ended December 31, 2022, 2021 and 2020, respectively, and correlate with new universal life insurance business sales by the number of policies placed, the amount of premiums received, and the volume of insurance issued. In 2022, National Western implemented higher cost of insurance charges on its International Life insurance products which contributed to the increase in 2022 over 2021.

Surrender charges assessed against policyholder account balances upon withdrawal were $18.7 million in 2022 compared to $25.4 million in 2021 and $26.6 million in 2020. While the Company earns surrender charge income that is assessed upon policy terminations, the Company's overall profitability is enhanced when policies remain in force and additional contract revenues are realized and the Company continues to make an interest rate spread equivalent to the difference it earns on its investments and the amount that it credits to policyholders. Policy lapse rates in 2022 for the domestic life insurance and international life insurance segments were relatively level with those experienced in 2021 and prior years, while the annuities segment continued to exhibit a higher lapse rate due to liquidity demands. Surrender charge income recognized is also dependent upon the duration of policies at the time of surrender (i.e. later duration policy surrenders have lower surrender charges assessed and earlier policy surrenders have a higher surrender charge assessed). The declining trend in surrender charge revenue reflects later duration policies terminating having lower surrender charges.

Other charges include the net amount of current period premium load amounts on new sales of single premium life insurance products which are deferred (recorded as negative revenue) and the subsequent amortization into income of these deferred premium loads. These products comprise substantially all of domestic life insurance sales. The increase in Other charges in 2022 over 2021 reflects lower premium loads deferred in 2022 due to decreased sales relative to the amounts currently being amortized into income. In addition, as part of the Company's annual unlocking analysis, a prospective unlocking of this unearned revenue reserve was done for each year shown above. The effect of the unlocking in the year ended December 31, 2022 was a negligible decrease in Other charges revenue while the effect of the unlockings increased/(decreased) Other charges revenue by $(0.6) million and $5.9 million in the years ended December 31, 2021 and 2020, respectively.

Traditional life premiums - Ozark National's principal product is a non-participating whole life insurance policy with premiums remitted primarily on a monthly basis. The product is sold in tandem with a mutual fund investment product offered through its broker-dealer affiliate, NIS. Traditional life insurance premiums for products such as whole life and term life are recognized as revenues over the premium-paying period. A sizable portion of National Western's traditional life business resided in the International Life insurance segment. However, National Western's overall life insurance sales focus has historically been centered around universal life products. The addition of Ozark National's business of repetitive paying permanent life insurance adds an important complement to National Western's life insurance sales. Included in the amounts for the years ended December 31, 2022, 2021, and 2020 is $71.9 million, $73.5 million, and $74.8 million, respectively, of life insurance renewal premium from Ozark National. Universal life products, especially National Western's equity indexed universal life products, which offer the opportunity for consumers to acquire life insurance protection and receive credited interest linked in part to an outside market index, have been the more popular product offerings in the Company's markets.

Net investment income (with and without derivatives) - A detail of net investment income is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Gross investment income:			
Debt and equities	$ 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 invested 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

The Company's strategy has been to invest a substantial portion of its cash flows in fixed debt securities within its guidelines for credit quality, duration, and diversification. As a result of an asset allocation study that was conducted, an increase in allocations toward mortgage loans and alternative investments was identified as a strategic objective. In addition, the recent excess of annuity outflows over inflows has reduced funds available to invest in fixed debt securities helping to cause the debt security portfolio to contract.

The debt securities portfolio decreased from $10.8 billion at December 31, 2020 to $10.1 billion at December 31, 2021, largely the result of recording certain holdings at fair value instead of amortized cost as had been done previously. At December 31, 2022, the debt securities portfolio further declined to $8.7 billion, in part due to marking the portfolio to fair market values which declined during 2022. While investment yields on new bond purchases in 2021 and 2020 were less than the portfolio's weighted average yield, investment yields on new bond purchases during 2022 exceeded the portfolio yield. The portfolio weighted average yield, excluding the funds withheld portfolio, was approximately 3.76% at December 31, 2022, while the yield on debt security purchases to fund insurance operations was 4.21%, 3.02%, and 3.33% in 2022, 2021, and 2020, respectively. Ozark National's weighted average portfolio yield at December 31, 2022 was 3.79%.

Changes in fair values of equity securities are included in the Consolidated Statements of Earnings as a component of net investment income. For the years ended December 31, 2022, 2021, and 2020 unrealized gains/(losses) of $(4.1) million, $6.0 million, and $(1.0) million, respectively, have been included in net investment income reflecting the change in fair value of equity securities during the periods. The carrying value of the Company’s portfolio of equity securities was $22.1 million at December 31, 2022 down from the $28.2 million balance recorded at December 31, 2021.

Prior to 2020, the Company’s new mortgage loan activity had been challenged by the low level of interest rates and highly competitive underwriting of commercial properties. The COVID-19 pandemic crisis further impeded the underwriting of new loan applications until clarity regarding the impacts of closing down the economy upon commercial real estate became discernible. Eventually, the volume of new mortgage loan originations resumed a pace closer to that of the pre-pandemic environment. Additional resources were added with the goal of increasing mortgage loan investments to a more appreciable percentage of total invested assets. During 2022, interest rates increased appreciably which resulted in fewer mortgage loan opportunities meeting the Company's underwriting standards being available. Consequently, the Company originated new mortgage loans in the amount of $47.4 million, $183.6 million, and $80.2 in 2022, 2021, and 2020, respectively. Mortgage loan investment income also benefits from incremental contributions from loan prepayment fees and profit participation receipts.

In order to obtain incremental investment yield, the Company expanded its invested asset vehicles to include alternative investments. These assets are typically capital pools with specific investment objectives managed by investment firms having specific expertise in designated asset opportunities. The Company held balances of $191.3 million, $67.7 million and $28.9 million at December 31, 2022, December 31, 2021, and December 31, 2020, respectively, in this investment category, excluding any associated structured note amounts. Other invested assets investment income for the year ended December 31, 2022 includes a non-recurring $6.8 million profit participation payment on a mezzanine loan.

Beginning January 1, 2021, the Company's net investment income is reduced for amounts ceded to reinsurers under the funds withheld reinsurance agreements associated with funds withheld assets. For the years ended December 31, 2022 and 2021, the Company ceded net investment income of $67.2 million and $55.1 million, respectively.

Effective January 1, 2020, the Company adopted new accounting guidance pertaining to current expected credit losses on financial instruments ("CECL"). The adoption as of January 1, 2020 was reported as a change in accounting with initial CECL allowance balances recorded and $3.0 million, net of taxes, charged to retained earnings. Subsequent remeasurement of the CECL allowance is performed quarterly with any increase or decrease netted in gross investment income. During the years ended December 31, 2022, 2021, and 2020, remeasurement of the CECL allowance resulted in an increase (decrease) to the allowance balance of $0.6 million, $0.5 million, and $(2.0) million, respectively.

Credit loss allowances for available-for-sale debt securities are recorded when unrealized losses and missed payments indicate a credit loss has occurred and a full recovery of the investment principal is not expected. Credit loss allowances are recorded through Net investment income in the Consolidated Statements of Earnings. No credit loss allowances for available-for-sale debt securities were recorded in the years ended December 31, 2022, 2021, and 2020.

In order to evaluate underlying profitability and results from ongoing operations, net investment income performance is analyzed excluding index option derivative gain (loss), the embedded derivative on reinsurance, and trading securities market value adjustments, which is a common practice in the insurance industry. Although this is considered a non-GAAP financial measure, Company management believes this financial measure provides useful supplemental information by removing the swings associated with fair value changes on derivative instruments. Net investment income and average invested assets shown below includes cash and cash equivalents. Net investment income performance is summarized as follows:

	Years Ended December 31,		
	2022	2021	2020
	(In thousands except percentages)		
Excluding derivatives and funds withheld securities:			
Net investment income	$ 351,211	345,756	402,448
Average invested assets, at amortized cost	9,398,306	9,420,544	10,994,033
Annual yield on average invested assets	3.74 %	3.67 %	3.66 %
Including derivatives and funds withheld securities:			
Net investment income	$ 299,640	562,530	417,202
Average invested assets, at amortized cost	11,051,800	11,163,776	11,139,238
Annual yield on average invested assets	2.71 %	5.04 %	3.75 %

The average invested asset yield, excluding derivatives and funds withheld securities, remained level from 2020 to 2021 as the Company continued to obtain lower yields on new debt security purchases while receiving incremental yields from increasing the allocation of investable funds to mortgage loans and alternative investment strategies. The average invested asset yield in 2022 increased from that in 2021 and 2020 reflecting incrementally higher yields on new debt security purchases and increased allocations to alternative investment funds which have greater yields.

The pattern in average invested asset yield, including derivatives and funds withheld securities, incorporates increases and decreases in the fair value of index options purchased by National Western to support its fixed-index products as well as net investment income from the embedded derivative funds withheld liability. Fair values of the purchased call options recorded a net loss in 2022, and net gains in both 2021 and 2020 corresponding to the movement in the S&P 500 Index® during these periods (the primary index the fixed-index products employ). Refer to the derivatives discussion following this section for a more detailed explanation.

With the execution of a funds withheld reinsurance agreement with Prosperity at the end of 2020, the Company initiated embedded derivative accounting with respect to the policyholder obligations reinsured. The Company entered into a second funds withheld reinsurance agreement with Aspida during 2022 which follows the same embedded derivative accounting treatment. During the years ended December 31, 2022 and 2021, the embedded derivative liability decreased $250.2 million and $84.7 million, respectively, which was recorded as investment income. Debt securities supporting these funds withheld policyholder obligations classified as trading securities incurred unrealized gains/(losses) of $(214.9) million in 2022 and $11.3 million in 2021, which were also recorded as a component of net investment income. The combination/net of these two items increased net investment income by $35.3 million and $96.1 million in 2022 and 2021, respectively.

<u>Other revenues</u> - Other revenues pertain to NIS, the broker-dealer affiliate of Ozark National; the operations of Braker P III, LLC ("BP III"), a subsidiary which owns and manages a commercial office building which includes the home office operations of National Western; and allowances earned by National Western for administering the funds withheld policies ceded to third party reinsurers.

NIS revenues were $11.4 million, $12.5 million, and $9.9 million for the years ended December 31, 2022, 2021, and 2020, respectively. NIS revenues typically move in tandem with equity market performance.

Revenues associated with BP III were $8.2 million, $5.1 million, and $4.7 million in December 31, 2022, 2021, and 2020, respectively. Included in rental income for 2022 is $3.8 million received for an early termination of a tenant lease. Rental income received from National Western is eliminated in reporting consolidated results.

Under terms of the Prosperity funds withheld reinsurance contract, National Western earns a monthly expense allowance equal to the average policy count of the funds withheld reinsurance block of business multiplied by a stated amount per policy. In the years ended December 31, 2022 and 2021, the Company reported $4.9 million and $5.3 million, respectively, as maintenance expense allowance revenue. As the block that was reinsured is a closed block of business, maintenance expense allowance revenue declines over time with the run off of the in force block.

Under the terms of the Aspida funds withheld reinsurance contract, National Western also earns a monthly expense allowance based upon the average policy account of the funds withheld reinsurance block of business. In addition, National Western earns a ceding commission and certain policy acquisition allowances based upon new policies issued and coinsured with Aspida. For the year ended December 31, 2022, from the inception of the funds withheld reinsurance agreement, the Company reported $0.3 million related to these revenue sources.

The Company also recorded on its Consolidated Balance Sheet in 2022 a deferred Gain on Reinsurance amount of $30.8 million associated with the funds withheld reinsurance transaction with Aspida. 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 the reinsurer, which in aggregate was in excess of the Statutory Reserves ceded to Aspida (reflected as funds withheld assets). This balance is amortized and included in Other revenues. For the year ended December 31, 2022, amortization revenue from the deferred Gain on Reinsurance was $1.4 million.

The Company's acquisition of Ozark National (by National Western) in 2019 included a contingent payment provision that was dependent upon the subsequent persistency of Ozark National's in force block of business that was acquired. The Company had been progressively accruing for this potential obligation in its financial statements. During 2020, the Company executed an agreement with the seller under which both parties agreed that the Company had fulfilled its payment obligation under the Stock Purchase Agreement executed October 3, 2018. Consequently, the Company reversed the contingent payment obligations previously accrued and recognized the reversed amounts as Other revenues $4.1 million in the year ended December 31, 2020.

Other revenues also include semi-annual distributions from the life interest in the Libbie Shearn Moody Trust. Revenues recognized from these distributions were $6.0 million, $5.7 million, and $5.3 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Index option derivative gain (loss) - Index options are derivative financial instruments used to hedge the equity return component of National Western’s fixed-index products. Derivative gain or loss includes the amounts realized from the sale or expiration of the options. Since the index options do not meet the requirements for hedge accounting under GAAP, they are marked to fair value on each reporting date and the resulting unrealized gain or loss is reflected as a component of net investment income. The options hedging the notional amount of policyholder contract obligations are purchased as close as possible to like amounts resulting in the amount of the options returns correlating closely with indexed interest credited.

Gains and losses from index options are substantially due to changes in equity market conditions. Index options are intended to act as hedges to match the returns on the product’s underlying reference index and the rise or decline in the index relative to the index level at the time of the option purchase which causes option values to likewise rise or decline. As income from index options fluctuates with the underlying index, the contract interest expense to policyholder accounts for the Company’s fixed-index products also fluctuates in a similar manner and direction. The Company recorded realized and unrealized gains/(losses) from index options as shown below.

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Index option derivatives:			
Unrealized gain (loss)	$ (85,130)	(16,564)	(9,740)
Realized gain (loss)	(1,736)	137,282	24,494
Total gain (loss) included in net investment income	$ (86,866)	120,718	14,754
Total contract interest	$ 15,678	213,184	206,250

The economic impact of option performance in the Company's financial statements is generally not determined solely by the option gain or loss included in net investment income as there is a corresponding amount recorded in the contract interest expense line. The Company's profitability with respect to these options is largely dependent upon the purchase cost of the option remaining within the financial budget for acquiring options embedded in the product pricing. Option prices vary with interest rates, volatility, and dividend yields among other things. As option prices vary, the Company manages for the variability by making offsetting adjustments to product caps, participation rates, and management fees. For the periods shown, the Company's option costs have generally been consistent with the product pricing budgets.

The financial statement investment spread, the difference between investment income and interest credited to contract holders, is subject to variations from option performance during any given period. For example, many of the Company's equity-index annuity products provide for the collection of asset management fees. These asset management fees are assessed when returns on expiring options are positive, and they are collected prior to passing any additional returns above the assessed management fees to the policy contractholders. During periods of positive returns, the collected asset management fees serve to increase the financial statement spread by increasing option realized gains reported as investment income in an amount greater than interest credited to policy contractholders which is reported as contract interest expense. Asset management fees collected in 2022, 2021, and 2020 were $0.0 million, $5.8 million, and $30.7 million, respectively. The Company changed its option hedging during 2020 to an "out-of-the-money" basis for those annuity products containing asset management fee provisions. As a result, during 2021 all options outstanding for annuity products having asset management fee features were on an out-of-the-money basis. Accordingly, no asset management fees have been collected since that time. While asset management fees are no longer being collected, the amounts to purchase the out-of-the-money options similarly decreases the costs.

Net realized investment gains (losses) - Realized gains (losses) on investments generally include proceeds from bond calls, sales and impairment write-downs, as well as gains and losses on the sale of real estate property. Net gains reported in 2022 consisted of gross gains of $6.5 million which were mostly from bond calls of debt securities in the available-for-sales category, offset by gross losses of $(0.2) million. Net gains reported in 2021 consisted of gross gains of $16.4 million offset by gross losses of $(1.4) million. Gross losses in 2021 include $1.4 million pertaining to property held by Ozark National which was sold.

Under CECL accounting guidance, the Company records credit loss allowances for available-for-sale debt securities when a decline in value is considered to be other-than-temporary and full recovery of the investment is not expected. Credit loss allowances for available-for-sale debt securities are recorded through Net investment income in the Consolidated Statement of Earnings. The Company did not record a credit loss allowance for available-for-sale debt securities during the years ended December 31, 2022, 2021, or 2020.

Benefits and Expenses. The following details benefits and expenses.

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
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
Totals	$ 432,363	596,834	582,674

Life and other policy benefits - Life and other policy benefits include death claims of $80.5 million, $96.3 million and $72.5 million for 2022, 2021 and 2020, respectively. Included in the amounts for the years ended December 31, 2022, 2021, and 2020, are $35.9 million, $39.6 million and $37.0 million in death claims pertaining to Ozark National. Death claim amounts are subject to variation from period to period. In 2022, the number of National Western life insurance claims incurred was 12% lower than that of 2021 while the average dollar amount per net claim increased 7% to $65,900 from $61,900. National Western’s mortality experience has generally been consistent with or better than its product pricing assumptions. The average net claim for Ozark National during 2022 decreased to $15,100 from the 2021 period amount of $15,400. The average face amount of insurance in force for Ozark National was $33,300 at December 31, 2022. Mortality exposure is managed through reinsurance treaties under which National Western's retained maximum net amount at risk on any one life is capped at $500,000. Ozark National's retained maximum net amount at risk is capped at $200,000 under its reinsurance treaties with limited exceptions related to the conversion of child protection and guaranteed insurability riders.

Both National Western and Ozark National established specific coding to track the death claim experience associated with COVID-19. During the year ended December 31, 2022, National Western incurred 89 death claims on life insurance policies in which the reported cause of death was due to the COVID-19 pandemic totaling a net claim amount (after reinsurance) of $5.8 million. For the year ended December 31, 2021, National Western incurred 201 COVID-19 related death claims on life insurance policies totaling a net amount after reinsurance of $23.5 million. The industry has noted that the designation of COVID-19 as the cause of death has not been consistent. Accordingly, the Company's disclosures reporting death claims due to COVID-19 are updated as more information is obtained. During the year ended December 31, 2022, Ozark National incurred 126 confirmed COVID-19 death claims aggregating to a net claim amount of approximately $2.9 million. During the year ended December 31, 2021, Ozark National reported 306 COVID-19 death claims totaling to net claim amount of $6.9 million. The COVID-19 claim activity is included in the claim disclosures made in the preceding paragraph.

Life and other policy benefits also includes policy liabilities held associated with the Company's traditional life products, including riders such as the guaranteed minimum withdrawal benefit rider ("WBR"), a popular rider to National Western's equity-indexed annuity products. The increases in these liabilities for National Western were $31.2 million, $46.5 million, and $10.7 million in 2022, 2021, and 2020, respectively. In each of these years, National Western unlocked assumptions pertaining to life and other policy benefits, including WBR, the effect of which were to increase/(decrease) the policy benefit liability by $(5.4) million, $27.4 million, and $(11.9) million in 2022, 2021, and 2020, respectively. The 2020 adjustment included an unlocking amount pertaining to mortality experience on payout annuities with life contingencies of $(3.3) million.

Life and other policy benefits in the years ended December 31, 2022, 2021, and 2020 includes changes in traditional life reserves and miscellaneous benefit payments associated with Ozark National's operations of $29.7 million, $29.5 million, and $30.7 million, respectively, reflecting normal business conditions.

Amortization of deferred transaction costs - Life insurance companies are required to defer certain expenses that vary with, and are directly related to, the cost of acquiring new business. The majority of these acquisition expenses consist of commissions paid to agents, underwriting costs, and certain marketing expenses. Recognition of these deferred policy acquisition costs ("DPAC") as an expense in the Consolidated Financial Statements occurs over future periods in relation to the expected emergence of profits priced into the products sold. This emergence of profits is based upon assumptions regarding premium payment patterns, mortality, persistency, investment performance, and expense patterns. Companies are required to review universal life and annuity contract assumptions periodically to ascertain whether actual experience has deviated significantly from that assumed. If it is determined that a significant deviation has occurred, the emergence of profits pattern is to be "unlocked" and reset based upon actual experience. DPAC balances are also adjusted each period to reflect current policy lapse or termination rates, expense levels and credited rates on policies as compared to anticipated experience ("true-up") with the adjustment reflected in current period amortization expense. In accordance with GAAP guidance, the Company must also write-off deferred acquisition costs and unearned revenue liabilities upon internal replacement of certain contracts as well as annuitizations of deferred annuities.

The following table identifies the effects of unlocking adjustments on DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2022, 2021, and 2020.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Amortization of DPAC:			
Unlocking adjustments	$ 559	(36,510)	22,358
Other amortization components	101,477	84,349	107,917
Totals	$ 102,036	47,839	130,275

The amortization amounts for the years ended December 31, 2022, 2021, and 2020 were comprised of DPAC amortization by National Western of $101.2 million, $47.2 million, and $129.7 million, respectively, and by Ozark National of $0.8 million, $0.6 million, and $0.6 million, respectively. Ozark National's deferred policy acquisition cost balance was initiated February 1, 2019 following its acquisition by National Western. Amortization expense for National Western for the years ended December 31, 2022 and 2021 was reduced by $4.4 million and $6.2 million, respectively, for amounts pertaining to policies ceded under the funds withheld reinsurance agreements. Ceded amounts pertaining to policies associated with the Prosperity reinsurance agreement decline over time with the runoff of the closed block of policies.

In 2022, the Company unlocked its DPAC balances for: (1) mortality rates, lapse rates, portfolio yield rates and spreads, which collectively decreased DPAC balances (and increased amortization expense) on its Life segment by $0.4 million; and (2) surrender rates, annuitization rates, portfolio yield rates and spreads, which collectively decreased DPAC balances (and increased amortization expense) on its Annuity segment by $0.2 million.

In 2021, the Company unlocked its DPAC balances for: (1) mortality rates, lapse rates, portfolio yield rates and spreads, and increased cost of insurance ("COI") charges on International universal life products inforce which collectively increased DPAC balances (and decreased amortization expense) on its Life segment by $33.3 million; and (2) surrender rates, annuitization rates, portfolio yield rates and spreads, mortality experience on payout annuities, and utilization of the Company's withdrawal benefit rider which collectively increased DPAC balances (and decreased amortization expense) on its Annuity segment by $3.2 million. The unlocking for International universal life cost of insurance charges was principally responsible for the sizable DPAC adjustment.

In 2020, the Company unlocked its DPAC balances for: (1) mortality rates, lapse rates, portfolio yield rates and spreads, which collectively decreased DPAC balances (and increased amortization expense) on its Life segment by $7.4 million; and (2) surrender rates, annuitization rates, portfolio yield rates and spreads, mortality experience on payout annuities, and utilization of the Company's withdrawal benefit rider which collectively decreased DPAC balances (and increased amortization expense) on its Annuity segment by $15.0 million.

As the DPAC balance is an asset on the Company's Consolidated Balance Sheets, GAAP provides for an earned interest return on the unamortized balance each period. The earned interest serves to increase the DPAC balance and reduce other amortization component expense. The rate at which the DPAC balance earns interest is the average credited interest rate on the Company's universal life and annuity policies in force, including credited interest on equity-indexed policies. The amount of earned interest on DPAC balances was $12.9 million, $32.7 million, and $17.2 million in 2022, 2021, and 2020, respectively, decreasing other amortization component expense. The decreased interest amount in 2022 compared to 2021 reflects lower returns on equity-index products, particularly life insurance products.

As part of the purchase accounting required with the acquisition of Ozark National, the Company recorded an intangible asset of $180.9 million referred to as the value of business acquired ("VOBA"). VOBA represents the difference between the acquired assets and liabilities of Ozark National measured in accordance with the Company's accounting policies and the fair value of these same assets and liabilities. The VOBA balance sheet amount is amortized following a methodology similar to that used for amortizing deferred policy acquisition costs. In the years ended December 31, 2022, 2021, and 2020 the Company's VOBA amortization expense was $8.0 million, $8.5 million, and $10.2 million, respectively.

At December 31, 2020, the Company recorded as an asset on its Consolidated Balance Sheet a deferred Cost of Reinsurance ("COR") 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. For the years ended December 31, 2022 and 2021, COR amortization expense of $11.4 million and $13.2 million, respectively, is included in Amortization of deferred transaction costs.

Universal life and annuity contract interest - The Company closely monitors its credited interest rates on interest sensitive policies (National Western products), taking into consideration such factors as profitability goals, policyholder benefits, product marketability, and economic market conditions. As long-term interest rates change, the Company's credited interest rates are often adjusted accordingly, taking into consideration the factors described above. The difference between yields earned on investments over policy credited rates is often referred to as the "interest spread."

Contract interest reported in the financial statements also encompasses the performance of the index options associated with the Company's fixed-index products. As previously noted, the market value changes of these derivative features resulted in net realized and unrealized gains/(losses) in 2022, 2021, and 2020 of $(86.9) million, $120.7 million, and $14.8 million, respectively. In 2022, this figure was comprised of unrealized losses totaling $(85.1) million and realized losses of $(1.7) million. In 2021, this figure was comprised of unrealized losses totaling $(16.6) million offset by realized gains of $137.3 million. In 2020, the amount consisted of unrealized losses of $(9.7) million offset by realized gain of $24.5 million. These returns similarly increased/(decreased) the computed average credited rates for the periods shown above. Policyholders of equity-indexed products cannot receive an interest credit below 0% according to the policy contract terms.

Contract interest expense includes other items which increase or decrease reported contract interest. These other items include the amounts shown in the table below.

	December 31,		
	2022	2021	2020
		(In thousands)	
Contract Interest Expense:			
Gross reserve changes	$ 11,968	24,250	18,748
Ceded reserve changes under funds withheld	(17,933)	(26,429)	—
Unlocking adjustments, net	3,661	(14,547)	17,180
Asset management fees collected	—	(5,835)	(30,675)
Projected asset management fees	—	6,477	34,426
Other embedded derivative components	(5,093)	5,814	(5,188)
Totals	$ (7,397)	(10,270)	34,491

Contract interest expense includes gross reserve changes for immediate annuities, two tier annuities, excess death benefit reserves, excess annuitizations, and amortization of deferred sales inducement balances. These gross reserve items are offset by policy charges assessed for policies having the withdrawal benefit rider ("WBR"). As changes in these items collectively impact contract interest expense, financial statement interest spread is also affected. Netted against reserve changes in the years ended December 31, 2022, 2021, and 2020 are WBR assessed policy charges of $30.2 million, $28.2 million, and $24.8 million, respectively.

Beginning in 2021, some of these reserve changes are associated with funds withheld annuity policies and are ceded to the reinsurers. Accordingly, they are no longer reflected in the financial statements of the Company. Accordingly, contract interest expense is adjusted to remove these expense items which are shown in the above table for the years ended December 31, 2022 and 2021. In addition to these amounts, the Company also cedes the fixed interest credited on the funds withheld annuity policies. For the years ended December 31, 2022 and 2021, the fixed interest credited and ceded was $30.9 million and $29.8 million, respectively.

Generally, the impact of the market value change of index options on asset values aligns closely with the movement of the embedded derivative liability held for the Company's fixed-index products such that the net effect upon pretax earnings is negligible (i.e. net realized and unrealized gains/(losses) included in net investment income approximate the change in contract interest associated with the corresponding embedded derivative liability change). However, other aspects of the embedded derivatives can cause deviations to occur between the change in index option asset values included in net investment income and the change in the embedded derivative liability included in contract interest. As noted in the discussion of net investment income, the collection of asset management fees in a period can cause investment income to increase marginally higher than contract interest expense since these collected fees are deducted from indexed interest credited to policyholders. As shown in the table above, the collection of asset management fees are deductions from contract interest expense.

The Company's historical practice was to purchase options priced to incorporate an expected probability of collecting asset management fees (referred to as "at-the-money hedging"). With this practice accounting rules required the embedded derivative liability to include a projection of asset management fees estimated to be collected in the succeeding fiscal year. This projection was based upon the most recent performance of the reference equity index. Increases in projected asset management fees to be collected reduced contract interest expense while decreases in projected asset management fees to be collected increased contract interest expense. The Company converted to an "out-of-the-money" hedging practice during 2020 which eliminated the need to project collection of future asset management fees as part of the embedded derivative liability. This conversion occurred as the remaining inventory of annual at-the-money hedges completed its roll over to out-of-the-money hedges during 2021. Consequently, the embedded derivative liability component for projected asset management fees to be collected progressively diminished and was phased out as of the end of the 2021 second quarter. During the years ended December 31, 2022, 2021, and 2020, contract interest was increased/(decreased) by $0.0 million, $6.5 million, and $34.4 million, respectively, for the projected change in asset management fees to be collected. Refer to Note (3) *Derivative Investments* in the accompanying Notes to Consolidated Financial Statements in this report for further information.

Another contract interest expense component is the amortization of deferred sales inducements (included in Gross reserve changes above). Similar to deferred policy acquisition costs, the Company defers sales inducements in the form of first year credited interest bonuses on annuity products that are directly related to the production of new business. These bonus interest charges are deferred and amortized using the same methodology and assumptions used to amortize other capitalized acquisition costs and the amortization is included in contract interest. In addition, deferred sales inducement balances ("DSI") are also reviewed periodically to ascertain whether actual experience has deviated significantly from that assumed (unlocked) and are adjusted to reflect current policy lapse or termination rates, expense levels and credited rates on policies compared to anticipated experience (true-up). These unlocking adjustments, plus or minus, are included in contract interest expense. As previously discussed in the amortization of deferred policy acquisition costs section, the Company unlocked its assumptions for the annuity line of business including the DSI balance. The effect of these prospective unlockings was to increase/(decrease) the DSI balance by $0.1 million, $1.0 million, and $(4.4) million in the years ended December 31, 2022, 2021, and 2020, respectively. These amounts are included in the previous table in the Unlocking adjustments line.

These unlocking adjustments also changed assumptions effecting the excess benefit reserve held on universal life policies. The impact of these unlockings was to increase excess benefits reserves by $3.8 million in the year ended December 31, 2022, and to decrease excess benefits reserves by $13.6 million in the year ended December 31, 2021.

Other operating expenses - Other operating expenses consist of general administrative expenses, licenses and fees, commissions not subject to deferral, real estate expenses, brokerage expenses, compensation costs, and reinsurance ceded commission expense. These are summarized in the table that follows.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
General administrative expenses	$ 55,648	51,317	42,688
Compensation expenses	46,922	40,178	30,372
Commission expenses	9,438	10,810	11,159
Real estate expenses	6,193	5,947	5,598
Brokerage expenses (NIS)	5,635	6,123	5,085
Reinsurance ceded commission expense	3	12	—
Taxes, licenses and fees	11,978	12,225	9,682
Totals	$ 135,817	126,612	104,584

General administrative expenses include software amortization of previously capitalized information technology (IT) expenditures including National Western's proprietary policy administration systems. Software costs, including amortization expense, for 2022, 2021, and 2020 were $15.1 million, $13.8 million, and $12.6 million, respectively. Other IT expenditures include consulting costs for system implementations, assistance with analysis involving a security incident experienced by National Western in 2021, and contractor resources to fill IT staffing shortages. These amounts in the years ended December 31, 2022, 2021, and 2020 were $25.7 million, $17.5 million, and $10.4 million, respectively. General administrative expenses also include payments and provisions made relating to potential or contingent legal liabilities and legal fees. Expenses in this category were $0.8 million, $6.0 million, and $2.8 million in 2022, 2021, and 2020, respectively. The 2021 amount includes $4.4 million accrued for potential settlement of a class action lawsuit pertaining to the IT security incident experienced by National Western. General administrative expenses in the years ended December 31, 2022, 2021, and 2020 include Ozark National expenses in the amount of $3.8 million, $4.3 million, and $4.4 million, respectively.

Compensation expenses include share-based compensation costs related to outstanding vested and nonvested stock appreciation rights ("SARs"), restricted stock units ("RSUs"), and performance share units ("PSUs"). The related share-based compensation costs move in tandem not only with the number of awards outstanding but also with the movement in the market price of the Company's Class A Common Stock as a result of marking the SARs, RSUs, and PSUs to fair value under the liability method of accounting. Consequently, the related expense amount varies positive or negative in any given period. In the amounts shown above, share-based compensation expense totaled $15.2 million in 2022, $5.8 million in 2021, and $(2.2) million in 2020. The sizable increase in expense in 2022 from the 2021 amount reflects an increase in the Company's Class A Common Stock share price to $281.00 at December 31, 2022 from $214.44 at December 31, 2021. The negative expense level in 2020 is primarily the result of a decrease in the Company's Class A Common Stock share price to $206.44 at December 31, 2020 from $290.88 at December 31, 2019. In addition to the changes in price of the Company's Class A Common Stock, there were 113,127, 64,157, and 40,990 SARs granted to officers in 2022, 2021, and 2020, respectively. Refer to Note (12) *Stockholders' Equity* in the accompanying Notes to Consolidated Financial Statements of this report for a discussion of performance share awards.

Commission expenses in 2022, 2021, and 2020 include Ozark National non-deferrable commissions of $3.2 million, $3.0 million, and $3.1 million, respectively.

Real estate expenses pertain to the commercial building operated by Braker P III, LLC. The trend of increasing levels of operating expenses reflects the movement to full occupancy during these periods and associated operating expenses as well as scheduled building maintenance and repair.

Taxes, licenses and fees include premium taxes and licensing fees paid to state insurance departments, guaranty fund assessments, the company portion of Social Security and Medicare taxes, real estate taxes, state income taxes, and other state and municipal taxes. Ozark National taxes, licenses and fees were $2.5 million in 2022, $2.5 million in 2021, and $2.3 million in 2020. Taxes, licenses and fees in 2021 were reduced by $1.2 million for the release of a tax liability accrual. Taxes, licenses and fees also include National Western premium tax expenses of $4.7 million in 2022 compared to $7.4 million in 2021 which reflects the increased retaliatory tax burden on National Western imposed by a change in Colorado laws with respect to premium taxes in 2021. The State of Colorado, National Western's domiciliary state, enacted a premium tax on non-qualified annuities retroactive to January 1, 2021. While the impact upon premiums taxes in the State of Colorado was not significant, the Colorado law increased the Company's retaliatory premium tax burden with other states by $3.5 million in 2021.

Segment Operations

Summary of Segment Earnings

A summary of segment earnings from continuing operations for the years ended December 31, 2022, 2021, and 2020 is provided below. The segment earnings exclude realized gains and losses on investments, net of taxes.

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
			(In thousands)			
Segment earnings (loss):						
2022	$ 1,030	17,002	41,771	18,176	18,144	96,123
2021	2,548	51,420	81,868	14,550	18,485	168,871
2020	1,499	51,609	(9,308)	14,036	17,830	75,666

Domestic Life Insurance Operations

A comparative analysis of results of operations for the Company's domestic life insurance segment is detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Premiums and other revenues:			
Premiums and contract revenues	$ 59,379	51,294	53,834
Net investment income	17,671	90,006	54,516
Other revenues	93	105	58
Total premiums and other revenues	77,143	141,405	108,408
Benefits and expenses:			
Life and other policy benefits	25,090	24,416	18,471
Amortization of deferred transaction costs	18,968	9,580	17,661
Universal life insurance contract interest	758	77,246	44,782
Other operating expenses	31,046	26,959	25,730
Total benefits and expenses	75,862	138,201	106,644
Segment earnings before Federal income taxes	1,281	3,204	1,764
Provision for Federal income taxes	251	656	265
Segment earnings	$ 1,030	2,548	1,499

Revenues from domestic life insurance operations include life insurance premiums on traditional type products and contract revenues from universal life insurance. Revenues from traditional products are simply premiums collected, while revenues from universal life insurance consist of policy charges for the cost of insurance, policy administration fees, and surrender charges assessed during the period. A comparative detail of premiums and contract revenues is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Universal life insurance revenues	$ 68,548	58,637	60,664
Traditional life insurance premiums	4,429	4,620	4,349
Reinsurance premiums	(13,598)	(11,963)	(11,179)
Totals	$ 59,379	51,294	53,834

Universal life insurance revenues are predominantly earned based upon the amount of life insurance policies that are in force. National Western's pace of new policies issued has lagged the number of policies terminated from death or surrender causing a declining level of policies in force from which contract revenue is received. Consequently, the number of domestic life insurance policies in force has declined from 46,940 at December 31, 2020 to 46,060 at December 31, 2021 and to 44,560 at December 31, 2022. Policy lapse rates in 2022 were 5.90% compared with the 6.00% rate experienced in 2021 and 2020. While policy counts have declined, the face amount of life insurance in force has stabilized ranging from $3.5 billion at December 31, 2020 to $3.7 billion at December 31, 2021 and to $3.6 billion at December 31, 2022.

Universal life insurance revenues are also generated with the issuance of new business based upon amounts per application and percentages of the face amount (volume) of insurance issued. The number of domestic policies issued during 2022 decreased 38% from that in 2021 and the volume of insurance issued similarly decreased 38% from that in 2021.

Universal life insurance revenues also include surrender charge income realized on terminating policies and, in the case of domestic universal life, amortization into income of the premium load on single premium policies which is deferred. Amounts deferred are amortized into revenues over future periods corresponding with the duration of the policies. The net premium load amortization was $11.9 million, $4.3 million, and $11.4 million in 2022, 2021, and 2020, respectively. The net amortization amount in 2020 includes $5.9 million from the Company's annual unlocking of actuarial assumptions.

Premiums collected on universal life products are not reflected as revenues in the Company's Consolidated Statements of Earnings in accordance with GAAP. Actual domestic universal life premiums collected are detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Universal life insurance:			
First year and single premiums	$ 126,423	203,329	194,520
Renewal premiums	16,369	16,870	17,905
Totals	$ 142,792	220,199	212,425

Domestic life insurance sales for some time have consisted substantially of single premium policies which do not have much in the way of recurring premium payments. These products utilize wealth transfer strategies involving the movement of accumulated wealth in alternative investment vehicles, including annuities, into life insurance products. As a result, renewal premium levels have not been exhibiting an increase.

Net investment income for this segment of business, excluding derivative gain/(loss), has been gradually increasing due to the new business activity described above (single premium policies) and a higher level of investments needed to support the corresponding growth in policy obligations, especially those for single premium policies. The increase in net investment income has been partially muted by lower investment yields from debt security investment purchases during this time frame. Net investment income also includes the gains and losses on index options purchased to back the index crediting mechanism on fixed-index universal life products. A detail of net investment income for domestic life insurance operations is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Net investment income (excluding index option derivatives)	$ 55,888	51,733	47,380
Index option derivative gain (loss)	(38,217)	38,273	7,136
Net investment income	$ 17,671	90,006	54,516
Universal life insurance contract interest	$ 758	77,246	44,782

Life and policy benefits for a smaller block of business are subject to variation from period to period. Claim count activity during 2022 decreased 8% compared to 2021 while the average net claim amount increased to $42,000 from $37,700. In 2022, National Western's domestic life insurance segment incurred 73 COVID-19 claims with a net benefit amount (after reinsurance) of $3.4 million. In 2021, there were 129 COVID-19 claims reported with a net benefit amount of $4.5 million. In 2020, National Western's domestic life insurance segment incurred 70 COVID-19 claims with a net benefit amount of $2.4 million. The low face amount per domestic life claim relative to the current issued amounts of insurance per policy reflects the older block of domestic life insurance policies sold which were final expense type products (i.e. purchased to cover funeral costs). The overall mortality experience for this segment has been consistent with pricing assumptions.

Included in amortization of deferred transaction costs is DPAC amortization. As noted previously in the discussion of results from Consolidated Operations, the Company records true-up adjustments to DPAC balances each period to reflect current policy lapse or termination rates, expense levels and credited rates on policies as compared to anticipated experience with the adjustment reflected in current period amortization expense. To the extent required, unlocking adjustments may also be recorded to DPAC balances. The following table identifies the effects of unlocking adjustments on domestic life insurance DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2022, 2021, and 2020.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Amortization of DPAC:			
Unlocking adjustments	$ 1,166	495	7,391
Other amortization components	17,802	9,085	10,270
Totals	$ 18,968	9,580	17,661

DPAC balances were unlocked for this segment in each of the years shown for mortality, lapse rates, and portfolio yield (interest spread) increasing amortization expense by $1.2 million, $0.5 million, and $7.4 million in 2022, 2021, and 2020, respectively.

In the Consolidated Operations discussion of amortization of deferred acquisition costs it was noted that interest earned on DPAC balances serves to offset (decrease) amortization expense and that the interest rate used is the crediting rate experience during the period. The increase in the core amortization expense in 2022 relative to 2021 and 2020 primarily reflects lower interest earned on universal life DPAC balances due to decreased realized gains from index options. Credited interest rates on universal life policies during 2022 averaged a little more than 3% compared to nearly 8% in 2021.

Contract interest expense includes the fluctuations that are the result of the effect upon the embedded derivative for the performance of the underlying equity indices associated with fixed-indexed universal life products. For liability purposes, the embedded option in the Company's policyholder obligations for this feature is bifurcated and reserved for separately. Accordingly, the impact for the embedded derivative component in the equity-index universal life product is reflected in contract interest expense for approximately the same amounts as in net investment income for each respective period.

Contract interest also includes certain policy reserve balance changes which are also subject to unlocking adjustments in conjunction with DPAC. As part of the unlockings discussed above, the Company increased its domestic life insurance excess benefit reserve balance by $3.8 million, $0.5 million, and $1.4 million in 2022, 2021, and 2020, respectively (increasing contract interest expense).

Operating expenses are allocated to lines of business based upon a functional cost analysis of the business activity giving rise to incurred expenses. With the Company's decision in 2018 to cease accepting applications from foreign nationals outside the U.S. and the lower level of annuity sales, a higher proportion of operating expenses were allocated to the Domestic Life segment in 2022 as compared to 2021 and 2020 given its greater share of the overall operational resources.

International Life Insurance Operations

A comparative analysis of results of operations for the Company's international life insurance segment is detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Premiums and other revenues:			
Premiums and contract revenues	$ 76,115	79,085	88,167
Net investment income	1,681	52,227	27,273
Other revenues	71	95	67
Total premiums and other revenue	77,867	131,407	115,507
Benefits and expenses:			
Life and other policy benefits	20,777	26,481	14,084
Amortization of deferred transaction costs	19,643	(11,118)	24,929
Universal life insurance contract interest	(3,840)	31,696	(2,087)
Other operating expenses	20,146	19,679	17,829
Total benefits and expenses	56,726	66,738	54,755
Segment earnings before Federal income taxes	21,141	64,669	60,752
Provision for Federal income taxes	4,139	13,249	9,143
Segment earnings	$ 17,002	51,420	51,609

As with Domestic Life operations, revenues from the International Life insurance segment include both premiums on traditional type products and contract revenues from universal life insurance. A comparative detail of premiums and contract revenues is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Universal life insurance revenues	$ 75,158	77,225	85,185
Traditional life insurance premiums	7,395	8,314	9,272
Reinsurance premiums	(6,438)	(6,454)	(6,290)
Totals	$ 76,115	79,085	88,167

Universal life revenues and operating earnings are largely generated from the amount of life insurance in force. Over the past three years, the volume of insurance in force for this segment has contracted from $12.4 billion at December 31, 2020 to $11.3 billion at December 31, 2021 and to $10.3 billion at December 31, 2022. The decline in volume of in force reflects the decision in 2018 to cease accepting international policy applications from foreign nationals outside of the U.S. Consequently, the international life insurance block of business is a closed book that is expected to run off over a number of years. Partially offsetting the decline in the number of policies in force from which contract revenues are earned is an increase in cost of insurance charges on international universal life policies which was implemented toward the end of 2021.

Another component of international universal life revenues includes surrender charges assessed upon surrender of contracts by policyholders. In addition to termination rates trending lower, the resulting surrender charge fee revenue has been less due to policy contract provisions which provide for lower surrender charge fees to be assessed later in the contract term. The following table illustrates National Western's recent international life termination experience.

Volume In Force Terminations	Amount in $'s	Annualized Termination Rate
	(In millions)	
Year Ended December 31, 2022	$ 1,018.8	9.0 %
Year Ended December 31, 2021	1,080.1	8.7 %
Year Ended December 31, 2020	1,295.2	9.5 %
Year Ended December 31, 2019	1,671.5	10.9 %
Year Ended December 31, 2018	1,706.3	10.0 %

As noted previously, premiums collected on universal life products are not reflected as revenues in the Company's Consolidated Statements of Earnings in accordance with GAAP. Actual international universal life premiums collected are detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Universal life insurance:			
First year and single premiums	$ —	—	—
Renewal premiums	45,075	50,518	55,383
Totals	$ 45,075	50,518	55,383

National Western’s most popular international products were its fixed-index universal life products in which the policyholder could elect to have the interest rate credited to their policy account values linked in part to the performance of an outside equity index. These products issued were not generally available in the local markets when sold. Included in the totals in the above table are collected premiums for fixed-index universal life products of approximately $25.7 million, $28.9 million, and $32.4 million for the years ended 2022, 2021, and 2020, respectively. The declining trend in renewal premiums during these periods corresponds with the decline in policies in force due to the elimination of new sales and the termination activity as discussed above.

As previously noted, net investment income and contract interest include period-to-period changes in fair values pertaining to call options purchased to hedge the interest crediting feature on the fixed-index universal life products. With the relatively large size of the fixed-index universal life block of business, the period-to-period changes in fair values of the underlying options have a significant effect on net investment income and universal life contract interest. A detail of net investment income (loss) for international life insurance operations is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Net investment income (excluding index option derivatives)	$ 21,141	22,866	26,938
Index option derivative gain (loss)	(19,460)	29,361	335
Net investment income (loss)	$ 1,681	52,227	27,273
Universal life insurance contract interest	$ (3,840)	31,696	(2,087)

The gain or loss on index options follows the movement of the reference indices with realized gains or losses being recognized on the anniversary of each index option based upon the reference indices level at the expiration date relative to the index level at the time the index option was purchased. Unrealized gains and losses are recorded for index options outstanding based upon their fair values, largely determined by the reference indices level, at the balance sheet reporting date as compared to the original purchase cost of each respective option.

Life and policy benefits primarily consist of death claims on policies. National Western’s clientele for international products are generally wealthy individuals with access to U.S. dollars and quality medical care. Consequently, the amounts of coverage purchased historically tended to be larger amounts. Life and policy benefit expense for the international life segment reflects the larger policies historically purchased, however mortality due to natural causes is comparable to that in the United States. The Company's maximum risk exposure per insured life is capped at $500,000 through reinsurance. The average international life net claim amount (after reinsurance) in 2022 increased to $261,400 from $202,900 while the number of claims incurred decreased 34% from the amount incurred in 2021. Included in International Life death claims for 2022 were 16 with a cause of death identified as COVID-19 which totaled to a net claim amount of $2.4 million. In 2021 there were 72 reported COVID-19 death claims which aggregated to $19.0 million in net claims. Included in International Life death claims for 2020 were 18 with a cause of death identified as COVID-19 which aggregated to $2.7 million in net claims.

Included in amortization of deferred transaction costs is DPAC amortization. The Company records true-up adjustments to DPAC balances each period to reflect current policy lapse or termination rates, expense levels, and credited rates on policies as compared to anticipated experience as well as unlocking adjustments as necessary. The following table identifies the effects of unlocking adjustments on international life insurance DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2022, 2021, and 2020.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Amortization of DPAC:			
Unlocking adjustments	$ (763)	(33,800)	(20)
Other amortization components	20,406	22,682	24,949
Totals	$ 19,643	(11,118)	24,929

In 2022, the Company unlocked DPAC balances associated with its International Life segment for assumptions pertaining to lapse rates, mortality, and investment yields.

In 2021, the Company unlocked DPAC for lapse rates, mortality, investment portfolio yields and cost of insurance ("COI") charge increases. The effect of the prospective unlocking, particularly for the COI charge increases, was to decrease amortization expense by $33.8 million due to DPAC amortization being pushed out into future years to match the higher revenues from the prospective COI charge increases.

In 2020, the Company unlocked DPAC balances for lapse rates, mortality, and investment spread. While this unlocking had a relatively small impact on the International Life segment DPAC balance, a substantially larger effect was recorded in benefit reserves the change of which is reflected in contract interest expense as discussed below.

Contract interest expense includes the fluctuations that are the result of the effect upon the embedded derivative for the performance of the underlying equity indices associated with fixed-indexed universal life products. For liability purposes, the embedded option in the Company's policyholder obligations for this feature is bifurcated and reserved for separately. Accordingly, the impact for the embedded derivative component in the equity-index universal life product is reflected in contract interest expense for approximately the same amounts as the purchased call options are reported in net investment income for each respective period. Amounts realized on purchase call options generally approximate the amounts credited to policyholders.

As part of the mortality unlocking analysis done in 2021, the Company decreased its excess death benefit reserves by $14.1 million for favorable experience. The reduction in reserve was reported as an offset to contract interest expense. In 2020, the Company's excess benefit reserve was also unlocked resulting in a decrease in the amount of $22.8 million which served to decrease contract interest expense by a like amount. In 2022, the excess death benefit was also unlocked with negligible effect on the reserve and contract interest expense.

Annuity Operations

A comparative analysis of results of operations for the Company's annuity segment is detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Premiums and other revenues:			
Premiums and contract revenues	$ 15,353	16,809	17,025
Net investment income	229,324	368,234	290,576
Other revenues	6,777	5,374	43
Total premiums and other revenues	251,454	390,417	307,644
Benefits and expenses:			
Life and other policy benefits	48,029	67,515	31,043
Amortization of deferred transaction costs	73,926	61,881	87,133
Annuity contract interest	18,760	104,242	163,555
Other operating expenses	58,799	53,817	36,870
Total benefits and expenses	199,514	287,455	318,601
Segment earnings (loss) before Federal income taxes	51,940	102,962	(10,957)
Provision (benefit) for Federal income taxes	10,169	21,094	(1,649)
Segment earnings (loss)	$ 41,771	81,868	(9,308)

Premiums and contract charges primarily consist of surrender charge income recognized on terminated policies. The amount of the surrender charge income recognized is determined by the volume of surrendered contracts as well as the duration of each contract at the time of surrender given the pattern of declining surrender charge rates over time that is common to most annuity contracts. The Company's lapse rate for annuity contracts during 2022 was 8.2%, a decrease from a rate of 8.6% in 2021 and consistent with the 8.1% rate experienced in 2020. These lapse rates are elevated compared to historical averages which ranged between 6% and 7%. The COVID-19 pandemic crisis along with subsequent increases in inflation levels have prompted consumers to fortify their liquidity positions. This has manifested by consumers accessing funds available from their policies through increased withdrawal and surrender activity. In addition, annuity contracts with fixed interest rates are more prone to terminate as contracts approach the end of their surrender charge period and in periods of rising interest rates.

Deposits collected on annuity contracts are not reflected as revenues in the Company's Consolidated Statements of Earnings in accordance with GAAP. Actual annuity deposits collected are detailed below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Fixed-index annuities	$ 216,784	425,734	330,899
Other deferred annuities	1,575	3,727	7,355
Immediate annuities	7,677	32,488	20,627
Totals	$ 226,036	461,949	358,881

Fixed-index products are more attractive for consumers when interest rate levels remain low and equity markets produce positive returns. Since National Western does not offer variable products or mutual funds, fixed-index products provide an important alternative to the Company's existing fixed interest rate annuity products. Fixed-index annuity deposits as a percentage of total annuity deposits were 96%, 92%, and 92% for the years ended December 31, 2022, 2021, and 2020, respectively. The percentage of fixed-index products to total annuity sales reflects the low interest rate environment and the overall positive performance in the equities market.

Some of the Company's deferred products, including fixed-index annuity products, contain a first year interest bonus, in addition to the base first year interest rate, which is credited to the account balance when premiums are applied. These sales inducements are deferred in conjunction with other capitalized policy acquisition costs. The amounts currently deferred to be amortized over future periods amounted to approximately $4.0 million, $18.1 million, and $10.3 million for the years ended December 31, 2022, 2021, and 2020, respectively. Amortization of deferred sales inducements is included as a component of annuity contract interest as described later in this discussion of Annuity Operations.

A detail of net investment income for annuity operations is provided below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Net investment income (excluding derivatives and trading securities)	$ 223,218	219,094	283,293
Index option derivative gain (loss)	(29,189)	53,084	7,283
Embedded derivative liability decrease	250,230	84,725	—
Trading securities market adjustment	(214,935)	11,331	—
Net investment income	$ 229,324	368,234	290,576

As noted in the Consolidated Operations discussion, the Company ceded net investment income of $67.2 million and $55.1 million to the reinsurers under the funds withheld reinsurance agreements in 2022 and 2021, respectively. This amount consisted entirely of net investment income from investments supporting the annuities ceded under the agreements.

As seen in the above table, net investment income also includes the derivative gains and losses on index options purchased to back the index crediting mechanism on fixed-index products. The derivative gain or loss on index options follows the movement of the reference indices with realized gains and losses being recognized on the anniversary of each index option based upon the reference indices at the expiration date relative to the index level at the time the index option was purchased. Unrealized gains and losses are recorded for index options outstanding based upon their fair value, largely determined by the reference indices level, at the balance sheet reporting date as compared to the original purchase cost of each respective option.

Since the embedded derivative option in the policies is bifurcated when determining the contract reserve liability, the impact of the market value change of index options on asset values generally aligns closely with the movement of the embedded derivative liability such that the net effect upon pretax earnings is negligible (i.e. net realized and unrealized gains/(losses) included in net investment income approximate the change in contract interest associated with the corresponding embedded derivative liability change). See further discussion below regarding contract interest activity.

The funds withheld reinsurance agreement with Prosperity executed December 31, 2020 introduced embedded derivative accounting with respect to the annuity policyholder obligations reinsured. The second funds withheld reinsurance agreement executed with Aspida during 2022 follows the same embedded derivative accounting. During the year ended December 31, 2022, the embedded derivative liability, which is linked with the fair value amounts of the associated funds withheld investments, declined $250.2 million. The decline in the embedded derivative liability is reported as a component of net investment income. The funds withheld assets classified as trading securities incurred a fair value adjustment of ($214.9) million during 2022 which is similarly recorded in net investment income. Consequently, the net of these two amounts, or $35.3 million, increased net investment income. During the year ended December 31, 2021, the embedded derivative liability decreased $84.7 million which was recorded as a component of investment income. Debt securities supporting the funds withheld policyholder obligations classified as trading securities incurred an $11.3 million market value increase in the year ended December 31, 2021 which was also recorded as a component of net investment income. The total of these two amounts, or $96.0 million, increased 2021 net investment income for the Annuity segment.

Other revenues in the years ended December 31, 2022 and 2021, include maintenance expense allowances, ceding commissions and certain policy acquisition allowances under the terms of the funds withheld reinsurance contracts. Amounts earned and included as Other revenues were $5.2 million and $5.3 million in 2022 and 2021, respectively.

Life and other policy benefits for the Annuity segment include the effects of the annual prospective unlocking exercise performed by the Company. In 2022, the Company unlocked updating surrender and annuitization assumptions the effect of which was to increase excess annuitization, excess death benefit and guaranteed minimum withdrawal benefit ("GMWB") reserves by $5.4 million, net of amounts ceded to reinsurers under the funds withheld reinsurance agreements, which increased Life and other policy benefits.

In 2021, the Company unlocked updating assumptions for the ultimate election rates associated with GMWB riders on its annuity contracts, GMWB utilization rates in certain durations, and portfolio yield rates supporting this business. The effect of the prospective unlocking was to increase the GMWB reserve by $27.4 million which increased Life and other policy benefits.

Life and other policy benefits for the Annuity segment in 2020 also included the Company unlocking and updating assumptions for the ultimate election rates associated with GMWB riders on its annuity contracts. The effect of the prospective unlocking was to reduce the GMWB reserve by $8.5 million which reduced Life and other policy benefits. The Company also unlocked for the mortality assumption associated with its payout annuity business. The effect of the prospective unlocking was to accelerate the deferred profit liability for this business by $3.3 million which also reduced Life and other policy benefits. Combined, the two unlockings decreased Life and other policy benefits by $11.8 million in 2020.

Included in amortization of deferred transaction costs is DPAC amortization. Consistent with the domestic and international life segments, the Company records true-up adjustments to DPAC balances each period to reflect current policy lapse or termination rates, expense levels and credited rates on policies as compared to anticipated experience as well as unlocking adjustments as necessary. The following table identifies the effects of unlocking adjustments on annuity DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2022, 2021, and 2020.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Amortization of deferred transaction costs:			
Unlocking adjustments	$ 156	(3,205)	14,987
DPAC amortization expense	62,413	51,932	72,146
Cost of reinsurance amortization expense	11,357	13,154	—
Totals	$ 73,926	61,881	87,133

In 2022 and 2021, the Company unlocked Annuity segment DPAC balances for assumptions pertaining to lapse rates, annuitization rates, portfolio investment yield rates supporting the block of business, and expenses. The effect of the prospective unlocking was to increase/(decrease) DPAC balances by $(0.2) million and $3.2 million, respectively. Increases in DPAC balances decrease amortization expense while decreases in DPAC balances increase current amortization expense.

In 2020, the Company unlocked Annuity segment DPAC balances for assumptions pertaining to lapse rates, annuitization rates, and portfolio investment yield rates supporting the block of business which increased amortization expense approximately $15.0 million.

Core DPAC amortization is reduced by two different factors. First, DPAC amortization that pertains to annuity policies covered by the funds withheld reinsurance treaties is ceded to the reinsurers. In the years ended December 31, 2022 and 2021, core DPAC amortization was reduced by $4.4 million and $6.2 million, respectively, for ceded DPAC amortization. Second, core DPAC amortization is reduced by interest earned on DPAC balances based upon rates credited to the policies. In the years ended December 31, 2022, 2021, and 2020, Annuity DPAC amortization expense was reduced by $2.4 million, $8.9 million, and $4.4 million for DPAC interest earned.

Amortization of deferred transaction costs includes amortization of the cost of reinsurance amount recorded at December 31, 2020 associated with the funds withheld reinsurance agreement with Prosperity. At 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 funds withheld agreement (debt securities, policy loans, and cash) in excess of the GAAP liability ceded plus a $48 million ceding commission paid to the reinsurer. The COR balance is amortized commensurate with the runoff of the ceded block of funds withheld business. In the years ended December 31, 2022 and 2021, COR amortization expense of $11.4 million and $13.2 million, respectively, is included in Amortization of deferred transaction costs.

Annuity contract interest includes the equity component return associated with the call options purchased to hedge National Western's fixed-index annuities. The detail of fixed-index annuity contract interest as compared to contract interest for all other annuities is as follows:

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Fixed-indexed annuities	$ 6,148	108,878	65,785
All other annuities	2,620	(281)	85,307
Gross contract interest	8,768	108,597	151,092
Bonus interest deferred and capitalized	(4,040)	(18,117)	(10,344)
Bonus interest amortization	14,032	13,762	22,807
Total contract interest	$ 18,760	104,242	163,555

The fluctuation in reported contract interest amounts for fixed-index annuities is driven by sales levels, the level of the business in force, and the effect of positive or negative market returns of option values on projected interest credits. As noted in the net investment income discussion, the amounts shown for contract interest for fixed-index annuities generally align with the derivative gains/(losses) included in net investment income due to the market change of index options aligning closely with the movement of the embedded derivative liability held for these products.

In the year ended December 31, 2020, in addition to the effects of the unlocking adjustments on Life and other policy benefits and amortization of DPAC expenses, the unlocking assumption changes impacted certain annuity benefit reserves. The Company unlocked the mortality assumption with regards to payout annuities (contracts paying systematic benefits), with the effect of the prospective unlocking increasing annuity benefit reserves by $22.8 million which increased contract interest expense by a like amount. For other deferred fixed rate annuities, 2020 unlocking assumption changes pertaining to lapse rates, annuitization rates and portfolio yields supporting the block of business increased annuitization and excess death benefit reserves by $11.3 million which similarly increased contract interest expense.

Under at-the-money option hedging, collection of asset management fees on positive returns of expiring options is subtracted from contract interest credited to policyholders. This offset serves to lessen the increase in contract interest expense relative to the option gains reported in the Company's net investment income. Asset management fees collected during 2022, 2021, and 2020 were $0.0 million, $5.8 million, and $30.7 million, respectively. As previously noted, the Company changed its option hedging methodology during 2020 to an "out-of-the-money" approach. During 2021, all outstanding options had been converted to this methodology which no longer hedges for the collection of asset management fees. Consequently, asset management fees collected during 2021 exhibited a decline and were eliminated entirely during 2022.

As previously noted, accounting rules required that the embedded derivative liability include a projection of asset management fees estimated to be collected in the succeeding fiscal year under the Company's previous practice of purchasing options at-the-money. This projection for the embedded derivative liability was based upon the recent performance of the reference equity index. Increases in projected asset management fees to be collected reduced contract interest expense while decreases in projected asset management fees to be collected increased contract interest. During the years ended December 31, 2022, 2021, and 2020, contract interest was increased by $0.0 million, $6.5 million, and $34.4 million, respectively, for this occurrence. With the Company changing to an out-of-the-money approach projections of collected asset management fees are no longer applicable.

Annuity contract interest includes true-up adjustments for the deferred sales inducement balance which are done each period similar to that done with respect to DPAC balances with the adjustment reflected in current period contract interest expense. To the extent required, the Company may also record unlocking adjustments to deferred sales inducement balances in conjunction with DPAC balance unlockings. In conjunction with the previously discussed unlocking adjustments, the Company unlocked its deferred sales inducement balance during the years ended December 31, 2022, 2021, and 2020 the effect of which was to increase/(decrease) bonus interest amortization by $(0.1) million, $(1.0) million, and $4.4 million, respectively.

ONL & Affiliates

Ozark National and NIS have been combined into a separate segment "ONL & Affiliates" 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). An analysis of results of operations for Ozark National and its affiliates is detailed below.

		2022	2021	2020
			(In thousands)	
Premiums and contract revenues:				
Premiums and contract charges	$	76,033	77,109	78,921
Net investment income		29,198	26,989	26,383
Other revenues		11,539	12,654	10,118
Total revenues		116,770	116,752	115,422
Benefits and expenses:				
Life and other policy benefits		65,574	69,165	67,739
Amortization of deferred transaction costs		8,861	9,118	10,780
Other operating expenses		19,579	20,244	18,454
Total benefits and expenses		94,014	98,527	96,973
Segment earnings before Federal income taxes		22,756	18,225	18,449
Provision for Federal income taxes		4,580	3,675	4,413
Segment earnings	$	18,176	14,550	14,036

Revenues from acquired businesses principally include life insurance premiums on traditional type products. Unlike universal life, revenues from traditional products are simply life premiums recognized as income over the premium-paying period of the related policies. The detail of premiums is provided below.

		2022	2021	2020
			(In thousands)	
Traditional life insurance premiums	$	78,411	79,450	81,222
Other insurance premiums and considerations		379	423	434
Reinsurance premiums		(2,757)	(2,764)	(2,735)
Totals	$	76,033	77,109	78,921

Ozark National's traditional life block of business at December 31, 2022 included 171,915 policies in force representing $5.7 billion of life insurance coverage. The repetitive pay nature of Ozark National's business promotes a higher level of persistency with an annualized lapse rate of 4.0% for the year ended December 31, 2022 consistent with the 4.0% rate experienced in 2021. Traditional life premiums by first year and renewal are detailed below.

	2022	2021	2020
		(In thousands)	
Traditional life insurance premiums:			
First year premiums	$ 3,922	3,419	3,943
Renewal premiums	74,489	76,031	77,279
Totals	$ 78,411	79,450	81,222

Other revenues consists primarily of brokerage revenue of NIS. Brokerage revenues of $11.4 million for 2022, $12.5 million for 2021, and $9.9 million for 2020 had associated brokerage expenses of $5.6 million, $6.1 million, and $5.1 million, respectively, which are included in Other operating expenses.

The average face value of Ozark National's policies in force at December 31, 2022 was approximately $33,300. Consequently, life and policy benefits for smaller face amounts are subject to variation from quarter to quarter. Incurred death claims in 2022 were $35.9 million representing an average net claim of $15,100. Incurred death claims in 2021 were $39.6 million representing an average net claim of $15,400. 2020 incurred death claims were $37.0 million representing an average net claim of $14,800. Included in 2022 death claims were 126 reported claims with a cause of death identified as COVID-19 which aggregated to $2.9 million in net claims. Included in 2021 death claims were 306 claims with a reported cause of death identified as COVID-19 which aggregated to $6.9 million in net claims. Ozark National's maximum retention on any single insured life is $200,000 with limited exceptions related to the conversion of child protection and guaranteed insurability riders. The balance of life and policy benefits during 2022, 2021, and 2020 consists of increases in insurance reserves and payments of other policy benefits.

Amortization of deferred transaction costs for this segment includes amortization of DPAC and the value of business acquired. As part of the purchase accounting required with the acquisition of Ozark National, the Company recorded an intangible asset of $180.9 million referred to as the value of business acquired ("VOBA"). VOBA represents the difference between the acquired assets and liabilities of Ozark National measured in accordance with the Company's accounting policies and the fair value of these same assets and liabilities. The VOBA balance sheet amount is amortized following a methodology similar to that used for amortizing deferred policy acquisition costs.

Ozark National defers policy acquisition costs and amortizes these deferrals similar to the methodology employed by National Western. The following table identifies the amortization expense of Ozark National's DPAC and VOBA for the years shown.

	2022	2021	2020
		(In thousands)	
Amortization of deferred transaction costs:			
Unlocking	$ —	—	—
VOBA amortization expense	8,005	8,468	10,228
DPAC amortization expense	856	650	552
Totals	$ 8,861	9,118	10,780

Other Operations

The Company's primary business encompasses its domestic and international life insurance operations, its annuity operations, and ONL & Affiliates. However, the Company also has real estate and other investment operations through its wholly owned subsidiaries.

Pre-tax operating amounts include the results of BP III, the entity owning and operating the Company's home office facility in Austin, Texas. BP III incurred pre-tax gains/(losses) of $2.0 million, $(0.8) million, and $(0.9) million in 2022, 2021, and 2020, respectively. The gain in 2022 includes the collection of $3.8 million for an early termination of a tenant lease. National Western maintains its home office in the facility leasing approximately 38% of the space available. Lease and operating expense payments made by National Western to BP III have been eliminated in consolidation.

The remaining pre-tax earnings in Other Operations of $20.6 million, $24.2 million, and $22.6 million for the years ended December 31, 2022, 2021, and 2020, respectively, includes investment income from real estate, municipal bonds, and common and preferred equities held in subsidiary company portfolios principally for tax-advantage purposes. Included in these amounts are semi-annual distributions from a life interest in the Libbie Shearn Moody Trust which is held in NWLSM, Inc. Pretax distributions from this trust were $6.0 million, $5.7 million, and $5.3 million in 2022, 2021, and 2020, respectively. In addition, the Company holds a modest portfolio of equity securities, primarily in NWL Financial, Inc., whose fair value changes are recorded in net investment income. For the years ended December 31, 2022, 2021, and 2020, the market value changes for these securities were $(4.1) million, $6.0 million, and $(0.1) million, respectively.

Pre-tax earnings in 2020 also includes other revenue of $4.1 million pertaining to the release of a contingent purchase price liability associated with the Ozark National acquisition which the buyer and seller mutually agreed had been satisfied.

INVESTMENTS

General

The Company's investment philosophy emphasizes the careful handling of policyowners' and stockholders' funds to achieve security of principal, to obtain the maximum possible yield while maintaining security of principal, and to maintain liquidity in a measure consistent with current and long-term requirements of the Company.

The Company's overall investment philosophy is reflected in the allocation of its investments, which is detailed below as of December 31, 2022 and 2021. The Company has historically emphasized investment grade debt securities.

	December 31, 2022		December 31, 2021	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Debt securities available-for-sale	$ 7,611,633	79.7	$ 9,068,946	82.7
Debt securities trading	1,065,993	11.1	1,077,438	9.8
Mortgage loans	505,730	5.3	487,304	4.4
Policy loans	70,495	0.7	71,286	0.6
Derivatives, index options	23,669	0.2	101,622	0.9
Real estate	27,712	0.3	28,606	0.3
Equity securities	22,076	0.2	28,217	0.3
Other long-term invested assets	234,394	2.5	109,064	1.0
Short-term investments	3,937	—	—	—
Totals	$ 9,565,639	100.0	$ 10,972,483	100.0

Invested assets at December 31, 2022 include Ozark National amounts as follows: Debt securities of $674.8 million; Policy loans of $22.2 million. These amounts as of December 31, 2021 consisted of: Debt securities of $823.0 million; Policy loans of $23.3 million.

The Company’s investment portfolio decreased 13% to $9.6 billion at December 31, 2022 compared to $11.0 billion at December 31, 2021 primarily reflecting unrealized losses for investments recorded at their fair market values.

An outcome of the funds withheld coinsurance agreement executed with Prosperity effective December 31, 2020, was that the Company was required to reclassify its debt securities portfolio to the available-for-sale portfolio category for financial statement purposes, including the debt securities transferred to Prosperity for the funds withheld account. During 2021, Prosperity actively engaged in selling debt securities in the funds withheld account and purchasing other debt securities. These replacement debt securities remain as invested assets on the Company's financial statements but have been classified as trading debt securities. The designation as trading debt securities allows the market value fluctuation of these securities to be recorded directly in the Consolidated Statements of Earnings offsetting the embedded derivative liability change due to market value fluctuations which is also recorded directly in the Consolidated Statements of Earnings. The funds withheld coinsurance agreement with Aspida executed in 2022 involved only a transfer of cash for the funds withheld account. Debt securities subsequently purchased by Aspida have also been classified as trading debt securities for the same reason mentioned above.

Derivatives are call options purchased to hedge the interest crediting mechanism associated with the Company's fixed-index universal life and annuity policies. These options are reported on the Consolidated Balance Sheets at fair value in accordance with GAAP. The options held at December 31, 2022 maintained a $(30.7) million unrealized loss position in comparison to an unrealized gain position at December 31, 2021 of $54.4 million on outstanding options. The purchase cost of options outstanding at December 31, 2022 was $54.4 million and at December 31, 2021 was $47.2 million.

The Other long-term invested assets category primarily consists of investments in alternative investment opportunities which have the potential for higher yields than that available with other investment securities. The typical structure involves a fund under the management of an investment management firm with direct lending expertise in a particular market niche which seeks to construct portfolios comprised of senior secured debt. The Company participates through capital funding commitments approved by its Board of Directors based upon the recommendation of the Company's senior investment management team. The funds have targeted dollar sizes and targeted internal rates of return. The Company strategically targeted increasing the portion of its investment portfolio allocated to mortgage loans and alternative investments in the past two years.

Debt Securities

The Company maintains a diversified debt securities portfolio which consists mostly of corporate, mortgage-backed, and public utility fixed income securities. Investments in mortgage-backed securities primarily include U.S. government agency pass-through securities and collateralized mortgage obligations ("CMO"). The Company's investment guidelines prescribe limitations by type of security as a percent of the total investment portfolio and all holdings were within these threshold limits. As of December 31, 2022 and 2021, the Company's debt securities portfolio classified as available-for-sale consisted of the following:

	December 31, 2022		December 31, 2021	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Corporate	$ 5,631,572	74.0	$ 6,700,953	73.8
Residential mortgage-backed	321,032	4.2	549,623	6.1
Public utilities	615,137	8.1	784,969	8.7
State and political subdivisions	411,499	5.4	505,960	5.6
U.S. agencies	20,626	0.3	44,543	0.5
Asset-backed securities	542,866	7.1	390,260	4.3
Commercial mortgage-backed	20,285	0.3	27,757	0.3
Foreign governments	45,887	0.6	62,391	0.7
U.S. Treasury	2,729	—	2,490	—
Totals	$ 7,611,633	100.0	$ 9,068,946	100.0

A substantial portion of the Company's investable cash flows are directed toward the purchase of long-term debt securities. The Company's investment policy calls for investing in debt securities that are investment grade, meet quality and yield objectives, and provide adequate liquidity for obligations to policyholders. Particular attention is paid to avoiding concentration in any one industry classification or in large singular credit exposures. Debt securities with intermediate maturities are typically targeted by the Company as they more closely match the intermediate nature of the Company's policy liabilities and provide an appropriate strategy for managing cash flows. The Company holds minimal levels of U.S. Treasury securities due to their low yields and deposits most of these holdings with various state insurance departments in order to meet security deposit on hand requirements in these jurisdictions. At December 31, 2022, the Company has no investments in debt securities in businesses based in Russia or Ukraine and has minimal, if any, holdings in debt securities with exposure to these areas.

Long-term debt securities purchased to fund National Western insurance company operations are summarized below.

	Years Ended December 31,	
	2022	2021
	(Dollars in thousands)	
Cost of acquisitions	$ 697,489	$ 1,104,009
Average S&P quality	A-	A-
Effective annual yield	4.21 %	3.02 %
Spread to treasuries	1.76 %	1.31 %
Effective duration	8.0 years	10.5 years

Prior to 2022, the Company had been purchasing a higher proportion of longer maturity debt securities to match the increased duration of its growing life insurance policy liabilities. With the inversion of the yield curve in 2022, longer duration debt securities did not provide sufficient incremental yield and value to warrant extending maturities on new purchases.

The Company deemphasized mortgage-backed securities for a number of years given the low interest rate environment in effect at the time, as well as the lack of incremental yield relative to other classes of debt securities. Rating agencies generally view mortgage-backed securities as introducing additional risk for insurers holding interest sensitive liabilities given the potential for asset/liability disintermediation. Consequently, the Company holds predominantly agency mortgage-backed securities. Because mortgage-backed securities are subject to prepayment and extension risk, the Company has substantially reduced these risks by investing in collateralized mortgage obligations ("CMO"), which have more predictable cash flow patterns than pass-through securities. These securities, known as planned amortization class I ("PAC I"), very accurately defined maturity ("VADM"), and sequential tranches, are designed to amortize in a more predictable manner than other CMO classes or pass-throughs. The Company does not purchase tranches, such as PAC II and support tranches, that subject the portfolio to greater than average prepayment risk. Using this strategy, the Company can more effectively manage and reduce prepayment and extension risks, thereby helping to maintain an appropriate matching of the Company's assets and liabilities.

In addition to diversification, an important aspect of the Company's investment approach is managing the credit quality of its investment in debt securities. Thorough credit analysis is performed on potential corporate investments including examination of a company's credit and industry outlook, financial ratios and trends, and event risks. This emphasis is reflected in the high average credit rating of the Company's debt securities portfolio with 98.5%, as of December 31, 2022, held in investment grade securities.

In the table below, investments in debt securities available-for-sale are classified according to credit ratings by nationally recognized statistical rating organizations.

	December 31, 2022		December 31, 2021	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
AAA	$ 152,934	2.0	$ 126,954	1.4
AA	1,047,929	13.8	2,474,572	27.3
A	2,625,189	34.5	1,861,686	20.5
BBB	3,673,096	48.2	4,452,694	49.1
BB and other below investment grade	112,485	1.5	153,040	1.7
Totals	$ 7,611,633	100.0	$ 9,068,946	100.0

Historically, the Company's investment guidelines have not permitted the purchase of below investment grade securities. Recently, these guidelines were amended to allow for purchases of below investment grade securities that are part of an alternative investment ("Schedule BA assets"). The Company continues its longstanding practice of not purchasing any other below investment grade securities. Investments held in available-for-sale debt securities may become below investment grade as the result of subsequent downgrades of the securities. These below investment grade holdings, including structured notes associated with the Schedule BA assets category, are further summarized below.

	Available-for-Sale Below Investment Grade Debt Securities			
	Amortized Cost	Carrying Value	Fair Value	% of Invested Assets
	(In thousands except percentages)			
December 31, 2022	$ 121,676	112,485	112,485	1.2 %
December 31, 2021	$ 150,447	153,040	153,040	1.4 %

The Company's percentage of below investment grade securities to total invested assets at December 31, 2022 compared to year-end 2021 primarily decreased due to sales, maturities and calls of below investment grade securities during 2022. The Company's holdings of below investment grade securities as a percentage of total invested assets remain low compared to industry averages.

Holdings in available-for-sale below investment grade securities by category as of December 31, 2022 are summarized below, including their comparable fair value as of December 31, 2021 for those debt securities rated below investment grade at December 31, 2022. The Company continually monitors developments in these industries for issues that may affect security valuation.

	Available-for-Sale Below Investment Grade Debt Securities			
Industry Category	Amortized Cost 2022	Carrying Value 2022	Fair Value 2022	Fair Value 2021
	(In thousands)			
Asset-backed securities	$ 111	106	106	113
Oil & gas	81,444	74,950	74,950	83,729
Manufacturing	11,995	10,585	10,585	11,430
Other	28,126	26,844	26,844	17,428
Total before allowance for credit losses	121,676	112,485	112,485	112,700
Allowance for credit losses	—	—	—	—
Totals	$ 121,676	112,485	112,485	112,700

The Company closely monitors its below investment grade holdings by reviewing investment performance indicators, including information such as issuer operating performance, debt ratings, analyst reports and other economic factors that may affect these specific investments. While additional losses are not currently anticipated, based on the existing status and condition of these securities, credit deterioration of some securities or the markets in general is possible, which may result in future allowances or write-downs. The Company has no direct holdings of debt securities with operations in Russia, Ukraine or Belarus, nor does it hold any investments with significant exposures to these regions.

Accounting standards require a current expected credit loss allowance on financial instruments (CECL). Under this standard, credit loss allowances for available-for-sale debt securities are recorded when unrealized losses and missed payments indicate a credit loss has occurred and a full recovery of the investment principal is not expected. Credit loss allowances are recorded through net investment income in the Consolidated Statements of Earnings. No credit loss allowances for available-for-sale debt securities were recorded in the years ended December 31, 2022, 2021, and 2020.

The Company is required to classify its investments in debt securities into one of three categories: (a) trading securities; (b) securities available-for-sale; or (c) securities held-to-maturity. Although the Company's investment philosophy calls for purchases of securities with the intent to hold to maturity, the introduction of funds withheld coinsurance arrangements precludes the Company from utilizing the held-to-maturity category when classifying its debt securities. Consequently, the Company has designated its debt securities holdings as available-for-sale. Holdings in the available-for-sale category provide flexibility to the Company to react to market opportunities and conditions and to practice active management within the portfolio to provide adequate liquidity to meet policyholder obligations and other cash needs. Available-for-sale debt securities are reported at their fair market values with any change reported through Accumulated Other Comprehensive Income (Loss) in the Stockholders' Equity section of the Consolidated Balance Sheet.

Debt securities classified as trading securities represent debt security investments made by the reinsurers in the funds withheld asset accounts in accordance with their respective reinsurance agreements. The designation as trading debt securities allows the market value fluctuation of these securities to be recorded directly in the Consolidated Statements of Earnings. This results in offsetting the embedded derivative liability change due to market value fluctuations which is also recorded directly in the Consolidated Statements of Earnings.

Debt securities available-for-sale and debt securities trading are summarized as follows at December 31, 2022.

	December 31, 2022			
	Fair Value	Amortized Cost	Allowance For Credit Loss	Net Unrealized Gains (Losses)
	(In thousands)			
Debt securities available-for-sale	$ 7,611,633	8,438,761	—	(827,128)
Debt securities trading	1,065,993	1,269,597	—	(203,604)
Totals	$ 8,677,626	9,708,358	—	(1,030,732)

The Company's trading debt securities portfolio consisted of the following classes of securities:

	December 31, 2022		December 31, 2021	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Corporate	$ 450,135	42.3	$ 423,778	39.4
Residential mortgage-backed	16,857	1.6	44,772	4.2
Public utilities	26,030	2.4	36,973	3.4
State and political subdivisions	12,126	1.1	17,487	1.6
Asset-backed securities	313,588	29.4	313,855	29.1
Commercial mortgage-backed	221,096	20.7	240,573	22.3
Collateralized loan obligation	26,161	2.5	—	—
Totals	$ 1,065,993	100.0	$ 1,077,438	100.0

In the table below, investments in trading debt securities are classified according to credit ratings by nationally recognized statistical rating organizations.

	December 31, 2022		December 31, 2021	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
AAA	$ 13,645	1.3	$ 6,473	0.6
AA	54,650	5.1	251,507	23.3
A	365,770	34.3	207,637	19.3
BBB	577,424	54.2	573,139	53.2
BB and other below investment grade	54,504	5.1	38,682	3.6
Totals	$ 1,065,993	100.0	$ 1,077,438	100.0

The investments in the trading debt securities below investment grade are summarized below.

	Below Investment Grade Trading Debt Securities			
	Amortized Cost	Carrying Value	Fair Value	% of Invested Assets
	(In thousands, except percentages)			
December 31, 2022	$ 62,232	54,504	54,504	0.6 %
December 31, 2021	39,470	38,682	38,682	0.4 %

Mortgage Loans and Real Estate

The Company originates loans on high quality, income-producing properties such as shopping centers, freestanding retail stores, office buildings, industrial and sales or service facilities, selected apartment buildings, hotels, and health care facilities. The locations of these properties are typically in major metropolitan areas that offer a potential for property value appreciation. Credit and default risk is 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 often secured by the lease payments. This approach has proved over time 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, along with 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. Principal repayments on mortgage loans in 2022 and 2021 were $26.8 million and $28.8 million, 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 currently 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 mortgage loan investments made by Prosperity under the funds withheld reinsurance agreement totaling $19.3 million and $8.5 million, respectively. 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 possible 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 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 percentages)			
Mortgage Loans by Property Type:				
Retail	$ 169,618	33.2	$ 164,895	33.7
Office	140,092	27.4	142,824	29.2
Hotel	23,431	4.6	23,748	4.8
Storage Facility	79,853	15.7	73,401	15.0
Industrial	35,896	7.0	34,212	7.0
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 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 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 are analyzed quarterly in order to monitor the financial quality of these assets. Based on ongoing monitoring, 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 are: major tenant vacancies or bankruptcies, late payments, and loan relief/restructuring requests. The mortgage loan portfolio is analyzed for the need for a valuation allowance on any loan that is on the internal watch list, in the process of foreclosure, or that currently has a valuation allowance.

The Company employs the Weighted Average Remaining Maturity ("WARM") method in estimating current expected credit 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	Years Ended December 31, 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 had no mortgage loans past due six months or more at December 31, 2022 or 2021. There was no interest income that was not recognized in 2022, 2021, or 2020.

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 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 total 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 monitors the conditions and market values of these properties on a regular basis and makes repairs and capital improvements to keep the properties in good condition.

The Company recorded net realized investment gains (losses) of $1.2 million, $(1.4) million, and $2.7 million associated with real estate investments in the years ended December 31, 2022, 2021 and 2020, respectively. The 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. The net real estate loss for the year ended December 31, 2021 was related to Ozark National's sale of its home office, parking garage and parking lot located in Kansas City, Missouri. Net realized investment gains for the year ended December 31, 2020 pertain to property located in Travis County, Texas which was sold.

National Western, in order to obtain incremental investment yield, has been expanding its invested asset vehicles to include alternative investments the past several years. These assets consist of syndicated, targeted capital pools with specific investment objectives managed by investment firms having expertise in designated asset opportunities. The underlying pools of each of these investment vehicles consists mostly of senior secured debt. At December 31, 2022 and 2021, the Company held balances of $186.9 million and $67.7 million, respectively, in this investment type which are included in Other long-term invested assets in the investment table at the beginning of this section.

Derivatives, Index Options

The Company offers fixed-index universal life and annuity products that guarantee the return of principal to policyholders and, at the policyholder's election, credit interest based on a percentage gain in a specified equity market index (policyholders may alternatively elect a fixed interest rate). Premiums and deposits received on these products are predominantly invested in investment grade fixed income securities with a portion used to purchase derivatives consisting of call options on the applicable market index to fund the index credits due to fixed-index policyholders. The call options purchased are over-the-counter option contracts coinciding with the initial issuance of the policy and subsequent renewal periods in order to match the Company's funding requirements for the underlying policies. On the respective anniversary dates of the index policies, the index used to compute the annual index credit is reset and a new call option is purchased to fund the next annual index credit.

Although the call options are employed to be effective hedges against the Company's policyholder obligations from an economic standpoint, they do not meet the requirements for hedge accounting under GAAP. Accordingly, the call options are marked to fair value on each reporting date with the change in fair value, plus or minus, included as a component of net investment income. The change in fair value of the call options includes the realized gains or losses recognized at the expiration of the option term and the unrealized gain or loss changes in fair value for open contracts.

The Company's design of its fixed-index products incorporates a budget for the purchase of over-the-counter call options to fund the index credits due to policyholders. Management monitors current prices of these call options and manages component features of the fixed-index products in accordance with the terms of the policy contracts in order to control the cost of purchases. These terms permit the Company to change caps, participation rates, and asset fees, subject to guaranteed minimums, thus managing the cost of the call options quoted by counterparties. In addition, the Company's product terms allow for the Company to withdraw from offering a particular index option at any time effective on the next policy anniversary date.

The fair value of derivative instruments presented in the Company's Consolidated Financial Statements totaling $23.7 million at December 31, 2022 and $101.6 million at December 31, 2021 pertain to notional policyholder account values of $2.0 billion and $2.1 billion at December 31, 2022 and 2021, respectively, electing interest credits based upon applicable market index performance.

Market Risk

Market risk is the risk of change in market values of financial instruments due to changes in interest rates, currency exchange rates, commodity prices, or equity prices. The most significant market risk exposure for the Company is interest rate risk. Substantial and sustained increases and decreases in market interest rates can affect the profitability of insurance products and the fair value of investments. The yield realized on new investments generally increases or decreases in direct relationship with interest rate changes. The fair values of fixed income debt securities correlate to external market interest rate conditions as market values typically increase when market interest rates decline and decrease when market interest rates rise. However, market values may fluctuate for other reasons, such as changing economic conditions, market dislocations, declination in credit quality, or increasing event-risk concerns.

Interest Rate Risk

A gradual increase in interest rates is generally a positive development for the Company. Rate increases would be expected to provide incremental net investment income, produce increased sales of fixed rate products, and limit the potential erosion of the Company's interest rate spread on products due to minimum guaranteed crediting rates in products. Conversely, a rise in interest rates reduces the fair value of the Company's investment portfolio and if long-term rates rise dramatically within a relatively short time period the Company could be exposed to disintermediation risk. Disintermediation risk is the risk that policyholders surrender their policies in a rising interest rate environment forcing the Company to liquidate assets when they are in an unrealized loss position. The Company seeks to minimize the impact of interest rate risk, at least with respect to some of its products, through surrender charges that are imposed to discourage policy surrenders and to offset unamortized deferred policy acquisition costs.

A decline in interest rates could cause certain mortgage-backed securities in the Company's portfolio to be more likely to pay down or prepay. In this situation, the Company typically would not be able to reinvest the proceeds at comparable yields. Lower interest rates would likely also cause lower net investment income, subject the Company to reinvestment rates risks, and possibly reduce profitability through reduced interest rate margins associated with products having minimum guaranteed crediting rates. Conversely, the fair value of the Company's investment portfolio would increase when interest rates decline.

The correlation between fair values and interest rates for available-for-sale debt securities is reflected in the table below.

	December 31,	
	2022	2021
	(In thousands except percentages)	
Available-for-Sale Debt securities - fair value	$ 7,611,633	9,068,946
Available-for-Sale Debt securities - amortized cost	$ 8,438,761	8,604,250
Fair value as a percentage of amortized cost	90.20 %	105.40 %
Unrealized gains (losses) at year-end	$ (827,128)	464,696
Ten-year U.S. Treasury bond - increase (decrease) in yield for the year	2.37 %	0.59 %

The Company's trading debt securities, which are exclusively in funds withheld assets managed by reinsurers, are recorded at fair value upon purchase. While the recorded value of these trading debt securities subsequently fluctuates with market prices, the fair value movement of the securities is offset by an identical fair value movement of the associated funds withheld liabilities.

The Company's net unrealized gain (loss) balance for available-for-sale and trading debt securities held at December 31, 2022 and 2021 is shown in the following table.

	Net Unrealized Gain (Loss) Balance		
	Net Balance at December 31, 2022	Net Balance at December 31, 2021	Change in Net Balance
		(In thousands)	
Debt securities available-for-sale	$ (827,129)	464,696	(1,291,825)
Debt securities trading	(203,604)	11,331	(214,935)
Totals	$ (1,030,733)	476,027	(1,506,760)

The change in the unrealized balance pertaining to debt securities available-for-sale is recorded in Other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income (Loss) while the change in the unrealized balance pertaining to trading debt securities is recorded in Net investment income in the Consolidated Statements of Earnings.

Changes in interest rates typically have a sizable effect on the fair values of the Company's debt securities. During 2022, the market interest rate of the ten-year U.S. Treasury bond increased 237 basis points from 1.51% at year-end 2021 to 3.88% at year-end 2022. Therefore, the movement to an unrealized loss position is the expected portfolio movement in value.

The Company manages interest rate risk principally through ongoing cash flow testing as required for insurance regulatory purposes. Computer models are used to perform cash flow testing under various commonly used stress test interest rate scenarios to determine if existing assets would be sufficient to meet projected liability outflows. Sensitivity analysis allows the Company to measure the potential gain or loss in fair value of its interest-sensitive instruments and to protect its economic value and achieve a predictable spread between what is earned on invested assets and what is paid on liabilities. The Company seeks to minimize the impact of interest risk through surrender charges that are imposed to discourage policy surrenders. Interest rate changes can be anticipated in computer models and the corresponding risk addressed by management actions affecting asset and liability instruments. However, potential changes in the values of financial instruments indicated by hypothetical interest rate changes will likely be different from actual changes experienced, and the differences could be significant.

The Company has the ability to adjust interest rates, participation rates, and asset management fees and caps, as applicable, in response to changes in investment portfolio yields for a substantial portion of its business in force. The ability to adjust these rates is subject to competitive forces in the market for the Company's products. Surrender rates could increase and new sales could be negatively affected if crediting rates are not competitive with the rates on competing products offered by other insurance companies and financial service entities. The Company designs its interest sensitive and annuity products with features encouraging persistency, such as surrender charge and withdrawal penalty provisions. Typically, surrender charge rates gradually decrease each year the contract is in force.

The Company seeks to minimize the impact of interest rate risk through surrender charges that are imposed to discourage policy surrenders and to offset unamortized deferred policy acquisition costs. Certain products, such as supplementary contracts with life contingencies, are not subject to surrender or discretionary withdrawal. The Company may also include a market value adjustment ("MVA") feature on its annuity products which could increase or decrease the amount paid to contract holders upon surrender of their contract as a means to further mitigate interest rate risk.

The following table profiles the Company's insurance liabilities at December 31, 2022 for annuities, deposit-type contracts and supplementary contracts with life contingencies by surrender and discretionary withdrawal characteristics.

	December 31, 2022	
	Amount	%
	(In thousands)	
Subject to discretionary withdrawal:		
With market value adjustment	$ 101,013	1.6
With surrender charge of 5% or more	3,948,312	62.1
With surrender charge of 5% or less	1,947,794	30.6
Not subject to discretionary withdrawal	363,376	5.7
Total Gross	6,360,495	100.0
Reinsurance ceded	1,590,514	
Total Net	$ 4,769,981	

Interest Rate Sensitivity

The following table illustrates the market risk sensitivity of the Company's interest rate sensitive assets. The table shows the effect of a change in interest rates on the fair value of the portfolio using models that measure the change in fair value arising from an immediate and sustained change in interest rates in increments of 100 basis points.

	Fair Values of Assets Changes in Interest Rates in Basis Points				
	-100	0	100	200	300
			(In thousands)		
Debt and equity securities	$ 9,192,141	8,699,703	8,258,320	7,861,560	7,503,877
Mortgage loans	481,570	457,873	435,917	415,545	396,616
Other loans	32,673	31,915	31,182	30,473	29,786
Derivatives	23,068	23,669	24,276	24,887	25,505

The selection of the 100 basis point parallel shift in the yield curve was made as an illustration of the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could vary materially from those illustrated due to the nature of the estimates and assumptions used in the above analysis. Expected maturities of debt securities may differ from contractual maturities due to call or prepayment provisions. The models assume that prepayments on mortgage-backed securities are influenced by agency and pool types, the level of interest rates, loan age, refinancing incentive, month of the year, and underlying coupon. During periods of declining interest rates, principal payments on mortgage-backed securities and collateralized mortgage obligations tend to increase as the underlying mortgages are prepaid. Conversely, during periods of rising interest rates, the rate of prepayment slows. Both of these situations can expose the Company to the possibility of asset-liability cash flow and yield mismatch. The model uses a proprietary method of sampling interest rate paths along with a mortgage prepayment model to derive future cash flows. The initial interest rates used are based on the current U.S. Treasury yield curve as well as current mortgage rates for the various types of collateral in the portfolio.

Mortgage and other loans were modeled by discounting scheduled cash flows through the scheduled maturities of the loans, starting with interest rates currently being offered for similar loans to borrowers with similar credit ratings. Policy loans were modeled by discounting estimated cash flows using U.S. Treasury Bill interest rates as base rates at December 31, 2022. The estimated cash flows include assumptions as to whether such loans will be repaid by the policyholders or settled upon payment of death or surrender benefits on the underlying insurance contracts and incorporate both Company experience and mortality assumptions associated with such contracts.

In addition to the securities analyzed above, the Company invests in index options which are derivative financial instruments used to hedge the equity return component of the Company's indexed annuity and life products. The values of these options are primarily impacted by equity price risk, as the options' fair values are dependent on the performance of the underlying reference index. However, increases or decreases in investment returns from these options are substantially offset by corresponding increases or decreases in amounts paid to indexed policyholders, subject to minimum guaranteed policy interest rates.

The Company's market risk liabilities, which include policy liabilities for annuity and supplemental contracts, are managed for interest rate risk through cash flow testing as previously described. As part of this cash flow testing, the Company has analyzed the potential impact on net earnings of a 100 basis point decrease and increases in increments of 100 basis points in the U.S. Treasury yield curve as of December 31, 2022. The potential impact on net earnings from these interest rate changes are summarized below.

	Changes in Interest Rates in Basis Points			
	-100	100	200	300
		(In thousands)		
Impact on net earnings	$ (508)	991	2,126	3,243

These estimated impacts on earnings are net of tax effects and the estimated effects of deferred policy acquisition costs.

The above described scenarios produce estimated changes in cash flows as well as cash flow reinvestment projections. Estimated cash flows in the Company's model assume cash flow reinvestments, which are representative of the Company's current investment strategy. Calls and prepayments include scheduled maturities and those expected to occur which would benefit the security issuers. Assumed policy surrenders consider differences and relationships between credited interest rates and market interest rates as well as surrender charges on individual policies. The impact to earnings also includes the expected effects on amortization of deferred policy acquisition costs. The model considers only annuity and supplemental contracts in force at December 31, 2022, and does not consider new product sales or the possible impact of interest rate changes on sales.

Credit Risk

The Company is exposed to credit risk through counterparties and within its investment portfolio. Credit risk relates to the uncertainty associated with an obligor's continued ability to make timely payments of principal and interest in accordance with the contractual terms of an instrument or contract. As previously discussed, the Company manages credit risk through established investment credit policies and guidelines which address the quality of creditors and counterparties, concentration limits, diversification practices and acceptable risk levels. These policies and guidelines are regularly reviewed and approved by senior management and the Company's Board of Directors.

In connection with the Company's use of call options to hedge the equity return component of its fixed-indexed annuity and life products, the Company is exposed to the risk that a counterparty fails to perform under terms of the option contract. The Company purchases one-year option contracts from multiple counterparties and evaluates the creditworthiness of all counterparties prior to the purchase of the contracts. For consideration in contracting with a counterparty the rating required by the Company is a credit rating of "A" or higher. Accordingly, all options are purchased from nationally recognized financial institutions with a demonstrated performance for honoring their financial obligations and possessing substantial financial capacity. In addition, each counterparty is required to execute a credit support agreement obligating the counterparty to provide collateral to the Company when the fair value of the Company's exposure to the counterparty exceeds specified amounts. Counterparty credit ratings and credit exposure are monitored continuously by National Western's Investment Department with adjustments to collateral levels managed as incurred under the credit support agreements.

The Company follows the industry practice of reinsuring (ceding) portions of its insurance risks with a variety of reinsurance companies on either a coinsurance or a modified coinsurance basis in order to limit risk. Use of reinsurance does not relieve the Company of its primary liability to pay the full amount of the insurance benefit in the event the reinsurer (counterparty) fails to honor its contractual obligation. Consequently, the Company avoids concentrating reinsurance counterparty credit risk with any one reinsurer and only maintains reinsurance agreements with reputable carriers which are well-capitalized and highly rated by independent rating agencies. With respect to the funds withheld coinsurance arrangements entered into by National Western, assets backing the reserves for the policyholder obligations under the agreement are retained by the Company and are available to meet benefit payment commitments. In addition, National Western is the beneficiary of an incremental collateral trust account provided by the reinsurer providing additional security for the payment of all amounts due under the reinsurance agreement.

The Company's net exposure to loss due to credit risk if option counterparties failed to completely perform according to the terms of their one-year contracts is as follows at December 31, 2022 and 2021.

		December 31, 2022		
Counterparty	Moody/ S&P Rating	Fair Value	Collateral Held	Net Exposure
			(In thousands)	
Credit Suisse	Aa3/A+	$ 861	555	306
Wells Fargo	Aa2/A+	2,201	2,387	—
Bank of America	Aa2/A+	6,110	5,971	139
Barclays Bank	A1/A	1,414	1,406	8
BNP Paribas	Aa3/A+	640	326	314
JPMorgan Chase	Aa2/A+	93	—	93
Royal Bank of Canada	Aa2/AA-	2,956	2,772	184
Canadian Imperial Bank	Aa2/A+	102	351	—
Societe Generale	A1/A	9,293	9,067	226
		$ 23,670	22,835	1,270

		December 31, 2021		
Counterparty	Moody/ S&P Rating	Fair Value	Collateral Held	Net Exposure
			(In thousands)	
Credit Suisse	WR/A+	$ 12,659	12,965	—
Wells Fargo	Aa2/A+	19,169	19,868	—
Bank of America	Aa2/A+	13,451	13,740	—
Barclays Bank	A1/A	8,119	8,597	—
BNP Paribas	Aa3/A+	25,906	27,004	—
Royal Bank of Canada	Aa2/AA-	5,923	6,845	—
Canadian Imperial Bank	Aa2/A+	6,125	6,592	—
Societe Generale	A1/A	10,270	10,660	—
		$ 101,622	106,271	—

The Company has never incurred a loss on index options due to counterparty default.

The Company is also exposed to credit spread risk related to market prices of investment securities and cash flows associated with changes in credit spreads. Credit spread tightening will reduce net investment income associated with new purchases of fixed debt securities but will also increase the fair value of the investment portfolio. Credit spread widening will reduce the fair value of the investment portfolio but will also increase net investment income on new purchases.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity requirements are met primarily by funds provided from operations. Premium deposits and annuity considerations, investment income, and investment maturities and prepayments are the primary sources of funds while investment purchases, policy benefits in the form of claims, and payments to policyholders and contract holders in connection with surrenders and withdrawals as well as operating expenses are the primary uses of funds. To ensure the Company will be able to pay future commitments, the funds received as premium payments and deposits are invested in high quality investments, primarily fixed income securities. Funds are invested with the intent that the income from investments, plus proceeds from maturities, will meet the ongoing cash flow needs of the Company. The approach of matching asset and liability durations and yields requires an appropriate mix of investments. Although the Company historically has not been put in the position of having to liquidate invested assets to provide cash flow, its investments consist primarily of marketable debt securities that could be readily converted to cash for liquidity needs. National Western maintains a line of credit facility in the amount of $75 million which it may access for short-term cash needs. There were no borrowings under the line of credit as of December 31, 2022.

In addition, National Western is 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 is able to create a specified borrowing capacity based upon the amount of collateral it elects to establish. At December 31, 2022, securities in the amount of $196.9 million (fair value of $187.7 million) were pledged as collateral to the FHLB.

A primary liquidity concern for life insurers is the risk of an extraordinary level of early policyholder withdrawals, particularly with respect to annuity products which can move more rapidly with interest rate changes. The Company includes provisions within its annuity and universal life insurance policies, such as surrender and market value adjustments, that help limit and discourage early withdrawals.

The following table sets forth withdrawal characteristics of National Western's annuity reserves and deposit liabilities (based on statutory reporting liability values) as of the dates indicated.

	December 31, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
	(In thousands except percentages)			
Not subject to discretionary withdrawal provisions	$ 363,376	5.7 %	$ 385,937	5.7 %
Subject to discretionary withdrawal, with adjustment:				
With market value adjustment	101,013	1.6 %	145,634	2.2 %
At contract value less current surrender charge of 5% or more	3,948,312	62.1 %	4,439,039	65.9 %
Subtotal	4,412,701	69.4 %	4,970,610	73.8 %
Subject to discretionary withdrawal at contract value with no surrender charge or surrender charge of less than 5%	1,947,794	30.6 %	1,761,750	26.2 %
Total annuity reserves and deposit liabilities - Gross	6,360,495	100.0 %	6,732,360	100.0 %
Reinsurance ceded	1,590,514		1,504,044	
Total annuity reserves and deposit liabilities - Net	$ 4,769,981		$ 5,228,316	

The actual amounts paid out by product line in connection with surrenders and withdrawals, before reinsurance, are noted in the table below.

	Years Ended December 31,		
	2022	2021	2020
		(In thousands)	
Product Line:			
Traditional Life	$ 15,844	16,348	17,022
Universal Life	102,441	95,628	96,031
Annuities	582,775	658,403	643,223
Total	$ 701,060	770,379	756,276

The above contractual withdrawals, as well as the level of surrenders experienced, and the associated cash outflows did not have an adverse impact on overall liquidity. The amounts shown include funds withheld policyholder obligations and Ozark National cash outflows. Individual life insurance policies are typically less susceptible to withdrawal than annuity reserves and deposit liabilities because policyholders may need to undergo a new underwriting process in order to obtain a new insurance policy elsewhere. Annuity dollar outflows are generally more sensitive to economic conditions, interest rate levels, and the level of surrender charges assessed upon withdrawal or termination. Cash flow projections and tests under various market interest rate scenarios and assumptions are performed to assist in evaluating liquidity needs and adequacy. With the economic decline precipitated by the COVID-19 pandemic, Company management conducted additional liquidity scenario testing during 2020 using more severe assumptions and concluded that liquid assets were more than adequate under these scenarios. Accordingly, the Company currently expects available liquidity sources and future cash flows to be adequate to meet the demand for funds.

Cash flows from the Company's insurance operations have historically been sufficient to meet current needs. Cash flows from operating activities were $358.5 million, $276.8 million, and $373.1 million in 2022, 2021, and 2020, respectively. The Company also has significant cash flows from both scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows totaled $1.2 billion, $1.6 billion, and $1.3 billion in 2022, 2021, and 2020, respectively. Operating and investing activity cash flow items could be reduced if interest rates rise at an accelerated rate in the future. Net cash outflows from the Company's universal life and annuity product operations totaled $(603.9) million, $(322.2) million, and $(437.4) million in 2022, 2021, and 2020, respectively. The increasing negative net outflow reflects lower levels of fixed-index annuity and single premium life insurance sales.

Capital Resources

The Company relies on stockholders' equity for its capital resources as there is no long-term debt outstanding and the Company does not anticipate the need for any long-term debt in the near future. As of December 31, 2022, the Company maintained commitments for its normal operating and investment activities.

The Company has declared and paid an annual dividend on its common shares since 2005. The Company's practice has been to take a conservative approach to dividends, and the Board of Directors has adopted a strategic position to substantially reinvest earnings internally. This conservative approach yields the following benefits: (1) providing capital to finance the development of new business; (2) enabling the Company to take advantage of potential acquisitions and other competitive situations as they arise; (3) building a strong capital base to support the Company's financial strength ratings; (4) maintaining the Company's liquidity and solvency during difficult economic and market conditions; and (5) enhancing the Company's regulatory capital position. For similar reasons, despite the fact the market price of the Class A Common Stock has been trading at a discount to the book value per share for an extended period of time, there are no imminent plans for the Company to repurchase its shares.

As the largest subsidiary of NWLGI, National Western serves as the primary funding source for NWLGI. The capacity of National Western to pay dividends to NWLGI is limited by law in the state of Colorado to earned profits (statutory unassigned surplus). At December 31, 2022, the maximum amount legally available for distribution during 2023 without further regulatory approval is $66.5 million. National Western paid a dividend of $2.0 million during 2022.

The NAIC has established RBC standards for U.S. life insurers as well as a risk-based capital model act ("RBC Model Act"). The RBC Model Act requires that life insurers annually submit a report to state regulators regarding their RBC amounts based upon four categories of risk (asset risk, insurance risk, interest rate risk, and business risk). The capital requirement for each is determined by applying factors that vary based upon the degree of risk to various asset, premium and policy benefit reserve items. The formula is an early warning tool to identify potential weakly capitalized companies for purposes of initiating further regulatory action. Independent rating agencies utilize proprietary versions similar to the NAIC RBC model incorporating additional risk factors identified in their respective rating methodology. At December 31, 2022, National Western and Ozark National each maintained statutory capital substantially in excess of applicable statutory requirements.

It is Company practice to not enter into off-balance sheet arrangements or to issue guarantees to third parties, other than in the normal course of issuing insurance contracts. Commitments related to insurance products sold are reflected as liabilities for future policy benefits. Insurance contracts guarantee certain performances by National Western and Ozark National.

Insurance reserves are the means by which life insurance companies determine the liabilities that must be established to ensure that future policy benefits are provided for and can be paid. These reserves are required by law and based upon standard actuarial methodologies to ensure fulfillment of commitments guaranteed to policyholders and their beneficiaries, even though the obligations may not be due for many years. Refer to Note (1) *Summary of Significant Accounting Policies* in the accompanying Notes to Consolidated Financial Statements in this report for a discussion of reserving methods.

The table below summarizes future estimated cash payments under existing contractual obligations.

	Payment Due by Period		
	Total	Less Than 1 Year	1 Year or More
		(In thousands)	
Loan commitments	$ 1,400	1,400	—
Commitments for investment capital funding	242,773	83,564	159,209
Lease obligations (1)	1,003	343	660
Claims payable (2)	118,308	118,308	—
Other long-term reserve liabilities reflected on the balance sheet under GAAP (3)	12,457,270	993,344	11,463,926
Total	$ 12,820,754	1,196,959	11,623,795

(1) Refer to Note (17) *Commitments and Contingencies* in the accompanying Notes to Consolidated Financial Statements in this report relating to Company leases.

(2) Claims payable include benefit and claim liabilities for life, accident and health policies which the Company believes the amount and timing of the payment is essentially fixed and determinable. Such amounts generally relate to incurred and reported death, critical illness, accident and health claims including an estimate of claims incurred but not reported.

(3) Other long-term liabilities include estimated life and annuity obligations related to death claims, policy surrenders, policy withdrawals, maturities and annuity payments based on mortality, lapse, annuitization, and withdrawal assumptions consistent with the Company’s historical experience. These estimated life and annuity obligations are undiscounted projected cash outflows that assume interest crediting and market growth consistent with assumptions used in amortizing deferred acquisition costs. They do not include any offsets for future premiums or deposits. Other long-term liabilities also include determinable payout patterns related to immediate annuities. Due to the significance of the assumptions used, the actual cash outflows will differ both in amount and timing, possibly materially, from these estimates.

ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING

Changes in Accounting Principles

Effective January 1, 2020, the Company implemented ASU 2016-13, *Financial Instruments - Credit Losses*. This standard replaced the previous incurred loss recognition model with an expected loss recognition model for certain financial assets.

Adoption of the standard resulted in an incremental allowance for credit losses as of January 1, 2020 of $3.8 million, and a charge to retained earnings, net of tax, of $3.0 million as a change in accounting as reported in the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022, 2021, and 2020. There were no other changes in accounting principles during the periods reported in this Form 10-K.

Recently Issued Accounting Standards

Refer to Note (1), *Summary of Significant Accounting Policies* in the accompanying Notes to Consolidated Financial Statements in this report.

Correction of Errors

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 7A is set forth in the Investments section of the Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Attachment A, Index to Consolidated Financial Statements, Notes and Schedules, in Part IV, Item 15. of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with auditors that are reportable pursuant to Item 304 of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure matters.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may or may not prevent and detect misstatements. In addition, projections of any evaluation of effectiveness of internal controls to future periods are subject to risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures.

Under the supervision and participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 was conducted based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control - Integrated Framework (Updated 2013).* Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and the overall control environment. Based on the Company's assessment under the criteria of this framework, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2022.

The Company's independent registered public accounting firm, Forvis LLP, who audited the Company's consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of management's internal control over financial reporting as of December 31, 2022. This report appears on the page that follows.

Changes in Internal Control Over Financial Reporting

Internal controls over financial reporting change as the Company modifies and enhances its systems and processes to meet changing needs. Changes are also made as the Company strives to be more efficient in how it conducts its business. Any significant changes in controls are evaluated prior to implementation to help ensure continued effectiveness of internal controls and the control environment. In the normal course of operations, the Company employed remediation procedures in areas where control deficiencies had been previously identified.

There were no other changes in the Company's internal controls over financial reporting during the year ended December 31, 2022, as defined in Rules 13a-15(f) and 15d-15(e) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. There have been no other significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of this examination.

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 Internal Control over Financial Reporting

We have audited National Western Life Group, Inc.'s (the "Company") 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). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and our report dated March 14, 2023, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.
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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/S/FORVIS, LLP
(Formerly, BKD, LLP)

West Des Moines, Iowa
March 14, 2023

ITEM 9B. OTHER INFORMATION

There is no information required to be disclosed on Form 8-K for the quarter ended December 31, 2022 which has not been previously reported.

PART III

The information required by Part III is incorporated by reference from our definitive proxy statement for our annual meeting of stockholders to be held June 22, 2023 to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 2022.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Listing of Financial Statements

See Attachment A, Index to Consolidated Financial Statements, Notes and Schedules, on page 92 for a list of financial statements included in this report.

(a) 2. Listing of Financial Statement Schedules

See Attachment A, Index to Consolidated Financial Statements, Notes and Schedules, on page 92 for a list of financial statement schedules included in this report.

All other schedules are omitted because they are not applicable, not required, or because the information required by the schedule is included elsewhere in the financial statements or notes.

(a) 3. Listing of Exhibits

The exhibits listed below, as part of Form 10-K, are numbered in accordance with the numbering used in Item 601 of Regulation S-K promulgated by the SEC.

		Incorporated by Reference		
Exhibit Number	Exhibit Description	Form	Exhibit	Filing Period of Date of Earliest Event Reports
3.1*	Restated Certificate of Incorporation of National Western Life Group, Inc.			
3.2*	Bylaws of National Western Life Group, Inc.			
10(a)	Revolving Credit Loan Agreement with Moody National Bank	8-K	10(ci)	8/31/2009
10(b)	Funds Withheld Coinsurance Agreement between National Western Life Insurance Company and Prosperity Life Assurance Limited effective as of January 6, 2021 (redacted)	8-K	10(ac)	1/6/2021
10(c)	Funds Withheld Coinsurance Agreement between National Western Life Insurance Company and Aspida Life Re Ltd. dated July 27, 2022	8-K	10(ag)	7/27/2022
10(d)	Management/Consultant Agreement dated March 29, 2000 by and between Regent Care Operations, Limited Partnership and Regent Management Services, Limited Partnership.	10-K/A	10(cp)	12/31/2009
10(e)	Management Agreement dated October 1, 2008 by and between Regent Care San Marcos B-3, Limited Partnership and Regent Management Services, Limited Partnership.	10-K/A	10(cq)	12/31/2009
10(f)	Administrative Services Only Agreement dated January 1, 2001 by and between National Western Life Insurance Company and American National Insurance Company	10-K/A	10(cr)	12/31/2009
10(g)	Premium Payment Agreement dated January 1, 2001 by and between National Western Life Insurance Company and American National Insurance Company	10-K/A	10(cs)	12/31/2009
10(h)	Exchange Agreement by and among National Western Life Insurance Company, NWL Services, Inc., Alternative Benefit Management, Inc., and American National Insurance Company effective November 23, 1998	10-K405	10(p)	12/31/1998
10(i)	Administrative Services Only Agreement dated January 1, 2001 by and between National Western Life Insurance Company and American National Insurance Company	10-K/A	10(ct)	12/31/2009
10(j)	Premium Payment Agreement dated January 1, 2001 by and between National Western Life Insurance Company and American National Insurance Company	10-K/A	10(cu)	12/31/2009
10(k)†	National Western Life Insurance Company 2022 Officer Bonus Program	8-K	10(af)	12/16/2021
10(l)†	National Western Life Insurance Company 2022 Chief Marketing Officer Bonus Program	8-K	10(ad)	12/16/2021
10(m)†	National Western Life Insurance Company 2023 Officer Bonus Program	8-K	10(ah)	12/14/2022
10(n)†	National Western Life Insurance Company 2023 Chief Marketing Officer Bonus Program	8-K	10(ai)	12/14/2022
10(o)†	Amended and Restated National Western Life Insurance Company Grandfathered Non-Qualified Defined Benefit Plan, effective as of December 31, 2004	10-K	10(cc)	12/31/2008
10(p)†	Amended and Restated National Western Life Insurance Company Non-Qualified Defined Benefit Plan, effective as of January 1, 2009	10-K	10(cd)	12/31/2008

10(q)†	Amended and Restated National Western Life Insurance Company Non-Qualified Defined Benefit Plan for Robert L. Moody, Sr., effective as of January 1, 2009	10-K	10(ca)	12/31/2008
10(r)†	Amended and Restated Non-Qualified Defined Benefit Plan for Ross R. Moody, effective as of January 1, 2009	10-K	10(cb)	12/31/2008
10(s)†	Amended and Restated National Western Life Insurance Company Grandfathered Non-Qualified Deferred Compensation Plan, effective as of December 31, 2004	10-K	10(ce)	12/31/2008
10(t)†	Amended and Restated National Western Life Insurance Company Non-Qualified Deferred Compensation Plan, effective as of January 1, 2009	10-K	10(cf)	12/31/2008
10(u)†	Amended and Restated National Western Life Insurance Company Pension Plan, effective January 1, 2008	10-Q	10(co)	3/31/2010
10(v)†	Amended and Restated National Western Life Insurance Company Group Excess Benefit Plan, effective May 1, 2009	10-Q	10(ch)	3/31/2009
10(w)†	National Western Life Insurance Company Change in Control Agreement Ross R. Moody	8-K	10(af)	12/14/2021
10(x)†	National Western Life Insurance Company Change in Control Agreement Rey Perez	8-K	10(s)	3/6/2019
10(y)†	National Western Life Insurance Company Change in Control Agreement with Brian Pribyl dated February 28, 2019	10-K	10(p)	12/31/2018
10(z)†	National Western Life Insurance Company Change in Control Agreement Kitty K. Nelson	8-K	10(q)	3/6/2019
10(aa)†	National Western Life Insurance Company Change in Control Agreement Patricia L. Scheuer	8-K	10(r)	3/6/2019
10(ab)†	National Western Life Insurance Company Change in Control Agreement R. Bruce Wallace	8-K	10(t)	3/6/2019
10(ac)†	National Western Life Insurance Company Change in Control Agreement Steven W. Mills	8-K	10(u)	3/6/2019
10(ad)†	National Western Life Insurance Company Change in Control Agreement Gregory J. Owen	8-K	10(v)	3/6/2019
10(ae)†	National Western Life Insurance Company Change in Control Agreement Charles D. Milos	8-K	10(w)	3/6/2019
10(af)†	National Western Life Insurance Company Change in Control Agreement Carlos A. Martinez	8-K	10(x)	3/6/2019
10(ag)†	National Western Life Insurance Company Retirement Bonus Program for Robert L. Moody, Sr.	8-K	10(bd)	12/15/2005
10(ah)†	Amended and Restated National Western Life Insurance Company Employee Health Plan, effective as of April 1, 2004	10-K	10(at)	12/31/2004
10(ai)†	National Western Life Insurance Company 1995 Stock and Incentive Plan	10-K	10(e)	12/31/1995
10(aj)†	First Amendment to the National Western Life Insurance Company 1995 Stock and Incentive Plan, effective June 19, 1998	10-Q	10(k)	6/30/1998
10(ak)†	Second Amendment to the National Western Life Insurance Company 1995 Stock and Incentive Plan	10-Q	10(w)	6/30/2001
10(al)†	Third Amendment to the National Western Life Insurance Company 1995 Stock and Incentive Plan	10-Q	10(ar)	9/30/2004
10(am)*	Amended and Restated National Western Life Group, Inc. Incentive Plan, effective December 14, 2022			
21*	Subsidiaries of the Registrant			
23(a)*	Consent of Independent Registered Public Accounting Firm			
31(a)*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31(b)*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			

* Filed with this report.

† Management contract or compensatory plan or arrangement.

(b) Exhibits

Exhibits required by Regulation S-K are listed as to location in the Listing of Exhibits in Item 15.(a)3 above. Exhibits not referred to have been omitted as inapplicable or not required.

(c) Financial Statement Schedules

The financial statement schedules required by Regulation S-K are listed as to location in Attachment A, Index to Consolidated Financial Statements, Notes and Schedules, on page 92 of this report.

ATTACHMENT A

Index to Consolidated Financial Statements, Notes and Schedules

All other schedules are omitted because they are not applicable, not required, or because the information required by the schedule is included elsewhere in the Consolidated Financial Statements or notes.

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 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 flows9F 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*12F

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.

/S/FORVIS, LLP
Firm ID 686

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

West Des Moines, Iowa
March 14, 2023

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:

		2022	2021	2020
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)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	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	December 31, 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	December 31, 2021	December 31, 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	December 31, 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL WESTERN LIFE GROUP, INC.
(Registrant)

Date: March 14, 2023	/S/ Ross R. Moody
	By: Ross R. Moody, Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title (Capacity)	Date
/S/ Ross R. Moody	Chairman of the Board, President	March 14, 2023
Ross R. Moody	and Chief Executive Officer	
	(Principal Executive Officer)	
/S/ Brian M. Pribyl	Senior Vice President - Chief Financial Officer,	March 14, 2023
Brian M. Pribyl	and Treasurer	
	(Principal Financial Officer)	
	(Principal Accounting Officer)	
/S/ Thomas A. Blackwell	Director	March 14, 2023
Thomas A. Blackwell		
/S/ David S. Boone	Director	March 14, 2023
David S. Boone		
/S/ Stephen E. Glasgow	Director	March 14, 2023
Stephen E. Glasgow		
/S/ E. Douglas McLeod	Director	March 14, 2023
E. Douglas McLeod		
/S/ Frances A. Moody-Dahlberg	Director	March 14, 2023
Frances A. Moody-Dahlberg		
/S/ Charles D. Milos	Director	March 14, 2023
Charles D. Milos		
/S/ E.J. Pederson	Director	March 14, 2023
E.J. Pederson		
/S/ Todd M. Wallace	Director	March 14, 2023
Todd M. Wallace		

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

NATIONAL WESTERN LIFE GROUP, INC.

(a Delaware corporation)

National Western Life Group, Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on March 6, 2015.

2. This Restated Certificate of Incorporation (the "Certificate of Incorporation") was duly adopted by the Board of Directors of the Corporation and by the stockholders of the Corporation in accordance with Sections 228, 242, and 245 of the General Corporation Law of the State of Delaware ("DGCL").

3. The Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

ARTICLE I

NAME

The name of the Corporation is National Western Life Group, Inc.

ARTICLE II

REGISTERED OFFICE AND AGENT

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle. The name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

CAPITALIZATION

A. Authorized Capital Stock. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 7,700,000, consisting of 7,500,000 shares of Class A Common Stock, par value $0.01 per share (the "Class A Common Stock"), and 200,000 shares of Class B Common Stock, par value $0.01 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"). Immediately upon filing of this Certificate of Incorporation, each previously authorized, issued, and outstanding share of common stock shall be automatically converted into one (1) share of fully-paid, non-assessable Class A Common Stock.

B. Class A Common Stock and Class B Common Stock. The powers, preferences, and rights, and the qualifications, limitations and restrictions, of the Class A Common Stock and Class B Common Stock are as follows and as otherwise provided in this Certificate of Incorporation:

1. Equal Status. The Class A Common Stock and Class B Common Stock shall have the same powers, preferences, and rights, except as otherwise provided in this Certificate of Incorporation or required by applicable law.

2. Voting Generally. Except as otherwise provided in this Certificate of Incorporation or required by the laws of the State of Delaware, each holder of Common Stock shall be entitled to vote at all meetings of the stockholders and shall have one vote for each share of Common Stock held by such stockholder, and, except as otherwise provided in this Certificate of Incorporation or required by the laws of the State of Delaware, the Class A Common Stock and the Class B Common Stock shall vote as a single class with respect to all matters submitted to a vote of stockholders of the Corporation.

3. No Cumulative Voting. The holders of the Class A Common Stock and Class B Common Stock shall not have cumulative voting rights (as defined in Section 214 of the DGCL).

4. Dividends. Subject to any other provisions of this Certificate of Incorporation or the laws of the State of Delaware, holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock, or property of the Corporation if, as, and when declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor; provided that, any such dividends or other distributions to be paid on each share of the Class B Common Stock per annum shall be only one-half (1/2) of the dividends or other distributions to be paid on each share of the Class A Common Stock.

5. Liquidation, Dissolution, and Winding-Up. In the event of any liquidation, dissolution, or winding-up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debt and liabilities of the Corporation, the holders of Common Stock shall be entitled to receive the assets and funds of the Corporation remaining for distribution in proportion to the number of shares held by them, respectively; provided that, any such assets and funds shall be distributed among the Class A Common Stock and Class B Common Stock in the following manner:

(i) the holders of Class A Common Stock shall first receive the par value of their shares;

(ii) the holders of Class B Common Stock shall then receive the par value of their shares; and

(iii) he remaining assets and funds of the Corporation shall then be divided and distributed to and among the holders of all the capital stock of the Corporation in proportion to the number of shares of stock held by each, without preference of any one class of stock over any other class.

ARTICLE V

BOARD OF DIRECTORS

A. Management by Board of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by the laws of the State of Delaware or this Certificate of Incorporation required to be done by the stockholders.

B. Number of Directors. The number of directors shall be fixed from time to time exclusively by resolution of the Board of Directors.

C. Election of Directors. The holders of the Class A Common Stock, voting as a separate class, shall have the exclusive right to elect such number of directors that constitutes one third (1/3) of the total number of directors constituting the whole Board of Directors, and if one third (1/3) of the total number of directors is not a whole number, then the holders of the Class A Common Stock shall have the exclusive right to elect an additional director for such fractional amount. The holders of the Class B Common Stock, voting as a separate class, shall have the exclusive right to elect the remaining directors.

D. Removal of Directors. Any director elected by the holders of the Class A Common Stock voting as a separate class or otherwise designated as a Class A director may be removed from office at any time, with or without cause, solely by the affirmative vote of a majority of the holders of the Class A Common Stock then entitled to vote at an election of directors. Any director elected by the holders of the Class B Common Stock voting as a separate class or otherwise designated as a Class B director may be removed from office at any time, with or without cause, solely by the affirmative vote of a majority of the holders of the Class B Common Stock then entitled to vote at an election of directors.

E. Vacancies. Any vacancy in the Board of Directors of a director elected by the holders of Class A Common Stock voting as a separate class or otherwise designated as a Class A director (a "Class A Vacancy"), whether such vacancy results from death, resignation, retirement, disqualification, removal from office, or other cause, shall be filled only by a majority of the remaining directors so elected by the Class A Common Stock or designated as Class A directors, even if less than a quorum, or by the sole such remaining director, or, if there are no such directors, by the holders of Class A Common Stock, voting as a separate class. Any vacancy in the Board of Directors of a director elected by the holders of Class B Common Stock voting as a separate class or otherwise designated as a Class B director (a "Class B Vacancy"), whether such vacancy results from death, resignation, retirement, disqualification, removal from office, or other cause, shall be filled only by a majority of the remaining directors so elected by the Class B Common Stock or designated as Class B directors, even if less than a quorum, or by the sole such remaining director, or, if there are no such directors, by the holders of Class B Common Stock, voting as a separate class. Any vacancy in the Board of Directors of a director elected by the holders of the Class A Common Stock and the Class B Common Stock voting together as a single class, and not otherwise designated as a Class A or Class B director, shall be filled only by the remaining directors, even if less than a quorum, or by the sole such remaining director. In the event of any vacancy in the Board of Directors resulting from an increase in the number of directors, the Board of Directors shall designate such vacancy as a Class A directorship or Class B directorship in a manner consistent with the Board of Directors composition provided in Section C of this Article V, and each such vacancy shall be filled as provided in this section with respect to a Class A Vacancy or Class B Vacancy, as applicable.

ARTICLE VI

LIMITATION OF DIRECTOR LIABILITY; INDEMNIFICATION AND ADVANCEMENT OF EXPENSES OF DIRECTORS AND OFFICERS

A. Limitation of Director Liability. To the fullest extent that the DGCL or any other law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

B. Indemnification and Advancement of Expenses. The Corporation may indemnify and provide advancement to persons to the fullest extent permitted by Section 145 of the DGCL or any other law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended.

ARTICLE VII

MATTERS RELATING TO STOCKHOLDERS

A. No Action by Written Consent. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the bylaws of the Corporation (as in effect from time to time, the "Bylaws"), and no action shall be taken by the stockholders by written consent.

B. Special Meetings of Stockholders. Special meetings of stockholders of the Corporation may be called by the Board of Directors, by the Chairman of the Board of Directors, and by such persons and as otherwise provided in the Bylaws.

C. Election of Directors by Written Ballot. Election of directors need not be by written ballot.

ARTICLE VIII

AMENDMENTS TO THE CERTIFICATE OF INCORPORATION AND BYLAWS

A. Amendments to the Certificate of Incorporation. Notwithstanding any other provisions of this Certificate of Incorporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Article V, Article VI, Article VII, or this Article VIII may be altered, amended or repealed in any respect, nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Corporation's capital stock entitled to vote thereon, voting together as a single class.

Notwithstanding anything to the contrary elsewhere contained in this Certificate of Incorporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, the affirmative vote of the holders of at least seventy five percent (75%) of the voting power of all of the then-outstanding shares of the Class A Common Stock of the Corporation then entitled to vote thereon, voting as a separate class, shall be required to alter, amend, or repeal, or to adopt any provision inconsistent with Sections B.4. and B.5. of Article IV.

B. Adoption Amendment. and Repeal of the Bylaws. The Board of Directors is expressly authorized to make, alter, amend, and repeal the Bylaws. Notwithstanding any other provisions of this Certificate of Incorporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no adoption, amendment, alteration, or repeal of the Bylaws by action of stockholders shall be effective unless approved by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Corporation's capital stock entitled to vote thereon, voting together as a single class.

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IN WITNESS WHEREOF, National Western Life Group, Inc. has caused this Certificate of Incorporation to be signed by its authorized corporate officer this 1st day of April, 2015.

National Western Life Group, Inc.,
a Delaware corporation

By: /S/ Rey Perez
Name: Rey Perez
Title: Chief Legal Officer and Secretary

EXHIBIT 3.2

ANNEX III

BYLAWS
OF
NATIONAL WESTERN LIFE GROUP, INC.

ARTICLE I
Offices

Section 1.01. Registered Office. Unless and until otherwise determined by the Board of Directors of National Western Life Group, Inc. (the "Corporation"), the registered office of the Corporation in the State of Delaware shall be at the office of Corporation Service Company. The address of the registered office of the Company in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, and the registered agent in charge thereof shall be Corporation Service Company.

Section 1.02. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
Meetings of Stockholders

Section 2.01. Place of Meetings. Meetings of stockholders for any purpose may be held at such time and place, within or without the State of Delaware, as shall be designated from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that a meeting of the stockholders shall not be held at any place, but may instead be held solely by means of remote communication in the manner authorized by the General Corporation Law of the State of Delaware (the "DGCL").

Section 2.02. Annual Meetings. If required by applicable law, the annual meeting of stockholders of the Corporation for the election of directors of the Corporation ("Directors") and for the transaction of such other business as may properly come before such meeting shall be held on such date and at such time as shall be fixed from time to time by resolution of the Board of Directors. The Board of Directors may postpone, reschedule, or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Section 2.03. Special Meetings. Except as otherwise required by applicable law or provided in the certificate of incorporation of the Corporation (as it may be amended and restated from time to time, the "Certificate of Incorporation") or these Bylaws, special meetings of stockholders for any purpose or purposes, unless otherwise prescribed by applicable law, by the Certificate of Incorporation, or by these Bylaws, may be called by any of (i) the Board of Directors, (ii) the Chairman of the Board of Directors, (iii) the President, (iv) the Chief Executive Officer, or (v) solely to the extent required by this Section 2.03, the Secretary of the Corporation (the "Secretary"). A meeting shall be called by the Secretary upon written request to the Secretary by the record holder or holders of at least 25% of the outstanding shares of common stock of the Corporation (the "Requisite Percentage") who have held such shares continuously for at least two years prior to the date such written request is delivered to the Corporation and who have complied in full with the requirements set forth in these Bylaws (such request, a "Stockholder Meeting Request"). A special meeting of stockholders may be held at such date, time, and place, if any, within or without the State of Delaware as may be designated from time to time by the Board of Directors; provided, however, that the date of any such special meeting called upon the receipt of a Stockholder Meeting Request shall be not more than 90 days after the Special Meeting Request is received by the Secretary. In fixing a date, time, and place, if any, for any special meeting of stockholders, the Board of Directors may consider such factors as it deems relevant, including without limitation, the nature of the matters to be considered, the facts and circumstances related to any request for a meeting, and any plan of the Board of Directors to call an annual meeting or special meeting. The Board of Directors may postpone, reschedule, or cancel any special meeting of stockholders previously scheduled by the Board of Directors.

A Stockholder Meeting Request shall be delivered to the Secretary and shall be signed by each stockholder of record, or a duly authorized agent of such stockholder, requesting the special meeting and by each of the beneficial owners, if any, on whose behalf the Stockholder Meeting Request is being made. The Stockholder Meeting Request shall be accompanied by a written notice setting forth the information required by paragraph (A)(3) of Section 2.13 of these Bylaws as to the business proposed to be conducted at the special meeting and as to the stockholder(s) proposing such business and/or as to any nominations proposed to be presented at the special meeting and as to the stockholder (s) proposing such nominations. In addition to the foregoing, a Stockholder Meeting Request must include (x) documentary evidence of the number of shares of common stock owned by the requesting stockholder(s) as of the date on which the Stockholder Meeting Request is delivered to the Secretary and documentary evidence that such shares have been held continuously for at least two years prior to the date such written request is delivered to the Corporation, provided that, if the stockholder submitting the Stockholder Meeting Request is not the beneficial owner of such shares, then to be valid, the Stockholder Meeting Request must also include documentary evidence (or, if not simultaneously provided with the Stockholder Meeting Request, such documentary evidence must be delivered to the Secretary within 10 days after the date on which the Stockholder Meeting Request is delivered to the Secretary) of the number of shares of common stock owned by the beneficial owner(s) as of the date on which the Stockholder Meeting Request is delivered to the Secretary and documentary evidence that such shares have been held for at least two years prior to the date such written request is delivered to the Corporation; (y) an acknowledgment of the requesting stockholder(s) that any disposition by such stockholder(s) after the date of the Stockholder Meeting Request of any shares of the Corporation's common stock shall be deemed a revocation of the Stockholder Meeting Request with respect to such shares and that such shares will no longer be included in determining whether the Requisite Percentage has been satisfied; and (z) a commitment by such stockholder(s) to continue to satisfy the Requisite Percentage through the date of the requested special meeting of stockholders and to notify the Corporation upon any disposition of any shares of the Corporation's common stock. The requesting stockholder(s) shall certify in writing on the day prior to the requested special meeting of stockholders as to whether the requesting stockholder(s) continues to satisfy the Requisite Percentage. In addition to the foregoing, the requesting stockholder(s) shall promptly provide any other information reasonably requested by the Corporation.

In determining whether a special meeting of stockholders has been requested by the record holders of shares representing in the aggregate at least the Requisite Percentage, multiple Special Meeting Requests delivered to the Secretary will be considered together only if (i) each Special Meeting Request identifies substantially the same purpose or purposes of the special meeting and substantially the same matters proposed to be acted on at the special meeting, in each case as determined by the Board of Directors (which, if such purpose is the nominating of a person or persons for election to the Board of Directors, will mean that the exact same person or persons are nominated in each relevant Stockholder Meeting Request), and (ii) such Special Meeting Requests have been dated and delivered to the Secretary within 60 days of the earliest dated Special Meeting Request. A stockholder may revoke a Special Meeting Request at any time by written revocation delivered to the Secretary. If, following such revocation, there are unrevoked requests from stockholders holding in the aggregate less than the Requisite Percentage, the Board of Directors, in its discretion, may cancel the special meeting. If none of the requesting stockholder(s) who submitted the Special Meeting Request appears or sends a qualified representative to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

At any special meeting requested by stockholders, the business transacted shall be limited to the purpose(s) stated in the Stockholder Meeting Request; provided, however, that the Board of Directors shall have the authority in its discretion to submit additional matters to the stockholders and to cause other business to be transacted. Notwithstanding the foregoing provisions of this Section 2.03, a special meeting of stockholders requested by stockholders shall not be held if (i) the business specified in the Special Meeting Request is not a proper subject for stockholder action under applicable law (as determined by the Board of Directors), (ii) the Board of Directors has called or calls for an annual or special meeting of stockholders to be held within 90 days after the Secretary receives the Stockholder Meeting Request and the Board of Directors determines that the business of such meeting includes (among any other matters properly brought before the annual meeting) the business specified in the Stockholder Meeting Request, (iii) the Stockholder Meeting Request is received by the Secretary during the period commencing 90 days prior to the anniversary date of the prior year's annual meeting of stockholders and ending on the date of the next annual meeting of stockholders, (iv) an identical or substantially similar item (a "Similar Item") was presented at any meeting of stockholders held within 90 days prior to receipt by the Secretary of the Stockholder Meeting Request (and, for purposes of this clause (iv), the nomination, election, or removal of Directors shall be deemed a "Similar Item" with respect to all items of business involving the nomination, election, or removal of Directors, the changing the size of the Board of Directors and the filling of vacancies and/or newly created directorships), or (v) the Stockholder Meeting Request was made in a manner that involved a violation of Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or other applicable law.

Section 2.04. Notice. Whenever stockholders are required or permitted to take action at a meeting, a written notice of the meeting of stockholders shall be given stating the place, if any, date and time of such meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining stockholders entitled to vote at the meeting or any adjournment thereof (if such record date is different from the record date for determining the stockholders entitled to notice of the meeting), and, in the case of a special meeting, the purpose or purposes for which such meeting is to be held. Except as otherwise required by applicable law or provided in the Certificate of Incorporation or these Bylaws, the notice of any meeting shall be given to each stockholder entitled to notice of the meeting as of the record date for determining stockholders entitled to notice of the meeting, not less than 10 nor more than 60 days before the date of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. If, prior to the time of transmittal of notice, the Secretary shall have received from any stockholder a written request that notices intended for such stockholder are to be transmitted to some address other than the address that appears on the records of the Corporation, notices intended for such stockholder shall be transmitted to the address designated in such request.

Whenever notice is required to be given under any statute or the Certificate of Incorporation or these Bylaws to any stockholder to whom (1) notice of two consecutive annual meetings, and all notice of meetings to such person during the period between such two consecutive annual meetings or (2) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his or her address as shown on the records of the Corporation and have been returned because undeliverable, the giving of notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth his or her then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the Corporation is such as to require the filing of a certificate under any of the other sections of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this Section 2.04.

Section 2.05. Waiver of Notice. Any waiver of notice of any annual or special meeting of stockholders given by the stockholder entitled to notice, whether before or after such meeting, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any meeting of stockholders need be specified in any waiver of notice thereof. Attendance of a stockholder at a meeting shall constitute a waiver of notice of such meeting, except when such stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.06. Adjournments. Any stockholders' meeting, annual or special, whether or not a quorum (as defined in Section 2.07 hereinafter) is present, may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of the adjourned meeting if the date, time, and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date for determining stockholders entitled to vote is fixed for the adjourned meeting, a notice of the adjourned meeting in accordance with the requirements of Section 2.04 hereof shall be given to each stockholder entitled to vote thereat. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 2.07. Quorum. Except as otherwise required by applicable law or provided in the Certificate of Incorporation or these Bylaws, at each meeting of stockholders, the holders of a majority of the outstanding shares of stock entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting; provided that, where a separate vote by a class or series of the Corporation's stock is required for any matter, a quorum shall consist of the holders of a majority of the outstanding shares of such class or series entitled to vote with respect to such matter, present in person or represented by proxy. If, however, such quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, may, by a majority in voting power thereof, adjourn the meeting from time to time in accordance with Section 2.06 of these Bylaws until a quorum shall be present in person or represented by proxy. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.08. Voting. Except as otherwise required by applicable law or provided in the Certificate of Incorporation or these Bylaws, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share, regardless of class, held by such stockholder that has voting power upon the matter in question. All matters presented to the stockholders at a meeting at which a quorum is present, other than the election of Directors, shall be decided by the affirmative vote of the holders of a majority of the shares of stock present in person or represented by proxy at the meeting and entitled to vote on the matter, except where a different vote is otherwise required by applicable law, the Certificate of Incorporation, these Bylaws, or the rules or regulations of any stock exchange applicable to the Corporation, and in which case such required vote shall be the required vote on such matter. Where a separate vote by a class or series or classes or series of the Corporation's stock is required by applicable law or provided in the Certificate of Incorporation or these Bylaws on any matter other than the election of Directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series. Directors shall be elected by a plurality of the votes of the shares of stock present in person or represented by proxy at the meeting and entitled to vote on the election of directors; provided that, with respect to the election of any Directors entitled to be elected by a particular class or series of the Corporation's stock, such Directors shall be elected by a plurality of the votes of the shares of such class or series of stock present in person or represented by proxy at the meeting and entitled to vote on the election of such Director or Directors.

Section 2.09. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy. Such proxy shall be filed with the Secretary prior to or at such meeting of stockholders, as the Board of Directors may require. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot.

Section 2.10. Organization. Meetings of stockholders shall be presided over by the Chairman, if any, or in his or her absence by the Vice Chairman of the Board of Directors, if any, or in his or her absence by the Chief Executive Officer, or in his or her absence by the President, or in his or her absence by a Vice President or Senior Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.11. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by applicable law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.11 or to vote in person or by proxy at any meeting of stockholders.

Section 2.12. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting of stockholders, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The chairman of the meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the participants of the meeting that a nomination or matter or business was not properly brought before the meeting and if such chairman should so determine, such chairman shall so declare to the participants of the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.13. Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or any duly authorized committee thereof or (c) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 2.13 is delivered to the Secretary, who is entitled to vote at the meeting and upon such election or proposed business and who complies with the notice procedures set forth in this Section 2.13.

(2) For any nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 2.13, the stockholder must have given timely notice thereof in writing to the Secretary and any such proposed business (other than the nominations of persons for election to the Board of Directors) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90^{th}) day, nor earlier than the close of business on the one hundred twentieth (120^{th}) day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120^{th}) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90^{th}) day prior to such annual meeting or the tenth (10^{th}) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(3) Such stockholder's notice required by paragraph (A)(2) of this Section 2.13 shall set forth: (a) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a description of any agreement, arrangement, or understanding with respect to the nomination or proposal between or among such stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in

concert with any of the foregoing, including, in the case of a nomination, the nominee, (iv) a description of any agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to securities of the Corporation, (v) with respect to a nomination, any material interest of such stockholder and/or such beneficial owner, if any, in such nomination, (vi) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (vii) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock, and class or series of such capital stock, required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of such proposal or nomination, and (viii) any other information relating to such stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder; (b) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, address and principal occupation of such person, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such person, (iii) a description of any agreement, arrangement, or understanding with respect to the nomination entered into by such person and any others acting in concert with such person, (iv) a description of any agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such person, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such person, with respect to securities of the Corporation, (v) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act, and the rules and regulations promulgated thereunder, (vi) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (vii) such person's written representation that such person (A) is not and will not become a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, in each case in connection with candidacy, election or service as a director of the Corporation other than agreements providing only for indemnification and/or reimbursement of out-of-pocket expenses in connection with candidacy or election as a director (but not, for the avoidance of doubt, in connection with service as a director) or any pre-existing employment agreement a candidate has with his or her employer (not entered into in contemplation of the employer's investment in the Corporation or such employee's candidacy as a director), (B) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question and (C) if elected as a director of the Corporation, will comply with all policies and guidelines of the Corporation that are applicable to directors of the Corporation; and (c) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made. The Corporation may require any proposed nominee to furnish such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 2.13 to the contrary, in the event that the number of directors to be elected to the Board of Directors at the annual meeting is increased effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 2.13 and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.13 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10^{th}) day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or any duly authorized committee thereof or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.13 is delivered to the Secretary, who is entitled to vote at the meeting and with respect to such directorship(s) subject to election, and who complies with the notice procedures set forth in this Section 2.13. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors and with respect to such directorship(s) subject to election may nominate a person or persons (as the case may be) for election to such position (s) as specified in the Corporation's notice of meeting if the stockholder provides written notice setting forth the information required by paragraph (A)(3) of this Section 2.13 and delivers such notice to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120^{th}) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90^{th}) day prior to such special meeting or the tenth (10^{th}) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. A stockholder who has nominated persons for election to the Board of Directors pursuant to a Special Meeting Request in accordance with Section 2.03 is not required to separately satisfy the requirements of this paragraph (B) of Section 2.13 with respect to such nomination.

(C) General. (1) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 2.13 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.13. Except as otherwise provided by applicable law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.13 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies or votes in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (A)(3)(a)(vii) of this Section 2.13) and (b) if any proposed nomination or business was not made or proposed in compliance with this Section 2.13, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.13, unless otherwise required by applicable law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.13, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) A stockholder providing notice of any nomination proposed to be made at an annual meeting or special meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.13 shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the annual meeting or special meeting, and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of such annual meeting or special meeting.

(3) For purposes of this Section 2.13, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press, or other national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(4) Notwithstanding the foregoing provisions of this Section 2.13, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.13; provided however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 2.13 (including paragraphs (A)(1)(c) and (B) hereof), and compliance with paragraphs (A)(1)(c) and (B) of this Section 2.13 shall be the exclusive means for a stockholder to make nominations or submit business other than nominations (other than as provided in Section 2.03). Nothing in this Section 2.13 shall be deemed to affect any rights (a) of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act or (b) of the holders of any class or series of capital stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

Section 2.14. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be officers, employees or agents of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares and class or series of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares and class or series of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares and class or series of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by applicable law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III
Board of Directors

Section 3.01. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful actsand things as are not by applicable law, the Certificate of Incorporation, or these Bylaws required to be exercised or done by the stockholders.

Section 3.02. Number and Term. Subject to the rights of the holders of any class or series of stock then outstanding, and except as otherwise provided in the Certificate of Incorporation, the number of Directors shall be determined from time to time by the Board of Directors. Directors need not be stockholders. Except as otherwise provided in the Certificate of Incorporation or these Bylaws, the Directors shall be elected at the annual meeting of the stockholders for a term expiring at the next annual meeting of the stockholders. Each Director elected shall hold office until such Director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal.

Section 3.03. Resignation. Any Director may resign from the Board of Directors or any committee thereof at any time by giving notice in writing or by electronic transmission to the Board of Directors, the Chairman, if any, or the Secretary and, in the case of a committee, to the committee chair of such committee, if any. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events.

Section 3.04. Removal. Except as otherwise provided in the Certificate of Incorporation or these Bylaws, any Director, or the entire Board of Directors, may be removed, with or without cause, by the affirmative vote of the holders of a majority of the shares of stock then entitled to vote at an election of directors; provided, however, that, whenever the holders of any class or classes of stock or series thereof are entitled by the Certificate of Incorporation to elect one or more Directors, any Directors so elected may be removed from office at any time, with or without cause, solely by the affirmative vote of a majority of the holders of such class or classes of stock or series then entitled to vote at an election of directors.

Section 3.05. Vacancies and Newly Created Directorships. Except as otherwise provided in the Certificate of Incorporation or these Bylaws, vacancies and newly created directorships resulting from any increase in the number of Directors or from any other cause (other than any Directors elected or designated in the manner described in the next sentence) may be filled by, and only by, a majority of the Directors then in office, although less than a quorum, or by the sole remaining Director. Whenever the holders of any class or classes of stock or series thereof are entitled by the Certificate of Incorporation to elect one or more Directors, vacancies and newly created directorships of such class or classes or series may be filled by, and only by, a majority of the directors in office elected by such class or classes or series or designated as directors of such class or classes or series, even if less than a quorum, or by the sole remaining director so elected or designated, or, if there are no such directors, by a vote of the holders of such class or classes or series, voting as a separate class. Any Director chosen to fill a vacancy or a newly created directorship shall have a term expiring at the next annual meeting and shall hold office until such Director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. No decrease in the authorized number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 3.06. Place of Meetings. Directors of the Corporation may hold their meetings, both regular and special, at such places either within or without the State of Delaware as the Board of Directors may determine.

Section 3.07. Regular Meetings. The first meeting of each newly-elected Board of Directors shall be held without further notice as soon as practicable after each annual meeting of stockholders, unless the Board of Directors shall have transacted all such business by written consent pursuant to Section 3.12 hereof. Other regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine.

Section 3.08. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Secretary, or by a majority of the Board of Directors.

Section 3.09. Notice of Meetings. Notice of each regular meeting of the Board of Directors held pursuant to this Section 3.09 on a date and at a time previously furnished to the Board of Directors shall not be required. Notice of each special meeting of the Board of Directors shall be given by the Secretary or the person calling the meeting at least twenty-four hours before the special meeting. Notice may be given in writing and delivered personally or mailed to the Directors at their addresses appearing on the books of the Corporation, by telecopier, by telephone, or by other means of electronic transmission. A waiver of notice, whether in writing or by electronic transmission, signed by the Director entitled to notice, whether before or after the time of the meeting referred to in such waiver, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in any waiver of notice thereof. Attendance of a Director at a meeting of the Board of Directors shall constitute a waiver of notice of such meeting, except when such Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called or convened.

Section 3.10. Quorum. At all meetings of the Board of Directors, the presence of a majority of the total number of Directors then in office shall constitute a quorum for the transaction of business at such meeting. The vote of a majority of the Directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board of Directors, except as otherwise expressly required by applicable law, the Certificate of Incorporation, or these Bylaws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.11. Committees of the Board of Directors. The Board of Directors may designate one or more committees, each committee to consist of one or more Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member. Any committee of the Board of Directors, to the extent permitted by applicable law and to the extent provided in the resolution of the Board of Directors designating such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation, if any, to be affixed to all papers that may require it.

Section 3.12. Directors' Consent in Lieu of Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, without prior notice, and without a vote, if a consent in writing or by electronic transmission, setting forth the action so taken, shall be signed by all the members of the Board of Directors or such committee and such consent is filed with the minutes of the proceedings of the Board of Directors or such committee.

Section 3.13. Action by Means of Telephone or Similar Communications Equipment. Any one or more members of the Board of Directors, or of any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

Section 3.14. Compensation. Directors, by resolution of the Board of Directors, shall receive a fixed sum, and expenses of attendance if any, for attendance at each regular or special meeting of the Board of Directors and, in addition thereto, may receive a retainer for their services, the amount to be authorized by resolution of the Board of Directors; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.15. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because any such director's or officer's vote is counted for such purpose if: (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 3.16. Chairman of the Board of Directors. The Chairman of the Board of Directors shall have the power to call special meetings of stockholders, to call special meetings of the Board of Directors, and, if present, to preside at all meetings of stockholders and all meetings of the Board of Directors. The Chairman shall see that all orders and resolutions of the Board of Directors are carried into effect and shall perform such other duties incident to the office of Chairman and shall perform all such other duties and have such other powers as may from time to time be assigned to him or her by the Board of Directors or these Bylaws.

ARTICLE IV
Officers

Section 4.01. Officers. The officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, and a Treasurer. The Board of Directors may also elect a Chief Financial Officer, Chief Operating Officer, one or more Vice Presidents or Senior Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board of Directors may determine. Any two or more offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person.

Section 4.02. Election; Term; Removal. The officers of the Corporation shall be elected by the Directors. Each officer of the Corporation shall hold office until his or her successor is elected and qualified or until his or her earlier death, resignation, or removal from office. Any officer elected or appointed by the Board of Directors may be removed, with or without cause, at any time by the vote of the Board of Directors. Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors, the Chairman, the Chief Executive Officer, the President, or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board of Directors, the Chairman, the Chief Executive Officer, the President or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

Section 4.03. Authority and Duties. All officers shall have such authority and perform such duties in the management of the Corporation as may be provided in these Bylaws or by resolution of the Board of Directors and, to the extent not so provided, as generally pertains to their respective offices, subject to the control of the Board of Directors.

Section 4.04. Salaries. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 4.05. Chief Executive Officer. The Chief Executive Officer, in the absence or disability of the Chairman of the Board of Directors, shall perform the duties and exercise the powers of the Chairman of the Board of Directors. The Chief Executive Officer of the Corporation shall have general and active management responsibilities of the business and affairs of the Corporation and shall perform such other duties incident to the office of the Chief Executive Officer and shall perform all such other duties and have such other powers as may from time to time be assigned to him or her by the Board of Directors or these Bylaws. Subject to the orders and resolutions of the Board of Directors, the Chief Executive Officer shall have authority to execute any deed, conveyance, mortgage, guarantee, lease, obligation, bond, certificate, contract, or other paper or instrument of the Corporation; to execute certificates for shares of stock of the Corporation; and to have general charge of the property of the Corporation and to supervise and direct all officers, agents, and employees of the Corporation.

Section 4.06. The President. The President, in the absence or disability of the Chief Executive Officer to perform the duties and exercise the powers of the Chairman of the Board of Directors, shall perform the duties and exercise the powers of the Chairman of the Board of Directors. The President shall be the principal administrative officer of the Corporation, subject to the direction and approval of the Chief Executive Officer, and shall be responsible for the implementation of the details of managing the administrative affairs of the Corporation, and shall perform such other duties incident to the office of the President and shall perform all such other duties and have such other powers as may from time to time be assigned to him or her by the Board of Directors, the Chief Executive Officer, or these Bylaws. Subject to the direction of the Board of Directors and the Chief Executive Officer, the President shall have authority to execute any deed, conveyance, mortgage, guarantee, lease, obligation, bond, certificate, contract, or other paper or instrument of the Corporation; to execute certificates for shares of stock of the Corporation; and to have general charge of the property of the Corporation and to supervise and direct all officers, agents, and employees of the Corporation (other than the Chief Executive Officer).

Section 4.07. Vice Presidents. Each Vice President, Senior Vice President, or Assistant Vice President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or President may from time to time delegate to him or her.

Section 4.08. Secretary. The Secretary shall, to the extent practicable, attend all meetings of the Board of Directors and all meetings of the stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose. He or she shall give, or cause to be given, notice of all meetings of the stockholders and shall perform such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, or President, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the minute book and the seal of the Corporation, if any, and affix the seal, if any, to any instrument requiring it, and, when so affixed, it shall be attested by his or her signature or by the signature of the Treasurer or an Assistant Secretary.

Section 4.09. Assistant Secretaries. Each Assistant Secretary shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or President may from time to time delegate to such person. An Assistant Secretary shall generally assist the Secretary and perform such other duties as the Board of Directors or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

Section 4.10. Treasurer. The Treasurer shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements of the Corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer or President and Directors, at the regular meetings of the Board of Directors, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation, and shall perform such other duties incident to the office of the Treasurer and shall perform all such other duties and have such other powers as may from time to time be assigned to him or her or them by the Board of Directors or these Bylaws.

Section 4.11. Assistant Treasurers. Each Assistant Treasurer shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or President may from time to time delegate to him or her. An Assistant Treasurer shall generally assist the Treasurer and perform such other duties as the Board of Directors or the Treasurer shall prescribe, and, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

ARTICLE V
Stock and Stock Certificates

Section 5.01. Stock Shares With and Without Certificates. (A) Shares shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by certificate until such certificate is surrendered to the Corporation. The Corporation is hereby authorized to issue any and all of its shares, classes, or series, with or without certificates.

(B) Certificated Shares. To the extent that shares are represented by certificates, such certificates shall be in such form or forms as shall be approved by the Board of Directors. Such certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Each certificate shall state on the face thereof the holder's name, the number and class of shares, and the par value of such shares or a statement that such shares are without par value. The certificate shall be signed by or in the name of the Corporation by the Chief Executive Officer, the President, or any Vice President or Senior Vice President and by the Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer certifying the number of shares owned by such holder in the Corporation. Any or all of the signatures on a certificate may be a facsimile. In the event any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be an officer, transfer agent or register of the Corporation before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar on the date of issue. The certificate may also be sealed with the seal of the Corporation, if any, or a facsimile thereof.

Section 5.02. Lost Certificates. The Corporation may issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen, or destroyed, upon the surrender of the mutilated certificate or, in the case of loss, theft, or destruction of the certificate, upon satisfactory proof of such loss, theft, or destruction, and the Board of Directors or the transfer agents and registrars may, in their discretion, require the record holder of the shares or his or her legal representative to give the Corporation a bond sufficient to indemnify the Corporation and applicable transfer agents and registrars against any claim made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of such new certificate.

Section 5.03. Transfer of Shares. Registration of transfers of shares shall be made only on the books of the Corporation upon request of the registered holder of such shares, or of his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and, if the shares are represented by certificates, upon the surrender of the certificate or certificates evidencing such shares properly endorsed or accompanied by a stock power duly executed, together with such proof of the authenticity of signatures as the Corporation may reasonably require. Upon surrender to the Corporation, or the transfer agent of the Corporation, of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, it shall be the duty of the Corporation or the transfer agent of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

Section 5.04. Registered Stockholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 5.05. Fixing Date for Determination of Stockholders of Record. (a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by applicable law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than 60 days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VI
General Provisions

Section 6.01. Fiscal Year. The fiscal year of the Corporation begins with January 1 and ends with December 31, or as otherwise determined by the Board of Directors from time to time.

Section 6.02. Dividends. Subject to any restrictions required by applicable law and subject to any rights and preferences of any series or class of the capital stock as set forth in the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of the Corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock, except as otherwise provided by the laws of the State of Delaware or the Certificate of Incorporation.

Section 6.03. Seal. The Corporation may adopt a corporate seal, which shall have inscribed thereon the name of the Corporation and the words "Corporate Seal." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced.

ARTICLE VII
Indemnification

Section 7.01. Right to Indemnification. Subject to Section 7.03 of these Bylaws, the Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter by amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), including, but not limited to, serving as a witness without being named a defendant or respondent, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a Director or officer of the Corporation or, while a Director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all liability and loss suffered (including, but not limited to, judgments, penalties, fines, excise taxes, and amounts paid in settlement) and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if commencement of such Proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors.

Section 7.02. Right to Advancement of Expenses. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys'fees) incurred by a Covered Person in defending any proceeding in advance of its final disposition, provided, however, that (i), to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VII or otherwise and (ii) such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of a written affirmation by such Covered Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the Corporation under this Article VII.

Section 7.03. Success on the Merits or Otherwise. To the extent that a Covered Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 7.01 of these Bylaws, or in defense of any claim, issue or matter therein, such Covered Person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such Covered Person in connection therewith.

Section 7.04. Requirement to Authorize Indemnification in each Specific Case. Any indemnification under Section 7.01 of these Bylaws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Covered Person is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 145 of the DGCL. Such determination shall be made, with respect to a Covered Person: (i) by a majority vote of the Directors who are not parties to such Proceeding, though less than a quorum, (ii) by a committee of such Directors designated by majority vote of such Directors, even though less than a quorum, (iii) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders of the Corporation.

Section 7.05. Right of Indemnitee to Bring Suit. If a claim for indemnification (following the final disposition of such proceeding) or advancement of expenses under this Article VII is not paid in full within 30 days after the Corporation has received a claim therefor by the Covered Person, such Covered Person shall thereupon (but not before) be entitled to file suit to recover the unpaid amount of such claim. If successful in whole or in part, such Covered Person shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by applicable law. In any such action, the Corporation shall have the burden of proving that the person seeking indemnification or advancement of expenses is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 7.06. Nonexclusive Rights. The rights conferred on any Covered Person by this Article VII shall not be deemed exclusive of any other rights to which such Covered Person may be entitled under any law, bylaw, agreement, vote of stockholders or disinterested Directors or otherwise.

Section 7.07. General Provisions. (a) For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors, officers, employees or agents so that any person who is or was a Director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; and references to "serving at the request of the Corporation" shall include any service as a Director, officer, employee or agent of the Corporation that imposes duties on, or involves service by, such Director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrator of such a person.

(d) Any right to indemnification or to advancement of expenses of any Covered Person arising hereunder shall not be eliminated or impaired by an amendment to or repeal of these Bylaws after the occurrence of the act or omission that is the subject of a Proceeding for which indemnification or advancement of expenses is sought.

(e) The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

Section 7.08. Indemnification of Employees and Agents of Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of Directors and officers of the Corporation.

Section 7.09. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of Section 145 of the DGCL.

Section 7.10. Continuing Offer, Reliance, etc. The provisions of this Article VII (i) are for the benefit of, and may be enforced by, each Director and officer of the Corporation, the same as if set forth in their entirety in a written instrument duly executed and delivered by the Corporation and such Director or officer and (ii) constitute a continuing offer to all present and future Directors and officers of the Corporation. The Corporation, by its adoption of these Bylaws, acknowledges and agrees that each present and future Director and officer of the Corporation has relied upon and will continue to rely upon the provisions of this Article VII in accepting and serving in any of the capacities referred to in this Article VII.

ARTICLE VIII
Amendments

Section 8.01. By Stockholders. Unless otherwise provided in the Certificate of Incorporation, any bylaw (including these Bylaws) may be adopted, amended, altered or repealed, and new bylaws made, by the Corporation's stockholders solely by the vote of the holders of at least 66 2/3% of the shares of the Corporation's capital stock entitled to vote, voting together as a single class.

Section 8.02. By Directors. Unless otherwise provided in the Certificate of Incorporation, any bylaw (including these Bylaws) may be adopted, amended, altered or repealed, and new bylaws made, by the Board of Directors.

EXHIBIT 10 (aj)

NATIONAL WESTERN LIFE GROUP, INC.

INCENTIVE PLAN

As Amended and Restated Effective December 14, 2022

1. Establishment; Purpose

The National Western Life Group, Inc. Incentive Plan (the "Plan") established as of February 5, 2014, is hereby amended and restated, effective as of December 14, 2022, which amendment and restatement (i) removes certain provisions in the Plan that have become non-operative as a result of the elimination by the U.S. Congress of certain provisions of Code section 162(m) in 2017, (ii) prospectively modifies the definition of "Change in Control" and (iii) makes certain non-substantive technical corrections to the Plan. Capitalized terms used herein without definition shall have the respective meanings assigned to them in Section 2.

The purposes of the Plan are to promote the interests of the Company and its Subsidiaries and Stockholders by enabling the Company to attract, motivate and retain Employees and Directors by offering them performance-based stock incentives and other equity interests in the Company and other incentive awards that recognize the creation of value for the Stockholders and promote the Company's long-term growth and success. To achieve these purposes, eligible Participants may receive stock options, Stock Appreciation Rights, Restricted Stock, Performance Awards, Dividend Equivalent Rights and other Awards, or any combination thereof, subject to the terms of the Plan set forth below.

2. Definitions

As used in the Plan, the following terms shall have the respective meanings set forth below unless the content otherwise requires:

2.1 "Award" shall mean the grant of a stock option, a Stock Appreciation Right, Restricted Stock, a Performance Award, a Dividend Equivalent Right, or any other award under the Plan.

2.2 "Board" shall mean the Board of Directors of the Company, as the same may be constituted from time to time.

2.3 "Change in Control" shall mean, after the effective date of the Plan, the occurrence of any one or more of the events described below:

(a) Any "person," as such term is used in sections 13(d) and 14(d) of the Exchange Act (other than the Company; any trustee or other fiduciary holding securities under any employee benefit plan of the Company; the estate of a deceased Stockholder; any guardian or agent acting on behalf of a Stockholder; or any company owned, directly or indirectly, by the Stockholders in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities;

(b) During any period of two (2)-consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election by the Board or the nomination for election by the Stockholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the two (2)-year period or whose election or nomination for election was previously so approved;

(c) The Stockholders approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a Reorganization in which no "person" (as described above) acquires more than twenty percent (20%) of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; or

(d) The Stockholders approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

provided, however, that, notwithstanding the foregoing, for purposes of any Award granted under the Plan on or after December 14, 2022, a Change in Control shall not occur under subparagraph (c) or (d) with respect to a merger, consolidation, liquidation, sale or disposition referred to in such subparagraph (as applicable) unless and until such merger, consolidation, liquidation, sale or disposition has been consummated.

2.4 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any applicable Treasury regulations promulgated thereunder.

2.5 "Committee" shall mean the Compensation and Stock Option Committee of the Board, if such a separate committee is appointed by the Board, or, in the absence of such a separate committee, it shall mean the Board. If a separate committee is appointed, then to the extent required by Rule 16b-3 promulgated under the Exchange Act and any successor thereunder promulgated during the duration of the Plan, the Committee members who approve Awards which would otherwise not qualify for an exemption from Rule 16b-3 shall consist of two or more "non-employee directors" as defined by Rule 16b-3. To the extent required to satisfy any applicable requirements of Nasdaq, the Committee members who approve Awards shall meet the independence requirements of Nasdaq.

2.6 "Class A Common Stock" shall mean the Class A Common Stock, par value $0.01 per share, of the Company. For periods prior to October 1, 2015, "Common Stock" meant the Class A Common Stock, par value $1.00 per share, of National Western Life Insurance Company.

2.7 "Company" shall mean National Western Life Group, Inc. or any successor thereto; provided, however, that for periods prior to October 1, 2015, the term "Company" meant National Western Life Insurance Company.

2.8 "Designated Beneficiary" shall mean the beneficiary designated by a Participant, in a manner determined by the Committee, to exercise rights of the Participant under an Award in the event of the Participant's death. In the absence of an effective designation by a Participant the Designated Beneficiary shall be the Participant's estate.

2.9 "Director" means a member of the Board as of the effective date of the Plan under Section 16.8 or as of any date thereafter.

2.10 "Disability" shall mean permanent and total inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as determined in the sole and absolute discretion of the Committee.

2.11 "Dividend Equivalent Right" shall mean a credit, made at the sole discretion of the Committee, to the account of a Participant in an amount equal to the value of dividends paid on one Share for each Share represented by an Award held by such Participant. Under no circumstances shall the payment of a dividend equivalent be made with respect to, or contingent on the exercise of, a stock option or Stock Appreciation Right.

2.12 "Employee" shall mean any person, including an officer, who is a common law employee of and receives remuneration for personal services to the Company or any Subsidiary. A person shall not be considered an "Employee" unless the person is included on the official human resources database as an employee of and is paid through the payroll system of the Company or any Subsidiary.

2.13 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.14 "Fair Market Value" shall mean with respect to the Shares, as of any date, (i) the closing price of the Class A Common Stock as reported by Nasdaq (or, if not reported on such quotation system or exchange, on the composite tape, or, in case no such sale takes place on such day, the average of the reported closing bid and asked quotations on such exchange or quotation system); or (ii) if no such quotations are available, the average of the high bid and low asked quotations in the over-the-counter market as reported by the National Quotation Bureau Incorporated, or similar organization; or (iii) in the event that there shall be no public market for the Class A Common Stock, the fair market value of the Class A Common Stock as determined (which determination shall be conclusive) in good faith by the Committee, based upon the value of the Company as a going concern, as if such Class A Common Stock were publicly owned stock, but without any discount with respect to minority ownership.

2.15 "Incentive Stock Option" shall mean any stock option awarded under the Plan which qualifies as an "incentive stock option" under Code section 422.

2.16 "Nasdaq" shall mean The Nasdaq Stock Market, Inc. or its successor on which the Shares are listed or quoted. If The Nasdaq Stock Market, Inc. (or its successor) shall cease to be the principal exchange or quotation system upon which the Shares are listed or quoted, then such term shall refer to the exchange or quotation system, if any, on which the Company elects to list or quote the Shares and that the Committee designates as the Company's principal exchange or quotation system.

2.17 "Non-Tandem Stock Appreciation Right" shall mean any Stock Appreciation Right granted alone and not in connection with an Award which is a stock option.

2.18 "Nonqualified Stock Option" shall mean any stock option awarded under the Plan that does not qualify as an Incentive Stock Option.

2.19 "Optionee" shall mean any Participant who has been granted a stock option under the Plan and who has executed a written stock option agreement with the Company reflecting the terms of such grant.

2.20 "Participant" shall mean an Employee or Director to whom an Award has been granted.

2.21 "Performance Award" shall mean any Award hereunder of Shares, units or rights based upon, payable in, or otherwise related to, Shares (including Restricted Stock), or cash of an equivalent value, as the Committee may determine, at the end of a specified performance period established by the Committee.

2.22 "Plan" shall mean the National Western Life Group, Inc. Incentive Plan (formerly known as the National Western Life Insurance Company 2008 Incentive Plan), as set forth herein and as may be amended from time to time.

2.23 "Reorganization" shall mean a reorganization or recapitalization of the Company or a similar transaction with respect to the Company.

2.24 "Restricted Stock" shall mean any Award of Shares under the Plan that is subject to restrictions or risk of forfeiture.

2.25 "Stockholders" shall mean the holders of Class A Common Stock, Class B Common Stock, par value $0.01 per share, and/or, to the extent the context requires, other equity securities of the Company.

2.26 "Shares" shall mean shares of the Company's Class A Common Stock and any shares of capital stock or other securities of the Company hereafter issued or issuable upon, in respect of or in substitution or exchange for such shares.

2.27 "Stock Appreciation Right" shall mean the right of the holder thereof to receive an amount in cash or Shares equal to the excess of the Fair Market Value of a Share on the date of exercise over the specified exercise price for the right.

2.28 "Subsidiary" shall mean any subsidiary of the Company, and any business venture designated by the Committee in which the Company has a significant interest at the relevant time, as determined in the discretion of the Committee, provided that for all purposes hereunder relating to Incentive Stock Options, "Subsidiary" shall mean a "subsidiary corporation" of the Company at the relevant time, as defined in Code section 424(f).

2.29 "Tandem Stock Appreciation Right" shall mean a Stock Appreciation Right granted in connection with an Award which is a stock option.

3. Administration of the Plan

3.1 *Committee.* The Plan shall be administered, interpreted and construed by the Committee in its discretion.

3.2 *Awards.* Subject to the provisions of the Plan and directions from the Board, the Committee is authorized to and has the complete power and discretion to:

(a) determine the Fair Market Value of Awards;

(b) determine the persons to whom Awards are to be granted;

(c) determine the types and combinations of Awards to be granted; the number of Shares to be covered by the Award; the pricing of the Award; the terms, performance measures or objectives, performance period or other conditions, vesting periods or any restrictions for an Award; the medium of payment of an Award; the time or times when the Award shall be granted and may be exercised; any restrictions on Shares acquired pursuant to the exercise of an Award; any vesting acceleration or waiver of forfeiture or repurchase restrictions, and any other terms and conditions of an Award, including, without limitation, provisions requiring the forfeiture of Awards and/or gains from Awards if a Participant is terminated for cause or if a Participant or former Participant violates any applicable affirmative or negative covenants regarding confidentiality, non-solicitation, or non-competition;

(d) conclusively interpret and construe the provisions of the Plan and any agreement, instrument, or other document relating to the Plan;

(e) prescribe, amend, and rescind the rules and regulations relating to the Plan or make individual decisions as questions arise, or both, including rules and regulations relating to the creation and administration of sub-plans;

(f) authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Committee;

(g) determine whether Awards shall be settled in Shares, cash or in a combination of Shares and cash;

(h) establish a program whereby Participants designated by the Committee can reduce compensation otherwise payable in cash in exchange for Awards under the Plan;

(i) impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy, and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers;

(j) establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance goals or other performance criteria, or other event that absent the election, would entitle the Participant to payment or receipt of Shares or other consideration under an Award;

(k) determine whether, to what extent and under what circumstances to provide loans and/or bonuses from the Company to Participants in connection with the exercise of Awards, and the terms and conditions of such bonuses and/or loans, provided that loans shall not be provided to a Participant to the extent prohibited by applicable law;

(l) rely upon Employees, consultants, and agents of the Company for such clerical and record keeping duties as may be necessary in connection with the administration of the Plan;

(m) determine whether an individual (including an Employee on leave or other inactive status) has terminated employment with the Company for purposes of the Plan;

(n) make decisions with respect to outstanding Awards that may become necessary upon a Change in Control or an event that triggers anti-dilution adjustments;

(o) interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan; and

(p) make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. However, the Committee may not exercise any right or power reserved to the Board.

3.3 *Procedures.* All determinations of the Committee shall be made by a majority of its members. All questions of interpretation and application of the Plan or pertaining to any question of fact or Award granted hereunder shall be decided by the Committee, whose decision shall be final, conclusive and binding upon the Company and each other affected party. No Committee member shall act as a member of the Committee with respect to any dispute or matter specifically involving the Committee member. If the Committee is unable to act (because a majority of its members are disqualified from acting or abstain from acting) with respect to a matter, the Board shall assume the authority and responsibility of the Committee with respect to such matter.

3.4 *Delegation by the Committee.* The Committee may delegate to one or more individuals, pursuant to a written delegation, the day-to-day administration of the Plan and any of the functions assigned to it in this Plan, except that any such delegation shall not include the Committee's authority and responsibility to grant Awards and interpret and construe the Plan under Sections 3.2(a)-(e) and (p). Any actions taken by any delegatees of the Committee pursuant to such written delegation of authority shall be deemed to have been taken by the Committee. Such delegation may be revoked at any time.

3.5 *Award Agreements.* Each Award granted under the Plan shall be evidenced by a written Award agreement. Each such agreement shall be subject to and incorporate, by reference or otherwise, the applicable terms and conditions of the Plan, and any other terms and conditions, not inconsistent with the Plan, as may be imposed by the Committee, including without limitation, provisions related to the consequences of termination of employment. A copy of such agreement shall be provided to the Participant, and the Committee may, but need not, require that the Participant sign (or otherwise acknowledge receipt of) a copy of the agreement or a copy of a notice of grant. Each Participant may be required, as a condition to receiving an Award under this Plan, to enter into an agreement with the Company containing such non-compete, confidentiality, and/or non-solicitation provisions as the Committee may adopt and approve from time to time. The provisions of any such agreement may also be included in, or incorporated by reference in, the written Award agreement.

3.6 *Indemnification.* No Employee, Director, or member of the Committee shall be liable for any action taken or omitted to be taken by such member, by any other Employee, Director or member of the Committee in connection with the performance of duties under the Plan, except for such person's own willful misconduct or as expressly provided by statute. Employees, Directors and members of the Committee shall be indemnified in connection with their administration of the Plan to the fullest extent provided by applicable law and by the Bylaws of the Company.

4. Shares Subject to Plan

4.1 *Limitations.* The Shares issued pursuant to the Plan may be authorized but unissued Shares, or may be issued Shares which have been reacquired by the Company.

(a) The maximum number of Shares that may be issued with respect to Awards under the Plan shall not exceed 300,000, subject to adjustment as provided in Section 13. All of the Shares available for issuance under the Plan may, but are not required to be, issued pursuant to Incentive Stock Options.

(b) Subject to Section 4.2, the number of Shares available for issuance under the Plan shall be reduced by the full number of Shares covered by Awards granted under the Plan.

4.2 *Changes.*

(a) To the extent that any Award under the Plan shall be forfeited, shall expire unexercised or shall be canceled, in whole or in part, then the number of Shares covered by the Award to the extent forfeited, expired or canceled may again be awarded pursuant to the provisions of the Plan without again counting against the limitation specified in Section 4.1(a).

(b) In the event that Shares are delivered to or retained by the Company in full or partial payment of the exercise or purchase price of an Award, the number of Shares available for future Awards under the Plan shall be reduced only by the net number of Shares issued.

(c) If the tax withholding obligation under an Award is satisfied by the Company retaining Shares or by the Participant tendering Shares from an Award (either by actual delivery or attestation), the number of Shares so retained or tendered shall be deemed issued for purposes of the limitation specified in Section 4.1(a).

(d) Awards that may be satisfied either by the issuance of Shares or by cash or by a combination thereof shall, until the form of consideration to be paid is finally determined, be counted against the maximum number of Shares that may be issued under the Plan. If the Award is ultimately satisfied by the payment of consideration other than Shares, as, for example, a stock option granted in tandem with a Stock Appreciation Right that is settled by a cash payment of the stock appreciation, such Shares may again be made the subject of an Award under the Plan. Awards will not reduce the number of Shares that may be issued pursuant to the Plan if the settlement of the Award will not require the issuance of Shares, as, for example, a Stock Appreciation Right that can be satisfied only by the payment of cash.

5. Eligibility

An individual shall be eligible to participate in the Plan and receive Awards hereunder if the individual is an Employee or Director; provided, however, that Incentive Stock Options may be awarded only to individuals who are Employees. In making any determination as to persons to whom Awards shall be granted, the type of Award, and/or the number of Shares to be covered by the Award, the Committee shall consider the position and responsibilities of the Employee or Director; his or her importance to the Company and its Subsidiaries; the duties of such person; his or her past, present and potential contributions to the growth and success of the Company and its Subsidiaries; and such other factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

6. Stock Options

6.1 *Grants.* The Committee may grant stock options alone or in addition to other Awards granted under the Plan to any Participant. Each person so selected shall be offered an option to purchase the number of Shares determined by the Committee. The Committee shall specify whether such option is an Incentive Stock Option or Nonqualified Stock Option and any other terms and conditions relating to such Award, including whether the option is exercisable for Restricted Stock rather than unrestricted Shares. Each such person so selected shall have a reasonable period of time within which to accept or reject the offered option. Failure to accept within the period so fixed by the Committee may be treated as a rejection. Each person who accepts an option shall enter into a written agreement with the Company, in such form as the Committee may prescribe, setting forth the terms and conditions of the option (including the extent to which the option is an Incentive Stock Option or Nonqualified Stock Option), consistent with the provisions of the Plan.

(a) To the extent that any stock option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such stock option or the portion thereof which does not qualify shall automatically constitute a separate Nonqualified Stock Option without any further action and notwithstanding the original designation of the option as an Incentive Stock Option. Nothing in this Plan shall be interpreted as a representation, guarantee, or other understanding on the part of the Company that any particular option will be determined to be an Incentive Stock Option under Code section 422. At any time and from time to time, the Optionee and the Company may agree to modify an option agreement so that an Incentive Stock Option may be converted to a Nonqualified Stock Option.

(b) The Committee may require that an Optionee meet certain conditions before such Optionee's stock option or a portion thereof may vest or be exercised, as, for example, that the Optionee remain in the employ or active service of the Company for a stated period or periods of time before the option, or stated portions thereof, may vest or be exercised.

6.2 *Option Price.* The option exercise price of the Shares covered by each stock option shall be determined by the Committee; provided, however, that the option exercise price shall not be less than the greater of (a) the par value of such Shares and (b) one hundred percent (100%) of the Fair Market Value of such Shares on the date of grant of the stock option. Subject to the provisions of Section 13, the exercise price of a stock option issued in accordance with this Plan shall not be adjusted or amended following the issuance of such stock option.

6.3 *Incentive Stock Options Limitations.*

(a) To the extent required to comply with Code section 422, in no event shall any person be granted Incentive Stock Options to the extent that the Shares covered by such options (and any Incentive Stock Options granted under any other plans of the Company and its Subsidiaries) that may be exercised for the first time by such person in any calendar year have an aggregate Fair Market Value in excess of $100,000. For this purpose, the Fair Market Value of the Shares shall be determined as of the dates on which the Incentive Stock Options are granted. It is intended that the limitation on Incentive Stock Options provided in this subsection be the maximum limitation on options which may be considered Incentive Stock Options under the Code, and this subsection shall be construed and applied in accordance with Code section 422.

(b) Notwithstanding anything herein to the contrary, in no event shall any Participant owning more than ten percent (10%) of the total combined voting power of the Company or any Subsidiary be granted an Incentive Stock Option hereunder unless (1) the option exercise price shall be at least one hundred ten percent (110%) of the Fair Market Value of the Shares subject to such Incentive Stock Option at the time that the Incentive Stock Option is granted and (2) the term of such Incentive Stock Option shall not exceed five (5) years.

6.4 *Option Term.* Subject to Section 6.3(b) hereof, the term of a stock option shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided, however, that no stock option shall be exercisable later than ten (10) years from the date of its grant. The extent to which a stock option that is granted to a Participant who is an Employee may be exercised by the Participant or the Participant's Designated Beneficiary after the Participant's termination of employment with the Company and all Subsidiaries (including by reason of death or Disability) shall be determined by the Committee and incorporated into the terms of the applicable option agreement.

6.5 *Vesting of Stock Options.*

(a) Each stock option granted hereunder may be exercised only to the extent that the Optionee is vested in such option. Each stock option shall vest separately in accordance with the option vesting schedule, if any, determined by the Committee in its sole discretion, which will be incorporated in the Award agreement entered into between the Company and each Optionee and only to the extent that the Optionee remains in the continuous employ or service of the Company or a Subsidiary. The option vesting schedule will be accelerated if, in the sole discretion of the Committee, the Committee determines that acceleration of the option vesting schedule would be desirable for the Company.

(b) In the event of the dissolution or liquidation of the Company, each stock option granted under the Plan shall terminate as of a date to be fixed by the Board; provided, however, that not less than thirty (30) days' written notice of the date so fixed shall be given to each Optionee and each such Optionee shall be fully vested in and shall have the right during such period to exercise the option, even though such option would not otherwise be exercisable under the option vesting schedule. At the end of such period, any unexercised option shall terminate and be of no other effect.

(c) In the event of a Reorganization:

(1) If there is no plan or agreement respecting the Reorganization, or if such plan or agreement does not specifically provide for the change, conversion or exchange of the Shares under outstanding and unexercised stock options for other securities then the provisions of Section 6.5(b) shall apply as if the Company had dissolved or been liquidated on the effective date of the Reorganization; or

(2) If there is a plan or agreement respecting the Reorganization, and if such plan or agreement specifically provides for the change, conversion or exchange of the Shares under outstanding and unexercised stock options for securities of another corporation, then the Committee shall adjust the Shares under such outstanding and unexercised stock options (and shall adjust the Shares remaining under the Plan which are then available to be awarded under the Plan, if such plan or agreement makes no specific provision therefor) in a manner not inconsistent with the provisions of such plan or agreement for the adjustment, change, conversion or exchange of such Shares and such options.

(d) The Committee may provide in a stock option agreement and/or Stock Appreciation Rights agreement that in the event of a Change in Control of the Company, (i) all or a portion of the stock options and/or any Stock Appreciation Rights awarded under such agreement shall become fully vested and immediately exercisable and/or (ii) the vesting of all performance-based stock options shall be determined as if the performance period or cycle applicable to such stock options had ended immediately upon such Change in Control; provided, however, that if in the opinion of counsel to the Company the immediate exercisability of options when taken into consideration with all other "parachute payments" as defined in Code section 280G, would result in an "excess parachute payment" as defined in such section as well as an excise tax imposed by Code section 4999, such options and any Stock Appreciation Rights shall become fully vested and immediately exercisable, except as and to the extent the Committee in its sole discretion, shall otherwise determine, which determination by the Committee shall be based solely upon maximizing the after-tax benefits to be received by any such Optionee. If the Committee does not provide for accelerated vesting in an option or Stock Appreciation Rights agreement pursuant to this Section 6.5(d), such option and/or Stock Appreciation Right shall vest, if at all, solely in accordance with the terms of the agreement and the other terms of this Plan.

6.6 *Exercise of Stock Options.* Stock options may be exercised as to Shares only in amounts and at intervals of time specified in the written option agreement between the Company and the Optionee. Each exercise of a stock option, or any part thereof, shall be evidenced by a written notice to the Company. The purchase price of the Shares as to which an option shall be exercised shall be paid in full at the time of exercise, and may be paid to the Company either:

(a) in cash (including check, bank draft or money order);

(b) by the delivery of Shares having a Fair Market Value equal to the aggregate purchase price;

(c) by a "cashless" exercise program established with a broker;

(d) by reduction in the number of Shares otherwise deliverable upon exercise of such option with a Fair Market Value equal to the aggregate option exercise price at the time of exercise;

(e) any combination of the foregoing methods of payment; or

(f) by other form of legal consideration deemed acceptable by the Committee in its sole discretion.

Without limiting the authority of the Committee under Section 3.2(k), the Company in its sole and absolute discretion and at or about the time of exercise of a stock option may pay a bonus to the Optionee or, to the extent permitted by applicable law, make a loan available to the Optionee.

6.7 *Formula Awards for Directors.*

(a) The provisions of this Section 6.7 shall supersede Paragraph VII(h) of the National Western Life Insurance Company 1995 Stock and Incentive Plan with respect to individuals who become Directors on or after the effective date of the Plan under Section 16.8. No stock option shall be granted to such Directors under such Paragraph of the prior plan after the effective date of the Plan under Section 16.8.

(b) Each Director serving as of the close of the Stockholders' meeting on the effective date of the Plan under Section 16.8 shall receive a Nonqualified Stock Option to purchase 1,000 Shares.

(c) An option awarded pursuant to this Section 6.7 shall (i) have an exercise price equal to 100% of the Fair Market Value of the Shares on the date of grant; (ii) not have Tandem Stock Appreciation Rights granted in connection therewith; (iii) have a maximum term of ten (10) years from the date of grant, subject to early termination if the optionee ceases to be a Director prior to the end of such period; (iv) cease to be exercisable after the date which is three (3) months after the termination of such individual's service as a Director for any reason other than death and which is four (4) months after the termination of such individual's service as a Director due to death; (v) vest and become exercisable at the rate of 20% of the total Shares subject to the option on each of the first five (5) anniversaries of the date of grant (subject to accelerated vesting in accordance with Section 6.5); (vi) have such other terms as are specified by the Committee in the option agreement; and (vii) be subject to other applicable provisions of this Section 6. The number of Shares to be issued under this Section 6.7 shall be adjusted in accordance with Section 13.

7. Stock Appreciation Rights

7.1 *Grant of Stock Appreciation Rights.* The Committee may grant to any Participant either Non-Tandem Stock Appreciation Rights or Tandem Stock Appreciation Rights subject to such terms and conditions as the Committee shall impose. A Stock Appreciation Right shall entitle the holder, within the specified exercise period, to exercise the Stock Appreciation Right and receive in exchange therefor a payment having an aggregate value equal to the amount by which the Fair Market Value of a Share on the exercise date exceeds the specified exercise price, times the number of shares with respect to which the Stock Appreciation Right is exercised. The Committee may provide in the Award agreement for automatic exercise on a certain date, for payment of the proceeds on a certain date, for accelerated vesting and other rights upon the occurrence of events specified in the Award agreement, and/or for exercise periods that do not begin until after a Change in Control or the occurrence of such other event as the Committee may designate. Each Stock Appreciation Right grant shall be evidenced by an Award agreement that shall specify the exercise price, the exercise period, the number of Shares to which the Stock Appreciation Right pertains and such other provisions as the Committee shall determine.

7.2 *Exercise Period.* Each Stock Appreciation Right shall expire and cease to be exercisable at such time as the Committee shall determine at the time of grant; provided, however, that no Stock Appreciation Right shall be exercisable later than the tenth (10th) anniversary of its grant date. If an Award agreement does not specify an expiration date, the Stock Appreciation Right shall expire on the 10th anniversary of its grant date, provided that the Stock Appreciation Right may expire earlier as provided in the Award agreement or in the Plan. The extent to which a Stock Appreciation Right that is granted to a Participant who is an Employee may be exercised by the Participant or the Participant's Designated Beneficiary after the Participant's termination of employment with the Company and all Subsidiaries (including by reason of Disability) shall be determined by the Committee and incorporated into the terms of the applicable Award agreement.

7.3 *Exercise Price.* The exercise price for each grant of a Stock Appreciation Right shall be determined by the Committee; provided, however, that the exercise price for each Share subject to a Stock Appreciation Right shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant of the Stock Appreciation Right (or, if greater, 100% of the exercise price of the related stock option in the case of a Tandem Stock Appreciation Right). Subject to the provisions of Section 13, the exercise price of a Stock Appreciation Right shall not be adjusted or amended following issuance.

7.4 *Vesting and Termination.* Stock Appreciation Rights shall be subject to acceleration of vesting or immediate termination in certain circumstances in the same manner as stock options pursuant to Section 6.5 of the Plan.

7.5 *Tandem Stock Appreciation Rights.* A Tandem Stock Appreciation Right shall entitle the holder of the related stock option, within the period specified for the exercise of the stock option, to surrender the unexercised stock option, or a portion thereof, and to receive in exchange therefor a payment having an aggregate value equal to the amount by which the Fair Market Value of a Share on the exercise date exceeds the stock option exercise price per Share, times the number of Shares subject to the option, or portion thereof, which is surrendered.

(a) Each Tandem Stock Appreciation Right shall be subject to the same terms and conditions as the related stock option, including limitations on transferability and vesting, and shall be exercisable only to the extent such option is exercisable and shall terminate or lapse and cease to be exercisable when the related option terminates or lapses. A Tandem Stock Appreciation Right may be granted at the time of the grant of the related stock option or, if the related stock option is a Nonqualified Stock Option, at any time thereafter during the term of the stock option.

(b) A Tandem Stock Appreciation Right granted in connection with an Incentive Stock Option (i) may be exercised at, and only at, the times and to the extent the related Incentive Stock Option is exercisable; (ii) expires upon the termination of the related Incentive Stock Option; (iii) may not exceed 100% of the difference between the exercise price of the related Incentive Stock Option and the Fair Market Value of the Shares subject to the related Incentive Stock Option at the time the Tandem Stock Appreciation Right is exercised (and otherwise does not have economic and tax consequences upon exercise that are more favorable than exercise of the option followed by an immediate sale of the related Shares); (iv) may be exercised at, and only at, such times as the Fair Market Value of the Shares subject to the related Incentive Stock Option exceeds the exercise price of the related Incentive Stock Option; and (v) may be transferred at, and only at, the times and to the extent the related stock option is transferable. If a Tandem Stock Appreciation Right is granted, there shall be surrendered and canceled from the related option at the time of exercise of the Tandem Stock Appreciation Right, in lieu of exercise under the related option, that number of Shares as shall equal the number of Shares as to which the Tandem Stock Appreciation Right shall have been exercised.

7.6 *Payment.* The Committee shall have sole discretion to determine in each Award agreement whether the payment with respect to the exercise of a Stock Appreciation Right will be in the form of all cash, Shares, or any combination thereof. In the event of the exercise of a Stock Appreciation Right payable in Shares, the holder of the Stock Appreciation Right shall receive that number of whole Shares of stock of the Company having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (a) the excess of the Fair Market Value of a Share on the date of exercise over the exercise price for the Stock Appreciation Right by (b) the number of Shares as to which the Stock Appreciation Right is exercised. However, notwithstanding the foregoing, the Committee, in its sole discretion, may place a ceiling on the amount payable upon exercise of a Stock Appreciation Right, but any such limitation shall be specified at the time that the Stock Appreciation Right is granted.

7.7 *Exercise of Stock Appreciation Rights.* All Stock Appreciation Rights shall be exercised automatically on the last day prior to the expiration date of the Stock Appreciation Right or, in the case of Tandem Stock Appreciation Rights, any related stock option, so long as the Fair Market Value of a Share on that date exceeds the exercise price per share of the Stock Appreciation Right or any related stock option, as applicable.

8. Restricted Stock

8.1 *Grants.* The Committee may grant Awards of Restricted Stock for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant. The terms and conditions of the Restricted Stock shall be specified by the grant agreement. The Committee, in its sole discretion, may specify any particular rights which the person to whom an Award of Restricted Stock is made shall have in the Restricted Stock during the restriction period and the restrictions applicable to the particular Award, the vesting schedule (which may be based on service, performance or other factors) and rights to acceleration of vesting (including, without limitation, whether non-vested Shares are forfeited or vested upon termination of employment or service). Further, the Committee may award performance-based Restricted Stock by conditioning the grant or vesting or such other factors, such as the release, expiration or lapse of restrictions upon any such Award (including the acceleration of any such conditions or terms) of such Restricted Stock, upon the attainment of specified performance goals or such other factors as the Committee may determine. The Committee shall also determine when the restrictions shall lapse or expire and the conditions, if any, under which the Restricted Stock will be forfeited or sold back to the Company. Each Award of Restricted Stock may have different restrictions and conditions. The Committee, in its discretion, may prospectively change the restriction period and the restrictions applicable to any particular Award of Restricted Stock. Unless otherwise set forth in the Plan, Restricted Stock may not be disposed of by the recipient until the restrictions specified in the Award expire.

8.2 *Awards and Certificates.* Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee, in its sole discretion, shall deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock awarded hereunder, such certificate shall bear an appropriate legend with respect to the restrictions applicable to such Award. The Company may retain, at its option, the physical custody of any stock certificate representing any awards of Restricted Stock during the restriction period or require that the Restricted Stock be placed in escrow or trust, along with a stock power endorsed in blank, until all restrictions are removed or expire.

9. Performance Awards

9.1 *Grants.* A Performance Award may consist of either or both, as the Committee may determine, (i) "Performance Shares" or the right to receive Shares, Restricted Stock or cash of an equivalent value, or any combination thereof as the Committee may determine, or (ii) "Performance Units," or the right to receive a fixed dollar amount payable in cash, Shares, Restricted Stock or any combination thereof, as the Committee may determine. The Committee may grant Performance Awards to any Participant for no cash consideration, for such minimum consideration as may be required by applicable law or for such other consideration as may be specified at the time of the grant. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the performance criteria to be achieved during a performance period, the criteria used to determine vesting (including the acceleration thereof), whether Performance Awards are forfeited or vest upon termination of employment or service during a performance period and the maximum or minimum settlement values. Each Performance Award shall have its own terms and conditions, which shall be determined at the discretion of the Committee. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

9.2 *Terms and Conditions.* Performance Awards may be valued by reference to the Fair Market Value of a Share or according to any formula or method deemed appropriate by the Committee, in its sole discretion, including, but not limited to, achievement of specific financial, production, sales, cost or earnings performance measures or objectives that the Committee believes to be relevant to the Company and/or one or more business units, divisions or Subsidiaries and for remaining in the employ or active service of the Company for a specified period of time, or the Company's performance or the performance of its Shares (or the performance one or more business units, divisions or Subsidiaries) measured against the performance of the market, the Company's industry segment or its direct competitors. Such performance measures or objectives may include, but are not limited to, sales (net placed annualized target premium for life business and total placed premium for annuity business); net sales; expense management; GAAP profitability; persistency; earnings; earnings per share; pre-tax earnings; net earnings; operating income; operating income before taxes; EBIT (earnings before interest and taxes); EBITDA (earnings before interest, taxes, depreciation and amortization); gross margin; revenues; revenue growth; market value added; economic value added; return on equity; return on investments; return on assets; return on net assets; return on capital; return on invested capital; total stockholder/shareholder return; profit; economic profit; operating profit; capitalized economic profit; net operating profit after tax; net profit before taxes; pre-tax profit; cash flow measures; cash flow return; comparable division or product sales; stock price (and stock price appreciation, either in absolute terms or in relationship to the appreciation among members of a peer group determined by the Committee); market share and/or market penetration; expenses; cost per policy; strategic milestones; goals related to acquisitions or divestitures; book value; book value per share; book value excluding accumulated other comprehensive income from stockholders' equity; and/or book value per share excluding accumulated other comprehensive income from stockholders' equity. Performance Awards may be paid in cash, Shares (including Restricted Stock) or other consideration, or any combination thereof. If payable in Shares, the consideration for the issuance of the Shares may be the achievement of the performance objective established at the time of the grant of the Performance Award. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective, all at the Committee's discretion. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

10. Dividend Equivalent Rights

The Committee may grant a Dividend Equivalent Right either as a component of another Award or as a separate Award, and, in general, each such holder of a Dividend Equivalent Right that is outstanding on a dividend record date for the Shares shall be credited with an amount equal to the cash or stock dividends or other distributions that would have been received had the Shares covered by the Award been issued and outstanding on the dividend record date. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional Shares (which may thereafter accrue additional Dividend Equivalent Rights). Any such reinvestment shall be at the Fair Market Value of the Shares at the time thereof. Dividend Equivalent Rights may be settled in cash or Shares, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment for or lapse of restrictions on such other Award and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

11. Other Awards

The Committee may grant to any Participant other forms of Awards based upon, payable in or otherwise related to, in whole or in part, Shares either alone, in addition to, or in tandem with other Awards and/or cash awards made outside of the Plan, if the Committee, in its sole discretion, determines that such other form of Award is consistent with the purposes and restrictions of the Plan. The terms and conditions of such other form of Award shall be specified by the grant including, but not limited to, the price, if any, and the vesting schedule, if any. Such Awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law or for such other consideration as may be specified by the Award agreement evidencing the grant.

12. Compliance with Securities and Other Laws

12.1 *General Compliance*. In no event shall the Company be required to sell or issue Shares under any Award if the sale or issuance thereof would constitute a violation of applicable Federal or state securities laws or regulations or a violation of any other law or regulation of any governmental or regulatory agency or authority or any national securities exchange on which the Shares are listed or traded. As a condition to any sale or issuance of Shares, the Company may place legends on Shares, issue stop transfer orders and require such agreements or undertakings as the Company may deem necessary or advisable to ensure compliance with any such laws or regulations, including, if the Company or its counsel deems it appropriate, representations from the person to whom an Award is granted that he or she is acquiring the Shares solely for investment and not with a view to distribution and that no distribution of the Shares will be made unless registered pursuant to applicable Federal and state securities laws, or in the opinion of counsel of the Company, such registration is unnecessary.

12.2 *Special Rule for Company Blackout Periods.* The Company has established a securities trading policy (the "Trading Policy") relating to disclosure and trading on inside information as described in the Trading Policy. Under the Trading Policy, certain Employees and Directors are prohibited from trading stock or other securities of the Company during certain "blackout periods" as described in the Trading Policy. If, under the terms of the Plan or an Award agreement, the last date on which a stock option or Stock Appreciation Right can be exercised falls within a blackout period imposed by the Trading Policy, the applicable exercise period shall automatically be extended by this Section 12.2 by a number of days equal to the number of United States business days that the applicable blackout period is in effect, but in no event beyond the original maximum term of the stock option or Stock Appreciation Right. The Committee shall interpret and apply the extension automatically provided by the preceding sentence to ensure that, to the maximum extent possible, the term of any stock option or Stock Appreciation Right shall not expire during an imposed blackout period.

13. Adjustments upon Changes in Capitalization or Reorganization

The value of an Award in Shares, the number of Shares available for issuance hereunder, the number of Shares issuable to Directors under Section 6.7, and the maximum number of Shares that may be awarded to a Participant during a calendar year shall be adjusted from time to time as follows:

(a) Subject to any required action by Stockholders, the number of Shares covered by each outstanding Award, the exercise price of such Award, the Shares available for issuance as Awards hereunder, the number of Shares issuable to Directors under Section 6.7, and the maximum number of Shares that may be awarded to a Participant during a calendar year, shall be proportionately adjusted for any increase or decrease in the number of issued Shares of the Company resulting from a subdivision or consolidation of Shares or the payment of a stock dividend (but only in Shares) or any other increase or decrease in the number of Shares affected without receipt of consideration by the Company.

(b) Subject to any required action by Stockholders, if the Company shall be the surviving corporation in any Reorganization, merger or consolidation (or if the Company is not the surviving corporation in such a transaction, but the transaction does not constitute a Change in Control), each outstanding Award shall pertain to and apply to the securities to which a holder of the number of Shares subject to the Award would have been entitled, and if a plan or agreement reflecting any such event is in effect that specifically provides for the change, conversion or exchange of Shares, then any adjustment to Shares or value relating to an Award hereunder shall not be inconsistent with the terms of any such plan or agreement, and, in appropriate cases, corresponding proportionate adjustments shall be made to the number of Shares available for issuance hereunder, the number of Shares issuable to Directors under Section 6.7, and the maximum number of Shares that may be awarded to a Participant during a calendar year.

(c) In the event of a change in the Shares of the Company as presently constituted, which is limited to a change of par value into the same number of Shares with a different par value or without par value, the Shares resulting from any such change shall be deemed to be the Shares within the meaning of the Plan. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall occur automatically without any other required action by the Board, the Committee, or any other person; provided, however, that the Board shall have the authority to make or confirm such adjustments, and its determination in that regard shall be final, binding and conclusive.

Except as expressly provided in the Plan, any person to whom an Award is granted shall have no rights by reason of any subdivision or consolidation of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, Reorganization, merger or consolidation or spin-off of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect and no adjustment by reason thereof shall be made with respect to, the number or exercise price of Shares subject to an Award. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, Reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell or transfer all or any part of its business or assets.

14. Amendment or Termination of the Plan

14.1 *Amendment of the Plan.* Notwithstanding anything contained in the Plan to the contrary, all provisions of the Plan may at any time or from time to time be modified or amended by the Board; provided, however, that

(a) no Award at any time outstanding under the Plan may be modified, impaired or canceled adversely to the holder of the Award without the consent of such holder;

(b) to the extent required by Code section 422 to qualify stock options granted hereunder as Incentive Stock Options, any amendment which (i) increases the maximum number of Shares that may be issued through Incentive Stock Options (other than an increase merely reflecting a change in the number of outstanding Shares, such as a stock dividend or stock split), (ii) modifies the individuals or classes of individuals eligible to receive Awards, (iii) changes the corporation with respect to which "Shares" are defined, or (iv) modifies the definition of "Company" to refer to another entity (other than a successor to National Western Life Group, Inc.) must be approved by the Stockholders within the twenty-four (24)-month period beginning twelve (12) months before the date the amendment is adopted; and

(c) to the extent the Company is subject to the listing requirements of Nasdaq, as they may be amended from time to time, any amendment which constitutes a material revision of the Plan must be approved by the Stockholders in accordance with and to the extent required by such listing requirements.

14.2 *Termination of the Plan; Maximum Plan Term.*

(a) The Board may suspend or terminate the Plan at any time, and such suspension or termination may be retroactive or prospective.

(b) The maximum term of the Plan shall be ten (10) years from the applicable effective date specified in Section 16.8, and no Award may be granted on or after such tenth anniversary. However, if the Plan is amended or restated and the Plan as so amended or restated is approved by the Stockholders, the Plan shall be deemed to be a new Plan, and the latest date on which the amendment or restatement is adopted by the Board (or the latest date of approval by the Stockholders, if earlier) shall be substituted for the initial effective date in the immediately preceding sentence of this subsection (b).

(c) The termination of the Plan shall not impair or affect any Award previously granted hereunder and the rights of the holder of the Award shall remain in effect until the Award has been exercised in its entirety or has expired or otherwise has been terminated in accordance with the terms of such Award.

15. Amendments and Adjustments to Awards

The Committee may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, including, without limitation to change the date or dates as of which (a) a stock option becomes exercisable or (b) a performance-based Award is deemed earned. The Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or non-recurring events (including, without limitation, the events described in Section 13 hereof) affecting the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent reduction or enlargement of the benefits or potential benefits intended to be made available under the Plan. Notwithstanding Section 14.1(a) or any provision of the Plan or any agreement regarding an Award to the contrary, the Committee may cause any Award granted (including an "underwater" Award with an exercise or purchase price less than the Fair Market Value of any related Shares as of the effective date of Committee action) to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award in an amount equal to the value of such canceled Award. The determinations of value under this Section 15 shall be made by the Committee in its sole discretion.

16. General Provisions

16.1 *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

16.2 *No Right to Employment.* Nothing in the Plan or in any Award, nor the grant of any Award, shall confer upon or be construed as giving any recipient of an Award any right to remain in the employ or service of the Company or any Subsidiary. Further, the Company and its Subsidiaries may at any time dismiss a Participant from employment or service, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award agreement. No Participant, Employee, Optionee, or other person shall have any claim to be granted any Award, and there is no obligation for uniform treatment of Employees, Participants or holders or beneficiaries of Awards.

16.3 *Governing Law.* Except to the extent that Federal law is controlling, the validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Texas, without giving effect to the conflicts of laws principles thereof.

16.4 *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be construed or deemed amended without, in the sole determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

16.5 *No Stockholder Rights*. Except as otherwise provided in an Award agreement, a Participant shall have none of the rights of a Stockholder with respect to Shares covered by an Award until the Participant becomes the record owner of the Shares.

16.6 *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

16.7 *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

16.8 *Effective Date and Stockholder Approval.* The Plan was originally adopted by National Western Life Insurance Company effective as of June 20, 2008. The Plan was then amended and restated effective as of June 17, 2011 after its approval by the Board effective as of such date and its approval by the Stockholders at the Annual Meeting of Stockholders held on such date. The Plan and all Awards were assumed by the Company effective October 1, 2015 in connection with the holding company reorganization of National Western Life Insurance Company and its subsidiaries. The Plan, as amended and restated herein, shall be effective as of December 14, 2022. Notwithstanding the foregoing, for purposes of establishing the ten (10)-year period during which the Plan shall remain in effect, the effective date with respect to the prior amendment and restatement dated, June 15, 2016 shall apply (i.e., after its approval by the Board effective as of such date and its approval by the Stockholders at the Annual Meeting of Stockholders held on such date). For purposes of this Plan, including this Section and Sections 14.1 and 14.2, any such Stockholder approval shall be considered obtained if such approval complies with (a) all applicable provisions of the articles of incorporation and bylaws of the Company and applicable state law prescribing the method and degree of stockholder approval required for the issuance of corporate stock or stock options (and if applicable state law does not prescribe such method and degree of stockholder approval, such approval must otherwise be obtained in accordance with Code section 422) and (b) any applicable listing requirements of Nasdaq to the extent the Company is subject to such requirements.

16.9 *Non-Transferability of Awards.* Awards shall be nontransferable other than by will or the laws of descent and distribution, and Awards may be exercised, during the lifetime of the holder, only by the holder (or the holder's duly appointed guardian or personal representative); provided, however, that Awards other than Incentive Stock Options may be transferred (i) by the holder to a family member, trust, charity, or similar organization for estate planning purposes and (ii) with the approval of the Committee, as directed under a qualified domestic relations order.

16.10 *Tax Withholding.* The Company shall have the right to withhold or require separate payment of all Federal, state, local or other taxes or payments with respect to any Award or payment made under the Plan. Such amounts shall be withheld or paid prior to the delivery of any certificate representing Shares or any other Award subject to such withholding. Such a payment may be made by the delivery of cash (or other consideration acceptable to the Company, including, if acceptable, Shares having a Fair Market Value equal to the withholding obligation) to the Company in an amount that equals or exceeds the withholding obligation of the Company. In the event of a transfer of an Award, the Participant who assigns the Award shall remain subject to withholding taxes or similar obligations upon exercise of the Award by the transferee to the extent required by the Code or other applicable laws. All determinations of withholding liability under this Section shall be made by the Company in its sole discretion and shall be binding upon the Participant.

16.11 *Unfunded Plan.* Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under the Plan, such rights shall be no greater than the rights of an unsecured general creditor of the Company.

16.12 *Writing Requirement*. A requirement hereunder that an agreement, notice, or other instrument be written will be considered satisfied if the instrument is provided in electronic form that is approved by the Committee and that may be retained and reproduced in paper form.

16.13 Compensation Recoupment. Notwithstanding any other provisions in this Plan, any Award that is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

17. Compliance with Code Section 409A

17.1 *Purpose and Interpretation*. With respect to Participants subject to United States federal income tax, the Plan is intended to comply with applicable requirements to avoid a plan failure under Code section 409A and shall be interpreted, construed and applied accordingly by the Committee.

17.2 *Service Recipient Stock*. No stock option or Stock Appreciation Right shall be granted under the Plan to the extent the Shares that may be issued to the Participant with respect to the Award do not constitute "service recipient stock" (as such term is defined under Code section 409A) of the Company as of the date of grant.

17.3 *Compliance Amendments*. To the extent any provision of the Plan or any omission from the Plan would (absent this Section 17.3) cause amounts to be includable in income under Code section 409A(a)(1), the Plan shall be deemed amended to the extent necessary to comply with the requirements of Code section 409A; provided, however, that this Section 17.3 shall not apply and shall not be construed to amend any provision of the Plan to the extent this Section 17.3 or any amendment required thereby would itself cause any amounts to be includable in income under Code section 409A(a)(1).

17.4 *Timing of Distributions*. If an Award intended to be exempt from Code section 409A provides for distribution or settlement upon vesting or lapse of a risk of forfeiture, and the time of such distribution or settlement is not otherwise specified in the Plan or the Award agreement or other governing document, the distribution or settlement shall be made no later than March 15 of the calendar year following the calendar year in which such Award vested or the risk of forfeiture lapsed. In the case of any distribution of any other Award subject to Code section 409A, if the timing of such distribution is not otherwise specified in the Plan, Award agreement or other governing document, the distribution shall be made not later than the end of the calendar year during which the settlement of such Award is specified to occur, or if later, two and half months after the settlement of such Award is specified to occur.

17.5 *Delay in Payment*. Notwithstanding anything to the contrary in the Plan, (a) if upon the date of a Participant's "separation from service" (as defined for purposes of Code sections 409A(a)(2)(A)(i) and 409A(a)(2)(B)(i)) with the Company and its controlled subsidiaries and affiliates the Participant is a "specified employee" within the meaning of Code section 409A (determined by applying the default rules applicable under such Code section except to the extent such rules are modified by a written resolution that is adopted by the Committee and that applies for purposes of all deferred compensation plans of the Company and its affiliates), and the deferral of any amounts otherwise payable under Plan as a result of Participant's separation from service is necessary to prevent any accelerated or additional tax to the Participant under Code section 409A, then the Company shall defer the payment of any such amounts hereunder until the date that is six (6) months following the date of the Participant's separation from service, at which time any such delayed amounts shall be paid or provided to the Participant and (b) if any other payments of money or other Awards or benefits due to a Participant hereunder could cause the application of an accelerated or additional tax under Code section 409A, such payments or other benefits shall be deferred and paid on the first day that would not result in the Participant incurring any tax liability under Code section 409A if such deferral would make such payment or other benefits compliant under Code section 409A.

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EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	State of Incorporation	Owner	% Ownership
National Western Life Insurance Company	Colorado	National Western Life Group, Inc.	100 %
The Westcap Corporation (of Delaware)	Delaware	National Western Life Insurance Company	100 %
NWL Financial, Inc.	Nevada	National Western Life Insurance Company	100 %
NWL Services, Inc.	Nevada	National Western Life Group, Inc.	100 %
NWLSM, Inc.	Nevada	National Western Life Insurance Company	100 %
Regent Care San Marcos Holdings, LLC	Texas	National Western Life Group, Inc.	100 %
Braker P III, LLC	Texas	National Western Life Insurance Company	100 %

The subsidiaries conduct business under the same corporate names as detailed above.

EXHIBIT 23(a) - INDEPENDENT AUDITORS' CONSENT

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
National Western Life Group, Inc.
Austin, Texas

We consent to the incorporation by reference in the registration statement of National Western Life Group, Inc. (the Company) on Form S-8 (Nos. 333-153341 and 333-38549) of our report dated March 14, 2023, on our audits of the consolidated financial statements and financial statement schedules of National Western Life Group, Inc. as of December 31, 2022 and 2021, and for each of the years in the three-year period ended December 31, 2022, which is included in the Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated March 14, 2023, on our audit of the internal control over financial reporting of National Western Life Group, Inc. as of December 31, 2022, which is included in the Annual Report on Form 10-K.

/S/FORVIS, LLP
(Formerly, BKD, LLP)

West Des Moines, Iowa
March 14, 2023

EXHIBIT 31(b)
CERTIFICATION

I, Brian M. Pribyl, certify that:

1. I have reviewed this report on Form 10-K of National Western Life Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2023

/S/Brian M. Pribyl
Brian M. Pribyl
Senior Vice President,
Chief Financial Officer and
Treasurer

EXHIBIT 31(a)
CERTIFICATION

I, Ross R. Moody, certify that:

1. I have reviewed this report on Form 10-K of National Western Life Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2023

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