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, 2023

☐ 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, 2023 was $1,063,791,213.

As of February 28, 2024, 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 27, 2024, which will be filed within 120 days after December 31, 2023, are incorporated by reference into Part III of this report.

National Western Life Group, Inc.

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Introductory Note Regarding the Pending Merger

On October 8, 2023, the Company entered an agreement and plan of merger (the "Merger Agreement") with S. USA Life Insurance Company, Inc. ("S.USA") and its direct wholly owned subsidiary PGH Merger Inc. ("Merger Sub"), under which, at the effective time of the merger (the "Effective Time"), the Company would merge with and into Merger Sub (the "Merger") and survive the Merger as a wholly owned subsidiary of S.USA. In the Merger, all outstanding shares of Class A Common Stock and Class B Common Stock will be converted into the right to receive $500.00 per share in cash, without interest. Including the vesting and cash settlement of all outstanding SARs, RSUs and PSUs (at target performance) at closing, the total merger consideration to be paid by S.USA would be approximately $1.9 billion. S.USA is an Arizona domiciled insurance company affiliated with Prosperity Group Holdings.

The Merger is currently expected to close in the first half of 2024.

Stockholder Approval. The closing of the Merger is subject to approval by the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common stock, voting together as a single class, which occurred at a special stockholder meeting held on January 8, 2024, the results of which the Company disclosed in a Form 8-K filing on January 9, 2024.

Regulatory Approval Process. The completion of the Merger and other transactions contemplated by the Merger Agreement (the "Proposed Transaction") is subject to satisfaction or waiver of certain customary closing conditions, including antitrust clearance and obtaining the required regulatory approval from the insurance authorities in Colorado, Missouri and Arizona. However, because state insurance regulatory approval remains outstanding, the Company cannot provide assurance the Proposed Transaction will be completed on the terms or timeline currently contemplated, or at all.

Merger Agreement's Restrictions on Interim Operations. The Company has agreed to certain covenants in the Merger Agreement restricting the conduct of its business between the date of the Merger Agreement and the earlier of the Effective Time and the termination of the Merger Agreement. The general effect of these covenants is that, during such interim period, the Company will be limited in its ability to pursue strategic and operational matters outside the ordinary course of business. The Company has agreed that it and its subsidiaries will conduct their business in the ordinary course consistent with past practice in all material respects and use reasonable best efforts to preserve their business organizations, goodwill and assets, keep available the services of their current key officers and employees, and preserve their present relationships with governmental entities and other key third parties, including customers, reinsurers, distributors, suppliers and other persons with whom the Company and its subsidiaries have business relationships.

In addition, the Company has agreed to specific restrictions relating to the conduct of its business between the date of the Merger Agreement and the earlier of the Effective Time and the termination of the Merger Agreement, including, but not limited to, not taking (or permitting any of its subsidiaries to take) the following actions (subject, in each case, to exceptions specified below and in the Merger Agreement or previously disclosed in writing to S.USA as provided in the Merger Agreement or as consented to in writing in advance by S.USA (which consent shall not be unreasonably withheld, delayed or conditioned)) or as required by law:

- subject to certain limited exceptions, offer, issue, sell, transfer, pledge, dispose of or encumber any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock or other equity or voting interests or ownership interests of any class or series of the Company or its subsidiaries;
- amend or propose to amend the Company's or its subsidiaries' certificate of incorporation, bylaws or other comparable organizational documents;
- authorize, recommend, propose, enter into or adopt a plan or agreement of complete or partial liquidation, rehabilitation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries;
- merge, consolidate, combine or amalgamate with any person;
- subject to certain limited exceptions (including permitting the Company to execute investment portfolio transactions in the ordinary course of business consistent with past practice and in accordance with its existing investment guidelines), acquire or agree to acquire any business or any corporation, partnership, association or other business organization or division thereof or any other assets for consideration in excess of $1,250,000 individually or $2,500,000 in the aggregate;

- subject to certain limited exceptions, sell, lease, license, transfer, pledge, encumber or otherwise dispose of any of the Company's or its subsidiaries' assets or properties;

- incur, guarantee or assume any indebtedness (other than indebtedness owing between or among the Company and any of its wholly-owned subsidiaries), subject to certain limited exceptions, including investment portfolio transactions in the ordinary course of business consistent with past practice and other incurrences of indebtedness not to exceed $5,000,000 in the aggregate;

- enter into any material contract or reinsurance contract other than in the ordinary course of business consistent with past practice;

- settle or compromise any claim, demand, lawsuit or state or federal regulatory proceeding or waive any claims, other than with respect to the Company's and its subsidiaries' ordinary course claims activity, (i) in an amount in excess of $1,250,000 individually or $2,500,000 in the aggregate or (ii) that imposes any material obligation to be performed by, or material restriction imposed against, the Company or its subsidiaries; or

- terminate, amend, modify, assign or waive any material right under any material contract or reinsurance contract except in the ordinary course of business consistent with past practice.

The Merger Agreement permitted the Company to continue to pay regular annual cash dividends not to exceed $0.36 per share of Class A Common Stock ($0.18 per share of Class B Common Stock) prior to completion of the Proposed Transaction. Accordingly, on October 26, 2023, the Company's board of directors declared a cash dividend in the respective per share amounts described above, which was paid December 1, 2023 to stockholders of record as of November 6, 2023.

The above is a summary of certain material terms of the Merger Agreement and is qualified in its entirety by the terms and conditions of the Merger Agreement, which was filed as an exhibit to the Company's current report on Form 8-K filed on October 10, 2023.

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:

- The Company is subject to risks and uncertainties which may affect the timing and ultimate completion of the proposed merger contemplated by the Company's October 8, 2023 merger agreement with S. USA Life Insurance Company, Inc.
- 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.
- 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.
- 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.

Forward-looking statements are not guarantees of future performance and involve various risks and uncertainties. Forward-looking statements relate to the Proposed Transaction contemplated by the Merger Agreement, as well as to the Company's financial and operating performance on a stand-alone basis prior to the consummation of the Proposed Transaction or if the Proposed Transaction is not consummated. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation risks, uncertainties and other factors discussed in Item 1A of this 2023 Annual Report on Form 10-K and elsewhere in this report, and the following factors relating to the Proposed Transaction:

- conditions to the closing of the Proposed Transaction may not be satisfied;
- regulatory approvals required for the Proposed Transaction may not be obtained, or required regulatory approvals may delay the Proposed Transaction or result in the imposition of conditions that could have a material adverse effect on the Company or S.USA or cause certain conditions to closing not to be satisfied, which could result in the termination of the Merger Agreement;
- the timing of completion of the Proposed Transaction is uncertain;
- the business of the Company or S.USA could suffer as a result of uncertainty surrounding the Proposed Transaction;
- events, changes or other circumstances could occur that could give rise to the termination of the Merger Agreement;
- there are risks related to disruption of management's attention from the ongoing business operations of the Company or S.USA due to the Proposed Transaction;
- the announcement or pendency of the Proposed Transaction could affect the relationships of the Company or S.USA with its clients, and operating results and business generally, including on our ability to retain and attract employees;
- the outcome of any legal proceedings initiated against the Company or S.USA following the announcement of the Proposed Transaction could adversely affect the Company or S.USA, including their ability to consummate the Proposed Transaction; and
- the Company or S.USA may be adversely affected by other economic, business, and/or competitive factors as well as management's response to any of the aforementioned factors.

The foregoing review of important factors related to the Proposed Transaction should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and other documents of the Company on file with the SEC. The Company undertakes no obligation to update, correct or otherwise revise any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company and/or any person acting on behalf of the Company are expressly qualified in their entirety by this paragraph. The information contained on any websites referenced in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report on Form 10-K.

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 replacing 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, 2023, National Western maintained 75,781 policies for its life insurance products and 90,045 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, 2023, Ozark National maintained 168,080 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 $12.3 billion at December 31, 2023, from $12.8 billion at December 31, 2022. The Company generated revenues of $703.4 million, $560.0 million, and $857.1 million in 2023, 2022, and 2021, respectively. NWLGI produced net income of $94.4 million, $246.5 million, and $252.5 million in 2023, 2022, and 2021, respectively. Assets, Liabilities, Stockholders' Equity, Total revenues, Total benefit and expenses, and Net earnings for the years ended December 31, 2022 and 2021 were restated for the Company's required adoption of Accounting Standards Update 2018-12 *Financial Services Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI").

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,		
	2023	2022	2021
	(In thousands)		
Annuities:			
Fixed-index deferred	$ 109,100	222,293	421,046
Other deferred	1,202	2,789	3,717
Single premium immediate	487	2,871	28,571
Total annuities	$ 110,789	227,953	453,334
Life:			
Single premium life	$ 104,744	125,902	202,408
Other universal life insurance	—	1	1
Traditional life and other	3,784	3,629	3,995
Total life	$ 108,528	129,532	206,404

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,	
	2023	2022
	($ in thousands)	
National Western		
Universal life:		
Number of policies	24,048	26,378
Face amounts	$ 3,236,046	$ 3,621,812
Traditional life:		
Number of policies	21,334	22,751
Face amounts	$ 1,935,892	$ 2,103,366
Fixed-index life:		
Number of policies	30,399	32,788
Face amounts	$ 7,340,992	$ 8,224,415
Total life insurance:		
Number of policies	75,781	81,917
Face amounts	$ 12,512,930	$ 13,949,593
Ozark National		
Total life insurance (all traditional):		
Number of policies	168,080	171,915
Face amounts	$ 5,536,490	$ 5,718,817

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

	Annuities In Force as of December 31, 2023	2022
	($ in thousands)	
Fixed-index annuities:		
Number of policies	55,725	61,292
GAAP annuity reserves	$ 4,219,624	$ 4,723,558
Other deferred annuities:		
Number of policies	24,722	27,526
GAAP annuity reserves	$ 894,102	$ 1,026,497
Immediate annuities:		
Number of policies	9,598	10,223
GAAP annuity reserves	$ 314,881	$ 324,499
Total annuities:		
Number of policies	90,045	99,041
GAAP annuity reserves	$ 5,428,607	$ 6,074,554

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, 2023, NWLIC's NMO relationships had contracted approximately 29,840 independent agents. At December 31, 2023, National Western had 42,839 domestic life insurance policies in force representing $3.5 billion in face amount of coverage and 90,045 annuity contracts representing account balances of $5.4 billion.

Although reported separately for segment disclosure purposes, domestic insurance operations include the activities of Ozark National. At December 31, 2023, Ozark National maintained 168,080 life insurance policies in force representing in excess of $5.5 billion in face amount of coverage. There were 199 agents contracted at December 31, 2023 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,		
	2023	2022	2021
	(In thousands)		
Single premium life	$ 104,744	125,902	202,408
Universal life	—	1	1
Traditional life	—	—	—
Total	$ 104,744	125,903	202,409

Not included in the above, Ozark National's sales for the years ended December 31, 2023, 2022, and 2021 were $3.8 million, $3.6 million, and $4.0 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 eight 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, 2023, the Company had 32,942 international life insurance policies in force representing $9.0 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 2019 are as shown in the following table.

	Average New Policy Face Amount	
	NWLIC Domestic	Ozark National
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
Year ended December 31, 2023	233,800	48,560

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

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
United States domestic products:			
Annuities	$ 114,880	236,869	462,575
Life insurance	202,990	228,204	306,695
Total domestic products	317,870	465,073	769,270
International products:			
Annuities	41	62	57
Life insurance	47,666	54,162	60,451
Total international products	47,707	54,224	60,508
Total direct premiums and deposits collected	$ 365,577	519,297	829,778

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 2023, there were three NMOs that exceeded this threshold accounting for 12%, 12%, and 10% of total annuity sales, respectively. 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 2023, there was one NMO which generated 56% 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):						
2023	$ 141,377	112,410	254,438	118,873	50,393	677,491
2022	72,834	82,786	252,472	116,779	28,808	553,679
2021	143,561	135,203	420,460	116,728	26,161	842,113
Segment earnings (losses): *(A)*						
2023	$ (4,047)	17,261	12,937	22,138	25,712	74,001
2022	3,157	26,794	177,063	16,543	17,934	241,491
2021	1,508	32,043	171,609	19,499	16,068	240,727
Segment assets: *(B)*						
2023	$ 1,918,435	828,186	7,501,928	1,012,445	334,722	11,595,716
2022	1,803,876	889,022	8,270,315	994,318	335,343	12,292,874
2021	1,928,516	1,054,842	9,162,638	1,111,505	356,716	13,614,217

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 (10), *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 a competitive advantage, particularly in low interest rate environments.

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.

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)	Under Review Negative Implications
Standard & Poor's	A- (Strong)	Credit Watch Negative Implications

In addition to the above, Ozark National has a stand-alone current financial strength rating of "A-" (Excellent) with a "developing" outlook with A.M. Best. The outlooks for National Western and Ozark National were placed under review by the respective rating agencies in response to the Company's October 9, 2023 announcement concerning the merger agreement with an affiliate of Prosperity Life Holdings. This response is standard protocol for the rating agencies who need to assess the ramifications upon the financial strength ratings of the entities after the merger transaction is completed.

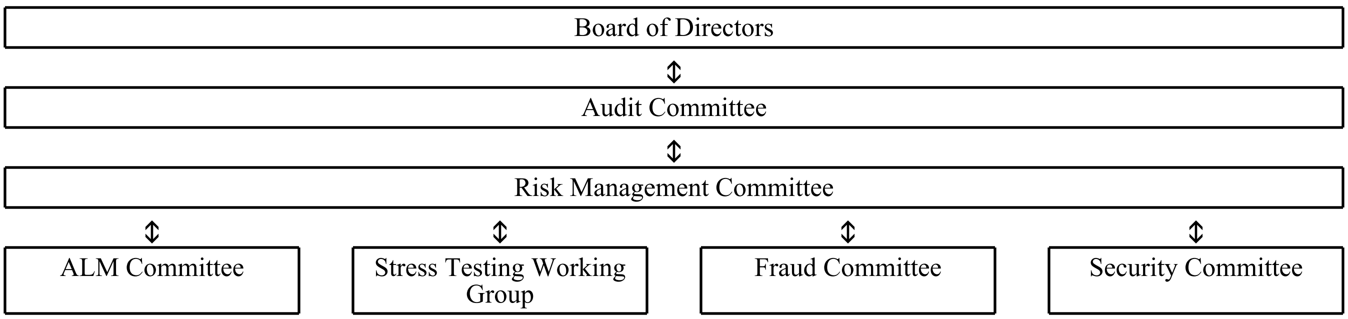
A.M. Best has 16 financial strength ratings assigned to insurance companies which currently range from A++ (Superior) to F (In Liquidation). Standard & Poor’s has twenty-one financial strength ratings assigned to insurance companies ranging from “AAA” (Extremely Strong) to “R” (Regulatory Action). Both 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, 2023, the Company's total balance for liabilities pertaining to insurance products was $8.4 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, 2023, National Western ceded approximately 21% of its life insurance in force. The primary reinsurers as of December 31, 2023 were as follows.

Reinsurer	A.M. Best Rating	Amount of In Force Ceded (In thousands)
Hannover Life Reassurance Company (Florida)	A+	$ 1,391,159
SCOR Global Life Americas Reinsurance (Delaware)	A	761,592
RGA Reinsurance Company (Missouri)	A+	454,365
Swiss Re Life & Health America Inc. (New York)	A+	13,403
SCOR Global Life USA Reinsurance Company (Delaware)	A	4,404
All others, rated	A- to A+	7,078
All others, not rated	N/A	1,022
		$ 2,633,023

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, 2023, the funds withheld statutory reserve liability balance under this arrangement was approximately $1.2 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, 2023, the funds withheld statutory reserve liability balance under this arrangement was $269.7 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, 2023:

Reinsurer	A.M. Best Rating	Amount of In Force Ceded (In thousands)
Optimum Re Insurance Company (Texas)	A	$ 456,137
Wilcac Life Insurance Company (Illinois)	A+	65,202
Swiss Re Life & Health America, Inc. (Missouri)	A+	320
General Re Life Corporation (Connecticut)	A++	177
		$ 521,836

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 278 employees as of December 31, 2023, substantially all of which worked in its home office in Austin, Texas. Ozark National (including NIS) had 73 employees as of December 31, 2023 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 and require adherence to 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. The Colorado Division of Insurance is currently conducting a statutory financial examination for the five-year period ended December 31, 2022 which is expected to be concluded in the second calendar quarter of 2024. 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. In January 2024, Ozark National was informed by the Missouri Department of Commerce and Insurance of its intention to conduct a financial examination for the five-year period ended December 31, 2023. 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 a separate ORSA report as its premium level is below the minimum level triggering the requirement to submit such a report. As a wholly owned subsidiary, Ozark National, although not separately subject to ORSA reporting, has been incorporated by management into National Western's annual ORSA 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, 2023, 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

The Company is subject to risks and uncertainties which may affect the timing and ultimate completion of the proposed merger contemplated by the Company's October 8, 2023 merger agreement with S. USA Life Insurance Company, Inc.

The timing and completion of the proposed merger (the "Proposed Transaction") contemplated by the Company's October 8, 2023 merger agreement (the "Merger Agreement") with S. USA Life Insurance Company, Inc. ("S.USA") and its direct wholly owned subsidiary, PGH Merger Inc., is subject to risks and certainties. Not intended as an exhaustive listing, these risks and uncertainties include, (1) the risk that conditions to the closing of the Proposed Transaction not ultimately being satisfied; (2) the risk of regulatory approvals required for the Proposed Transaction not being obtained, or the required regulatory approvals delaying the Proposed Transaction or resulting in the imposition of conditions that have a material adverse effect on the Company or S.USA or otherwise causing certain conditions to the closing to not be satisfied, resulting in the termination of the Merger Agreement; (3) the risk that the business and operations of the Company or S.USA may suffer as a result of uncertainty surrounding the Proposed Transaction; (4) the risk that events, changes or other circumstances could occur that could give rise to the termination of the Merger Agreement; (5) the risk that operating results may be impaired by the disruption of management's attention from the ongoing business operations of the Company or S.USA due to the Proposed Transaction; (6) the risk that the pendency of the Proposed Transaction could affect existing relationships of the Company or S.USA with its clients, and operating results and business generally, including the ability to retain and attract employees; (7) the risk that the outcome of any legal proceedings initiated against the Company or S.USA with respect to the announcement of the Proposed Transaction could adversely affect the Company or S.USA, including their ability to consummate the Proposed Transaction; and (8) the risk that the Company or S.USA mat be adversely affected by other economic, business, and/or competitive factors as well as management's response to any of the factors described in this paragraph.

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. The COVID-19 pandemic increased morbidity risk for the Company in 2020 and 2021. 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 primarily 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 financial 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 sufficient 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. Recently, National Western has entered into funds withheld coinsurance arrangements to access the investment capabilities and expertise of larger investment firms in order to obtain investment yields that allow the Company to competitively price and market its product offerings ("flow reinsurance"). Accordingly, we are dependent upon third parties to provide the requisite investment returns to be able to compete in the marketplace. 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.

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. 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, began 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 unfilled positions and more expensive Human Resource efforts to identify and hire for Company personnel needs. The COVID-19 pandemic has also shifted individuals' work/life priorities, largely the result of working remotely from home during the quarantine and lockdown mandates. This has subsequently led to "quiet quitting" or the decline in productivity efforts of employees to the minimum expected. This situation 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, 2023, approximately 1.3% of the Company's $7.1 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, 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 instruments 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 a change from a period of low interest rates to a period of significantly higher and increasing interest rates may prompt more policyholders than assumed in the product pricing assumptions to 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. 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 benefit of the Company in which the reinsurers are required to maintain incremental 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 which vary from period to period depending upon the number and dollar 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 subsequent to 2021. 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.

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 assessment of future taxable income in combination with the consideration of available tax planning opportunities has historically 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.

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 changes to RBC calculations, may adversely impact our business from time to time.

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. For example, the FASB issued as ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI")* which became effective as of January 1, 2023, and has been adopted in the Company's Consolidated Financial Statements for the three years ended December 31, 2023. The adoption of this new standard presented significant accounting changes that required companies, at substantial cost, to develop new systems and infrastructure in order to comply. In addition, LDTI introduced a new liability concept for certain contracts or contract features ("Market risk benefits") that required measurement at fair values in the Consolidated Financial Statements. An outcome of this accounting basis change has been significant volatility in reported earnings as the changes in fair values, primarily interest rate driven, are reported in the Consolidated Statements of Earnings. In addition, changes in the discount rate used for determining the liability for future policy benefits under LDTI creates variability in amounts reported for Other Comprehensive Income (Loss). 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 for further information. 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. This space remained vacant during 2023 and is currently being marketed. 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 in the 2021 Consolidated Statements of Earnings.

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 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 $1.3 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 three months 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 remitted a payment to the IRS in the amount of $4.9 million within sixty days of the effective date of the Agreement and made 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, 2023.

The agreement and plan of merger described previously (the "Merger Agreement") contains certain termination rights for both the Company and S.USA. If the Merger has not closed by July 8, 2024 (the “Outside Date”), either the Company or S.USA may terminate the Merger Agreement. However, if the closing has not occurred because the required insurance regulatory approvals have not been obtained, and all other conditions to closing have been satisfied (other than those conditions that by their terms are to be satisfied at the closing, each of which is capable of being satisfied at the closing) or waived, the Outside Date will be automatically extended to October 8, 2024. The Merger Agreement requires the Company to pay S.USA a $66.5 million termination fee under certain circumstances. Specifically, a termination fee would be payable by the Company if:

- S.USA terminates the Merger Agreement due to the occurrence of a Company terminable breach and (i) a competing proposal was announced after the date of the Merger Agreement but prior to the termination that was not withdrawn and (ii) within 12 months after the termination, the Company enters into a definitive agreement with respect to, or otherwise consummates, the competing proposal (or does not oppose it, in the case of a tender or exchange offer);
- The Company or S.USA terminates the Merger Agreement because of the Company’s failure to obtain the required vote at a duly held meeting of its stockholders and (i) a competing proposal was announced after the date of the Merger Agreement but prior to the termination that was not withdrawn and (ii) within 12 months after the termination, the Company enters into a definitive agreement with respect to, or otherwise consummates, the competing proposal (or does not oppose it, in the case of a tender or exchange offer);
- S.USA terminates the Merger Agreement because prior to receipt of Company stockholder approval there has been a change in the NWLGI board of directors’ recommendation, regardless of whether permitted by the Merger Agreement; or
- the Company terminates the Merger Agreement prior to the receipt of Company stockholder approval in order to enter into a definitive written agreement providing for a superior proposal received after the signing of the Merger Agreement that did not result from a breach of the nonsolicitation covenant binding on the Company and the Company complied with the nonsolicitation covenant’s requirements binding on the Company.

With regard to the second and third bullets listed above, the Company obtained stockholder approval of the Merger Agreement on January 8, 2024 at a special meeting of NWLGI stockholders.

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
2023:				
High	$ 298.00	427.96	476.63	488.90
Low	225.02	226.62	403.17	410.05
Dividends Declared	—	—	—	0.36
2022:				
High	$ 224.93	221.15	208.82	309.25
Low	205.01	192.67	166.94	168.04
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, and to enter the large accelerated filer status at $700 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, 2023, the Company's public float crossed over the $700 million threshold which changed the Company's filing status from accelerated filer to large accelerated filer.

Equity Security Holders

The number of stockholders of record on February 28, 2024 was as follows:

Class A Common Stock	1,819
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 2023, 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 2022, the Company also paid cash dividends on its Class A and Class B Common Stock also 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, 2023, National Western declared and paid a $5.0 million dividend to NWLGI, primarily to provide funding for transaction costs incurred in connection with the proposed Merger Agreement. In the year ended December 31, 2022, National Western declared and paid dividends to NWLGI in the amount of $2.0 million.

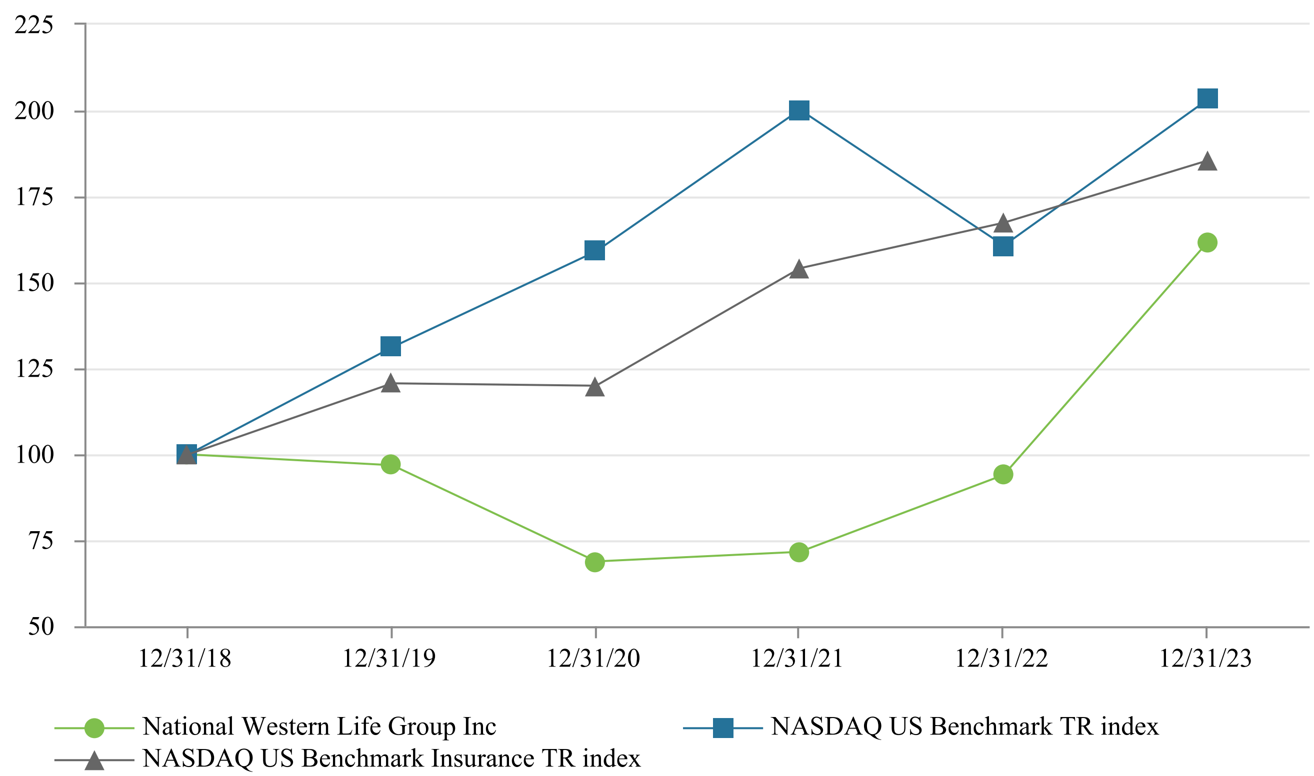
NIS is restricted under FINRA rules as to maximum dividend amounts that can be paid out to stockholders. Maximum allowable dividend amounts are determined based on calculations which require that certain net capital thresholds be maintained after dividends are paid out. In the year ended December 31, 2023, NIS made dividend payments of $12.0 million to NWLGI which have been eliminated in consolidation. No dividends were declared or paid in the year ended December 31, 2022.

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, 2023, 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, 2023, 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 are 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, 2018, 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, 2023, 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, 2023.

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, 2023 through October 31, 2023	—	$ —	N/A	N/A
November 1, 2023 through November 30, 2023	—	$ —	N/A	N/A
December 1, 2023 through December 31, 2023	—	$ —	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, 2023 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 93 of this report. On January 1, 2023, the Company adopted the guidance commonly referred to as long-duration targeted improvements ("LDTI"). Results for 2022 and 2021 are also presented under the new LDTI guidance in this Form 10-K.

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 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 2023, 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.

While interest rates have increased recently, they have hovered at historically low levels for a number of years making it increasingly more challenging to make investments in fixed income debt securities having sufficient yields to price products competitively or to meet minimum interest rate guarantees. 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. With this 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 typically higher risk assets. The Company entered into two different funds withheld coinsurance agreements in the past several 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. A rise in inflation rates prompted Federal Reserve officials to progressively increase rates in an effort to restore price stability and to head off the crippling effects of rising prices. Currently, the Federal Reserve has indicated that it has finished its program of increasing interest rates and is gauging economic data for a transition to interest rate cuts. Ultimately, a mix of monetary policy adjustments, fiscal policy, and economic fundamentals will determine the effectiveness of interest rate policy and the success of returning 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) an economic analysis of the issuer’s industry, and 6) 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 on a constant level cohort basis over the expected term of the underlying contracts approximating a straight-line amortization on an individual contract basis. Contracts are grouped consistent with the groupings used to estimate the related liability. The constant-level basis for amortizing DPAC is generally in proportion to the initial face amount of life insurance in force for life insurance policies, in proportion to deposits for deferred annuity contracts, and in proportion to annual benefit payments for annuity contracts in payout mode.

DPAC current period amortization is impacted by changes in actual insurance in force during the period as well as changes in future assumptions as of the end of each reporting period, where applicable. Assumptions used for DPAC are consistent with those used in estimating the liability for future policy benefits (or any other related balance) for the corresponding contracts. Determining the level of aggregation and actuarial assumptions used in projecting in force terminations requires judgment. 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 impacted by changes in actual business in force during the period and changes in future assumptions as of the end of each reporting period. 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. 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. Under LDTI guidance, VOBA is amortized on the same basis used for DPAC and DSI balances.

Future Policyholder Obligations. 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 and limited-pay 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, industry results, or future expectations. For universal life and annuity products, the Company's liability is the amount of the contract's account balance. An additional liability is recognized for the expected payments in excess of the account balance. While management and Company actuaries have used their best judgment in determining the assumptions and in calculating the liability for future policyholder obligations, 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 policyholder obligations 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 (2), *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 historically 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. As further discussed in Note (14), *Stockholders' Equity,* in the accompanying Notes to Consolidated Financial Statements in this report, at December 31, 2023 the fair value used for liability awards under share-based payment arrangements was $500.00 per share, the stated price per share in cash in the Merger Agreement.

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 updating 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 adjustments
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 adjustments of excess death benefit reserve, excess annuitization reserve, and guaranteed minimum withdrawal benefit reserve
Market risk benefits expense	Fair market value adjustments due to changes in interest rate levels
Amortization of deferred transaction costs	Deferred policy acquisition costs amortization - actuarial assumption adjustments
Universal life and annuity contract interest	Universal life actuarial assumption adjustments of excess death benefit reserve
Universal life and annuity contract interest	Deferred sales inducement amortization - actuarial assumption adjustments
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,		
	2023	2022	2021
	(In thousands)		
Universal life and annuity contract charges	$ 144,064	134,553	136,268
Traditional life premiums	88,171	94,505	121,001
Net investment income (excluding index option derivatives)	369,313	386,506	441,812
Other revenues	35,331	24,981	22,314
Derivative gain (loss), index options	40,612	(86,866)	120,718
Net realized investment gains	25,859	6,355	14,950
Total revenues	$ 703,350	560,034	857,063

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 2023 compared to 2022 and 2021.

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Contract Charges:			
Cost of insurance and administrative charges	$ 129,240	128,460	122,961
Surrender charges	24,954	18,732	25,363
Other charges	9,440	7,397	6,361
Gross contract revenues	163,634	154,589	154,685
Reinsurance premiums	(19,570)	(20,036)	(18,417)
Net contract charges	$ 144,064	134,553	136,268

Cost of insurance charges were $103.1 million in 2023 compared to $100.6 million in 2022 and $95.9 million in 2021. Cost of insurance charges trend, in part, 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 2023 decreased to $10.7 billion from $11.8 billion at year-end 2022 and $12.7 billion at year-end 2021. Administrative charges were $26.2 million, $27.8 million, and $27.1 million for the years ended December 31, 2023, 2022 and 2021, 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 $25.0 million in 2023 compared to $18.7 million in 2022 and $25.4 million in 2021. 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 2023 for the domestic life insurance segment were relatively level with those experienced in 2022 and prior years, while the annuities and international life insurance segments continued to exhibit a higher lapse rates. 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).

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 2023 over 2022 reflects lower premium loads deferred in 2023 due to decreased sales relative to the amounts currently being amortized into income.

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, 2023, 2022, and 2021 is $70.8 million, $71.9 million, and $73.5 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,		
	2023	2022	2021
	(In thousands)		
Gross investment income:			
Debt and equities	$ 300,493	298,965	309,082
Mortgage loans	21,454	20,691	20,155
Policy loans	2,744	2,626	2,667
Short-term investments	14,198	3,940	293
Other invested assets	42,039	27,409	16,321
Total investment income	380,928	353,631	348,518
Less: investment expenses	2,537	2,420	2,762
Net investment income (excluding derivatives and trading securities)	378,391	351,211	345,756
Index option derivative gain (loss)	40,612	(86,866)	120,718
Embedded derivative on reinsurance	(54,570)	250,230	84,725
Trading securities market adjustments	45,492	(214,935)	11,331
Net investment income	$ 409,925	299,640	562,530

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 $10.1 billion at December 31, 2021 to $8.7 billion at December 31, 2022, in part due to marking the portfolio to fair market values which significantly declined during 2022 as interest rate levels rose during the year. At December 31, 2023, the debt securities portfolio further declined to $8.2 billion, as a result of operational cash outflows, primarily for higher levels of policy benefits, exceeding cash inflows which were lower as a result of decreased sales activity. While investment yields on new bond purchases in 2021 were less than the portfolio's weighted average yield, investment yields on new bond purchases during 2023 and 2022 exceeded the portfolio yield. The portfolio weighted average yield, excluding the funds withheld portfolio, was approximately 3.85% at December 31, 2023, while the yield on debt security purchases to fund insurance operations was 6.72%, 4.21%, and 3.02% in 2023, 2022, and 2021, respectively. Ozark National's weighted average portfolio yield at December 31, 2023 was 3.96%.

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, 2023, 2022, and 2021 unrealized gains/(losses) of $1.7 million, $(4.1) million, and $6.0 million, respectively, have been included in net investment income reflecting the change in fair value of equity securities during these periods. The carrying value of the Company's portfolio of equity securities was $24.1 million at December 31, 2023, an increase from the $22.1 million balance recorded at December 31, 2022.

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 in 2021 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. However, during 2022, Federal Reserve Board inflation-fighting policies caused interest rates to increase appreciably which resulted in fewer mortgage loan opportunities meeting the Company's underwriting standards. Consequently, the Company's originated new mortgage loans progressively declined to $6.8 million, $47.4 million, and $183.6 million in 2023, 2022, and 2021, respectively. Mortgage loan investment income periodically 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 $225.8 million, $186.9 million and $67.7 million at December 31, 2023, December 31, 2022, and December 31, 2021, respectively, in this investment category, excluding any associated structured note amounts.

Beginning January 1, 2021, the Company's reported net investment income is reduced for amounts ceded to reinsurers under funds withheld reinsurance agreements associated with funds withheld assets. For the years ended December 31, 2023, 2022 and 2021, the Company ceded net investment income of $79.4 million, $67.2 million, and $55.1 million, respectively.

The Company follows the accounting guidance pertaining to current expected credit losses on financial instruments ("CECL"). Measurement of the CECL allowance is performed quarterly with any increase or decrease netted in gross investment income. During the years ended December 31, 2023, 2022, and 2021, remeasurement of the CECL allowance resulted in an increase to the allowance balance of $0.1 million, $0.6 million, and $0.5 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, 2023, 2022, and 2021.

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,		
	2023	2022	2021
	(In thousands except percentages)		
Excluding derivatives and funds withheld securities:			
Net investment income	$ 378,391	351,211	345,756
Average invested assets, at amortized cost	9,010,937	9,398,306	9,420,544
Annual yield on average invested assets	4.20 %	3.74 %	3.67 %
Including derivatives and funds withheld securities:			
Net investment income	$ 409,925	299,640	562,530
Average invested assets, at amortized cost	10,620,733	11,051,800	11,163,776
Annual yield on average invested assets	3.86 %	2.71 %	5.04 %

The average invested asset yield, excluding derivatives and funds withheld securities, increased in 2023 from that in 2022 reflecting higher yields on new debt security purchases, increased allocations to alternative investment funds which have greater yields, and significantly higher interest rate yields on short-term investment funds. The average invested asset yield in 2022 increased from that in 2021 reflecting incrementally higher yields on new debt security purchases and increased allocations to alternative investment funds.

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 net losses in 2022, and net gains in 2023 and 2021 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, 2023, 2022, and 2021, the embedded derivative contra-liability for reinsurance (increased)/decreased by $(54.6) million, $250.2 million, and $84.7 million, respectively, corresponding with interest rate levels and their effect upon the fair values of funds withheld assets. These amounts are included in net investment income and served to decrease net investment income in 2023 and increase net investment income in 2022 and 2021. Debt securities supporting the funds withheld policyholder obligations classified as trading securities incurred unrealized gains/(losses) of $45.5 million in 2023, $(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/(decreased) net investment income by ($9.1) million, $35.3 million, and $96.1 million in 2023, 2022, and 2021, respectively.

Other revenues - Other revenues primarily 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 $10.9 million, $11.4 million, and $12.5 million for the years ended December 31, 2023, 2022, and 2021, respectively. NIS revenues typically move in tandem with equity market performance.

Revenues associated with BP III were $4.0 million, $8.2 million, and $5.1 million in the years ended December 31, 2023, 2022, and 2021, respectively. Included in rental income for 2022 is $3.8 million received for an early termination of a tenant lease. This space remained vacant during 2023 and is currently being marketed. Rental income received from National Western is eliminated in reporting consolidated results.

Under the 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, 2023, 2022 and 2021, the Company reported $4.5 million, $4.9 million, and $5.3 million, respectively, as maintenance expense allowance revenue. As the block that was reinsured with Prosperity 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 count 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 years ended December 31, 2023 and 2022, the Company reported $1.0 million and $0.3 million, respectively, related to these revenue sources. The 2022 represents amounts received from the inception of the agreement in July of 2022.

The Company also recorded as a liability (deferred revenue) on its Consolidated Balance Sheet a deferred Cost on Reinsurance amount of $21.2 million associated with the 2022 funds withheld reinsurance transaction with Aspida (original COR amount reported of $30.8 million has been restated for the adoption of ASU 2018-12). 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 COR balance is amortized and included in Other revenues. For the years ended December 31, 2023 and 2022, amortization revenue from the deferred Gain on Reinsurance was $1.6 million and $0.8 million, respectively.

Other revenues also include semi-annual distributions from the life interest in the Libbie Shearn Moody Trust ("LSM Trust"). Revenues recognized from these distributions were $6.1 million, $6.0 million, and $5.7 million for the years ended December 31, 2023, 2022, and 2021, respectively. A predecessor of the Company acquired its life estate interest in 1960 as part of Robert L. Moody, Sr.'s capitalization of that predecessor insurance company. Mr. Moody, Sr. was Chairman Emeritus of the Company and was the last surviving grandchild of Libbie Shearn Moody. By its terms, the LSM Trust life estate interest provided for the payment of one-eighth of the income of the LSM Trust as long as Mr. Moody, Sr. was alive. On November 7, 2023, Robert L. Moody Sr. passed away. As a result, the Company will not receive any distributions of income received by the LSM Trust attributable to periods following Mr. Moody Sr.'s death. The Company held $12.8 million of life insurance coverage on Mr. Moody Sr.'s life issued by National Western, all but $150,000 of which was reinsured by third party reinsurers. These insurance claim amounts were processed and received in the fourth quarter of 2023 and are included in Other revenues.

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,		
	2023	2022	2021
		(In thousands)	
Index option derivatives:			
Unrealized gain (loss)	$ 61,053	(85,130)	(16,564)
Realized gain (loss)	(20,441)	(1,736)	137,282
Total gain (loss) included in net investment income	$ 40,612	(86,866)	120,718
Total contract interest	$ 104,996	22,840	168,613

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 2023, 2022, and 2021 were $0.0 million, $0.0 million, and $5.8 million, respectively. The Company changed its option hedging approach 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 converted to 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 2023 consisted of gross gains of $26.0 million offset by gross losses of $(0.1) million. Realized gains in 2023 include the tender of shares held in Moody Bancshares, Inc. The Company's cost basis in the shares was $195,000 and the tender proceeds approximated $25.8 million. Net gains reported in 2022 consisted of gross gains of $6.5 million 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.

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 Statements of Earnings. The Company did not record a credit loss allowance for available-for-sale debt securities during the years ended December 31, 2023, 2022, or 2021.

Benefits and Expenses. The following details benefits and expenses.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Life and other policy benefits	$ 117,648	128,654	157,830
Amortization of deferred transaction costs	83,335	88,602	95,786
Policy benefit remeasurement (gains) and losses	8,360	9,827	(13,637)
Market risk benefits expense	68,130	(135,749)	3,645
Universal life and annuity contract interest	104,996	22,840	168,613
Other operating expenses	191,196	135,817	126,612
Totals	$ 573,665	249,991	538,849

Life and other policy benefits - Life and other policy benefits include death claims of $74.1 million, $80.5 million and $96.3 million for 2023, 2022 and 2021, respectively. Included in the amounts for the years ended December 31, 2023, 2022, and 2021, are $35.4 million, $35.9 million and $39.6 million in death claims pertaining to Ozark National. Death claim amounts are subject to variation from period to period. In 2023, the number of National Western life insurance claims incurred was approximately the same as that of 2022 while the average dollar amount per net claim decreased 15% to $55,800 from $65,900. 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 2023 was $15,140 consistent with the 2022 average net claim. The average face amount of insurance in force for Ozark National was $32,940 at December 31, 2023. 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, 2023, National Western incurred 24 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 $1.3 million. For the year ended December 31, 2022, National Western incurred 89 COVID-19 related death claims on life insurance policies totaling a net amount after reinsurance of $5.8 million. During the year ended December 31, 2023, Ozark National incurred 23 confirmed COVID-19 death claims aggregating to a net claim amount of approximately $0.5 million. During the year ended December 31, 2022, Ozark National reported 126 COVID-19 death claims totaling to net claim amount of $2.9 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, surrender charges on terminating policies, and other miscellaneous benefits payments including disability benefits, matured endowments, and accident & health benefits. These other policy benefits were $43.5 million, $48.1 million, and $61.6 million in 2023, 2022, and 2021, respectively.

Life and other policy benefits in the years ended December 31, 2023, 2022, and 2021 includes changes in traditional life reserves and miscellaneous benefit payments associated with Ozark National's operations of $24.9 million, $22.8 million, and $18.1 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. Under LDTI guidance, deferred policy acquisition costs are amortized on a constant-level cohort basis over the expected term of the underlying contracts approximating a straight-line amortization on an individual basis. 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 Company's practice is to annually review its actuarial assumptions pertaining to its blocks of business and to update those assumptions which deviate significantly from actual experience. The Company records these adjustments whenever necessary. The following table identifies the effect of actuarial assumption adjustments on DPAC balances recorded through amortization expense separate from recurring amortization expense for 2023, 2022, and 2021.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Amortization of DPAC:			
Actuarial assumption adjustments	$ (64)	(144)	(365)
Other amortization components	64,418	66,475	69,437
Totals	$ 64,354	66,331	69,072

The amortization amounts for the years ended December 31, 2023, 2022, and 2021 were comprised of DPAC amortization by National Western of $63.5 million, $65.4 million, and $68.4 million, respectively, and by Ozark National of $0.9 million, $0.9 million, and $0.7 million, respectively. Amortization expense for National Western for the years ended December 31, 2023, 2022, and 2021 was reduced by $3.3 million, $3.8 million, and $2.9 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.

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, 2023, 2022, and 2021 the Company's VOBA amortization expense was $8.6 million, $10.9 million, and $13.6 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 original balance 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, 2023, 2022, and 2021, COR amortization expense of $10.4 million, $11.4 million, and $13.2 million, respectively, is included in Amortization of deferred transaction costs.

Policy benefit remeasurement (gains) and losses - The Company's practice is to annually review its actuarial assumptions and to "unlock" those assumptions which deviate materially from actual experience. Under ASU 2018-12 ("LDTI"), the impact of actuarial assumption changes on the Liability for Future Policyholder Benefits ("LFPB") and the Additional Liabilities in Excess of Account Value are presented separately in the Consolidated Statements of Earnings as Policy benefit remeasurement (gains) and losses. In 2023 and 2022, the Company updated its actuarial assumptions pertaining to its traditional life reserves and its excess death benefit reserves for mortality experience, lapse rates, and investment portfolio yield rates.

Market risk benefits expense - Market risk benefits expense is a financial statement line item emanating from the adoption of the LDTI accounting standard. The Market risk benefits net liability represents the reserve pertaining to certain contract features on annuity products that provide minimum guarantees to policyholders, such as guaranteed minimum withdrawal benefits, that provide protection to contractholders from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Market risk benefits are measured at fair value with changes in fair value not caused by credit risk recognized in net income in each period. The change in fair value of the Market risk benefits net liability reported in Consolidated Statements of Earnings is significantly impacted by interest rate movements. Refer to Note (9) *Market Risk Benefits Liability* in the Notes to Consolidated Financial Statements for further discussion.

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 2023, 2022, and 2021 of $40.6 million, $(86.9) million, and $120.7 million, respectively. In 2023, this figure was comprised of unrealized gains totaling $61.1 million and realized losses of $(20.4) million. In 2022, this figure was comprised of unrealized losses totaling $(85.1) million and realized losses of $(1.7) million. In 2021, the amount consisted of unrealized losses of $(16.6) million offset by realized gain of $137.3 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,		
	2023	2022	2021
		(In thousands)	
Contract Interest Expense:			
Credited fixed interest	$ 74,880	83,578	90,862
Credited equity-index interest	31,853	45,703	197,165
Gross reserve changes	50,095	69,900	45,235
Withdrawal benefit rider charges	(30,467)	(30,220)	(28,248)
Ceded credited interest and reserve changes	(42,528)	(77,981)	(56,782)
Actuarial assumption adjustment	(19,376)	27,994	—
Index option embedded derivative reserve changes	40,539	(96,134)	(73,784)
Asset fees	—	—	(5,835)
Totals	$ 104,996	22,840	168,613

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") and by amounts ceded to reinsurers.

For contract interest expense pertaining to funds withheld annuity policies ceded to the reinsurers, contract interest expense reported in the Consolidated Statements of Earnings is adjusted to remove ceded credited interest and ceded reserve change items which are shown in the above table for the years ended December 31, 2023, 2022, and 2021. The amount of ceded interest credited on the funds withheld annuity policies included in these amounts for the years ended December 31, 2023, 2022, and 2021, was $24.9 million, $31.1 million, and $29.8 million, respectively.

As part of the Company's actuarial assumption review process in 2023, the Company updated its assumptions pertaining to equity-indexed reserves for lapse rates, annuitization rates, and the portfolio yield, the effect of which was to reduce contract interest expense by $(19.4) million. The Company employed a similar actuarial assumption review process for 2022, the effect of which was to increase fixed-index annuities contract interest expense by $28.0 million.

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

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
General administrative expenses	$ 60,877	55,651	51,329
Compensation expenses	102,138	46,922	40,178
Commission expenses	8,061	9,438	10,810
Real estate expenses	5,530	6,193	5,947
Brokerage expenses (NIS)	5,116	5,635	6,123
Taxes, licenses and fees	9,474	11,978	12,225
Totals	$ 191,196	135,817	126,612

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 2023, 2022, and 2021 were $10.0 million, $15.1 million, and $13.8 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, 2023, 2022, and 2021 were $23.8 million, $25.7 million, and $17.5 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 $6.5 million, $0.8 million, and $6.0 million in 2023, 2022, and 2021, respectively. The 2023 amount includes legal fees incurred pertaining to the Company's efforts associated with the Merger Agreement previously discussed. The 2021 amount includes $4.4 million accrued for estimates pertaining to settlement of a class action lawsuit in regards to the IT security incident experienced by National Western. General administrative expenses in 2023 also include $7.1 million related to the write-off of the LSM Trust Asset which terminated with the passing the Company's Chairman Emeritus, Robert L. Moody, Sr. General administrative expenses in the years ended December 31, 2023, 2022, and 2021 include Ozark National expenses in the amount of $4.0 million, $3.8 million, and $4.3 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 positively or negatively in any given period. In the Compensation expenses amounts shown above, share-based compensation expense totaled $66.8 million in 2023, $15.2 million in 2022, and $5.8 million in 2021. The sizable increase in 2023 compensation expenses reflects the increase in the Company's Class A Common Stock share price assumption used for fair value to $500.00 (per the Merger Agreement described above) at December 31, 2023 from the Class A Common Stock share price of $281.00 at December 31, 2022 and $214.44 at December 31, 2021. In addition to the changes in price of the Company's Class A Common Stock, there were 0, 113,127, and 64,157 SARs granted to officers in 2023, 2022, and 2021, respectively. Refer to Note (14) *Stockholders' Equity* in the accompanying Notes to Consolidated Financial Statements of this report for a discussion of performance share awards.

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. Taxes, licenses and fees also include National Western premium tax expenses of $2.7 million, $4.7 million, and $7.4 million in 2023, 2022, and 2021, respectively. The higher expense level in 2021 reflects the increased retaliatory tax burden on National Western imposed by a change in Colorado laws with respect to premium taxes enacted that year. 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, 2023, 2022, and 2021 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):						
2023	$ (4,047)	17,261	12,937	22,138	25,712	74,001
2022	3,157	26,794	177,063	16,543	17,934	241,491
2021	1,508	32,043	171,609	19,499	16,068	240,727

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,		
	2023	2022	2021
	(In thousands)		
Premiums and other revenues:			
Premiums and contract revenues	$ 52,201	55,482	51,479
Net investment income	89,144	17,259	91,977
Other revenues	32	93	105
Total premiums and other revenues	141,377	72,834	143,561
Benefits and expenses:			
Life and other policy benefits	20,319	18,676	24,395
Policy benefit remeasurement (gain)/loss	1,370	3,843	415
Amortization of deferred transaction costs	13,141	12,267	13,417
Universal life insurance contract interest	73,287	3,230	77,475
Other operating expenses	39,194	30,846	25,959
Total benefits and expenses	147,311	68,862	141,661
Segment earnings (loss) before Federal income taxes	(5,934)	3,972	1,900
Provision for Federal income taxes	(1,887)	815	392
Segment earnings (loss)	$ (4,047)	3,157	1,508

Premiums and Other Revenues

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,		
	2023	2022	2021
	(In thousands)		
Universal life insurance revenues	$ 61,954	64,651	58,822
Traditional life insurance premiums	3,925	4,429	4,620
Reinsurance premiums	(13,678)	(13,598)	(11,963)
Totals	$ 52,201	55,482	51,479

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 46,060 at December 31, 2021 to 44,560 at December 31, 2022 and to 42,840 at December 31, 2023. Policy lapse rates in 2023 were 5.9% compared with the 5.9% and 6.0% rates experienced in 2022 and 2021, respectively. The face amount of life insurance in force has declined at a slower rate than the policy count figures. The volume of in force moved from $3.7 billion at December 31, 2021 to $3.6 billion at December 31, 2022 and to $3.5 billion at December 31, 2023.

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 2023 decreased 24% from that in 2022 and the volume of insurance issued decreased 17% from that in 2022.

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 $9.4 million, $7.4 million, and $4.3 million in 2023, 2022, and 2021, respectively.

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,		
	2023	2022	2021
	(In thousands)		
Universal life insurance:			
First year and single premiums	$ 105,247	126,423	203,329
Renewal premiums	14,806	16,369	16,870
Totals	$ 120,053	142,792	220,199

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,		
	2023	2022	2021
	(In thousands)		
Net investment income (excluding index option derivatives)	$ 52,387	55,476	53,704
Index option derivative gain (loss)	36,757	(38,217)	38,273
Net investment income	$ 89,144	17,259	91,977
Universal life insurance contract interest	$ 73,287	3,230	77,475

Benefits and Expenses

Life and policy benefits for a smaller block of business are subject to variation from period to period. Claim count activity during 2023 increased 2% compared to 2022 while the average net claim amount increased to $43,140 from $41,970. In 2023, National Western's domestic life insurance segment incurred 21 COVID-19 claims with a net benefit amount (after reinsurance) of $0.9 million. 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. 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 generally been consistent with pricing assumptions.

Policy benefit remeasurement (gains) and losses represent a new line item in the income statement required by LDTI for actuarial assumption change updates that affect traditional life reserves (Liability for future policy benefits) and universal life excess death benefit reserves. In 2023 and 2022, these reserves for actuarial assumption updates were made pertaining to mortality, lapse rates and investment portfolio yield rates.

Included in amortization of deferred transaction costs is DPAC amortization. As noted previously in the discussion of results from Consolidated Operations, the Company's practice is to annually review its actuarial assumptions pertaining to its blocks of business and to update those assumptions which deviate significantly from actual experience. The following table identifies the effects of actuarial assumption adjustments on domestic life insurance DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2023, 2022, and 2021.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Amortization of DPAC:			
Actuarial assumption adjustments	$ 99	(29)	19
Other amortization components	13,042	12,296	13,398
Totals	$ 13,141	12,267	13,417

Actuarial assumption adjustments were updated in each of the years shown for mortality and lapse rates.

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.

Other operating expenses are allocated to the Company's lines of business based upon a functional cost analysis performed each year. As the Company's overall operating expenses increased in 2023 compared to 2022 and 2021 levels, as discussed in the Results of Consolidated Operations section, Domestic life insurance operations operating expenses are correspondingly higher in 2023.

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,		
	2023	2022	2021
		(In thousands)	
Premiums and other revenues:			
Premiums and contract revenues	$ 84,774	78,044	80,914
Net investment income	27,621	4,671	54,204
Other revenues	15	71	85
Total premiums and other revenues	112,410	82,786	135,203
Benefits and expenses:			
Life and other policy benefits	11,465	13,977	23,689
Policy benefit remeasurement (gain)/loss	6,469	(18)	(14,052)
Amortization of deferred transaction costs	16,040	17,294	18,762
Universal life insurance contract interest	21,369	(4,322)	45,747
Other operating expenses	31,760	22,146	20,679
Total benefits and expenses	87,103	49,077	94,825
Segment earnings before Federal income taxes	25,307	33,709	40,378
Provision for Federal income taxes	8,046	6,915	8,335
Segment earnings	$ 17,261	26,794	32,043

Premiums and Other Revenues

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,		
	2023	2022	2021
		(In thousands)	
Universal life insurance revenues	$ 84,208	77,087	79,054
Traditional life insurance premiums	6,458	7,395	8,314
Reinsurance premiums	(5,892)	(6,438)	(6,454)
Totals	$ 84,774	78,044	80,914

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 $11.3 billion at December 31, 2021 to $10.3 billion at December 31, 2022 and to $9.0 billion at December 31, 2023. The decline in volume of in force reflects the decision to cease accepting new international policy applications from foreign nationals outside of the U.S in 2018. 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. Prior to 2023, termination rates had been trending lower resulting in lower surrender charge fee revenue. Surrender activity in this line of business increased in 2023. In addition, policy contract provisions which provide for lower surrender charge fees to be assessed later in the contract term can produce variability in surrender fee revenue. 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, 2023	$ 1,293.5	12.6 %
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 %

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,		
	2023	2022	2021
		(In thousands)	
Universal life insurance:			
First year and single premiums	$ —	—	—
Renewal premiums	40,019	45,075	50,518
Totals	$ 40,019	45,075	50,518

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 $22.3 million, $25.7 million, and $28.9 million for the years ended 2023, 2022, and 2021, 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.

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 for international life insurance operations is provided below.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Net investment income (excluding index option derivatives)	$ 21,300	24,131	24,843
Index option derivative gain (loss)	6,321	(19,460)	29,361
Net investment income	$ 27,621	4,671	54,204
Universal life insurance contract interest	$ 21,369	(4,322)	45,747

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.

Benefits and Expenses

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 2023 decreased to $178,930 from $261,370 while the number of claims incurred decreased 15% from the amount incurred in 2022. Included in International Life death claims for 2023 were three claims with a cause of death identified as COVID-19 which totaled to a net claim amount of $0.4 million. In 2022 there were 16 reported COVID-19 death claims which aggregated to $2.4 million in net claims. Included in International Life death claims for 2021 were 72 with a cause of death identified as COVID-19 which aggregated to $19.0 million in net claims.

As discussed in Domestic Life Insurance Operations, Policy benefit remeasurement (gains) and losses represent a new line item in the income statement required by LDTI for actuarial assumption change updates that affect traditional life reserves (Liability for future policy benefits) and universal life excess death benefit reserves. In 2023 and 2022, these reserves for actuarial assumption updates were made pertaining to mortality, lapse rates and investment portfolio yield rates.

Amortization of deferred transaction costs includes DPAC amortization. The Company's practice is to annually review its actuarial assumptions pertaining to its blocks of business and to update those assumptions which deviate significantly from actual experience. The following table identifies the effects of actuarial assumption adjustments on international life insurance DPAC balances recorded through amortization expense separate from recurring amortization expense components for 2023, 2022, and 2021.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Amortization of DPAC:			
Actuarial assumption adjustments	$ 3	6	652
Other amortization components	16,037	17,288	18,110
Totals	$ 16,040	17,294	18,762

In 2021, actuarial assumptions for International Life DPAC were updated for lapse rates, mortality, and cost of insurance ("COI") charge increases. The effect of the prospective effect for the actuarial assumption update, particularly for the COI charge increases, was to increase amortization expense by $0.7 million due to DPAC amortization matching the higher revenues from the prospective COI charge increases.

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 previously discussed, Other operating expenses are allocated to the Company's lines of business based upon a functional cost analysis performed each year. As the Company's overall operating expenses increased in 2023 as compared to 2022 and 2021 levels, as discussed in the Results of Consolidated Operations section, International life insurance operations operating expenses are correspondingly higher in 2023.

Annuity Operations

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

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Premiums and other revenues:			
Premiums and contract revenues	$ 20,581	19,490	47,790
Net investment income	226,330	226,746	367,286
Other revenues	7,527	6,236	5,384
Total premiums and other revenues	254,438	252,472	420,460
Benefits and expenses:			
Life and other policy benefits	25,558	37,241	51,986
Policy benefit remeasurement (gain)/loss	—	93	—
Market risk benefits expense	68,130	(135,749)	3,645
Amortization of deferred transaction costs	44,698	47,199	49,372
Annuity contract interest	10,340	23,932	45,391
Other operating expenses	86,744	56,999	53,818
Total benefits and expenses	235,470	29,715	204,212
Segment earnings before Federal income taxes	18,968	222,757	216,248
Provision for Federal income taxes	6,031	45,694	44,639
Segment earnings	$ 12,937	177,063	171,609

Premiums and Other Revenues

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 2023 was 10.0%, an increase from a rate of 8.2% in 2022 and the 8.6% rate experienced in 2021. These lapse rates are elevated compared to historical averages. The annuity industry as a whole has experienced higher surrender activity coinciding with increases in interest rate levels during 2023. While surrender charges are used to dissuade policyholders from exercising the cash-out option, fixed interest rate annuity contracts are more prone to terminate as contracts approach the end of their surrender charge period. In addition, in a period of sustained higher interest rate levels, the annuity market becomes increasingly competitive especially in regards to multi-year guaranteed annuities which provide the opportunity to lock in the higher rates for a specified term.

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,		
	2023	2022	2021
	(In thousands)		
Fixed-index annuities	$ 77,242	216,784	425,734
Other deferred annuities	1,260	1,575	3,727
Immediate annuities	2,546	7,826	32,637
Totals	$ 81,048	226,185	462,098

Fixed-index products are 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 95%, 96%, and 92% for the years ended December 31, 2023, 2022, and 2021, respectively. The percentage of fixed-index products to total annuity sales reflects the relatively low interest rate environment, the overall positive performance in the equities market, and the Company's lack of competitive fixed interest rate annuity products.

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 $(6.5) million, $4.0 million, and $18.1 million for the years ended December 31, 2023, 2022, and 2021, respectively. Negative deferrals in 2023 reflect higher than normal surrenders on policies for which the full bonus was capitalized at issue but were surrendered before the full bonus was paid out. 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,		
	2023	2022	2021
	(In thousands)		
Net investment income (excluding derivatives and trading securities)	$ 237,874	220,640	218,146
Index option derivative gain (loss)	(2,466)	(29,189)	53,084
Embedded derivative liability (increase) decrease	(54,570)	250,230	84,725
Trading securities market adjustment	45,492	(214,935)	11,331
Net investment income	$ 226,330	226,746	367,286

As noted in the Consolidated Operations discussion, the Company ceded net investment income of $79.4 million, $67.2 million, and $55.1 million to the reinsurers under funds withheld reinsurance agreements in 2023, 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 funds withheld reinsurance agreement with Aspida executed during 2022 follows the same embedded derivative accounting. During the year ended December 31, 2023, the embedded derivative contra-liability declined by $54.6 million as a result of interest rate levels decreasing, which was recorded as a charge against net investment income. Debt securities supporting the funds withheld policyholder obligations classified as trading securities incurred a fair value adjustment of $45.5 million market value increase during 2023 which is also recorded as a component of net investment income. The net of these two amounts, the embedded liability decrease and the change in market value of trading securities, decreased net investment income in the Annuity segment by $9.1 million for the year. For the year ended December 31, 2022, net investment income increased $35.3 million as the embedded derivative liability declined $250.2 million and the corresponding trading securities incurred a market value decrease of $214.9 million. For the year ended December 31, 2021, net investment income increased $96.0 million as the embedded derivative liability decreased $84.7 million and the corresponding trading securities incurred a market value increase of $11.3 million in the year.

Other revenues in the years ended December 31, 2023, 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 from funds withheld arrangements and included as Other revenues were $5.5 million, $5.2 million, and $5.3 million in 2023, 2022, and 2021, respectively.

Benefits and Expenses

Market risk benefits expense is the income statement item emanating from the adoption of the LDTI accounting standard. The Market risk benefits liability represents the reserve pertaining to certain contract features on annuity products that provide minimum guarantees to policyholders, such as guaranteed minimum withdrawal benefits, that provide protection to contractholders from other-than-nominal capital market risk and expose the Company to other-than-nominal capital risk. Market risk benefits are measured at fair value with changes in fair value not caused by credit risk recognized in net income in each period. The change in fair value of the Market risk benefits liability reported in the Consolidated Statements of Earnings is impacted by interest rate movements. For the years ended December 31, 2023, 2022, and 2021, the change in the Market risk benefits liability due to interest rate movements was an expense/(benefit) of $26.6 million, $(183.8) million, and $(36.1) million, respectively. Refer to Note (9) *Market Risk Benefits Liability* in the Notes to Consolidated Financial Statements for further discussion.

Included in amortization of deferred transaction costs is DPAC amortization. The Company's practice is to annually review its actuarial assumptions pertaining to blocks of businesses and to update those assumptions which deviate significantly from actual experience. The Company records these adjustments whenever necessary. The following table identifies the effects of actuarial assumption adjustments on annuity DPAC balances recorded through amortization expense separate from recurring amortization expense for 2023, 2022, and 2021.

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Amortization of deferred transaction costs:			
Actuarial assumption adjustments	$ (161)	(42)	(1,036)
DPAC recurring amortization expense	34,468	35,883	37,254
Cost of reinsurance amortization expense	10,391	11,358	13,154
Totals	$ 44,698	47,199	49,372

In 2023, 2022, and 2021, the Company adjusted Annuity segment DPAC balances for actuarial assumption updates pertaining to lapse rates, annuitization rates, and expenses.

DPAC amortization expense that pertains to annuity policies covered by the funds withheld reinsurance treaties is ceded to the reinsurers. In the years ended December 31, 2023, 2022, and 2021, DPAC amortization was reduced for ceded DPAC amortization by $3.3 million, $3.8 million, and $2.9 million, respectively.

Amortization of deferred transaction costs includes amortization of the cost of reinsurance recorded at year-end 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 $48.0 million ceding commission paid to the reinsurer. The COR balance is amortized commensurate with the runoff of the ceded block of funds withheld business. In the years ended December 31, 2023, 2022, and 2021, COR amortization expense of $10.4 million, $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,		
	2023	2022	2021
		(In thousands)	
Fixed-indexed annuities	$ (4,746)	16,518	54,000
All other annuities	734	960	(2,011)
Gross contract interest	(4,012)	17,478	51,989
Bonus interest deferred and capitalized	6,455	(4,040)	(18,117)
Bonus interest amortization	7,897	10,494	11,519
Total contract interest	$ 10,340	23,932	45,391

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.

As part of the Company's updating actuarial assumptions in 2023, assumptions pertaining to lapse rates, annuitization rates, and the portfolio investment yield supporting equity-indexed annuity reserves were updated, the effect of which was to reduce fixed-index annuities contract interest expense by $(19.4) million. The Company employed a similar actuarial assumption update for 2022, the effect of which was to increase fixed-index annuities contract interest expense by $28.0 million.

Bonus interest deferred and capitalized is generally a reduction in total contract interest expense. The positive amounts shown in the table above represent the impact of unvested bonus amounts at the time of a contract surrender. These amounts are reversed from bonus interest previously deferred and capitalized. During periods of high contract surrenders and low sales, such as existed during 2023, these reversals exceeded the amounts currently being deferred.

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.

	2023	2022	2021
		(In thousands)	
Premiums and other revenues:			
Premiums and contract charges	$ 74,679	76,042	77,086
Net investment income	33,216	29,198	26,989
Other revenues	10,978	11,539	12,653
Total premiums and other revenues	118,873	116,779	116,728
Benefits and expenses:			
Life and other policy benefits	60,306	58,760	57,760
Policy benefit remeasurement (gain)/loss	521	5,909	—
Amortization of deferred transaction costs	9,456	11,842	14,235
Other operating expenses	20,804	19,579	20,243
Total benefits and expenses	91,087	96,090	92,238
Segment earnings before Federal income taxes	27,786	20,689	24,490
Provision for Federal income taxes	5,648	4,146	4,991
Segment earnings	$ 22,138	16,543	19,499

Premiums and Other Revenues

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.

	2023	2022	2021
		(In thousands)	
Traditional life insurance premiums	$ 77,079	78,411	79,450
Other insurance premiums and considerations	347	388	400
Reinsurance premiums	(2,747)	(2,757)	(2,764)
Totals	$ 74,679	76,042	77,086

Ozark National's traditional life block of business at December 31, 2023 included 168,080 policies in force representing over $5.5 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 4.2% for the year ended December 31, 2023 slightly higher than the 4.0% rate experienced in 2022 and 2021. Traditional life premiums by first year and renewal are detailed below.

	2023	2022	2021
		(In thousands)	
Traditional life insurance premiums:			
First year premiums	$ 3,731	3,922	3,419
Renewal premiums	73,348	74,489	76,031
Totals	$ 77,079	78,411	79,450

Other revenues consists primarily of brokerage revenue of NIS. Brokerage revenues of $10.9 million for 2023, $11.4 million for 2022, and $12.5 million for 2021 had associated brokerage expenses of $5.1 million, $5.6 million, and $6.1 million, respectively, which are included in Other operating expenses.

Benefits and Expenses

The average face value of Ozark National's policies in force at December 31, 2023 was approximately $32,940. Consequently, life and policy benefits for smaller face amounts are subject to variation from quarter to quarter. Incurred death claims in 2023 were $35.4 million representing an average net claim of $15,140. Incurred death claims in 2022 were $35.9 million also representing an average net claim of $15,140. 2021 incurred death claims were $39.6 million representing an average net claim of $15,350. Included in 2023 death claims were 23 reported claims with a cause of death identified as COVID-19 which aggregated to $0.5 million in net claims. Included in 2022 death claims were 126 claims with a reported cause of death identified as COVID-19 which aggregated to $2.9 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 2023, 2022, and 2021 consists of increases in insurance reserves and payments of other policy benefits.

As discussed in the Results of Consolidated Operations section, the Company updated actuarial assumptions pertaining to Ozark National's traditional life reserves for lapse rates in 2023 and 2022. The impact of the actuarial assumption update on the Liability for Future Policyholder Benefits is presented separately in the Consolidated Statements of Earnings as Policy benefit remeasurement (gains) and losses.

Amortization of deferred transaction costs for this segment includes amortization of DPAC and the value of business acquired ("VOBA"). VOBA represents the difference between the acquired assets and liabilities of Ozark National at the acquisition date 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.

	2023	2022	2021
		(In thousands)	
Amortization of deferred transaction costs:			
Actuarial assumptions adjustments	$ (37)	(923)	—
VOBA amortization expense	8,622	11,757	13,560
DPAC recurring amortization expense	871	1,008	675
Totals	$ 9,456	11,842	14,235

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 $(1.5) million, $2.0 million, and $(0.8) million in 2023, 2022, and 2021, respectively. The gain in 2022 includes the collection of $3.8 million for an early termination of a tenant lease. The 2023 pre-tax loss represents this early termination space remaining vacant during the year. 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 $39.3 million, $20.6 million, and $21.2 million for the years ended December 31, 2023, 2022, and 2021, respectively, includes investment income from real estate, municipal bonds, and common and preferred equities held in subsidiary company portfolios principally for tax-advantage purposes. As these investments are reported at their fair values, their unrealized gains and (losses) cause variability in pre-tax earnings. Included in investment income are semi-annual distributions from a life interest in the Libbie Shearn Moody Trust, which was held in NWLSM, Inc. Pretax distributions from this trust were $6.1 million, $6.0 million, and $5.7 million in 2023, 2022, and 2021, respectively. As noted previously in the discussion on Consolidated Operations, the Company will no longer receive distributions of income from the Libbie Shearn Moody Trust due to the passing of Chairman Emeritus, Robert L. Moody, Sr., in November of 2023. The 2023 pre-tax earnings in Other Operations further includes a $7.1 million miscellaneous loss for writing off the LSM Trust asset previously maintained on the books of NWLSM, Inc. The Company also 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, 2023, 2022, and 2021, the market value changes for these securities were $1.7 million, $(4.1) million, and $6.0 million, respectively.

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, 2023 and 2022. The Company has historically emphasized investment grade debt securities.

	December 31, 2023		December 31, 2022	
	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Debt securities available-for-sale	$ 7,108,188	78.2	$ 7,611,633	79.7
Debt securities trading	1,046,856	11.5	1,065,993	11.1
Mortgage loans	474,133	5.2	505,730	5.3
Policy loans	66,602	0.7	70,495	0.7
Derivatives, index options	85,158	0.9	23,669	0.2
Real estate	27,134	0.3	27,712	0.3
Equity securities	24,098	0.3	22,076	0.2
Other long-term invested assets	268,337	2.9	234,394	2.5
Short-term investments	—	—	3,937	—
Totals	$ 9,100,506	100.0	$ 9,565,639	100.0

Invested assets at December 31, 2023 include Ozark National amounts as follows: Debt securities of $716.0 million; Policy loans of $21.0 million. These amounts as of December 31, 2022 consisted of: Debt securities of $674.8 million; Policy loans of $22.2 million.

The Company’s investment portfolio decreased 5% to $9.1 billion at December 31, 2023 compared to $9.6 billion at December 31, 2022 as a result of operational cash outflows, primarily for higher levels of policy benefits, exceeding cash inflows which were lower as a result of decreased sales activity. This required a greater portion of the investment portfolio cash flows to be applied to meet operational needs instead of being directed toward new investment purchases.

GAAP accounting requires investments in debt securities to be classified 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 the funds withheld coinsurance arrangements precluded 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 and any subsequent funds withheld acquisitions as trading securities. The designation of funds withheld acquisitions 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 Company's available-for-sale debt securities and trading debt securities portfolios in aggregate had an exposure to regional bank bonds totaling $162.2 million at December 31, 2023. This represents 1.8% of the Company's total invested assets as of that date. Of this amount, $4.3 million of bank debt securities were held in the trading debt securities portfolio which is managed by reinsurers under funds withheld reinsurance agreements who bear the financial risk of any credit loss with respect to these securities. The Company carefully monitors its credit exposures to this sector and did not maintain a credit loss allowance with respect to its holdings at December 31, 2023.

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, 2023 maintained a $30.3 million unrealized gain position in comparison to an unrealized loss position at December 31, 2022 of $(30.7) million on outstanding options. The purchase cost of options outstanding at December 31, 2023 was $54.8 million and at December 31, 2022 was $54.4 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 several 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, 2023 and 2022, the Company's debt securities portfolio classified as available-for-sale consisted of the following:

	December 31, 2023		December 31, 2022	
Debt Securities Available-for-sale	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Corporate	$ 5,034,956	70.8	$ 5,631,572	74.0
Residential mortgage-backed	242,019	3.4	321,032	4.2
Public utilities	503,266	7.1	615,137	8.1
State and political subdivisions	394,485	5.5	411,499	5.4
U.S. agencies	11,946	0.2	20,626	0.3
Asset-backed securities	849,432	12.0	542,866	7.1
Commercial mortgage-backed	20,833	0.3	20,285	0.3
Foreign governments	48,494	0.7	45,887	0.6
U.S. Treasury	2,757	—	2,729	—
Totals	$ 7,108,188	100.0	$ 7,611,633	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, 2023, the Company has no investments in debt securities in businesses based in Russia, Ukraine or Belarus 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, 2023	2022
	(Dollars in thousands)	
Cost of acquisitions	$ 90,109	$ 697,489
Average S&P quality	A+	A-
Effective annual yield	6.72 %	4.21 %
Spread to treasuries	2.65 %	1.76 %
Effective duration	6.5 years	8.0 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 beginning in 2022, longer duration debt securities have not provided sufficient incremental yield and value to warrant extending maturities on new purchases.

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 available-for-sale securities portfolio with 98.3%, as of December 31, 2023, 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, 2023		December 31, 2022	
Debt Securities Available-for-sale	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
AAA	$ 161,076	2.3	$ 152,934	2.0
AA	958,678	13.5	1,047,929	13.8
A	2,450,371	34.5	2,625,189	34.5
BBB	3,416,641	48.0	3,673,096	48.2
BB and other below investment grade	121,422	1.7	112,485	1.5
Totals	$ 7,108,188	100.0	$ 7,611,633	100.0

Historically, the Company's investment guidelines have not permitted the purchase of below investment grade securities. These guidelines were amended following a strategic asset allocation study several years ago 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, 2023	$ 127,500	121,422	121,422	1.3 %
December 31, 2022	$ 121,676	112,485	112,485	1.2 %

Although the Company's percentage of below investment grade securities to total invested assets at December 31, 2023 compared to year-end 2022 increased slightly, 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, 2023 are summarized below, including their comparable fair value as of December 31, 2022 for those debt securities rated below investment grade at December 31, 2023. 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 2023	Carrying Value 2023	Fair Value 2023	Fair Value 2022
	(In thousands)			
Asset-backed securities	$ 65	63	63	62
Oil & gas	81,298	77,465	77,465	74,949
Manufacturing	11,997	11,181	11,181	10,585
Infrastructure debt fund	12,353	11,974	11,974	11,314
Direct lending	11,967	11,213	11,213	6,319
ABS alt fund diversified	4,875	4,757	4,757	3,237
Other industrial, flow	4,945	4,769	4,769	4,500
Total before allowance for credit losses	127,500	121,422	121,422	110,966
Allowance for credit losses	—	—	—	—
Totals	$ 127,500	121,422	121,422	110,966

The Company evaluates 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, 2023, 2022, and 2021.

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 are comprised of 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, 2023.

	December 31, 2023			
	Fair Value	Amortized Cost	Allowance For Credit Loss	Net Unrealized Gains (Losses)
	(In thousands)			
Debt securities available-for-sale	$ 7,108,188	7,714,503	—	(606,315)
Debt securities trading	1,046,856	1,204,968	—	(158,112)
Totals	$ 8,155,044	8,919,471	—	(764,427)

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

	December 31, 2023		December 31, 2022	
Debt Securities Trading	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
Corporate	$ 438,579	41.9	$ 450,135	42.3
Residential mortgage-backed	7,652	0.7	16,857	1.6
Public utilities	24,959	2.4	26,030	2.4
State and political subdivisions	13,122	1.3	12,126	1.1
Asset-backed securities	323,269	30.9	313,588	29.4
Commercial mortgage-backed	208,322	19.8	221,096	20.7
Collateralized loan obligation	30,953	3.0	26,161	2.5
Totals	$ 1,046,856	100.0	$ 1,065,993	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, 2023		December 31, 2022	
Debt Securities Trading	Carrying Value	%	Carrying Value	%
	(In thousands, except percentages)			
AAA	$ 3,466	0.3	$ 13,645	1.3
AA	81,621	7.8	54,650	5.1
A	355,634	34.0	365,770	34.3
BBB	544,851	52.0	577,424	54.2
BB and other below investment grade	61,284	5.9	54,504	5.1
Totals	$ 1,046,856	100.0	$ 1,065,993	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, 2023	$ 63,849	61,284	61,284	0.7 %
December 31, 2022	62,232	54,504	54,504	0.6 %

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, have resulted in fewer loan opportunities being available meeting 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 subsequent rapid rise in interest rate levels beginning in 2022 caused potential mortgage loan opportunities to fall outside the Company's underwriting criteria, further causing a lower level of originations. Mortgage loans originated by the Company totaled $6.8 million and $47.4 million for the years 2023 and 2022, respectively, down significantly from the $183.6 million of originations in 2021. Principal repayments on mortgage loans in 2023 and 2022 were $38.8 million and $26.8 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, 2023 and 2022, were mortgage loan investments made by Prosperity under the funds withheld reinsurance agreement totaling $19.6 million and $19.3 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 $474.1 million and $505.7 million at December 31, 2023 and 2022, respectively. The diversification of the portfolio by geographic region, property type, and loan-to-value ratio was as follows:

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except percentages)			
Mortgage Loans by Geographic Region:				
West South Central	$ 196,284	41.0	$ 220,357	43.2
East North Central	59,084	12.4	60,520	11.9
South Atlantic	99,167	20.7	104,334	20.4
East South Central	18,160	3.8	18,753	3.7
West North Central	11,659	2.5	11,942	2.3
Pacific	12,608	2.6	11,924	2.3
Middle Atlantic	40,336	8.4	40,742	8.0
Mountain	41,329	8.6	42,023	8.2
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except percentages)			
Mortgage Loans by Property Type:				
Retail	$ 157,370	32.9	$ 169,618	33.2
Office	137,078	28.6	140,092	27.4
Hotel	19,761	4.1	23,431	4.6
Storage Facility	78,031	16.3	79,853	15.7
Industrial	29,957	6.3	35,896	7.0
Land/Lots	4,173	0.9	4,605	0.9
Apartments	37,729	7.9	38,377	7.5
Residential	14,528	3.0	14,599	2.9
All other	—	—	4,124	0.8
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except percentages)			
Mortgage Loans by Loan-to-Value Ratio (1):				
Less than 50%	$ 105,216	21.9	$ 100,757	19.7
50% to 60%	165,844	34.6	145,093	28.4
60% to 70%	186,664	39.0	217,445	42.6
70% to 80%	20,903	4.5	47,300	9.3
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

(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,	
	2023	2022
	(In thousands)	
Mortgage Loans Allowance for Credit Losses:		
Balance, beginning of the period	$ 3,575	2,987
Provision (release) during the period	76	588
Balance, end of period	$ 3,651	3,575

The Company had no mortgage loans past due six months or more at December 31, 2023 or 2022. There was no interest income that was not recognized in 2023, 2022, or 2021.

The contractual maturities of mortgage loan principal balances at December 31, 2023 and 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except percentages)			
Principal Balance by Contractual Maturity:				
Due in one year or less	$ 19,719	4.1	$ 2,299	0.5
Due after one year through five years	182,898	38.2	184,439	36.1
Due after five years through ten years	176,315	36.8	205,712	40.3
Due after ten years through fifteen years	87,635	18.3	107,503	21.0
Due after fifteen years	12,206	2.6	10,869	2.1
Totals	$ 478,773	100.0	$ 510,822	100.0

The Company's direct investments in real estate total approximately $27.1 million at December 31, 2023 and $27.7 million at December 31, 2022, 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 $3.1 million, $3.0 million, and $2.9 million for the years ended December 31, 2023, 2022, and 2021, 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 $0.0 million, $1.2 million, and $(1.4) million associated with real estate investments in the years ended December 31, 2023, 2022 and 2021, 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.

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, 2023 and 2022, the Company held balances of $225.8 million and $186.9 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 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 of $85.2 million at December 31, 2023 and $23.7 million at December 31, 2022 pertain to notional policyholder account values of $1.9 billion and $2.0 billion at December 31, 2023 and 2022, respectively, for those contractholders 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 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,	
	2023	2022
	(In thousands except percentages)	
Available-for-Sale Debt securities - fair value	$ 7,108,188	7,611,633
Available-for-Sale Debt securities - amortized cost	$ 7,714,503	8,438,761
Fair value as a percentage of amortized cost	92.14 %	90.20 %
Unrealized gains (losses) at year-end	$ (606,315)	(827,128)
Ten-year U.S. Treasury bond - increase (decrease) in yield for the year	— %	2.37 %

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, 2023 and 2022 is shown in the following table.

	Net Unrealized Gain (Loss) Balance		
	Net Balance at December 31, 2023	Net Balance at December 31, 2022	Change in Net Balance
	(In thousands)		
Debt securities available-for-sale	$ (606,315)	(827,129)	220,814
Debt securities trading	(158,112)	(203,604)	45,492
Totals	$ (764,427)	(1,030,733)	266,306

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 an effect on the fair values of the Company's debt securities. However, during 2023, the change in the market interest rate of the ten-year U.S. Treasury bond was flat (3.88% at year-end 2022 and 3.88% at year-end 2023). Therefore, the decrease in the unrealized loss position of the portfolio was due almost entirely to credit spreads tightening on securities during the year.

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, 2023 for annuities, deposit-type contracts and supplementary contracts with life contingencies by surrender and discretionary withdrawal characteristics.

	December 31, 2023	
	Amount	%
	(In thousands)	
Subject to discretionary withdrawal:		
With market value adjustment	$ 127,874	2.2
With surrender charge of 5% or more	3,208,087	56.0
With surrender charge of 5% or less	2,054,321	35.8
Not subject to discretionary withdrawal	346,585	6.0
Total Gross	5,736,867	100.0
Reinsurance ceded	1,439,443	
Total Net	$ 4,297,424	

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	$ 8,641,115	8,179,142	7,764,718	7,392,068	7,056,098
Mortgage loans	453,948	433,695	414,848	397,286	380,900
Other loans	38,194	36,985	35,820	34,697	33,616
Derivatives	83,881	85,158	86,428	87,694	88,954

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, 2023. 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, 2023. 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	$ (2,255)	3,134	6,715	10,293

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, 2023, 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.

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 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 and will increase the fair value of the investment portfolio. Credit spread widening will reduce the fair value of the investment portfolio and will increase net investment income on new purchases.

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's net exposure to loss due to credit risk if option counterparties failed to completely perform according to the terms of their contracts is as follows at December 31, 2023 and 2022.

		December 31, 2023			
Counterparty	Moody/ S&P Rating		Fair Value	Collateral Held	Net Exposure
			(In thousands)		
Credit Suisse	WR/A+	$	2,822	2,595	227
Wells Fargo	Aa2/A+		25,042	24,521	521
Bank of America	Aa1/A+		4,039	3,721	318
Barclays Bank	A1/A+		27,221	27,433	—
BNP Paribas	Aa3/A+		2,672	3,045	—
JPMorgan Chase	Aa2/A+		1,720	—	1,720
Royal Bank of Canada	Aa1/AA-		12,533	13,126	—
Canadian Imperial Bank	Aa2/A+		2,345	2,137	208
Societe Generale	A1/A		6,764	6,708	56
		$	85,158	83,286	3,050

		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

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

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, 2023.

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, 2023, securities and commercial loans with amortized values of $402.8 million (fair value of $378.4 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, 2023		December 31, 2022	
	Amount	% of Total	Amount	% of Total
	(In thousands except percentages)			
Not subject to discretionary withdrawal provisions	$ 346,585	6.0 %	$ 363,376	5.7 %
Subject to discretionary withdrawal, with adjustment:				
With market value adjustment	127,874	2.2 %	101,013	1.6 %
At contract value less current surrender charge of 5% or more	3,208,087	56.0 %	3,948,312	62.1 %
Subtotal	3,682,546	64.2 %	4,412,701	69.4 %
Subject to discretionary withdrawal at contract value with no surrender charge or surrender charge of less than 5%	2,054,321	35.8 %	1,947,794	30.6 %
Total annuity reserves and deposit liabilities - Gross	5,736,867	100.0 %	6,360,495	100.0 %
Reinsurance ceded	1,439,443		1,590,514	
Total annuity reserves and deposit liabilities - Net	$ 4,297,424		$ 4,769,981	

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,		
	2023	2022	2021
		(In thousands)	
Product Line:			
Traditional Life	$ 16,369	15,844	16,348
Universal Life	124,687	102,441	95,628
Annuities	717,960	582,775	658,403
Total	$ 859,016	701,060	770,379

The above contractual withdrawals, as well as the level of surrenders experienced, and the associated cash outflows did not have a material 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. Annuity outflows in 2023 increased as consumers were drawn to higher interest rate offerings on competing financial products. Cash flow projections and tests under various market interest rate scenarios and assumptions are performed to assist in evaluating liquidity needs and adequacy. Through its risk management disciplines, the Company continues to augment and enhance its level of liquidity analysis given ongoing changes in the economic environment and related market conditions. Based upon these analyses, 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 $255.7 million, $354.6 million, and $298.1 million in 2023, 2022, and 2021, respectively. The Company also has significant cash flows from both scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows totaled $1.0 billion, $1.2 billion, and $1.6 billion in 2023, 2022, and 2021, 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 $(878.2) million, $(600.0) million, and $(343.5) million in 2023, 2022, and 2021, respectively. The increasing negative net outflow reflects lower levels of fixed-index annuity and single premium life insurance sales and higher policy surrender activity in the Company's annuity and international life insurance segments.

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, 2023, 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.

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, 2023, the maximum amount legally available for distribution during 2024 without further regulatory approval is $70.5 million. National Western paid a dividend of $5.0 million to NWLGI during 2023.

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, 2023, 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	$ 15,600	15,600	—
Commitments for investment capital funding (4)	176,140	44,259	131,881
Lease obligations (1)	660	316	344
Claims payable (2)	90,811	90,811	—
Other long-term reserve liabilities reflected on the balance sheet under GAAP (3)	11,766,928	920,870	10,846,058
Total	$ 12,050,139	1,071,856	10,978,283

(1) Refer to Note (19) *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 actuarial liabilities. 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.

(4) Represents investment capital commitments that have not been funded as of the current balance sheet date.

ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING

Changes in Accounting Principles

On January 1, 2023, the Company adopted the requirements of ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts*, using the modified retrospective approach for the liability for future policy benefits, deferred policy acquisition costs and related balances, and using the retrospective approach for market risk benefits, such that those balances were adjusted to conform to ASU 2018-12 as of January 1, 2021, the transition date. Refer to the Accounting Standards and Changes in Accounting section in Note (1), *Summary of Significant Accounting Policies* in the accompanying Notes to Consolidated Financial Statements in this report for further information.

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, 2023 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, 2023.

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, 2023. 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.

During the year ended December 31, 2023, the Company implemented internal controls associated with new processes supporting adoption of Accounting Standards Update 2018-12 for long-duration insurance contracts ("LDTI"), which the Company adopted on January 1, 2023 using a modified retrospective method for the liability for future policy benefits, deferred policy acquisition costs, and related balances, and the retrospective method for market risk benefits. These controls were evaluated for effectiveness by the Company's management as part of the overall assessment of the Company's internal controls over financial reporting.

Except for the change in controls over the Company's adoption of LDTI, there were no other changes in the Company's internal controls over financial reporting during the year ended December 31, 2023, 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, 2023, 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, 2023, 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, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and our report dated February 29, 2024, 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

West Des Moines, Iowa
February 29, 2024

ITEM 9B. OTHER INFORMATION

There is no information required to be disclosed on Form 8-K for the quarter ended December 31, 2023 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 27, 2024 to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 2023.

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 93 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 93 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
2.1	Agreement and Plan of Merger, dated as of October 8, 2023, by and amount S. USA Life Insurance Company Inc., PGH Merger Inc. and National Westen Life Group Inc.	8-K	2.1	10/08/2023
3.1	Restated Certificate of Incorporation of National Western Life Group, Inc.	8-K	3.1	10/08/2023
3.2	Bylaws of National Western Life Group, Inc.	10-K	3.2	12/31/2022
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	10-K	10(aj)	12/31/2022
10(an)†	National Western Life Insurance Company Change in Control Agreement Ross R. Moody	8-K	10(ak)	12/14/2023
10(ao)†	National Western Life Insurance Company 2024 Officer Bonus Program	8-K	10(am)	01/05/2024
10(ap)†	National Western Life Insurance Company 2024 Chief Marketing Officer Bonus Program	8-K	10(an)	01/05/2024

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
32(a)*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 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 93 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 Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of National Western Life Group, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of earnings, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023 and 2022 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023, 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 February 29, 2024, expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for long-duration insurance contracts in 2023.

Basis for Opinion

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

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

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

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

Critical Audit Matters

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

Future Policyholder Obligations and Market Risk Benefits

Critical Audit Matter Description

As discussed in Notes 1, 8, and 9 to the consolidated financial statements, the Company adopted ASU 2018-12 effective January 1, 2023. Future policyholder obligations include a liability for policyholder account balances of approximately $6.9 billion and a liability for future policy benefits of approximately $926 million at December 31, 2023. Market risk benefits consist of a market risk benefits asset of approximately $31 million and a market risk benefits liability of approximately $273 million that have been separately reported in the consolidated balance sheets at December 31, 2023.

As described in Note 1, the liability for policy holder account balances represents the contract balance for universal life and annuity contracts. 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.

The liability for future policy benefits on traditional non-participating products is calculated using assumptions as to future mortality and withdrawals based on the Company's experience. With the adoption of ASU 2018-12, the assumptions are updated for differences between actual and expected experience. The liability is also remeasured at the reporting date using the Company's current discount rate assumption that is derived based on A-credit-rated fixed-income instruments with similar duration to the liability.

Market risk benefits include certain contract features on annuity products that provide minimum guarantees to policyholders. Market risk benefits are measured at fair value using a valuation model based on current net amounts at risk, benefit utilization rates, market data, Company experience, and other factors.

Auditing estimates for future policy obligations and market risk benefits, including the impact of the adoption of ASU 2018-12, 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 selecting the assumptions used in determining these liabilities. Principal assumptions that have a significant impact on the determination of future policy obligations and market risk benefits include mortality, lapses, withdrawals, policy benefit utilization, and discount rates.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to future policyholder obligations and market risk benefits 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 adoption of ASU 2018-12, including controls related to the development of accounting policy elections, actuarial methodologies, cash flow assumptions and projections, and discount rates.
b. 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 ongoing calculation of future policyholder obligations and market risk benefits, and the design and operating effectiveness of controls over the completeness and accuracy of the underlying source data.
c. Tested the completeness and accuracy of the underlying policy data used in the actuarial analysis.
d. Reviewed the adequacy of the Company's disclosures related to the transition impact as well as the ongoing disclosure requirements under ASU 2018-12.
e. With the involvement of our actuarial specialist, we:
    - Evaluated the appropriateness of actuarial methods, models, and assumptions used in developing the estimates related to the calculation of these liabilities as of the transition date, January 1, 2021, and as of December 31, 2021, December 31, 2022, and December 31, 2023.
    - Tested the Company's estimate of the liability for future policyholder benefits at January 1, 2021, December 31, 2021, December 31, 2022, and December 31, 2023 by reviewing a sample of reserve audit trails at the cohort level.
    - Tested the Company's estimate of market risk benefits at January 1, 2021, December 31, 2021, December 31, 2022, and December 31, 2023 by reviewing the model validation workpapers as well as the model output for a sample of policies as of January 1, 2021, December 31, 2021, December 31, 2022, and December 31, 2023.

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

Critical Audit Matter Description

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company adopted ASU 2018-12 effective January 1, 2023. Deferred policy acquisition costs (DPAC) include certain costs of successfully acquiring new insurance business, including commissions and other expenses directly related to the acquisition of new business. Premium bonuses and bonus interest credited to contracts during the first contract year are also deferred and are recorded as deferred sales inducements (DSI). With the adoption of ASU 2018-12, DPAC and DSI are amortized on a constant level cohort basis over the expected term of the contracts approximating a straight-line amortization on an individual contract. The constant-level basis for amortizing DPAC and DSI is generally in proportion to the initial face amount of life insurance inforce for life insurance policies, in proportion to deposits for deferred annuity contracts, and in proportion to annual benefit payments for annuity contracts in payout mode. Current period amortization of DPAC and DSI is impacted by changes in actual insurance in force during the period as well as changes in future assumptions as of the end of each reporting period, where applicable. Assumptions used for DPAC are consistent with those used in estimating the related insurance contract liability. Determining the level of aggregation and actuarial assumptions used in projecting in force terminations requires judgment.

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. With the adoption of ASU 2018-12, VOBA is amortized on the same basis used for DPAC and DSI balances.

Auditing the amortization of DPAC, DSI 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 the amortization methodology to be utilized upon the adoption of ASU 2018-12 as well as the actuarial assumptions used in projecting inforce terminations.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the amortization of DPAC, DSI 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 over the actuarial assumptions impacting 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. Reviewed the adequacy of the Company's disclosures related to the transition impact as well as the ongoing disclosure requirements under ASU 2018-12.
d. Engaged an actuarial specialist to evaluate the appropriateness of actuarial methods and assumptions used in the establishment of the amortization methodology utilized upon the adoption of ASU 2018-12 as well as the ongoing calculation of amortization.

/S/FORVIS, LLP
Firm ID 686

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

West Des Moines, Iowa
February 29, 2024

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(In thousands)

ASSETS	2023	2022
Investments:		
Debt securities available-for-sale, at fair value (cost: $7,714,503 and $8,438,760)	$ 7,108,188	7,611,633
Debt securities trading, at fair value (cost: $1,204,968 and $1,269,597)	1,046,856	1,065,993
Mortgage loans, net of allowance for credit losses ($3,651 and $3,575), ($19,580 and $19,334) at fair value)	474,133	505,730
Policy loans	66,602	70,495
Derivatives, index options	85,158	23,669
Equity securities, at fair value (cost: $14,268 and $14,547)	24,098	22,076
Other long-term investments	295,471	262,106
Short-term investments	—	3,937
Total investments	9,100,506	9,565,639
Cash and cash equivalents	482,758	295,270
Deferred policy acquisition costs (Note 1)	628,673	663,882
Deferred sales inducements (Note 1)	70,950	85,303
Value of business acquired (Note 1)	129,905	138,495
Cost of reinsurance	67,937	78,328
Market risk benefits asset (Note 1)	30,819	48,759
Accrued investment income	82,484	92,250
Federal income tax receivable	3,073	6,508
Deferred federal income tax asset (Note 1)	—	9,032
Amounts recoverable from reinsurers, net of allowance for credit losses ($0 and $450) (Note 1)	1,542,424	1,688,788
Other assets (Note 1)	111,086	110,691
Total assets	$ 12,250,615	12,782,945

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	2023	2022
LIABILITIES:		
Future policyholder obligations:		
Liability for policyholder account balances (Note 1)	$ 6,900,491	7,661,785
Additional liability for benefits in excess of account balance (Note 1)	159,437	148,708
Liability for future policy benefits (Note 1)	925,787	900,146
Market risk benefits liability (Note 1)	273,404	215,777
Other policyholder liabilities	143,766	175,089
Funds withheld liability	1,195,413	1,333,036
Deferred federal income tax liability	14,335	—
Other liabilities (Note 1)	198,258	157,482
Total liabilities	9,810,891	10,592,023
COMMITMENTS AND CONTINGENCIES (Notes 5, 16, and 19)		
STOCKHOLDERS' EQUITY (Note 14):		
Common stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2023 and 2022	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2023 and 2022	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income (loss) (Note 1)	(322,573)	(478,219)
Retained earnings (Note 1)	2,720,545	2,627,389
Total stockholders' equity	2,439,724	2,190,922
Total liabilities and stockholders' equity	$ 12,250,615	12,782,945

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands except per share amounts)

		2023	2022	2021
Premiums and other revenues:				
Universal life and annuity contract charges (Note 1)	$	144,064	134,553	136,268
Traditional life and single premium immediate annuity with life contingency ("SPIAWLC") premiums (Note 1)		88,171	94,505	121,001
Net investment income		409,925	299,640	562,530
Other revenues (Note 1)		35,331	24,981	22,314
Net realized investment gains		25,859	6,355	14,950
Total revenues		703,350	560,034	857,063
Benefits and expenses:				
Life and other policy benefits (Note 1)		117,648	128,654	157,830
Policy benefit remeasurement (gains) and losses (Note 1)		8,360	9,827	(13,637)
Market risk benefits expense (Note 1)		68,130	(135,749)	3,645
Amortization of deferred transaction costs (Note 1)		83,335	88,602	95,786
Universal life and annuity contract interest (Note 1)		104,996	22,840	168,613
Other operating expenses		191,196	135,817	126,612
Total benefits and expenses		573,665	249,991	538,849
Earnings before Federal income taxes		129,685	310,043	318,214
Federal income taxes		35,255	63,532	65,677
Net earnings	$	94,430	246,511	252,537
Basic Earnings Per Share:				
Class A	$	26.71	69.71	71.42
Class B	$	13.35	34.86	35.71
Diluted Earnings Per Share:				
Class A	$	26.71	69.71	71.42
Class B	$	13.35	34.86	35.71

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
Net earnings (Note 1)	$ 94,430	246,511	252,537
Other comprehensive income (loss), net of effects of taxes:			
Unrealized gains (losses) on debt securities available-for-sale:			
Net unrealized holding gains (losses) arising during period (Note 1)	174,622	(1,016,502)	(328,096)
Reclassification adjustment for net amounts included in net earnings	(180)	(4,038)	(12,934)
Net unrealized gains (losses) on securities	174,442	(1,020,540)	(341,030)
Effect of instrument-specific credit risk on market risk benefits (Note 1)	—	—	—
Effect of discount rate changes on liability for future policy benefits (Note 1)	(24,820)	230,822	53,524
Foreign currency translation adjustments (Note 1)	78	422	1
Benefit plans:			
Amortization of net prior service cost and net gain (loss)	5,946	13,428	13,069
Other comprehensive income (loss)	155,646	(775,868)	(274,436)
Comprehensive income (loss)	$ 250,076	(529,357)	(21,899)

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, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
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 (loss):			
Unrealized gains (losses) on debt securities available-for-sale:			
Balance at beginning of period	(653,431)	367,109	418,741
Change in unrealized gains (losses) during period, net of tax (Note 1)	174,442	(1,020,540)	(341,030)
Cumulative change in accounting principle (Note 1)	—	—	289,398
Balance at end of period	(478,989)	(653,431)	367,109
Changes in the Liability for future policy benefits related to changing discount rates:			
Balance at beginning of period	170,701	(60,121)	—
Change in liability for future policy benefits during period, net of tax (Note 1)	(24,820)	230,822	53,524
Cumulative change in accounting principle (Note 1)	—	—	(113,645)
Balance at end of period	145,881	170,701	(60,121)
Foreign currency translation adjustments:			
Balance at beginning of period	6,450	6,028	5,116
Change in translation adjustments during period (Note 1)	78	422	1
Cumulative change in accounting principle (Note 1)	—	—	911
Balance at end of period	6,528	6,450	6,028
Benefit plan liability adjustment:			
Balance at beginning of period	(1,939)	(15,367)	(28,436)
Amortization of net prior service cost and net gain (loss), net of tax	5,946	13,428	13,069
Balance at end of period	4,007	(1,939)	(15,367)

Continued on Next Page

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
Accumulated other comprehensive income (loss) at end of period	(322,573)	(478,219)	297,649
Retained earnings:			
Balance at beginning of period	2,627,389	2,382,152	2,102,577
Cumulative change in accounting principle (Note 1)	—	—	28,310
Net earnings (Note 1)	94,430	246,511	252,537
Stockholder dividends	(1,274)	(1,274)	(1,272)
Balance at end of period	2,720,545	2,627,389	2,382,152
Total stockholders' equity	$ 2,439,724	2,190,922	2,721,553

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
Cash flows from operating activities:			
Net earnings (Note 1)	$ 94,430	246,511	252,537
Adjustments to reconcile net earnings to net cash from operating activities:			
Universal life and annuity contract interest (Note 1)	104,996	22,840	168,613
Surrender charges and other policy revenues	(27,070)	(19,166)	(26,315)
Realized (gains) losses on investments	(25,859)	(6,355)	(14,950)
Accretion/amortization of discounts and premiums, investments	(3,054)	(4,547)	1,846
Depreciation and amortization	9,897	14,330	13,001
Increase (decrease) in estimated credit losses on investments	76	588	501
(Increase) decrease in value of debt securities trading	(45,492)	214,935	(11,331)
(Increase) decrease in value of equity securities	(4,056)	2,731	(6,369)
(Increase) decrease in value of derivative options	(39,249)	86,866	(120,717)
(Increase) decrease in value of alternative investments	(23,403)	—	—
(Increase) decrease in deferred policy acquisition and sales inducement costs, and value of business acquired (Note 1)	58,152	38,218	(1,517)
(Increase) decrease in accrued investment income	9,766	(7,856)	3,929
(Increase) decrease in reinsurance recoverable (Note 1)	146,364	179,577	197,174
(Increase) decrease in cost of reinsurance	10,391	11,358	13,154
(Increase) decrease in other assets (Note 1)	2,996	(2,107)	(5,992)
Increase (decrease) in liabilities for future policy benefits (Note 1)	43,944	28,278	39,551
Increase (decrease) in market risk benefits liability (Note 1)	75,567	(132,815)	(1,768)
(Decrease) increase in other policyholder liabilities	(31,313)	40,741	(4,142)
(Decrease) increase in Federal income tax liability	3,435	(8,839)	12,739
Increase (decrease) in deferred Federal income tax (Note 1)	(18,008)	47,703	22,847
Increase (decrease) in funds withheld liability	(137,623)	(395,354)	(212,324)
(Decrease) increase in other liabilities (Note 1)	50,813	(3,017)	(22,384)
Net cash provided by operating activities	255,700	354,620	298,083
Cash flows from investing activities:			
Proceeds from sales of:			
Debt securities available-for-sale	44,678	39,254	1,221,308
Debt securities trading	50,978	21,253	15,734
Other investments	29,141	5,999	23,241
Proceeds from maturities, redemptions, and prepayments of:			
Debt securities available-for-sale	891,104	1,073,194	1,520,734
Debt securities trading	78,698	89,848	61,313

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
Other investments	52,600	27,373	22,597
Derivatives, index options	32,135	46,563	197,877
Purchases of:			
Debt securities available-for-sale	(212,276)	(939,820)	(1,382,318)
Debt securities trading	(71,197)	(310,144)	(1,140,965)
Equity securities	(1,261)	(1,013)	(15,265)
Derivatives, index options	(54,566)	(53,996)	(47,383)
Other investments	(70,275)	(145,391)	(57,153)
Property, equipment, and other productive assets	(5,562)	(1,594)	(9,977)
Net change in short-term investments	3,937	(3,937)	—
Principal payments on mortgage loans	38,849	26,804	28,847
Cost of mortgage loans acquired	(6,800)	(47,402)	(183,601)
(Increase) decrease in policy loans	3,163	(18)	2,797
Other (increases) decreases to funds withheld	8,179	97	(77,191)
Net cash provided by (used in) investing activities	811,525	(172,930)	180,595
Cash flows from financing activities:			
Dividends on common stock	(1,274)	(1,274)	(1,272)
Deposits to account balances for universal life and annuity contracts (Note 1)	109,620	281,309	579,525
Return of account balances on universal life and annuity contracts (Note 1)	(987,842)	(881,275)	(922,978)
Principal payments under finance lease obligation	(340)	(338)	(389)
Net cash provided by (used in) financing activities	(879,836)	(601,578)	(345,114)
Effect of foreign exchange (Note 1)	99	534	1
Net increase (decrease) in cash, cash equivalents, and restricted cash	187,488	(419,354)	133,565
Cash, cash equivalents, and restricted cash at beginning of year	295,270	714,624	581,059
Cash, cash equivalents, and restricted cash at end of year	$ 482,758	295,270	714,624

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

	2023	2022	2021
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 75	75	75
Income taxes	49,920	24,712	30,043
Noncash operating activities:			
Net deferral and amortization of sales inducements	$ (14,353)	(6,454)	6,598
Establishment of funds withheld liability (Note 5)	—	243,123	—
Deferred gain on reinsurance (Note 5)	—	21,196	—
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 obligations and market risk 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 reinsurance recoverables, and (8) commitments and contingencies.

The table below shows the net unrealized gains and losses on available-for-sale debt securities that were reclassified out of accumulated other comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021.

Affected Line Item In the Consolidated Statements of Earnings	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		
	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Other net investment gains	$ 227	5,111	16,372
Net OTTI losses recognized in earnings	—	—	—
Earnings before Federal income taxes	227	5,111	16,372
Federal income taxes	47	1,073	3,438
Net earnings	$ 180	4,038	12,934

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 (11) *Statutory Information*.

Restatement of Prior Period Consolidated Financial Statements as a Result of Adopting ASU 2018-12

As a result of the adoption of Accounting Standards Update 2018-12 *Financial Services - Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI" or "ASU 2018-12"), the results and related disclosures for the comparative 2022 and 2021 periods presented in this Form 10-K were recast to be presented as if the requirements of LDTI had been in effect during those periods. Implementation of LDTI affected various line items in each consolidated financial statement. Refer to "Accounting Standards and Changes in Accounting" below for more details about the new guidance and a summary of the restated balances.

The Company adopted ASU 2018-12 guidance effective January 1, 2023 using the modified retrospective transition method, where permitted, for changes in the liability for future policy benefits and deferred policy acquisition costs and related balances, and the retrospective transition method for market risk benefits. The transition date for restatement was January 1, 2021 and amounts previously reported were retroactively restated, including those amounts shown for the years ended December 31, 2022 and 2021.

The following tables present amounts as previously reported, the effect of adoption of the guidance under ASU 2018-12, and the resulting adjusted amounts reported in the Consolidated Financial Statements included herein. The tables include only those line items impacted by restatement.

Consolidated Balance Sheet:

	December 31, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
		(In thousands)	
Assets:			
Deferred policy acquisition costs	$ 909,786	(245,904)	663,882
Deferred sales inducements	114,399	(29,096)	85,303
Value of business acquired	146,494	(7,999)	138,495
Market risk benefits asset	—	48,759	48,759
Deferred federal income tax asset	57,867	(48,835)	9,032
Amounts recoverable from reinsurers, net of allowance for credit losses	1,723,347	(34,559)	1,688,788
Other assets	110,339	352	110,691
Total Assets	13,100,227	(317,282)	12,782,945
Liabilities:			
Future policy benefits:			
Universal life and annuity contracts	8,498,684	(8,498,684)	—
Traditional life reserves	919,650	(919,650)	—
Liability for policyholder account balances	—	7,661,785	7,661,785
Additional liability for benefits in excess of account balance	—	148,708	148,708
Liability for future policy benefits	—	900,146	900,146
Market risk benefits liability	—	215,777	215,777
Other liabilities	166,557	(9,075)	157,482
Total liabilities	11,093,016	(500,993)	10,592,023
Stockholders' Equity:			
Accumulated other comprehensive income (loss)	(416,397)	(61,822)	(478,219)
Retained earnings	2,381,856	245,533	2,627,389
Total stockholders' equity	2,007,211	183,711	2,190,922
Total liabilities and stockholders' equity	13,100,227	(317,282)	12,782,945

Consolidated Statements of Earnings:

	Twelve Months Ended December 31, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
	(In thousands, except per share amounts)		
Premiums and other revenues:			
Universal life and annuity contract charges	$ 139,022	(4,469)	134,553
Traditional life and SPIAWLC premiums	87,858	6,647	94,505
Other revenues	25,522	(541)	24,981
Total revenues	558,397	1,637	560,034
Benefits and Expenses:			
Life and other policy benefits	159,470	(30,816)	128,654
Remeasurement gain/loss	—	9,827	9,827
Market risk benefits expense	—	(135,749)	(135,749)
Amortization of deferred transaction costs	121,398	(32,796)	88,602
Universal life and annuity contract interest	15,678	7,162	22,840
Total benefit and expenses	432,363	(182,372)	249,991
Federal income taxes	24,890	38,642	63,532
Net earnings	101,144	145,367	246,511
Basic earnings per share:			
Class A (Note 12)	28.60	41.11	69.71
Class B (Note 12)	14.30	20.56	34.86
Diluted earnings per share:			
Class A (Note 12)	28.60	41.11	69.71
Class B (Note 12)	14.30	20.56	34.86

	Twelve Months Ended December 31, 2021		
	As Previously Reported	Effect of Change	As Currently Reported
	(In thousands, except per share amounts)		
Premiums and other revenues:			
Universal life and annuity contract charges	$ 134,254	2,014	136,268
Traditional life and SPIAWLC premiums	90,043	30,958	121,001
Total revenues	824,091	32,972	857,063
Benefits and Expenses:			
Life and other policy benefits	187,577	(29,747)	157,830
Remeasurement gain/loss	—	(13,637)	(13,637)
Market risk benefits expense	—	3,645	3,645
Amortization of deferred transaction costs	69,461	26,325	95,786
Universal life and annuity contract interest	213,184	(44,571)	168,613
Total benefit and expenses	596,834	(57,985)	538,849
Federal income taxes	46,576	19,101	65,677
Net earnings	180,681	71,856	252,537
Basic earnings per share:			
Class A (Note 12)	51.10	20.32	71.42
Class B (Note 12)	25.55	10.16	35.71
Diluted earnings per share:			
Class A (Note 12)	51.10	20.32	71.42
Class B (Note 12)	25.55	10.16	35.71

Consolidated Statement of Changes in Stockholders' Equity:

	Twelve Months Ended December 31, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
		(In thousands)	
Retained Earnings:			
Balance at December 31, 2021	$ 2,281,986	100,166	2,382,152
Net earnings	101,144	145,367	246,511
Balance at December 31, 2022	2,381,856	245,533	2,627,389
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains (losses) on non-impaired securities:			
Balance at December 31, 2021	226,220	140,889	367,109
Other comprehensive income (loss), net of income tax	(646,185)	(374,355)	(1,020,540)
Balance at December 31, 2022	(419,965)	(233,466)	(653,431)
Change in LFPB due to discount rate changes:			
Balance at December 31, 2021	—	(60,121)	(60,121)
Impact of discount rate changes during the period	—	230,822	230,822
Balance at December 31, 2022	—	170,701	170,701
Foreign currency translation adjustments:			
Balance at December 31, 2021	5,100	928	6,028
Change in translation adjustments during period	407	15	422
Balance at December 31, 2022	5,507	943	6,450
Total Accumulated Other Comprehensive Income (Loss):			
Balance at December 31, 2021	215,953	81,696	297,649
Change during period	(632,350)	(143,518)	(775,868)
Balance at December 31, 2022	(416,397)	(61,822)	(478,219)
Total stockholders' equity:			
Balance at December 31, 2021	2,539,691	181,862	2,721,553
Balance at December 31, 2022	2,007,211	183,711	2,190,922

	Twelve Months Ended December 31, 2021		
	As Previously Reported	Effect of Change	As Currently Reported
		(In thousands)	
Retained Earnings:			
Balance at December 31, 2020	$ 2,102,577	—	2,102,577
Net earnings	180,681	71,856	252,537
Cumulative change in accounting principle	—	28,310	28,310
Balance at December 31, 2021	2,281,986	100,166	2,382,152
Accumulated Other Comprehensive Income (Loss):			
Unrealized gains (losses) on non-impaired securities:			
Balance at December 31, 2020	418,741	—	418,741
Other comprehensive income (loss), net of income tax	(192,521)	(148,509)	(341,030)
Cumulative change in accounting principle	—	289,398	289,398
Balance at December 31, 2021	226,220	140,889	367,109
Change in LFPB due to discount rate changes:			
Balance at December 31, 2020	—	—	—
Impact of discount rate changes during the period	—	53,524	53,524
Cumulative change in accounting principle	—	(113,645)	(113,645)
Balance at December 31, 2021	—	(60,121)	(60,121)
Foreign currency translation adjustments:			
Balance at December 31, 2020	5,116	—	5,116
Change in translation adjustments during period	(16)	17	1
Cumulative change in accounting principle	—	911	911
Balance at December 31, 2021	5,100	928	6,028
Total Accumulated Other Comprehensive Income (Loss):			
Balance at December 31, 2020	395,421	—	395,421
Change during period	(179,468)	(94,968)	(274,436)
Cumulative change in accounting principle	—	176,664	176,664
Balance at December 31, 2021	215,953	81,696	297,649
Total stockholders' equity:			
Balance at December 31, 2020	2,539,750	—	2,539,750
Balance at December 31, 2021	2,539,691	181,862	2,721,553

Consolidated Statement of Cash Flows:

	Twelve Months Ended December 31, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
		(In thousands)	
Cash flows from operating activities:			
Net earnings	$ 101,144	145,367	246,511
Adjustments to reconcile net earnings to net cash from operating activities:			
Universal life and annuity contract interest	15,678	7,162	22,840
(Increase) decrease in deferred policy acquisition and sales inducement costs, and value of business acquired	74,561	(36,343)	38,218
(Increase) decrease in reinsurance recoverable	121,607	57,970	179,577
(Increase) decrease in other assets	(2,097)	(10)	(2,107)
Increase (decrease) in liabilities for future policy benefits	112,712	(84,434)	28,278
Increase (decrease) in market risk benefits liability	—	(132,815)	(132,815)
Increase (decrease) in deferred Federal income tax	9,061	38,642	47,703
Increase (decrease) in other liabilities	(3,558)	541	(3,017)
Net cash provided by (used in) operating activities	358,540	(3,920)	354,620
Cash flows from financing activities:			
Deposits to account balances for universal life and annuity contracts	287,799	(6,490)	281,309
Return of account balances on universal life and annuity contracts	(891,666)	10,391	(881,275)
Net cash provided by (used in) financing activities	(605,479)	3,901	(601,578)
Effect of foreign exchange	515	19	534

	Twelve Months Ended December 31, 2021		
	As Previously Reported	Effect of Change	As Currently Reported
		(In thousands)	
Cash flows from operating activities:			
Net earnings	$ 180,681	71,856	252,537
Adjustments to reconcile net earnings to net cash from operating activities:			
Universal life and annuity contract interest	213,184	(44,571)	168,613
(Increase) decrease in deferred policy acquisition and sales inducement costs, and value of business acquired	(25,594)	24,077	(1,517)
(Increase) decrease in reinsurance recoverable	169,313	27,861	197,174
(Increase) decrease in other assets	(6,017)	25	(5,992)
Increase (decrease) in liabilities for future policy benefits	114,873	(75,322)	39,551
Increase (decrease) in market risk benefits liability	—	(1,768)	(1,768)
Increase (decrease) in deferred Federal income tax	3,746	19,101	22,847
Increase (decrease) in other liabilities	(22,383)	(1)	(22,384)
Net cash provided by (used in) operating activities	276,825	21,258	298,083
Cash flows from financing activities:			
Deposits to account balances for universal life and annuity contracts	610,357	(30,832)	579,525
Return of account balances on universal life and annuity contracts	(932,531)	9,553	(922,978)
Net cash provided by (used in) financing activities	(323,835)	(21,279)	(345,114)
Effect of foreign exchange	(20)	21	1

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.

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.

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.

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) an economic analysis of the issuer's industry, and 6) 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 primarily 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, 2023 and 2022, the fair value of index options owned by the Company totaled $85.2 million and $23.7 million, respectively. Of these amounts, $30.3 million and $(30.7) million represent net unrealized gains/(losses) on the options held at December 31, 2023 and 2022, 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 contra-liability at December 31, 2023 and 2022 was $(280.4) million and $(335.0) 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 stated 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 (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 which are recorded as deferred sales inducements ("DSI").

Prior to the adoption of LDTI, DPAC and DSI balances were amortized in relation to the present value of expected gross profits for interest sensitive universal life and annuity products, and over the premium paying period for nonparticipating traditional life products proportional to the ratio of annual premium revenues to total anticipated premium revenues. Under LDTI guidance, deferred policy acquisition costs and deferred sales inducements are amortized on a constant level cohort basis over the expected term of the contracts approximating a straight-line amortization on an individual contract basis. Contracts are grouped consistent with the groupings used to estimate the liability for future policy benefits. The constant-level basis for amortizing DAC is generally in proportion to the initial face amount of life insurance in force for life insurance policies, in proportion to deposits for deferred annuity contracts, and in proportion to annual benefit payments for annuity contracts in payout mode.

The Company is required to 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.

Current period amortization of DPAC and DSI is impacted by changes in actual insurance in force during the period as well as changes in future assumptions as of the end of each reporting period, where applicable. Assumptions used for DPAC are consistent with those used in estimating the liability for future policy benefits (or any other related balance) for the corresponding contracts. Determining the level of aggregation and actuarial assumptions used in projecting in force terminations requires judgment.

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. Under LDTI guidance, VOBA is amortized on the same basis used for DPAC and DSI balances.

The Cost of Reinsurance ("COR") asset 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 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 $171.1 million at December 31, 2023 and $165.6 million at December 31, 2022, and accumulated depreciation and amortization of $105.6 million at December 31, 2023 and $96.7 million at December 31, 2022. Depreciation and amortization expense for capitalized software, furniture and equipment, and leasehold improvements was $9.9 million, $14.3 million, and $13.0 million in 2023, 2022, and 2021, respectively.

Other assets also include goodwill at December 31, 2023 and 2022 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, 2023 and 2022 further include $6.0 million and $6.7 million, respectively, of identifiable intangible assets that were acquired in the Ozark National 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 Policyholder Obligations

For universal life and annuity contracts, the liability for future policyholder obligations 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 embedded derivatives. 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.

A liability for future policy benefits, which is the present value of estimated future policy benefits to be paid to or on behalf of policyholders and certain related expenses less the present value of estimated future net premiums to be collected from policyholders, is accrued as premium revenue is recognized. Under GAAP, the liability for future policy benefits on traditional life products has been calculated using assumptions as to future mortality and withdrawals based on Company experience. Contracts are grouped into cohorts by product features and issue year. The liability is adjusted for differences between actual and expected experience. With the exception of the expense assumption, the Company reviews its historical and future cash flow assumptions quarterly and updates the net premium ratio used to calculate the liability each time the assumptions are changed. Each quarter, the Company updates its estimate of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. These updated cash flows are used to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits as of the beginning of the current reporting period, discounted at the original contract issuance discount rate. This amount is then compared to the carrying amount of the liability as of that same date, before the updating of cash flow assumptions, to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented as a separate component of benefit expense in the Consolidated Statements of Earnings. In subsequent periods, the revised net premiums are used to measure the liability for future policy benefits, subject to future revisions.

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

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 have been deferred and are being recognized in income over the period benefited using the same assumptions and factors used to amortize deferred policy acquisition costs.

In both 2022 and 2023, the Company updated the net premium ratio for actual historical experience each quarter. Future cash flow assumptions are reviewed each quarter and are updated at least annually.

Market Risk Benefits

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

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 has historically been 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. Refer to Note (14), *Stockholders' Equity,* for further discussion regarding fair value of share-based compensation liabilities in connection with the Company announced merger agreement on October 8, 2023.

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. The adoption of LDTI added additional comprehensive income items for the effect of discount rate changes on the liability for future policy benefits and instrument-specific credit risk on market risk benefits. These items are included in accumulated other comprehensive income (loss), 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 (16) *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 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 November 2023, the FASB issued ASU 2023-07 *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures.* The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company does not expect this guidance to have a material impact on the Consolidated Financial Statements and related disclosures upon adoption.

Accounting pronouncements adopted

Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI)

In August 2018, the FASB issued ASU 2018-12. This update pertained to long-duration contracts and improvement in the timeliness of recognizing changes in the liability for future policy benefits, simplification of accounting for certain market-based options, simplification of the amortization of deferred policy acquisition costs, and improvement in the effectiveness of required disclosures. Amendments included 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.

On January 1, 2023, the Company adopted the requirements of the new standard, using the retrospective method for market risk benefits and the modified retrospective method for the liability for future policy benefits, and deferred policy acquisition costs and related balances, such that those balances were adjusted to conform to ASU 2018-12 as of January 1, 2021, the transition date.

The following table summarizes the restated Deferred policy acquisition costs ("DPAC") and Deferred sales inducements ("DSI") balances as of the transition date, January 1, 2021, from the adoption of ASU 2018-12.

	Domestic Traditional Life	Domestic Universal Life	International Traditional Life	International Universal Life	Annuities excl. SPIAs WLC	ONL & Affiliates
	(In thousands)					
Deferred policy acquisition costs:						
Balance, December 31, 2020	$ 4,014	96,513	13,399	157,186	103,179	7,789
Removal of shadow balances in Accumulated other comprehensive income (loss)	—	47,620	—	27,076	239,099	—
Adjusted balance, January 1, 2021	$ 4,014	144,133	13,399	184,262	342,278	7,789

	Domestic Traditional Life	Domestic Universal Life	International Traditional Life	International Universal Life	Annuities excl. SPIAs WLC	ONL & Affiliates
	(In thousands)					
Deferred sales inducements:						
Balance, December 31, 2020	$ —	—	—	—	43,845	—
Removal of shadow balances in Accumulated other comprehensive income (loss)	—	—	—	—	52,533	—
Adjusted balance, January 1, 2021	$ —	—	—	—	96,378	—

The following table summarizes restated DPAC and DSI balances by product line in the Consolidated Balance Sheet as of January 1, 2021.

	DPAC Balances	DSI Balances
	(In thousands)	
Domestic traditional life	$ 4,014	—
Domestic universal life	144,133	—
International traditional life	13,399	—
International universal life	184,262	—
Annuities, excluding SPIAs with life contingencies	342,278	96,378
ONL & Affiliates	7,789	—
Balance Sheet balance as of January 1, 2021	$ 695,875	96,378

A table presenting the change in Value of business acquired (VOBA) between December 31, 2020 and January 1, 2021 for the adoption of ASU 2018-12 is not included as VOBA is not impacted by shadow balance accounting. However, the method of recognizing amortization expense of VOBA in the Consolidated Statements of Earnings subsequent to January 1, 2021 has changed consistent with the method of determining amortization expense for DPAC and DSI balances under LDTI. Refer to Note (6) *Deferred Transaction Costs* for further information concerning amortization of Deferred Transaction Costs balances from the adoption of ASU 2018-12.

The following table summarizes the restated Liability for policyholder account balances as of January 1, 2021 for the adoption of ASU 2018-12.

	Domestic Universal Life	International Universal Life	Annuities excl. SPIAs WLC
		(In thousands)	
Universal life and annuity contracts balance, December 31, 2020	$ 1,267,764	740,839	7,026,713
Transfer of balances to Additional liabilities in excess of account balance	(45,136)	(63,046)	(11,192)
Transfer of balances to Liability for future policy benefits	66	107	(200,894)
Transfer of balances to Market risk benefits	—	—	(205,611)
Change in embedded derivative on reserves	—	—	(131,573)
Liability for policyholder account balances, January 1, 2021	1,222,694	677,900	6,477,443
Less reinsurance recoverable	—	—	(1,677,898)
Adjusted balance, January 1, 2021, net of reinsurance	$ 1,222,694	677,900	4,799,545

The following table summarizes the Additional liability in excess of account balances as of January 1, 2021 for the adoption of ASU 2018-12.

	Domestic Universal Life	International Universal Life	Annuities excl. SPIAs WLC
		(In thousands)	
Balance, December 31, 2020	$ —	—	—
Transfer of balances from universal life ("UL") and annuity contracts	45,136	63,046	11,192
Adjusted balance, January 1, 2021	45,136	63,046	11,192
Less reinsurance recoverable	—	—	(11,192)
Adjusted balance, January 1, 2021, net of reinsurance	$ 45,136	63,046	—

The following table summarizes the restated Liability for future policy benefits balance as of January 1, 2021 for the adoption of ASU 2018-12.

	Domestic Traditional Life	International Traditional Life	SPIAs With Life Contingencies	ONL & Affiliates
		(In thousands)		
Traditional life reserve balance, December 31, 2020	$ 56,894	70,426	2,350	768,433
Transfer of balances from UL and annuity contracts	(66)	(107)	200,894	—
Change in discount rate assumptions	36,479	26,131	37,390	86,016
Change in cash flow assumptions, effect of net premiums exceeding gross premiums	7,937	—	—	—
Change in cash flow assumptions, effect of decrease (increase) of the deferred profit liability	—	—	(3,160)	—
Other Adjustments	1,163	(1,048)	653	12,403
Adjustment for removal of related balances in accumulated other comprehensive income	—	—	—	—
Liability for future policy benefit balance, January 1, 2021	102,407	95,402	238,127	866,852
Less reinsurance recoverable	(13,680)	(607)	(238,127)	(33,731)
Adjusted balance, January 1, 2021, net of reinsurance	$ 88,727	94,795	—	833,121

Refer to Note (8) *Policyholder Obligations* for further information.

The following table summarizes the Market risk benefits liability balance as of January 1, 2021 for the adoption of ASU 2018-12.

		(In thousands)
Balance, December 31, 2020	$	—
Transfer of balances from UL and annuity contracts		205,611
Adjustment for the difference between carrying amount and fair value, except for the difference due to instrument-specific credit risk		95,990
Adjustment for the cumulative effect of changes in the instrument-specific credit risk		—
Total adjustment for the difference between carrying amount and fair value		95,990
Adjusted balance, January 1, 2021		301,601
Less reinsurance recoverable		(73,651)
Adjusted balance, January 1, 2021, net of reinsurance	$	227,950

Refer to Note (9) *Market Risk Benefits* for further information.

The following table summarizes restated Future policyholder obligations liability and the Market risk benefits liability balances in the Consolidated Balance Sheet as of January 1, 2021.

		Policyholder Account Balances	Additional Liability for Benefits	Liability for Future Policy Benefits	Market Risk Benefits Liability
			(In thousands)		
Domestic traditional life	$	—	—	102,407	—
Domestic universal life		1,222,694	45,136	—	—
International traditional life		—	—	95,402	—
International universal life		677,900	63,046	—	—
SPIAs with life contingencies		—	—	238,127	—
Annuities, excluding SPIAs with life contingencies		6,477,443	11,192	—	301,601
ONL & Affiliates		—	—	866,852	—
Balance Sheet balances as of January 1, 2021	$	8,378,037	119,374	1,302,788	301,601

The following table presents the effect of the transition adjustment, net of foreign exchange and deferred tax adjustments, on total equity for the adoption of ASU 2018-12 as of January 1, 2021.

	January 1, 2021		
	Retained Earnings	Accumulated Other Comprehensive Income	Total
	(In thousands)		
Liability for future policy benefits	$ (9,650)	(112,734)	(122,384)
Liability for policyholder account balances	303,503	—	303,503
Additional liability for excess death/annuitization benefits	(85,463)	—	(85,463)
Deferred policy acquisition costs	—	247,897	247,897
Deferred sales inducements	—	41,501	41,501
Market risk benefits	(180,080)	—	(180,080)
Total	$ 28,310	176,664	204,974

The net transition adjustment for the Liability for future policy benefits is due to the difference in the discount rate used previously and the discount rate used for the adoption of ASU 2018-12 at January 1, 2021. The transition adjustment for DPAC and DSI removed the shadow adjustments pertaining to unrealized investment gains/(losses) previously required to be allocated from Accumulated Other Comprehensive Income (Loss). The transition adjustment for Market risk benefits is the difference between reporting certain contracts and contract features at fair value under ASU 2018-12 as opposed to the carrying amount previously required under GAAP.

Prior to the adoption of ASU 2018-12, VOBA and Cost of Reinsurance (COR) balances were amortized consistent with the methodologies employed for amortizing DPAC and DSI balances. Although not otherwise impacted by ASU 2018-12, the Company elected to continue using the amortization method consistent with that used for amortizing DPAC and DSI balances after the adoption of LDTI. VOBA and COR balances did not have shadow accounting requirements under GAAP prior to the adoption of ASU 2018-12 and consequently did not have a transition adjustment.

Troubled Debt Restructurings and Vintage Disclosures

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.

Simplifying the Accounting for Income Taxes

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.

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,		
	2023	2022	2021
		(In thousands)	
Gross investment income:			
Debt and equity securities	$ 300,493	298,965	309,082
Mortgage loans	21,454	20,691	20,155
Policy loans	2,744	2,626	2,667
Short-term investments	14,198	3,940	293
Other investment assets	42,039	27,409	16,321
Total investment income	380,928	353,631	348,518
Less investment expenses	2,537	2,420	2,762
Net investment income (excluding derivatives and trading securities)	378,391	351,211	345,756
Index option derivative gain (loss)	40,612	(86,866)	120,718
Embedded derivative on reinsurance	(54,570)	250,230	84,725
Trading securities market adjustments	45,492	(214,935)	11,331
Net investment income	$ 409,925	299,640	562,530

(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, have resulted in fewer loan opportunities being available meeting 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 subsequent rapid rise in interest rate levels beginning in 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 $6.8 million and $47.4 million for the years 2023 and 2022, respectively, down significantly from the $183.6 million of originations in 2021.

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, 2023, and 2022 were three mortgage loan investments made by Prosperity under the funds withheld reinsurance agreement totaling $19.6 million and $19.3 million, respectively. The Company 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 $474.1 million and $505.7 million at December 31, 2023 and 2022, respectively. The diversification of the portfolio by geographic region, property type, and loan-to-value ratio was as follows:

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Geographic Region:				
West South Central	$ 196,284	41.0	$ 220,357	43.2
East North Central	59,084	12.4	60,520	11.9
South Atlantic	99,167	20.7	104,334	20.4
East South Central	18,160	3.8	18,753	3.7
West North Central	11,659	2.5	11,942	2.3
Pacific	12,608	2.6	11,924	2.3
Middle Atlantic	40,336	8.4	40,742	8.0
Mountain	41,329	8.6	42,023	8.2
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Property Type:				
Retail	$ 157,370	32.9	$ 169,618	33.2
Office	137,078	28.6	140,092	27.4
Storage facility	78,031	16.3	79,853	15.7
Industrial	29,957	6.3	35,896	7.0
Hotel	19,761	4.1	23,431	4.6
Land/lots	4,173	0.9	4,605	0.9
Apartments	37,729	7.9	38,377	7.5
Residential	14,528	3.0	14,599	2.9
All other	—	—	4,124	0.8
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Mortgage Loans by Loan-to-Value Ratio (1):				
Less than 50%	$ 105,216	21.9	$ 100,757	19.7
50% to 60%	165,844	34.6	145,093	28.4
60% to 70%	186,664	39.0	217,445	42.6
70% to 80%	20,903	4.5	47,300	9.3
Gross balance	478,627	100.0	510,595	100.0
Market value adjustment	(843)	(0.2)	(1,290)	(0.3)
Allowance for credit losses	(3,651)	(0.8)	(3,575)	(0.7)
Totals	$ 474,133	99.0	$ 505,730	99.0

(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,	
	2023	2022
	(In thousands)	
Mortgage Loans Allowance for Credit Losses:		
Balance, beginning of the period	$ 3,575	2,987
Provision (release) during the period	76	588
Balance, end of period	$ 3,651	3,575

The Company does not recognize interest income on loans past due 90 days or more. The Company had no mortgage loans past due three months or more at December 31, 2023, 2022 and 2021. There was no interest income not recognized in 2023, 2022 and 2021.

The contractual maturities of mortgage loan principal balances at December 31, 2023 and 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
	(In thousands, except for percentages)			
Principal Balance by Contractual Maturity:				
Due in one year or less	$ 19,719	4.1	$ 2,299	0.5
Due after one year through five years	182,898	38.2	184,439	36.1
Due after five years through ten years	176,315	36.8	205,712	40.3
Due after ten years through fifteen years	87,635	18.3	107,503	21.0
Due after fifteen years	12,206	2.6	10,869	2.1
Totals	$ 478,773	100.0	$ 510,822	100.0

The Company's direct investments in real estate investments are reported in other long-term investments in the Consolidated Balance Sheets. These amounts are not a significant portion of the total investment portfolio and totaled approximately $27.1 million at December 31, 2023 and $27.7 million at December 31, 2022, respectively. These investments consist primarily of a half-dozen income-producing properties which are being operated by a wholly owned subsidiary of National Western. The Company recognized operating income on real estate properties of $3.1 million, $3.0 million and $2.9 million for the years ended December 31, 2023, 2022 and 2021, respectively. The Company had a limited number of real estate investments that were non-income producing for the preceding twelve months totaling $0.0 million, $0.0 million, and $0.1 million at December 31, 2023, 2022 and 2021, respectively.

The Company recorded net realized investment gains (losses) of $0.0 million, $1.2 million, and $(1.4) million associated with real estate investments in the years ended December 31, 2023, 2022 and 2021, 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.

(C) Debt Securities

The table below presents amortized costs and fair values of debt securities available-for-sale at December 31, 2023.

	Debt Securities Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
U.S. Agencies	$ 12,052	—	(106)	11,946
U.S. Treasury	2,821	2	(66)	2,757
States and political subdivisions	442,455	661	(48,631)	394,485
Foreign governments	62,947	—	(14,453)	48,494
Public utilities	556,434	138	(53,306)	503,266
Corporate	5,442,342	6,214	(413,600)	5,034,956
Commercial mortgage-backed	22,239	26	(1,432)	20,833
Residential mortgage-backed	252,924	668	(11,573)	242,019
Asset-backed	920,289	2,102	(72,959)	849,432
Totals	$ 7,714,503	9,811	(616,126)	7,108,188

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
	(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 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. 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, 2023 or 2022.

The Company held below investment grade debt securities totaling $121.4 million and $112.0 million at December 31, 2023 and 2022, respectively. These amounts represent 1.3% and 1.2% of total invested assets for December 31, 2023 and 2022, respectively. For holdings not in the funds withheld portfolio, below investment grade holdings are primarily 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.

Debt securities available-for-sale balances at December 31, 2023 and 2022 include Ozark National holdings of $716.0 million and $674.8 million, respectively.

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, 2023.

	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. agencies	$ 4,823	(12)	7,123	(94)	11,946	(106)
U.S. Treasury	33	—	1,739	(66)	1,772	(66)
States and political subdivisions	14,228	(36)	318,436	(48,595)	332,664	(48,631)
Foreign governments	—	—	48,494	(14,453)	48,494	(14,453)
Public utilities	—	—	500,674	(53,306)	500,674	(53,306)
Corporate	116,521	(2,225)	4,719,019	(411,375)	4,835,540	(413,600)
Commercial mortgage-backed	—	—	15,807	(1,432)	15,807	(1,432)
Residential mortgage-backed	12,307	(221)	208,134	(11,352)	220,441	(11,573)
Asset-backed	76,980	(1,676)	619,960	(71,283)	696,940	(72,959)
Total	$ 224,892	(4,170)	6,439,386	(611,956)	6,664,278	(616,126)

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. 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	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)

Unrealized losses decreased in 2023 from 2022 primarily due to (a) a decline in size of the overall debt securities portfolio during 2023 (as a result of operational cash outflows, primarily for higher levels of policy benefits, exceeding cash inflows which were lower as a result of decreased sales activity), and (b) a tightening of spreads on corporate debt securities which increased fair values. The ten-year U.S. Treasury bond remained constant during the year ended December 31, 2023.

The amortized cost and fair value of investments in available-for-sale debt securities at December 31, 2023, 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	$ 724,315	715,497
Due after 1 year through 5 years	2,720,945	2,640,554
Due after 5 years through 10 years	1,140,245	1,029,937
Due after 10 years	1,933,546	1,609,916
	6,519,051	5,995,904
Mortgage and asset-backed securities	1,195,452	1,112,284
Total before allowance for credit losses	7,714,503	7,108,188
Allowance for credit losses	—	—
Total	$ 7,714,503	7,108,188

The Company uses the specific identification method in computing realized gains and losses. For the years ended December 31, 2023, 2022, and 2021, the Company recorded net realized gains totaling $25.9 million, $6.4 million and $15.0 million, respectively, related to the disposition of investment securities and real estate. The 2023 amount includes the tender of previously held shares of Moody Bancshares, Inc. which produced a realized gain of $25.7 million. The table below presents realized gains and losses for the periods indicated.

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Available-for-sale debt securities:			
Realized gains on disposal	$ 345	5,304	16,377
Realized losses on disposal	(118)	(193)	(5)
Real estate	(20)	1,244	(1,421)
Mortgage loans	—	—	—
Other	25,652	—	(1)
Totals	$ 25,859	6,355	14,950

The following table presents the available-for-sale debt securities allowance for credit losses for the years ended December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
	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, 2023 or 2022. 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, 2023 and 2022, are as follows:

	December 31, 2023	December 31, 2022
	(In thousands)	
Gross unrealized gains	$ 9,811	3,082
Gross unrealized losses	(616,126)	(830,209)
Adjustments for:		
Deferred Federal income tax expense	127,326	173,696
Net unrealized gains (losses) on investment securities	$ (478,989)	(653,431)

(E) Transfer of Securities

There were no transfers in 2023 or 2022 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 agreements 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, 2023 and 2022.

	December 31, 2023			
	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	$ 85,158		
Fixed-index products			Universal Life and Annuity Contracts	$ 398,126
Embedded derivative on reinsurance contract			Funds Withheld Liability	(280,385)
Total		$ 85,158		$ 117,741

	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	$ 387,686
Embedded derivative on reinsurance contract			Funds Withheld Liability	(334,955)
Total		$ 23,669		$ 52,731

The table below presents the effect of derivative instruments in the Consolidated Statements of Earnings for the years ended December 31, 2023, 2022 and 2021.

		Amount of Gain or (Loss) Recognized In Income on Derivatives		
Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized In Income on Derivatives	2023	2022	2021
		(In thousands)		
Equity index options	Net investment income	$ 40,612	(86,865)	120,718
Fixed-index products	Universal life and annuity contract interest	10,437	171,823	(135,698)
Embedded derivative on reinsurance contract	Net investment income	(54,570)	250,230	84,725
		$ (3,521)	335,188	69,745

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, 2023, 2022, and 2021, the change in the embedded derivative liability due to the expected collectability of asset management fees increased contract interest expense by $0.0 million, $0.0 million, and $6.5 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 2023 or 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, and beginning in the fourth quarter of 2023, the share-based compensation obligations. 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 certain available-for-sale and trading debt securities, over-the-counter derivative contracts and mortgage loans that are recorded at fair value. The Company’s Level 3 liabilities consist of certain equity-index product-related embedded derivatives, market risk benefits liabilities, and an embedded derivative on reinsurance. Prior to the fourth quarter of 2023, Level 3 liabilities also included share-based compensation obligations. 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, 2023			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale	$ 7,108,188	—	6,596,362	511,826
Debt securities, trading	1,046,856	—	900,835	146,021
Equity securities	24,098	20,638	3,460	—
Mortgage loans	19,580	—	—	19,580
Derivatives, index options	85,158	—	—	85,158
Total assets	$ 8,283,880	20,638	7,500,657	762,585
Policyholder account balances (a)	$ 398,126	—	—	398,126
Market risk benefit liabilities (b)	242,585	—	—	242,585
Embedded derivative contra-liability (c)	(280,385)	—	(274,981)	(5,404)
Other liabilities (d)	64,835	—	64,835	—
Total liabilities	$ 425,161	—	(210,146)	635,307

	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)	$ 387,686	—	—	387,686
Market risk benefit liabilities (b)	167,018	—	—	167,018
Embedded derivative contra-liability (c)	(334,955)	—	(324,712)	(10,243)
Other liabilities (d)	20,542	—	—	20,542
Total liabilities	$ 240,291	—	(324,712)	565,003

(a) Represents the fair value of certain product-related embedded derivatives that were recorded at fair value.
(b) Represents the fair value of the net market risk benefits liability which is recorded at fair value.
(c) Represents the embedded derivative for funds withheld which is recorded at fair value.
(d) Represents the liability for share-based compensation which is recorded at fair value.

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, 2023				
	Assets				
	Debt Securities, Available-for-Sale	Trading Securities	Derivatives, Index Options	Mortgage Loans	Total Assets
	(In thousands)				
Beginning balance, January 1, 2023	$ 462,795	123,237	23,669	19,334	629,035
Total realized and unrealized gains (losses):					
Included in net earnings	—	4,392	39,249	448	44,089
Included in other comprehensive income (loss)	7,396	—	—	—	7,396
Purchases, sales, issuances and settlements, net:					
Purchases	84,617	30,984	54,431	—	170,032
Sales	—	—	—	—	—
Issuances	—	—	—	—	—
Settlements	(42,982)	(26,630)	(32,191)	(202)	(102,005)
Transfers into (out of) Level 3	—	14,038	—	—	14,038
Balance at end of period December 31, 2023	$ 511,826	146,021	85,158	19,580	762,585
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	$ —	4,392	30,424	448	35,264
Benefits and expenses	—	—	—	—	—
Total	$ —	4,392	30,424	448	35,264

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	December 31, 2023				
	Total Liabilities				
	Embedded Derivative on Funds Withheld Liability	Policyholder Account Balances	Other Liabilities	Market Risk Benefits Liabilities, Net	Total Liabilities
	(In thousands)				
Beginning balance, January 1, 2023	$ (10,243)	387,686	20,542	167,018	565,003
Total realized and unrealized gains (losses):					
Included in net earnings	4,839	(11,800)	43,336	75,468	111,843
Included in other comprehensive income (loss)	—	—	—	—	—
Purchases, sales, issuances and settlements, net:					
Purchases	—	54,431	—	—	54,431
Sales	—	—	—	—	—
Issuances	—	—	261	99	360
Settlements	—	(32,191)	(2,760)	—	(34,951)
Transfers into (out of) Level 3	—	—	(61,379)	—	(61,379)
Balance at end of period December 31, 2023	$ (5,404)	398,126	—	242,585	635,307
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	$ 4,839	—	—	—	4,839
Benefits and expenses	—	30,424	43,336	75,467	149,227
Total	$ 4,839	30,424	43,336	75,467	154,066

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

	December 31, 2022					
	Total Liabilities					
		Embedded Derivative on Funds Withheld Liability	Policyholder Account Balances	Other Liabilities	Market Risk Benefits Liabilities, Net	Total Liabilities
	(In thousands)					
Beginning balance, January 1, 2022	$	—	550,596	7,869	299,833	858,298
Total realized and unrealized gains (losses):						
Included in net earnings		(11,412)	(171,823)	14,221	(133,241)	(302,255)
Included in other comprehensive income (loss)		—	—	—	—	—
Purchases, sales, issuances and settlements, net:						
Purchases		—	54,190	—	—	54,190
Sales		—	—	—	—	—
Issuances		—	—	1,015	426	1,441
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)	387,686	20,542	167,018	565,003
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	(133,241)	(149,799)
Total	$	(11,412)	(30,779)	14,221	(133,241)	(161,211)

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, 2023			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(In thousands)			
Assets:				
Debt securities, available-for-sale	$ 113,493	Discounted cash flow	Discount rate	3.55% - 6.14% (5.01%)
Derivatives, index options	85,158	Broker prices	Implied volatility	10.26% - 22.00% (13.64%)
Mortgage loans	19,580	Discounted cash flow	Spread	195 - 230 bps
Total assets	$ 218,231			
Liabilities:				
Policyholder account balances	$ 398,126	Deterministic cash flow model	Projected option cost	0.00% - 8.63% (3.82%)
Market risk benefits liabilities, net	242,585	Risk-neutral valuation	Benefit utilization rates	5.00% - 20.00% (5.00%)
Total liabilities	$ 640,711			

	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	$ 387,686	Deterministic cash flow model	Projected option cost	0.00% - 5.7% (2.92%)
Share-based compensation	20,542	Black-Scholes model	Expected term	0.9 to 6.7 years
			Expected volatility	36.18%
Market risk benefits liabilities, net	167,018	Risk-neutral valuation	Benefit utilization rates	5.00% - 20.00% (5.00%)
Total liabilities	$ 575,246			

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 generally based on 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 at December 31, 2022 was determined 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 were 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 was amortized ratably over the remaining expected life of Mr. Moody, updated for changes in expected mortality. Mr. Moody passed away November 7, 2023, at which time the life interest in the Libbie Shearn Moody Trust terminated and the life interest asset was written off by the Company.

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, 2023			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale:				
Priced by third-party vendors	$ 6,994,695	—	6,596,362	398,333
Priced internally	113,493	—	—	113,493
Subtotal	7,108,188	—	6,596,362	511,826
Debt securities, trading:				
Priced by third-party vendors	1,046,856	—	900,835	146,021
Subtotal	1,046,856	—	900,835	146,021
Equity securities:				
Priced by third-party vendors	24,098	20,638	3,460	—
Subtotal	24,098	20,638	3,460	—
Mortgage loans:				
Priced internally	19,580	—	—	19,580
Subtotal	19,580	—	—	19,580
Derivatives, index options:				
Priced by third-party vendors	85,158	—	—	85,158
Subtotal	85,158	—	—	85,158
Total	$ 8,283,880	20,638	7,500,657	762,585
Percent of total	100.0 %	0.2 %	90.6 %	9.2 %

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

	December 31, 2023				
			Fair Value Hierarchy Level		
	Carrying Values	Fair Values	Level 1	Level 2	Level 3
	(In thousands)				
ASSETS					
Debt securities, available-for-sale	$ 7,108,188	7,108,188	—	6,596,362	511,826
Debt securities, trading	1,046,856	1,046,856	—	900,835	146,021
Cash and cash equivalents	482,758	482,758	482,758	—	—
Mortgage loans	474,133	433,695	—	—	433,695
Real estate	27,134	47,867	—	—	47,867
Policy loans	66,602	87,086	—	—	87,086
Other loans	37,906	36,985	—	—	36,985
Derivatives, index options	85,158	85,158	—	—	85,158
Equity securities	24,098	24,098	20,638	3,460	—
Other investments	4,318	4,597	—	—	4,597
LIABILITIES					
Deferred annuity contracts	$ 4,871,141	3,307,065	—	—	3,307,065
Immediate annuity and supplemental contracts	353,868	357,196	—	—	357,196
Market risk benefits liabilities, net	242,585	242,585	—	—	242,585

	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	$ 5,583,038	3,934,517	—	—	3,934,517
Immediate annuity and supplemental contracts	367,128	373,346	—	—	373,346
Market risk benefits liabilities, net	167,018	167,018	—	—	167,018

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 $12.5 billion and $13.9 billion at December 31, 2023 and 2022, respectively. Of these amounts, life insurance in force totaling $2.6 billion and $3.0 billion was ceded to reinsurance companies on a yearly renewable term basis at December 31, 2023 and 2022, 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 $108.3 million and $101.3 million at December 31, 2023 and 2022, respectively. Premiums and contract revenues were reduced by $22.8 million, $23.7 million and $22.0 million for reinsurance premiums ceded during 2023, 2022 and 2021, respectively. Benefit expenses were reduced by $50.0 million, $12.7 million and $29.3 million, for reinsurance recoveries during 2023, 2022 and 2021, 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, 2023 and 2022, the current balance of policy benefit liabilities ceded on a statutory basis were $1.2 billion and $1.3 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, 2023, 2022, and 2021 was $10.4 million, $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 $21.2 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 years ended December 31, 2023 and 2022, amortization revenue from the deferred Gain on Reinsurance was $1.6 million and $0.8 million, respectively.

Ozark National generally reinsures the risk on any one life in excess of $200,000. Total life insurance in force was $5.5 billion and $5.7 billion at December 31, 2023 and 2022, respectively. Of this amount, life insurance in force totaling $0.5 billion and $0.5 billion was ceded to reinsurance companies at December 31, 2023 and 2022, 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 $26.4 million and $26.4 million at December 31, 2023 and 2022, respectively. Premiums and contract revenues were reduced by $2.7 million, $2.8 million, and $2.8 million for reinsurance premiums ceded during 2023, 2022, and 2021, respectively. Benefit expenses were reduced by $2.3 million, $2.6 million, and $2.4 million for reinsurance recoveries during 2023, 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, 2023 and 2022, the CECL allowance related to reinsurance agreements was $0.0 million and $0.5 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"). Amortization and experience adjustments for DPAC, VOBA and COR are reported as Amortization of deferred transaction costs in the Consolidated Statements of Earnings. Amortization and experience adjustments on DSI are reported as gross reserve changes in Universal life and annuity contract interest in the Consolidated Statements of Earnings.

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

	Twelve Months Ended December 31, 2023					
Deferred Policy Acquisition Costs	Domestic Traditional Life	Domestic Universal Life	International Traditional Life	International Universal Life	Annuities excl. SPIAs WLC	ONL & Affiliates
	(In thousands)					
Balance, beginning of period	$ 3,159	176,035	11,151	152,287	306,487	14,763
Capitalization additions	15	17,065	—	507	7,457	4,101
Amortization	(278)	(12,764)	(1,299)	(14,738)	(34,468)	(871)
Experience adjustment	3	(102)	22	(25)	161	5
Balance, end of period	$ 2,899	180,234	9,874	138,031	279,637	17,998

	Twelve Months Ended December 31, 2022					
Deferred Policy Acquisition Costs	Domestic Traditional Life	Domestic Universal Life	International Traditional Life	International Universal Life	Annuities excl. SPIAs WLC	ONL & Affiliates
	(In thousands)					
Balance, beginning of period	$ 3,448	167,748	12,415	167,556	341,896	11,290
Capitalization additions	17	20,248	—	761	20,054	4,402
Amortization	(306)	(11,990)	(1,264)	(16,024)	(35,883)	(1,008)
In force ceded	—	—	—	—	(19,622)	—
Experience adjustment	—	29	—	(6)	42	79
Balance, end of period	$ 3,159	176,035	11,151	152,287	306,487	14,763

Deferred Policy Acquisition Costs	Twelve Months Ended December 31, 2021					
	Domestic Traditional Life	Domestic Universal Life	International Traditional Life	International Universal Life	Annuities excl. SPIAs WLC	ONL & Affiliates
	(In thousands)					
Balance, beginning of period	$ 4,014	144,133	13,399	184,262	342,278	7,789
Capitalization additions	19	36,447	—	1,072	35,836	4,176
Amortization	(585)	(12,813)	(984)	(17,126)	(37,254)	(675)
In force ceded	—	—	—	—	—	—
Experience adjustment	—	(19)	—	(652)	1,036	—
Balance, end of period	$ 3,448	167,748	12,415	167,556	341,896	11,290

The following table summarizes DPAC balances by product line as of the end of the following periods.

Deferred Policy Acquisition Costs	December 31, 2023	2022	2021
	(In thousands)		
Domestic traditional life	$ 2,899	3,159	3,448
Domestic universal life	180,234	176,035	167,748
International traditional life	9,874	11,151	12,415
International universal life	138,031	152,287	167,556
Annuities, excl. SPIAs with life contingencies	279,637	306,487	341,896
ONL & Affiliates	17,998	14,763	11,290
Total	$ 628,673	663,882	704,353

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

Deferred Sales Inducements	Years Ended December 31, 2023	2022	2021
	(In thousands)		
Balance, beginning of year	$ 85,303	102,976	96,378
Capitalizations	(6,455)	4,040	18,117
Amortization expense	(7,934)	(10,525)	(11,519)
In-force ceded	—	(11,219)	—
Experience adjustment	36	31	—
Balance, end of period	$ 70,950	85,303	102,976

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

Value of Business Acquired	Years Ended December 31, 2023	2022	2021
	(In thousands)		
Balance, beginning of year	$ 138,495	149,408	162,968
Amortization	(8,622)	(11,757)	(13,560)
Experience adjustment	32	844	—
Balance as of end of year	$ 129,905	138,495	149,408

Estimated future amortization of VOBA, net of interest (in thousands), as of December 31, 2023, is as follows:

2024	$ 8,149
2025	7,739
2026	7,329
2027	6,943
2028	6,577

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

	Twelve Months Ended December 31, 2023	
Cost of Reinsurance	SPIAs WLC	Annuities excl. SPIAs WLC
	(In thousands)	
Balance, beginning of period	$ 11,897	66,431
Additions	—	—
Amortization	(741)	(9,650)
Experience Adjustment	—	—
Balance as of end of period	$ 11,156	56,781

Cost of Reinsurance	Twelve Months Ended December 31, 2022 SPIAs WLC	Annuities excl. SPIAs WLC
	(In thousands)	
Balance, beginning of period	$ 12,591	77,095
Additions	—	—
Amortization	(694)	(10,664)
Experience Adjustment	—	—
Balance as of end of period	$ 11,897	66,431

Cost of Reinsurance	Twelve Months Ended December 31, 2021 SPIAs WLC	Annuities excl. SPIAs WLC
	(In thousands)	
Balance, beginning of period	$ 12,860	89,980
Additions	—	—
Amortization	(269)	(12,885)
Experience Adjustment	—	—
Balance as of end of period	$ 12,591	77,095

The following table summarizes the COR balance by product line as of the end of the following periods.

Cost of Reinsurance	December 31, 2023	2022	2021
	(In thousands)		
SPIAs with life contingencies	$ 11,156	11,897	12,591
Annuities, excl. SPIAs with life contingencies	56,781	66,431	77,095
Total	$ 67,937	78,328	89,686

(7) GOODWILL AND SPECIFICALLY IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

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

Goodwill	Years Ended December 31, 2023	2022	2021
	(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, 2023			December 31, 2022	
Identifiable Intangible Assets	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
			(In thousands)		
Trademarks/trade names	15	$ 2,800	(918)	2,800	(731)
Internally developed software	7	3,800	(2,669)	3,800	(2,126)
Insurance licenses	N/A	3,000	—	3,000	—
		$ 9,600	(3,587)	9,600	(2,857)

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, 2023, expected amortization expenses relating to purchased intangible assets for each of the next 5 years and thereafter is as follows:

	Expected Amortization
	(In thousands)
2024	$ 730
2025	730
2026	232
2027	187
2028	187
Thereafter	947
	$ 3,013

(8) POLICYHOLDER OBLIGATIONS

Liability for Policyholder Account Balances - The Company recognizes a liability for policyholder account balances, which includes universal life products and annuities other than single premium immediate annuities with life contingencies. The following tables summarize balances and changes in the Liability for policyholder account balances.

	For The Year Ended December 31, 2023		
Liability for Policyholder Account Balances	Domestic Universal Life	International Universal Life	Annuities excl. SPIAs WLC
		(In thousands)	
Balance, beginning of period	$ 1,409,472	575,096	5,677,217
Issuances	—	—	—
Premiums received	123,558	36,735	111,406
Policy charges	(67,640)	(73,963)	(30,821)
Surrenders and withdrawals	(70,530)	(51,998)	(626,389)
Benefit payments	(27,231)	(2,357)	(178,865)
Interest credited	40,540	10,847	55,278
Change in embedded derivative	31,719	5,871	(24,732)
Change in unearned revenue reserve	2,918	(181)	—
Other	(2,130)	4,233	(27,562)
Balance, end of period	1,440,676	504,283	4,955,532
Less reinsurance recoverable	—	—	(1,100,999)
Ending balance, net of reinsurance	$ 1,440,676	504,283	3,854,533
Weighted-average crediting rate	3.20 %	1.90 %	0.94 %
Net amount at risk	$ 1,607	6,192	1,223,321
Cash surrender value	$ 1,227,401	468,654	4,715,780

	For The Year Ended December 31, 2022		
Liability for Policyholder Account Balances	Domestic Universal Life	International Universal Life	Annuities excl. SPIAs WLC
		(In thousands)	
Balance, beginning of period	$ 1,412,059	647,586	6,161,299
Issuances	—	—	—
Premiums received	146,901	41,596	229,141
Policy charges	(69,805)	(72,444)	(30,626)
Surrenders and withdrawals	(59,601)	(44,110)	(506,395)
Benefit payments	(24,275)	(2,463)	(217,126)
Interest credited	41,073	16,067	72,152
Change in embedded derivative	(43,582)	(13,005)	(10,524)
Change in unearned revenue reserve	6,346	(192)	—
Other	356	2,061	(20,704)
Balance, end of period	1,409,472	575,096	5,677,217
Less reinsurance recoverable	—	—	(1,246,648)
Ending balance, net of reinsurance	$ 1,409,472	575,096	4,430,569
Weighted-average crediting rate	3.33 %	2.57 %	1.15 %
Net amount at risk	$ 1,630	7,126	1,136,627
Cash surrender value	$ 1,217,648	539,319	5,336,628

Liability for Policyholder Account Balances	For The Year Ended December 31, 2021 Domestic Universal Life	International Universal Life	Annuities excl. SPIAs WLC
		(In thousands)	
Balance, beginning of period	$ 1,222,694	677,900	6,477,443
Issuances	—	—	—
Premiums received	225,349	46,147	430,846
Policy charges	(76,147)	(68,800)	(28,643)
Surrenders and withdrawals	(47,483)	(47,644)	(580,270)
Benefit payments	(25,418)	(2,040)	(207,302)
Interest credited	89,508	36,902	155,783
Change in embedded derivative	10,565	(715)	(70,953)
Change in unearned revenue reserve	15,406	(191)	—
Other	(2,415)	6,027	(15,605)
Balance, end of period	1,412,059	647,586	6,161,299
Less reinsurance recoverable	—	—	(1,165,208)
Ending balance, net of reinsurance	$ 1,412,059	647,586	4,996,091
Weighted-average crediting rate	8.51 %	5.74 %	2.43 %
Net amount at risk	$ 1,654	7,841	1,018,699
Cash surrender value	$ 1,173,871	589,569	5,714,358

The following table summarizes the Liability for policyholder account balances by line of business as of the end of the following periods.

	December 31, 2023	2022	2021
		(In thousands)	
Domestic universal life	$ 1,440,676	1,409,472	1,412,059
International universal life	504,283	575,096	647,586
Annuities excl. SPIAs with life contingencies	4,955,532	5,677,217	6,161,299
Total	$ 6,900,491	7,661,785	8,220,944

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums.

	December 31, 2023				
	At Guaranteed Minimum	1-50 Basis Points Above	51-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
	(In thousands)				
Range of guaranteed minimum crediting rate:					
Less than 2.00%	$ 1,719,079	2,786	14,915	99,732	1,836,512
2.00% - 2.99%	537,486	7,972	90,022	61,988	697,468
3.00% - 3.99%	412,389	37,068	2,678	28	452,163
4.00% and greater	380,852	—	—	38	380,890
Total	$ 3,049,806	47,826	107,615	161,786	3,367,033

	December 31, 2022				
	At Guaranteed Minimum	1-50 Basis Points Above	51-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
	(In thousands)				
Range of guaranteed minimum crediting rate:					
Less than 2.00%	$ 2,029,411	2,137	68,571	138,656	2,238,775
2.00% - 2.99%	473,195	7,730	96,916	—	577,841
3.00% - 3.99%	478,251	42,574	2,869	26	523,720
4.00% and greater	402,978	—	—	35	403,013
Total	$ 3,383,835	52,441	168,356	138,717	3,743,349

	December 31, 2021				
	At Guaranteed Minimum	1-50 Basis Points Above	51-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
	(In thousands)				
Range of guaranteed minimum crediting rate:					
Less than 2.00%	$ 2,033,101	11,274	127,015	107,794	2,279,184
2.00% - 2.99%	599,011	9,285	113,823	—	722,119
3.00% - 3.99%	576,692	47,300	2,869	25	626,886
4.00% and greater	420,860	9	—	33	420,902
Total	$ 3,629,664	67,868	243,707	107,852	4,049,091

Additional Liability for Benefits in Excess of Account Balances And Liability for Future Policy Benefits - The following table provides the balances and changes in insurance liabilities related to universal life and annuities that are in addition to the account balance, including annuitization benefits and death or other insurance benefits.

	For The Year Ended December 31, 2023		
Additional Liability for Benefits in Excess of Account Balances and Liability for Future Policy Benefits	Domestic Universal Life	International Universal Life	Annuities
		(In thousands)	
Balance, beginning of period	$ 63,804	46,402	38,502
Beginning balance before shadow reserve adjustments	63,804	46,402	38,502
Effect of changes in cash flow assumptions	1,870	6,055	(1,759)
Effect of actual variances from expected experience	5,617	(2,199)	707
Adjusted beginning of period balance	71,291	50,258	37,450
Issuances	—	—	—
Interest accrual	1,934	670	1,437
Assessments collected	21,055	10,004	(95)
Benefit payments	(21,998)	(9,592)	(1,472)
Derecognition (lapses and withdrawals)	—	—	—
Other	(41)	(1,454)	(10)
Ending balance before shadow reserve adjustments	72,241	49,886	37,310
Effect of shadow reserve adjustments	—	—	—
Balance, end of period	72,241	49,886	37,310
Less reinsurance recoverable, end of period	—	—	(37,301)
Net additional liability, after reinsurance recoverable	$ 72,241	49,886	9

Additional Liability for Benefits in Excess of Account Balances and Liability for Future Policy Benefits	For The Year Ended December 31, 2022 Domestic Universal Life	International Universal Life	Annuities
		(In thousands)	
Balance, beginning of period	$ 54,097	48,336	12,718
Beginning balance before shadow reserve adjustments	54,097	48,336	12,718
Effect of changes in cash flow assumptions	3,844	(18)	24,599
Effect of actual variances from expected experience	7,952	9,033	2,602
Adjusted beginning of period balance	65,893	57,351	39,919
Issuances	—	—	—
Interest accrual	2,167	1,250	976
Assessments collected	19,357	8,474	(108)
Benefit payments	(23,583)	(20,819)	(2,244)
Derecognition (lapses and withdrawals)	—	—	—
Other	(30)	146	(41)
Ending balance before shadow reserve adjustments	63,804	46,402	38,502
Effect of shadow reserve adjustments	—	—	—
Balance, end of period	63,804	46,402	38,502
Less reinsurance recoverable, end of period	—	—	(38,502)
Net additional liability, after reinsurance recoverable	$ 63,804	46,402	—

Additional Liability for Benefits in Excess of Account Balances and Liability for Future Policy Benefits	For The Year Ended December 31, 2021		
	Domestic Universal Life	International Universal Life	Annuities
		(In thousands)	
Balance, beginning of period	$ 45,136	63,046	11,192
Beginning balance before shadow reserve adjustments	45,136	63,046	11,192
Effect of changes in cash flow assumptions	415	(14,052)	1,876
Effect of actual variances from expected experience	6,595	(277)	(263)
Adjusted beginning of period balance	52,146	48,717	12,805
Issuances	—	—	—
Interest accrual	4,761	3,547	441
Assessments collected	14,780	8,526	681
Benefit payments	(17,687)	(10,565)	(1,198)
Derecognition (lapses and withdrawals)	—	—	—
Other	97	(1,889)	(11)
Ending balance before shadow reserve adjustments	54,097	48,336	12,718
Effect of shadow reserve adjustments	—	—	—
Balance, end of period	54,097	48,336	12,718
Less reinsurance recoverable, end of period	—	—	(12,718)
Net additional liability, after reinsurance recoverable	$ 54,097	48,336	—

The following table summarizes the Additional liability for benefits in excess of account balance by line of business as of the end of the following periods.

	December 31,		
	2023	2022	2021
		(In thousands)	
Domestic universal life	$ 72,241	63,804	54,097
International universal life	49,886	46,402	48,336
Annuities	37,310	38,502	12,718
Total	$ 159,437	148,708	115,151

The following table provides the amount of gross assessments and interest expense related to annuitization and death or other insurance benefits recognized in the Consolidated Statements of Earnings related to additional insurance liabilities.

	Years Ended December 31,					
	2023		2022		2021	
	Gross Assessments	Interest Expense	Gross Assessments	Interest Expense	Gross Assessments	Interest Expense
	(In thousands)					
Domestic universal life	$ 59,241	1,934	56,572	2,167	44,743	4,761
International universal life	40,122	670	35,027	1,250	34,078	3,547
Annuities	(181)	1,437	(3,099)	976	8,254	441
Total	$ 99,182	4,041	88,500	4,393	87,075	8,749

The following tables summarize balances and changes in the Liability for future policy benefits balance for traditional life contracts and single premium immediate annuities with life contingencies.

		For The Year Ended December 31, 2023			
		Domestic Traditional Life	International Traditional Life	SPIAs With Life Contingency	ONL & Affiliates
		(In thousands)			
Present value of expected net premiums	Balance, beginning of period	$ 260	33,998	—	402,745
	Beginning balance at original discount rate	660	35,907	—	494,962
	Effect of changes in cash flow assumptions	(325)	4,019	—	6,353
	Effect of actual variances from expected experience	(3,270)	(880)	—	(3,470)
	Adjusted beginning of period balance	(2,935)	39,046	—	497,845
	Issuances	—	—	—	10,028
	Interest accrual	(86)	1,511	—	15,951
	Net premium collected	143	(4,519)	—	(38,586)
	Ending balance at original discount rate	(2,878)	36,038	—	485,238
	Effect of changes in discount rate assumptions	(730)	(715)	—	(75,719)
	Balance, end of period	$ (3,608)	35,323	—	409,519
Present value of expected future policy benefits	Balance, beginning of period	$ 70,165	99,168	191,817	975,999
	Beginning balance at original discount rate	62,865	100,929	215,542	1,291,914
	Effect of changes in cash flow assumptions	(824)	4,433	—	6,876
	Effect of actual variances from expected experience	(15,484)	(2,604)	4,005	(3,065)
	Adjusted beginning of period balance	46,557	102,758	219,547	1,295,725
	Issuances	—	—	12,306	9,905
	Interest accrual	3,515	5,480	7,096	40,460
	Benefit payments	(5,140)	(7,420)	(22,105)	(54,318)
	Derecognition (lapses and withdrawals)	—	—	(7,300)	—
	Other	98	(950)	366	(86)
	Ending balance at original discount rate	45,030	99,868	209,910	1,291,686
	Effect of changes in discount rate assumptions	7,328	1,080	(16,730)	(271,151)
	Balance, end of period	52,358	100,948	193,180	1,020,535
	Net liability for future policy benefits	55,966	65,625	193,180	611,016
	Less reinsurance recoverable	—	(149)	(160,735)	(26,404)
	Net liability for future policy benefits, after reinsurance	$ 55,966	65,476	32,445	584,612

		For The Year Ended December 31, 2022			
		Domestic Traditional Life	International Traditional Life	SPIAs With Life Contingencies	ONL & Affiliates
		(In thousands)			
Present value of expected net premiums	Balance, beginning of period	$ 395	50,124	—	340,287
	Beginning balance at original discount rate	706	40,670	—	330,854
	Effect of changes in cash flow assumptions	—	—	—	169,179
	Effect of actual variances from expected experience	(33)	(1,455)	—	11,492
	Adjusted beginning of period	673	39,215	—	511,525
	Issuances	—	—	—	8,315
	Interest accrual	(2)	1,653	—	12,023
	Net premium collected	(11)	(4,961)	—	(36,901)
	Ending balance at original discount rate	660	35,907	—	494,962
	Effect of changes in discount rate assumptions	(400)	(1,909)	—	(92,217)
	Balance, end of period	$ 260	33,998	—	402,745
Present value of expected future policy benefits	Balance, beginning of period	$ 90,864	131,707	244,551	1,158,432
	Beginning balance at original discount rate	64,242	104,577	223,608	1,114,085
	Effect of changes in cash flow assumptions	—	—	172	175,122
	Effect of actual variances from expected experience	(548)	(4,582)	3,976	12,639
	Adjusted beginning of year balance	63,694	99,995	227,756	1,301,846
	Issuances	—	—	11,785	7,973
	Interest accrual	3,912	5,717	7,242	36,076
	Benefit payments	(4,812)	(4,163)	(23,151)	(53,852)
	Derecognition (lapses and withdrawals)	—	—	(8,386)	—
	Other	71	(620)	296	(129)
	Ending balance at original discount rate	62,865	100,929	215,542	1,291,914
	Effect of changes in discount rate assumptions	7,300	(1,761)	(23,725)	(315,915)
	Balance, end of period	70,165	99,168	191,817	975,999
	Net liability for future policy benefits	69,905	65,170	191,817	573,254
	Less reinsurance recoverable	(12,749)	(553)	(162,163)	(26,444)
	Net liability for future policy benefits, after reinsurance	$ 57,156	64,617	29,654	546,810

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		For The Year Ended December 31, 2021			
		Domestic Traditional Life	International Traditional Life	SPIAs With Life Contingency	ONL & Affiliates
		(In thousands)			
Present value of expected net premiums	Balance, beginning of period	$ (1,699)	50,405	—	345,827
	Beginning balance at original discount rate	(943)	37,874	—	322,877
	Effect of changes in cash flow assumptions	—	—	—	—
	Effect of actual variances from expected experience	1,703	6,759	—	20,232
	Adjusted beginning of period balance	760	44,633	—	343,109
	Issuances	—	—	—	12,825
	Interest accrual	(38)	1,639	—	10,560
	Net premium collected	(16)	(5,602)	—	(35,640)
	Ending balance at original discount rate	706	40,670	—	330,854
	Effect of changes in discount rate assumptions	(311)	9,454	—	9,433
	Balance, end of period	$ 395	50,124	—	340,287
Present value of expected future policy benefits	Balance, beginning of period	$ 100,708	145,807	238,127	1,212,679
	Beginning balance at original discount rate	64,986	107,145	200,737	1,103,713
	Effect of changes in cash flow assumptions	—	—	—	—
	Effect of actual variances from expected experience	1,385	5,882	5,724	20,422
	Adjusted beginning of period balance	66,371	113,027	206,461	1,124,135
	Issuances	—	—	39,338	13,050
	Interest accrual	4,010	6,027	7,076	34,361
	Benefit payments	(6,501)	(15,058)	(22,173)	(57,386)
	Derecognition (lapses and withdrawals)	—	—	(6,840)	—
	Other	362	581	(254)	(75)
	Ending balance at original discount rate	64,242	104,577	223,608	1,114,085
	Effect of changes in discount rate assumptions	26,622	27,130	20,943	44,347
	Balance, end of period	90,864	131,707	244,551	1,158,432
	Net liability for future policy benefits	90,469	81,583	244,551	818,145
	Less reinsurance recoverable	(13,841)	(578)	(211,912)	(33,288)
	Net liability for future policy benefits, after reinsurance	$ 76,628	81,005	32,639	784,857

The following table summarizes the net Liability for future policy benefits by product line as of the end of the following periods.

	December 31,		
	2023	2022	2021
	(In thousands)		
Domestic traditional life	$ 55,966	69,905	90,469
International traditional life	65,625	65,170	81,583
SPIAs with life contingencies	193,180	191,817	244,551
ONL & Affiliates	611,016	573,254	818,145
Total	$ 925,787	900,146	1,234,748

The following tables summarize the amount of revenue and interest related to traditional life contracts and single premium immediate annuities with life contingencies recognized in the Consolidated Statements of Earnings.

	Years Ended December 31,					
	2023		2022		2021	
	Gross Assessments	Interest Expense	Gross Assessments	Interest Expense	Gross Assessments	Interest Expense
	(In thousands)					
Domestic traditional life	$ 2,850	3,601	3,306	3,914	3,449	4,048
International traditional life	12,691	3,969	13,914	4,064	14,602	4,388
SPIAs with life contingencies	3,029	7,096	6,481	7,242	28,600	7,076
ONL & Affiliates	75,496	24,509	76,795	24,053	77,769	23,801
Total	$ 94,066	39,175	100,496	39,273	124,420	39,313

The following table provides the amount of undiscounted expected gross premiums and expected future benefits and expenses for traditional life contracts and single premium immediate annuities with life contingencies.

	December 31,					
	2023		2022		2021	
	Expected Future Gross Premiums	Expected Future Benefit Payments	Expected Future Gross Premiums	Expected Future Benefit Payments	Expected Future Gross Premiums	Expected Future Benefit Payments
	(In thousands)					
Domestic traditional life	$ 27,108	81,124	32,785	106,571	35,514	111,321
International traditional life	159,119	219,305	159,576	220,427	167,925	230,266
SPIAs with life contingencies	—	279,656	—	286,190	—	295,199
ONL & Affiliates	1,402,220	2,271,180	1,428,318	2,266,662	975,109	1,702,837
Total	$ 1,588,447	2,851,265	1,620,679	2,879,850	1,178,548	2,339,623

The following tables summarize the annualized actual experience and expected experience for mortality and lapses of the Liability for future policy benefits and the Additional liability for benefits in excess of account balance.

	2023		2022		2021	
	Actual Experience	Expected Experience	Actual Experience	Expected Experience	Actual Experience	Expected Experience
Mortality:						
Domestic traditional life	11.88 %	2.14 %	1.32 %	1.90 %	1.55 %	1.70 %
Domestic universal life	1.52 %	1.92 %	1.30 %	1.70 %	1.83 %	1.68 %
International traditional life	0.22 %	0.41 %	0.21 %	0.38 %	0.61 %	0.35 %
International universal life	0.25 %	0.25 %	0.27 %	0.24 %	0.22 %	0.23 %
SPIAs with life contingencies	8.95 %	9.25 %	3.23 %	3.14 %	3.31 %	3.22 %
Annuities excl. SPIAs with life contingencies	2.70 %	2.58 %	3.04 %	2.64 %	2.65 %	2.73 %
ONL & Affiliates	1.01 %	0.87 %	0.94 %	0.83 %	0.95 %	0.78 %

	2023		2022		2021	
	Actual Experience	Expected Experience	Actual Experience	Expected Experience	Actual Experience	Expected Experience
Lapses:						
Domestic traditional life	4.86 %	6.11 %	6.55 %	6.48 %	5.75 %	6.62 %
Domestic universal life	5.68 %	3.41 %	4.95 %	4.71 %	4.81 %	4.68 %
International traditional life	8.59 %	7.70 %	8.78 %	7.89 %	7.82 %	8.79 %
International universal life	12.44 %	6.87 %	8.74 %	7.10 %	8.94 %	6.54 %
SPIAs with life contingencies	N/A	N/A	N/A	N/A	N/A	N/A
Annuities excl. SPIAs with life contingencies	6.83 %	4.32 %	4.21 %	4.27 %	4.78 %	4.62 %
ONL & Affiliates	4.10 %	4.67 %	3.80 %	7.80 %	3.63 %	7.55 %

The following table provides the weighted-average durations in years of the Liability for future policy benefits and the Additional liability for benefits in excess of account balance.

	December 31,		
	2023	2022	2021
Domestic traditional life	8.0	8.0	8.0
Domestic universal life	8.1	8.1	8.1
International traditional life	8.0	8.0	8.0
International universal life	8.1	8.1	8.1
SPIAs with life contingencies	8.0	8.0	8.0
Annuities excl. SPIAs with life contingencies	6.6	6.6	6.6
ONL & Affiliates	22.0	22.0	22.0

The following table provides the weighted-average interest rates for the Liability for future policy benefits and the Additional liability for benefits in excess of account balance.

	December 31,					
	2023		2022		2021	
	Interest Accretion	Current Discount	Interest Accretion	Current Discount	Interest Accretion	Current Discount
Domestic traditional life	5.28%	4.65%	6.66%	5.05%	6.71 %	2.15 %
Domestic universal life	3.20%	3.20%	3.33%	3.33%	8.51 %	8.51 %
International traditional life	5.18%	4.65%	5.10%	5.05%	5.32 %	2.15 %
International universal life	1.90%	1.90%	2.57%	2.57%	5.74 %	5.74 %
SPIAs with life contingencies	3.48%	4.65%	3.35%	5.05%	3.27 %	2.15 %
Annuities excl. SPIAs with life contingencies	0.94%	0.94%	1.15%	1.15%	2.43 %	2.43 %
ONL & Affiliates	3.25%	5.15%	3.19%	5.50%	3.19 %	2.90 %

The Company realized actual-expected experience variances but made no changes to assumptions for the periods shown other than the interest rates employed for purposes of calculating discounted values.

(9) MARKET RISK BENEFITS

The following tables present the balances of and changes in market risk benefits associated with guaranteed minimum withdrawal benefits and guaranteed annuitization benefits. The Company does not have guaranteed minimum death benefits in its policies.

	For The Year Ended December 31, 2023	
	Guaranteed Minimum Withdrawal Benefits	Guaranteed Annuitization Benefits
	(In thousands)	
Balance, beginning of period	$ 97,552	69,466
Balance, beginning of period, before effect of changes in instrument-specific credit risk	97,552	69,466
Issuances	99	—
Interest accrual	—	—
Attributed fees collected	50,928	—
Benefit payments	—	—
Effect of changes in interest rates	27,833	(1,256)
Effect of changes in equity markets	—	—
Effect of changes in equity index volatility	—	—
Actual policyholder behavior different from expected behavior	(1,864)	—
Effect of changes in future expected policyholder behavior	(173)	—
Effect of changes in other future expected assumptions	—	—
Balance, end of period, before effect of changes in instrument-specific credit risk	174,375	68,210
Effect of changes in the instrument-specific credit risk	—	—
Balance, end of period	174,375	68,210
Less reinsurance recoverable, end of period	(7,587)	(68,582)
Balance, end of period, net of reinsurance	$ 166,788	(372)
Net amount at risk	$ 1,097,997	125,324
Weighted-average attained age of contract holders	69.8	68.0

	For The Year Ended December 31, 2022	
	Guaranteed Minimum Withdrawal Benefits	Guaranteed Annuitization Benefits
	(In thousands)	
Balance, beginning of period	$ 231,859	67,974
Balance, beginning of period, before effect of changes in instrument-specific credit risk	231,859	67,974
Issuances	426	—
Interest accrual	—	—
Attributed fees collected	54,608	—
Benefit payments	—	—
Effect of changes in interest rates	(185,265)	1,492
Effect of changes in equity markets	—	—
Effect of changes in equity index volatility	—	—
Actual policyholder behavior different from expected behavior	(4,076)	—
Effect of changes in future expected policyholder behavior	—	—
Effect of changes in other future expected assumptions	—	—
Balance, end of period, before effect of changes in instrument-specific credit risk	97,552	69,466
Effect of changes in the instrument-specific credit risk	—	—
Balance, end of period	97,552	69,466
Less reinsurance recoverable, end of period	1,115	(69,848)
Balance, end of period, net of reinsurance	$ 98,667	(382)
Net amount at risk	$ 1,008,692	127,935
Weighted-average attained age of contract holders	69.1	67.1

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	For The Year Ended December 31, 2021	
	Guaranteed Minimum Withdrawal Benefits	Guaranteed Annuitization Benefits
	(In thousands)	
Balance, beginning of period	$ 228,230	73,371
Balance, beginning of period, before effect of changes in instrument-specific credit risk	228,230	73,371
Issuances	3,184	—
Interest accrual	—	—
Attributed fees collected	38,182	—
Benefit payments	—	—
Effect of changes in interest rates	(30,715)	(5,397)
Effect of changes in equity markets	—	—
Effect of changes in equity index volatility	—	—
Actual policyholder behavior different from expected behavior	(7,022)	—
Effect of changes in future expected policyholder behavior	—	—
Effect of changes in other future expected assumptions	—	—
Balance, end of period, before effect of changes in instrument-specific credit risk	231,859	67,974
Effect of changes in the instrument-specific credit risk	—	—
Balance, end of period	231,859	67,974
Less reinsurance recoverable, end of period	(1)	(68,237)
Balance, end of period, net of reinsurance	$ 231,858	(263)
Net amount at risk	$ 891,598	127,100
Weighted-average attained age of contract holders	68.7	66.4

The following table summarizes Market risk benefits liability balances separately by amounts in an asset position and amounts in a liability position to the Market risk benefits liability amounts as of the end of the following periods.

	December 31, 2023		
	Asset	Liability	Net liability
	(In thousands)		
Guaranteed minimum withdrawal benefit	$ 30,819	205,194	174,375
Guaranteed annuitization benefits	—	68,210	68,210
Balance, end of period	$ 30,819	273,404	242,585

	December 31, 2022		
	Asset	Liability	Net liability
	(In thousands)		
Guaranteed minimum withdrawal benefit	$ 48,759	146,311	97,552
Guaranteed annuitization benefits	—	69,466	69,466
Balance, end of period	$ 48,759	215,777	167,018

	December 31, 2021		
	Asset	Liability	Net liability
	(In thousands)		
Guaranteed minimum withdrawal benefit	$ 7,532	239,391	231,859
Guaranteed annuitization benefits	—	67,974	67,974
Balance, end of period	$ 7,532	307,365	299,833

For the periods shown, there were no notable changes made to the inputs to the fair value estimates of market risk benefit calculations other than the interest rates employed for purposes of calculating fair value.

(10) 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. 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)					
2023:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 183,132	147,906	418,525	147,902	—	897,465
Market risk benefit asset	—	—	30,819	—	—	30,819
Total segment assets	1,918,435	828,186	7,501,928	1,012,445	334,722	11,595,716
Future policyholder obligations	1,581,808	606,870	5,186,021	611,016	—	7,985,715
Market risk benefit liability	—	—	273,404	—	—	273,404
Other policyholder liabilities	24,406	13,652	91,456	14,252	—	143,766
Funds withheld liability	—	—	1,195,413	—	—	1,195,413
Condensed Income Statements:						
Premiums and contract revenues	$ 52,201	84,774	20,581	74,679	—	232,235
Net investment income	89,144	27,621	226,330	33,216	33,614	409,925
Other revenues	32	15	7,527	10,978	16,779	35,331
Total revenues	141,377	112,410	254,438	118,873	50,393	677,491
Life and other policy benefits	20,319	11,465	25,558	60,306	—	117,648
Policy benefit remeasurement (gain)/loss	1,370	6,469	—	521	—	8,360
Market risk benefits expense	—	—	68,130	—	—	68,130
Amortization of deferred transaction costs	13,141	16,040	44,698	9,456	—	83,335
Universal life and annuity contract interest	73,287	21,369	10,340	—	—	104,996
Other operating expenses	39,194	31,760	86,744	20,804	12,694	191,196
Federal income taxes	(1,887)	8,046	6,031	5,648	11,987	29,825
Total expenses	145,424	95,149	241,501	96,735	24,681	603,490
Segment earnings (loss)	$ (4,047)	17,261	12,937	22,138	25,712	74,001

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
			(In thousands)			
2022:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 179,193	163,438	470,120	153,257	—	966,008
Market risk benefit asset	—	—	48,759	—	—	48,759
Total segment assets	1,803,876	889,022	8,270,315	994,318	335,343	12,292,874
Future policyholder obligations	1,553,624	675,786	5,907,974	573,255	—	8,710,639
Market risk benefit liability	—	—	215,777	—	—	215,777
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	$ 55,482	78,044	19,490	76,042	—	229,058
Net investment income	17,259	4,671	226,746	29,198	21,766	299,640
Other revenues	93	71	6,236	11,539	7,042	24,981
Total revenues	72,834	82,786	252,472	116,779	28,808	553,679
Life and other policy benefits	18,676	13,977	37,241	58,760	—	128,654
Policy benefit remeasurement (gain)/loss	3,843	(18)	93	5,909	—	9,827
Market risk benefits expense	—	—	(135,749)	—	—	(135,749)
Amortization of deferred transaction costs	12,267	17,294	47,199	11,842	—	88,602
Universal life and annuity contract interest	3,230	(4,322)	23,932	—	—	22,840
Other operating expenses	30,846	22,146	56,999	19,579	6,247	135,817
Federal income taxes	815	6,915	45,694	4,146	4,627	62,197
Total expenses	69,677	55,992	75,409	100,236	10,874	312,188
Segment earnings	$ 3,157	26,794	177,063	16,543	17,934	241,491

	Domestic Life Insurance	International Life Insurance	Annuities	ONL & Affiliates	All Others	Totals
	(In thousands)					
2021:						
Selected Balance Sheet Items:						
Deferred transaction costs	$ 171,195	179,972	534,559	160,697	—	1,046,423
Market risk benefits asset	—	—	7,532	—	—	7,532
Total segment assets	1,928,516	1,054,842	9,162,638	1,111,505	356,716	13,614,217
Future policyholder obligations	1,569,436	764,818	6,418,445	818,144	—	9,570,843
Market risk benefits liability	—	—	307,365	—	—	307,365
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	$ 51,479	80,914	47,790	77,086	—	257,269
Net investment income	91,977	54,204	367,286	26,989	22,074	562,530
Other revenues	105	85	5,384	12,653	4,087	22,314
Total revenues	143,561	135,203	420,460	116,728	26,161	842,113
Life and other policy benefits	24,395	23,689	51,986	57,760	—	157,830
Policy benefit remeasurement (gain)/loss	415	(14,052)	—	—	—	(13,637)
Market risk benefits expense	—	—	3,645	—	—	3,645
Amortization of deferred transaction costs	13,417	18,762	49,372	14,235	—	95,786
Universal life and annuity contract interest	77,475	45,747	45,391	—	—	168,613
Other operating expenses	25,959	20,679	53,818	20,243	5,913	126,612
Federal income taxes (benefit)	392	8,335	44,639	4,991	4,180	62,537
Total expenses	142,053	103,160	248,851	97,229	10,093	601,386
Segment earnings	$ 1,508	32,043	171,609	19,499	16,068	240,727

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

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Premiums and Other Revenues:			
Premiums and contract revenues	$ 232,235	229,058	257,269
Net investment income	409,925	299,640	562,530
Other revenues	35,331	24,981	22,314
Net realized investment gains	25,859	6,355	14,950
Total consolidated premiums and other revenues	$ 703,350	560,034	857,063

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Federal Income Taxes:			
Total segment Federal income taxes	$ 29,825	62,197	62,537
Taxes on net realized investment gains	5,430	1,335	3,140
Total consolidated Federal income taxes	$ 35,255	63,532	65,677

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Net Earnings:			
Total segment earnings	$ 74,001	241,491	240,727
Net realized investment gains, net of taxes	20,429	5,020	11,810
Total consolidated net earnings	$ 94,430	246,511	252,537

	December 31,		
	2023	2022	2021
		(In thousands)	
Assets:			
Total segment assets	$ 11,595,716	12,292,874	13,614,217
Other unallocated assets	654,899	490,071	911,397
Total consolidated assets	$ 12,250,615	12,782,945	14,525,614

(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,		
	2023	2022	2021
	(In thousands)		
United States	$ 166,824	162,991	192,758
Brazil	21,879	21,043	20,535
Taiwan	12,273	11,566	10,954
Peru	8,992	8,543	8,635
Venezuela	7,713	8,090	8,560
Colombia	6,362	6,209	6,504
Other foreign countries	33,708	37,096	34,159
Revenues, excluding reinsurance premiums	257,751	255,538	282,105
Reinsurance premiums	(25,516)	(26,480)	(24,836)
Total premiums and contract revenues	$ 232,235	229,058	257,269

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 three top agencies accounted for approximately 12%, 12%, and 10% of annuity sales, respectively, in 2023. In 2023, one domestic independent marketing agency exceeded 10% of total Domestic Life sales accounting for 56%. Ozark National did not have a single distributor accounting for 10% or more of its sales in 2023.

(11) 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,		
	2023	2022	2021
		(In thousands)	
Annuity deposits	$ 114,921	236,931	462,632
Universal life insurance deposits	160,072	187,987	270,717
Traditional life and other premiums	90,584	94,379	96,429
Totals	$ 365,577	519,297	829,778

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 are 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.

		2023	2022	2021
			(In thousands)	
National Western Life Insurance Company:				
Net gain from operations before Federal and foreign income taxes	$	112,263	72,793	85,440
Net income	$	91,985	67,888	63,476
Unassigned surplus	$	1,620,959	1,500,445	1,536,112
Capital and surplus	$	1,665,023	1,544,509	1,580,176
Ozark National Life Insurance Company:				
Net gain from operations before Federal and foreign income taxes	$	30,188	26,926	23,103
Net income	$	24,266	21,629	28,183
Unassigned surplus	$	122,813	99,089	77,806
Capital and surplus	$	150,768	127,043	105,761

(12) 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 (15) *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,					
	2023		2022		2021	
	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	$ 94,430		246,511		252,537	
Dividends – Class A shares	(1,237)		(1,237)		(1,237)	
Dividends – Class B shares	(36)		(36)		(36)	
Undistributed earnings	$ 93,157		245,238		251,264	
Allocation of net earnings:						
Dividends	$ 1,237	36	1,237	36	1,237	36
Allocation of undistributed earnings	90,522	2,635	238,303	6,935	244,158	7,106
Net earnings	$ 91,759	2,671	239,540	6,971	245,395	7,142
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	$ 26.71	13.35	69.71	34.86	71.42	35.71
Diluted earnings per share	$ 26.71	13.35	69.71	34.86	71.42	35.71

As previously described in Note (1) *Summary of Significant Accounting Policies,* the results for the years ended December 31, 2022 and 2021 have been restated for the adoption of ASU 2018-12. Accordingly, the earnings per share information presented in the table above for these periods has been updated and differs from that previously reported.

(13) 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, LDTI liabilities for future policy benefits and market risk benefits, 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 2023, 2022 and 2021 and the related tax effect are detailed below.

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2023:			
Unrealized gains (losses) on available-for-sale securities:			
Net unrealized holding gains (losses) arising during period	$ 221,040	(46,418)	174,622
Reclassification adjustment for net amounts included in net earnings	(227)	47	(180)
Net unrealized gains (losses) on securities	220,813	(46,371)	174,442
Effect of discount rate changes on liability for future policy benefits	(31,418)	6,598	(24,820)
Foreign currency translation adjustments	99	(21)	78
Benefit plan liability adjustment	7,527	(1,581)	5,946
Other comprehensive income (loss)	$ 197,021	(41,375)	155,646

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2022:			
Unrealized gains (losses) on available-for-sale securities:			
Net unrealized holding gains (losses) arising during period	$ (1,286,711)	270,209	(1,016,502)
Reclassification adjustment for net amounts included in net earnings	(5,111)	1,073	(4,038)
Net unrealized gains (losses) on securities	(1,291,822)	271,282	(1,020,540)
Effect of discount rate changes on liability for future policy benefits	292,180	(61,358)	230,822
Foreign currency translation adjustments	534	(112)	422
Benefit plan liability adjustment	16,997	(3,569)	13,428
Other comprehensive income (loss)	$ (982,111)	206,243	(775,868)

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2021:			
Unrealized gains (losses) on available-for-sale securities:			
Net unrealized holding gains (losses) arising during period	$ (415,312)	87,216	(328,096)
Reclassification adjustment for net amounts included in net earnings	(16,372)	3,438	(12,934)
Net unrealized gains (losses) on securities	(431,684)	90,654	(341,030)
Effect of discount rate changes on liability for future policy benefits	67,752	(14,228)	53,524
Foreign currency translation adjustments	1	—	1
Benefit plan liability adjustment	16,543	(3,474)	13,069
Other comprehensive income (loss)	$ (347,388)	72,952	(274,436)

(14) STOCKHOLDERS' EQUITY

(A) Changes in Common Stock Shares Outstanding

Changes in shares of common stock outstanding are provided below.

	Years Ended December 31,		
	2023	2022	2021
		(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

As of December 31, 2023, 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 are settled only in cash. Accordingly, no shares of Class A Common Stock are issuable under the terms of such awards.

(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 of National Western as of the previous year-end. Under these guidelines, the maximum dividend payment which may be made without prior approval in 2024 is $70.5 million.

As the sole owner of National Western, all dividends declared by National Western are payable entirely to NWLGI and are eliminated in consolidation. During 2023, the Board of Directors of National Western declared ordinary cash dividends totaling $5.0 million which were paid to NWLGI during the year. During 2022, the Board of Directors of National Western declared ordinary cash dividends totaling $2.0 million which were also paid to NWLGI during the year.

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 Ozark National 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 2024 without prior approval is $24.3 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, 2023 and 2022.

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, 2023 was $5.6 million. In the year ended December 31, 2023, NIS declared and made dividend payments of $12.0 million to NWLGI which were eliminated in consolidation. No dividends were declared or paid in the year ended December 31, 2022.

On October 26, 2023, the Board of Directors of NWLGI declared a cash dividend to stockholders on record as of November 6, 2023 which was paid December 1, 2023. 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 2022 and paid in December of 2022.

The Company entered into an agreement and plan of merger on October 8, 2023 with S. USA Life Insurance Company, Inc. and PGH Merger Inc. At the effective time of the merger, each issued and outstanding share of Class A Common Stock and Class B Common Stock will be converted into the right to receive $500.00 per share in cash, without interest.

(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 $115.1 million is significantly below its regulatory total adjusted capital of $1.8 billion. In addition, Ozark National's regulatory total adjusted capital of $155.8 million is also materially greater than its current authorized control level RBC of $7.9 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 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, 2022 were paid out in the first quarter of 2023. The performance factor during the measurement period used to determine compensation payouts was 74.54% of the pre-defined metric target.

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.

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, 2023 and 2022. 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, 2023		December 31, 2022	
	Officers	Directors	Officers	Directors
SARs	—	—	113,127	—
RSUs	—	2,170	7,591	3,710
PSUs	—	—	5,989	—

The grant price of Officer awards was $220.61 in 2022. The grant prices of Director awards were $207.84 in 2022 and $384.26 in 2023.

The Company uses the current fair value method to measure compensation costs for awards granted under the share-based plans. As of December 31, 2023 and 2022, the liability balance for these plans was $64.8 million and $20.5 million, respectively. The Company establishes its liability balance for share-based plans and recognizes related compensation cost over the graded vesting periods of each individual award. Under the terms of the merger agreement described above, all outstanding unvested share-based awards would fully vest at the closing date of the merger agreement which is currently expected to occur sometime in the first half of the 2024 calendar year. In the Merger, all outstanding shares of Class A Common Stock and Class B Common Stock will be converted into the right to receive $500.00 per share in cash, without interest. As a result, the liability balance and expense amortization for all awards outstanding at December 31, 2023 has been calculated assuming an ultimate amortization ending date of June 30, 2024 and a stock price of $500.00 per share. Fair value of SARs was previously calculated using the Black-Scholes option pricing model and has been updated at December 31, 2023 to reflect a fair value per share equivalent to the spread (above grant price) with an assumed $500.00 stock price.

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, 2023	291,000	—	$ —
Exercised	—	—	$ —
Forfeited	—	—	$ —
Expired	—	—	$ —
Stock options granted	—	—	$ —
Balance at December 31, 2023	291,000	—	$ —

	Liability Awards		
	SARs	RSUs	PSUs
Other Share/Unit Awards:			
Balance at January 1, 2023	286,589	21,861	24,845
Exercised	(68,595)	(9,088)	(6,066)
Forfeited	(5,927)	(689)	(335)
Granted	—	2,170	—
Balance at December 31, 2023	212,067	14,254	18,444

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 $22.5 million, $2.6 million, and $4.1 million for the years ended December 31, 2023, 2022, and 2021, respectively. The total fair value of SARs, RSUs, and PSUs vested during the years ended December 31, 2023, 2022, and 2021 was $28.8 million, $7.7 million, and $3.7 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, 2023.

	SARs Outstanding		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Exercisable
Exercise prices:			
$216.48	3,529	2.1 years	3,529
$311.16	6,913	3.1 years	6,913
$334.34	6,433	4.0 years	6,433
$303.77	7,493	5.0 years	7,493
$252.91	11,046	6.0 years	11,046
$192.10	25,588	6.9 years	25,588
$218.44	48,720	8.0 years	29,037
$220.61	102,345	9.0 years	29,254
Totals	212,067		119,293
Aggregate intrinsic value (in thousands)	$ 57,762		$ 31,799

The aggregate intrinsic value in the table above is based on the price of $500.00 per share agreed upon in the Merger Agreement described above.

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

	December 31, 2022
Expected term	0.9 to 6.7 years
Expected volatility weighted-average	36.18 %
Expected dividend yield	0.13 %
Risk-free rate weighted-average	4.19 %

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 $66.8 million, $15.2 million, and $5.8 million for the years ended December 31, 2023, 2022 and 2021, respectively. The related tax (benefit)/expense recognized was $(14.0) million, $(3.2) million, and $(1.2) million for the years ended December 31, 2023, 2022 and 2021, respectively.

For the years ended December 31, 2023, 2022 and 2021, the total pre-tax compensation expense related to nonvested share-based awards not yet recognized was $11.2 million, $27.4 million, and $11.9 million, respectively. The December 31, 2023 amount is expected to be recognized over a weighted-average period of 0.5 years.

(15) INFORMATION REGARDING CONTROLLING STOCKHOLDER

Prior to his death on November 7, 2023, Robert L. Moody, Sr., the Chairman Emeritus of the Company, was the controlling stockholder of the Company because he controlled, through the Moody Revocable Trust, 99.0% of the 200,000 aggregate outstanding shares of the Company's Class B Common Stock. Under the terms of the Moody Revocable Trust, the shares of Class B Common Stock held by the Moody Revocable Trust pass to Three R Trust, a trust created by Robert L. Moody Sr. for the benefit of his children and their lineal descendants. The trustee of the Moody Revocable Trust, however, is authorized to retain trust properties, including the shares of Class B Common Stock, for as long as is necessary to administer the trust and Robert L. Moody Sr.'s estate, including the payment of debts, expenses and taxes. Therefore, upon Robert L. Moody, Sr.'s death, Three R Trust acquired beneficial ownership of the shares of Class B Common Stock held by the Moody Revocable Trust. However, legal title will remain with the Moody Revocable Trust for the foreseeable future. Therefore, until the transfer of legal title to Three R Trust, Moody National Bank (as trustee of the Moody Revocable Trust) retains the voting power with respect to those shares of Class B Common Stock.

The shares of Class B Common Stock owned by the Moody 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 limited to 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.

(16) 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,	
	2023	2022
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 16,977	22,056
Service cost	108	131
Interest cost	798	581
Actuarial (gain) loss	(39)	(4,217)
Benefits paid	(1,505)	(1,574)
Projected benefit obligations at end of year	16,339	16,977
Changes in plan assets:		
Fair value of plan assets at beginning of year	18,510	23,241
Actual return on plan assets	3,156	(3,407)
Contributions	—	250
Benefits paid	(1,505)	(1,574)
Fair value of plan assets at end of year	20,161	18,510
Funded status at end of year	$ 3,822	1,533

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 2023 due to the following:
- An experience gain of approximately $279,000 due to census demographics.
- An experience loss of approximately $13,000 due to the difference in expected and actual benefit payments.
- An experience loss of approximately $227,000 due to the decrease in the discount rate from 5.00% to 4.75%.

The Projected Benefit Obligation decreased in 2022 from the previous year 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%.

	December 31, 2023	December 31, 2022
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ 3,822	1,533
Liabilities	—	—
Net amount recognized	$ 3,822	1,533
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ 2,040	4,273
Prior service cost	—	—
Net amount recognized	$ 2,040	4,273

The accumulated benefit obligation was $16.3 million and $17.0 million at December 31, 2023 and 2022, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31, 2023	2022	2021
	(In thousands)		
Components of net periodic benefit costs:			
Interest cost	$ 798	581	528
Service cost	108	131	119
Expected return on plan assets	(1,241)	(1,575)	(1,425)
Amortization of net loss (gain)	279	134	539
Net periodic benefit cost	(56)	(729)	(239)
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	(1,954)	765	(2,645)
Amortization of net loss (gain)	(279)	(134)	(539)
Total recognized in other comprehensive income (loss)	(2,233)	631	(3,184)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (2,289)	(98)	(3,423)

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,	
	2023	2022
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.75 %	5.00 %
Rate of compensation increase	n/a	n/a

	Years ended December 31,		
	2023	2022	2021
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	5.00 %	2.75 %	2.25 %
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, 2023, the plan’s average 5-year and inception-to-date returns were 11.11% and 6.70%, 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 the three level fair value 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, 2023 and 2022.

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash and cash equivalents	$ 963	963	—	—
Equity securities:				
Domestic	12,222	12,222	—	—
International	103	103	—	—
Debt securities:				
U.S. government agencies	499	—	499	—
Corporate bonds	6,374	—	6,374	—
Total	$ 20,161	13,288	6,873	—

	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	—

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,		
	2023	2022	2021
Asset Category:			
Equity securities	61%	63%	68%
Debt securities	34%	33%	28%
Cash and cash equivalents	5%	4%	4%
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

Pension plan assets are a highly diversified portfolio. The 95% of pension assets not invested in cash is allocated among 244 different investments, with no single issuer representing more than 5.0% 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 2024. 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):

2024	$ 1,461
2025	1,515
2026	1,390
2027	1,400
2028	1,386
2029-2033	6,013

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. (subsequently renamed Brookfield Reinsurance Ltd.) and is therefore no longer a related party of National Western. American National (subsequently reorganized as a Limited Liability Corporation) has guaranteed the payment of pension obligations under the plan. However, the Company has a contingent liability with respect to the plan should these entities 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.

On November 7, 2023, Robert L. Moody, Sr., Chairman Emeritus of the Company, passed away. Mr. Moody, Sr.'s wife predeceased him. Accordingly, the Company has no obligation to make any additional payments with respect to Mr. Moody, Sr.'s participation in the qualified pension plan and non-qualified defined benefit plans described above.

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, 2023	December 31, 2022
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 31,522	44,448
Service cost	816	1,038
Interest cost	1,635	1,114
Actuarial (gain) loss	(5,136)	(13,096)
Benefits paid	(1,816)	(1,982)
Projected benefit obligations at end of year	27,021	31,522
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions	1,816	1,982
Benefits paid	(1,816)	(1,982)
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (27,021)	(31,522)

The Projected Benefit Obligation decreased in 2023 due to the following:

- An experience loss of approximately $2,176,000 due to census demographics different than assumed including changes in compensation different than assumed.
- An experience gain of approximately $8,292,000 due to the death of a participant.
- An experience gain of approximately $165,000 due to the difference in expected and actual benefit payments.
- An experience loss of approximately $1,145,000 due to the decrease in the discount rate from 5.00% to 4.75%.

The Projected Benefit Obligation decreased in 2022 from the prior year 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%.

	December 31, 2023	December 31, 2022
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(27,021)	(31,522)
Net amount recognized	$ (27,021)	(31,522)
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ (6,644)	(1,509)
Prior service cost	226	286
Net amount recognized	$ (6,418)	(1,223)

The accumulated benefit obligation was $19.6 million and $23.2 million at December 31, 2023 and 2022, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31, 2023	2022	2021
	(In thousands)		
Components of net periodic benefit cost:			
Service cost	$ 816	1,038	1,235
Interest cost	1,635	1,114	1,044
Amortization of prior service cost	59	59	59
Amortization of net loss (gain)	—	2,338	5,131
Net periodic benefit cost	2,510	4,549	7,469
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	(5,136)	(13,096)	(7,420)
Amortization of prior service cost	(59)	(59)	(59)
Amortization of net loss (gain)	—	(2,338)	(5,131)
Total recognized in other comprehensive income (loss)	(5,195)	(15,493)	(12,610)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (2,685)	(10,944)	(5,141)

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,	
	2023	2022
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.75 %	5.00 %
Rate of compensation increase	8.00 %	8.00 %

	Years ended December 31,		
	2023	2022	2021
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	5.00 %	2.75 %	2.25 %
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, 2023 or 2022.

Contributions

National Western expects to contribute approximately $0.0 million to the plan in 2024.

Estimated Future Benefit Payments

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

2024	$ —
2025	—
2026	—
2027	415
2028	2,488
2029-2033	12,442

(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 2023, 2022, and 2021 of up to four percent of each employee's compensation, based on the employee's personal level of salary deferrals to the plan. Contributions are not subject to a vesting schedule. For the years ended December 31, 2023, 2022, and 2021, NWLIC contributions totaled $790,000, $703,000, and $755,000, 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, 2023, 2022, and 2021, contributions totaled $121,000, $128,000, and $143,000, respectively.

Ozark National sponsors a qualified 401(k) plan for substantially all employees of Ozark National and NIS. Ozark National made contributions to the 401(k) plan in 2023, 2022, and 2021 of up to four percent of each employee's compensation, based on the employee's personal level of salary deferrals to the plan. Contributions are not subject to a vesting schedule. Expense related to this plan totaled $84,000, $112,000, and $125,000 for Ozark National and $14,000, $15,000, and $10,000 for NIS for the years ended December 31, 2023, 2022, and 2021, 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 $48,000, $(75,000), and $24,000 for the years ended December 31, 2023, 2022, and 2021, 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,	
	2023	2022
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 4,406	6,160
Interest cost	243	173
Actuarial (gain) loss	(99)	(1,927)
Benefits paid	—	—
Projected benefit obligations at end of year	4,550	4,406
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	$ (4,550)	(4,406)

The Projected Benefit Obligation increased in 2023 due to the following:

- An experience loss of approximately $460,000 due to the claims/healthcare cost trend experience.
- An experience gain of approximately $746,000 due to the death of a participant.
- An experience loss of approximately $187,000 due to the decrease in the discount rate from 5.00% to 4.75%.

The Projected Benefit Obligation decreased in 2022 from the prior year 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 approximately $264,000 due to the change in trend rate.
- An experience gain of approximately $2,002,000 due to the increase in the discount rate from 2.75% to 5.00%.

	December 31,	
	2023	2022
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(4,550)	(4,406)
Net amount recognized	$ (4,550)	(4,406)
Amounts recognized in accumulated other comprehensive income (loss):		
Net (gain) loss	$ (695)	(596)
Prior service cost	—	—
Net amount recognized	$ (695)	(596)

The accumulated benefit obligation was $4.5 million and $4.4 million at December 31, 2023 and 2022, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Components of net periodic benefit cost:			
Interest cost	$ 243	173	148
Amortization of prior service cost	—	—	—
Amortization of net loss	—	208	292
Net periodic benefit cost	243	381	440
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Net loss (gain)	(99)	(1,927)	(457)
Amortization of prior service cost	—	—	—
Amortization of net loss (gain)	—	(208)	(292)
Total recognized in other comprehensive income (loss)	(99)	(2,135)	(749)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 144	(1,754)	(309)

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,	
	2023	2022
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.75 %	5.00 %
Expected long-term return on plan assets	n/a	n/a

	For the years ended December 31,		
	2023	2022	2021
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	5.00 %	2.75 %	2.25 %
Expected long-term return on plan assets	n/a	n/a	n/a

For measurement purposes, a 7.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2024, 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, 2023 and 2022.

Contributions

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

2024	$	—
2025		—
2026		97
2027		63
2028		286
2029-2033		1,216

(17) FEDERAL INCOME TAXES

Total Federal income taxes were allocated as follows:

	Years Ended December 31,		
	2023	2022	2021
		(In thousands)	
Taxes (benefits) on earnings from continuing operations:			
Current	$ 53,262	15,830	42,829
Deferred	(18,007)	47,702	22,848
Taxes on earnings	35,255	63,532	65,677
Taxes (benefits) on components of stockholders' equity:			
Net unrealized gains and losses on securities available-for-sale	46,371	(271,282)	(90,654)
Change in discount rate on LFPB	(6,598)	61,358	14,228
Foreign currency translation adjustments	21	112	—
Change in benefit plan liability	1,581	3,569	3,474
Change in accounting	—	—	54,487
Total Federal income taxes	$ 76,630	(142,711)	47,212

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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,		
	2023	2022	2021
		(In thousands)	
Income tax expense at statutory rate of 21%	$ 27,234	65,109	66,825
Dividend received deduction	(140)	(405)	(394)
Tax exempt interest	(1,088)	(1,194)	(1,263)
Non deductible salary expense	12,120	642	439
Adjustments pertaining to prior tax years	(317)	(538)	(63)
Non deductible insurance	53	96	96
Non deductible other expenses	66	42	54
Non taxable life insurance proceeds	(2,683)	—	—
Other, net	10	(220)	(17)
Taxes on earnings from continuing operations	$ 35,255	63,532	65,677

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. In the year ended December 31, 2023, the Company's effective tax rate increased significantly due to non-deductible salary expense associated with Internal Revenue Code Section 162(m) which disallows deductions for publicly traded companies that pay its highly compensated officers over $1.0 million in compensation. This threshold for covered employees was substantially exceeded in 2023 due to the increased exercising of long-term incentive equity awards prompted by the Company's pending Merger Agreement announced in the fourth quarter of 2023.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below.

	December 31,	
	2023	2022
	(In thousands)	
Deferred tax assets:		
Future policy benefits, excess of financial accounting liabilities over tax liabilities	$ 38,845	36,532
Investment securities write-downs for financial accounting purposes	847	1,088
Benefit plan liabilities	8,339	8,974
Accrued operating expenses recorded for financial accounting purposes not currently tax deductible	15,267	5,915
Accrued and unearned investment income recognized for tax purposes and deferred for financial accounting purposes	27	42
Net unrealized losses on debt and equity securities	158,351	213,345
Goodwill	933	1,315
Other	4,215	4,730
Total gross deferred tax assets	226,824	271,941
Valuation allowance on deferred tax assets	(10,723)	—
Total deferred tax assets	216,101	271,941
Deferred tax liabilities:		
Deferred policy acquisition costs, sales inducement costs, and VOBA, principally expensed for tax purposes	(127,559)	(138,596)
Tax reform reserve adjustment	(17,465)	(26,198)
Debt securities, principally due to deferred market discount for tax	(5,624)	(5,895)
Real estate, principally due to adjustments for financial accounting purposes	(30)	(30)
Foreign currency translation adjustments	(2,210)	(2,005)
Fixed assets, due to different depreciation bases	(8,975)	(11,729)
Cost of reinsurance	(14,267)	(16,449)
Funds withheld liability	(53,537)	(61,198)
Other	(769)	(809)
Total gross deferred tax liabilities	(230,436)	(262,909)
Net deferred tax assets (liabilities)	$ (14,335)	9,032

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, 2023 is $17.5 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.

The Company is required to determine whether a valuation allowance for deferred tax assets is necessary by considering whether it is more likely than not that some portion or all of its 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 the temporary differences giving rise to deferred tax assets become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and available tax planning strategies in making this assessment. Historically, based upon the Company's past experience of generating taxable income as well as projections for future taxable income over the periods in which the deferred tax assets are deductible, management has concluded it is more likely than not that the Company will realize the benefits of these deductible differences.

At December 31, 2023, based upon its periodic assessment process, the Company determined that a valuation allowance for deferred tax assets was required related to its liability for share-based compensation. As a consequence of its announced Merger Agreement in the fourth quarter of 2023, the Company's share-based compensation liability increased significantly due both to the stated purchase price in the Merger Agreement of $500.00 per share of the Company's common stock as well as the accelerated period of time over which the equity-based awards were expected to be exercised. This served to significantly increase the deferred tax asset associated with the share-based compensation liability which included amounts subject to the Internal Revenue Code's section 162(m) deductibility threshold. The valuation allowance at December 31, 2023 represents the amount of the share-based compensation liability that is expected to not be deductible due to the limitations imposed by IRC section 162(m). There were no valuation allowances for deferred tax assets at December 31, 2022.

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, 2023 or 2022. The Company and its corporate subsidiaries file a consolidated U.S. Federal income tax return, which is subject to examination for all years after 2019.

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.

(18) 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, 2023 or 2022. The Company maintained assets having an amortized value of $94.8 million (fair value of $85.7 million) on deposit with the lender at December 31, 2023.

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 has a specified borrowing capacity based upon the amount of collateral it establishes. At December 31, 2023, securities and commercial loans with amortized values of $402.8 million (fair value of $378.4 million) were pledged to FHLB.

(19) 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 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 remitted a payment to the IRS in the amount of $4.9 million within sixty days of the effective date of the Agreement and made 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.

The agreement and plan of merger described above (the "Merger Agreement") contains certain termination rights for both the Company and S.USA. If the Merger has not closed by July 8, 2024 (the “Outside Date”), either the Company or S.USA may terminate the Merger Agreement. However, if the closing has not occurred because the required insurance regulatory approvals have not been obtained, and all other conditions to closing have been satisfied (other than those conditions that by their terms are to be satisfied at the closing, each of which is capable of being satisfied at the closing) or waived, the Outside Date will be automatically extended to October 8, 2024. The Merger Agreement requires the Company to pay S.USA a $66.5 million termination fee under certain circumstances. Specifically, a termination fee would be payable by the Company if:

- S.USA terminates the Merger Agreement due to the occurrence of a Company terminable breach and (i) a competing proposal was announced after the date of the Merger Agreement but prior to the termination that was not withdrawn and (ii) within 12 months after the termination, the Company enters into a definitive agreement with respect to, or otherwise consummates, the competing proposal (or does not oppose it, in the case of a tender or exchange offer);
- The Company or S.USA terminates the Merger Agreement because of the Company’s failure to obtain the required vote at a duly held meeting of its stockholders and (i) a competing proposal was announced after the date of the Merger Agreement but prior to the termination that was not withdrawn and (ii) within 12 months after the termination, the Company enters into a definitive agreement with respect to, or otherwise consummates, the competing proposal (or does not oppose it, in the case of a tender or exchange offer);
- S.USA terminates the Merger Agreement because prior to receipt of Company stockholder approval there has been a change in the NWLGI board of directors’ recommendation, regardless of whether permitted by the Merger Agreement; or
- the Company terminates the Merger Agreement prior to the receipt of Company stockholder approval in order to enter into a definitive written agreement providing for a superior proposal received after the signing of the Merger Agreement that did not result from a breach of the nonsolicitation covenant binding on the Company and the Company complied with the nonsolicitation covenant’s requirements binding on the Company.

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 $15.6 million commitments to extend credit relating to existing loans at December 31, 2023. 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 $176.1 million as of December 31, 2023. The Company had unfunded commitments on private placements of $0.0 million and unfunded commitments on revolver loans of $0.0 million as of December 31, 2023.

(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, 2023, 2022 and 2021, liabilities for guaranty association assessments totaled $0.5 million, $0.3 million and $0.1 million, respectively. Other operating expenses related to state guaranty association assessments were $0.0 million, $0.2 million, and $(0.1) million for the years ended December 31, 2023, 2022, and 2021, respectively.

(D) Leases

The Company leases various office related equipment. Rental expenses for these leases were $0.4 million, $0.4 million and $0.4 million for the years ended December 31, 2023, 2022, and 2021, 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, 2023 are as shown below (in thousands).

2024	$ 316
2025	180
2026	164
2027	—
2028	—
Total minimum lease payments	660
Less: Interest	(3)
Present value of net minimum lease payments	$ 657

(20) 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,	
	2023	2022
	(In thousands)	
National Western:		
Debt securities available-for-sale	$ 14,833	15,379
Short-term investments	3,091	475
Total National Western	17,924	15,854
Ozark National:		
Debt securities available-for-sale	3,342	3,368
Total Ozark National	3,342	3,368
Total	$ 21,266	19,222

(21) RELATED PARTY TRANSACTIONS

Ross R. Moody, NWLGI's Chairman, President and Chief Executive Officer, is the son of former Chairman Emeritus of the Board of Directors of NWLGI, Robert L. Moody, Sr., the 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.

National Western utilizes Moody National Bank of Galveston ("MNB") for certain bank custodian services as well as for certain administrative services with respect to its defined benefit plan. In 2023, NWL Financial, Inc., a subsidiary of National Western, entered into an investment management agency agreement with MNB. The Three R Trusts, four separate Texas trusts for the benefit of the children of Robert L. Moody, Sr. (Ross R. Moody, Russell S. Moody, Frances A. Moody-Dahlberg, and Robert L. Moody, Jr.) own a majority of the issued and outstanding shares of Moody Bancshares, Inc. At December 31, 2022, Moody Bancshares, Inc. owned 100% of the outstanding shares of Moody Bank Holding Company, Inc., which owned approximately 98.5% of the outstanding shares of MNB. Ross R. Moody, Russell S. Moody, and Frances A. Moody-Dahlberg are members of the Board of Directors of MNB. National Western and affiliated entities paid fees totaling $470,307 and $486,813 in 2023 and 2022, respectively, to MNB with respect to the services provided as described above. National Western also maintains an office space lease with MNB and made payments totaling $32,101 and $32,101 in 2023 and 2022, respectively, under this lease.

National Western held an investment totaling approximately 9.4% of the issued and outstanding shares of Moody Bancshares, Inc. at December 31, 2022. In response to a tender offer, the Company sold this investment holding during 2023 recognizing a gain of $25.7 million.

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 in 2022 in premiums for certain company sponsored benefit plans and $1,506,422 in 2022 in reimbursements for claim costs for which American National provides third party administrative services. American National paid National Western $1,569,190 in 2022, 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 was paid in 2022, 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 NWLGI's Board of Directors, were also members of the American National Board of Directors.

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 $21,427 and $180,208 in 2023 and 2022, respectively. Ozark National also entered into a services agreement with JLL in 2022, but no payments were made under that agreement in either 2023 or 2022.

Robert L. Moody, Sr. served as Chairman Emeritus of NWLGI until his death on November 7, 2023. National Western carried life insurance policies totaling a face amount of $27.0 million on the life of Mr. Moody, Sr. of which $26.85 million was reinsured with third party reinsurers. National Western was included as a beneficiary on these policies and received $12.8 million in proceeds. The Three R Trusts received $11.4 million in proceeds from the policies and Ross R. Moody, Frances A. Moody-Dahlberg, Russell S. Moody, and Robert L. Moody, Jr. each received $581,593 in proceeds from the policies.

(22) SUBSEQUENT EVENTS

On October 8, 2023, the Company entered into a Merger Agreement with S. USA Life Insurance Company, Inc. ("S.USA") and its direct wholly owned subsidiary PGH Merger Inc. ("Merger Sub"), under which, at the effective time of the merger, the Company would merge with and into Merger Sub (the "Merger") and survive the Merger as a wholly owned subsidiary of S.USA. In the Merger, all outstanding shares of Class A Common Stock and Class B Common Stock will be converted into the right to receive $500.00 per share in cash, without interest. Including the vesting and cash settlement of all outstanding SARs, RSUs and PSUs (at target performance) at closing, the total merger consideration to be paid by S.USA would be approximately $1.9 billion. S.USA is an Arizona domiciled insurance company affiliated with Prosperity Group Holdings. A condition to the closing of the Merger is approval by the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common stock, voting together as a single class. This occurred at a special meeting of NWLGI stockholders held on January 8, 2024.

The closing of the Merger is further subject to antitrust clearance, regulatory approvals and other customary closing conditions. The Merger is currently expected to close in the first half of 2024.

Other 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 (Continued)
December 31, 2023
(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	$ 14,873	14,703	14,703
States, municipalities, and political subdivisions	442,455	394,485	394,485
Foreign governments	62,947	48,494	48,494
Public utilities	556,434	503,266	503,266
Corporate	5,442,342	5,034,956	5,034,956
Commercial mortgage-backed	22,239	20,833	20,833
Residential mortgage-backed	252,924	242,019	242,019
Asset-backed	920,289	849,432	849,432
Total securities available-for-sale	7,714,503	7,108,188	7,108,188
Debt securities trading:			
States, municipalities, and political subdivisions	16,464	13,122	13,122
Public utilities	33,686	24,959	24,959
Corporate	530,889	438,579	438,579
Commercial mortgage-backed	243,721	208,322	208,322
Residential mortgage-backed	9,745	7,652	7,652
Asset-backed	339,592	323,269	323,269
Collateralized loan obligation	30,871	30,953	30,953
Total securities trading	1,204,968	1,046,856	1,046,856
Total fixed maturity bonds	8,919,471	8,155,044	8,155,044
Equity securities:			
Common stocks:			
Public utilities	552	1,147	1,147
Banks, trust, and insurance companies	1,563	3,456	3,456
Industrial, miscellaneous, and all others	7,829	16,035	16,035
Preferred stocks	4,325	3,460	3,460
Total equity securities	14,269	24,098	24,098
Derivatives, index options	85,158		85,158
Mortgage loans on real estate	474,133		474,133
Policy loans	66,602		66,602
Other long-term investments (2)	295,471		295,471
Total investments other than investments in related parties	$ 9,855,104		9,100,506

(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, 2023 and 2022
(Parent Company Only)
(In thousands)

	2023	2022
ASSETS		
Investment in subsidiaries	$ 2,436,113	2,193,528
Cash and cash equivalents	3,264	1,939
Deferred Federal income tax asset	19,088	14,972
Other assets	203	233
Total assets	$ 2,458,668	2,210,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current Federal income tax liability	$ 17,633	18,444
Other liabilities	1,311	1,306
Total liabilities	18,944	19,750
Stockholders' Equity:		
Common Stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2023 and 2022	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2023 and 2022	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income (loss)	(322,573)	(478,219)
Retained earnings	2,720,545	2,627,389
Total stockholders’ equity	2,439,724	2,190,922
Total liabilities and stockholders' equity	$ 2,458,668	2,210,672

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, 2023, 2022 and 2021
(Parent Company Only)
(In thousands)

	2023	2022	2021
Revenues:			
Dividend income from subsidiaries	$ 17,000	2,000	—
Net investment income	246	36	10
Total revenues	17,246	2,036	10
Expenses:			
Other operating expenses	18,873	5,140	2,660
Total expenses	18,873	5,140	2,660
Earnings (loss) before Federal income taxes	(1,627)	(3,104)	(2,650)
Federal income taxes (benefit)	(4,116)	(1,077)	(537)
Earnings (loss) before equity in earnings of affiliates	2,489	(2,027)	(2,113)
Equity in earnings of affiliates	91,941	248,538	254,650
Net earnings	$ 94,430	246,511	252,537

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, 2023, 2022 and 2021
(Parent Company Only)
(In thousands)

	2023	2022	2021
Cash flows from operating activities:			
Net earnings	$ 94,430	246,511	252,537
Adjustments to reconcile net earnings to cash provided by operating activities:			
Equity in earnings of affiliates	(91,941)	(248,538)	(254,650)
Depreciation and amortization	30	30	30
Change in:			
Federal income tax, net	(810)	4,056	2,721
Deferred Federal income tax	(4,115)	(6,714)	(537)
Other, net	5	851	(188)
Net cash provided by (used in) operating activities	(2,401)	(3,804)	(87)
Cash flows from investing activities:			
Return of capital from subsidiary investment	5,000	—	—
Net cash provided by (used in) investing activities	5,000	—	—
Cash flows from financing activities:			
Dividends on common stock	(1,274)	(1,274)	(1,272)
Net cash provided by (used in) financing activities	(1,274)	(1,274)	(1,272)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,325	(5,078)	(1,359)
Cash, cash equivalents, and restricted cash at the beginning of year	1,939	7,017	8,376
Cash, cash equivalents, and restricted cash at the end of year	$ 3,264	1,939	7,017

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, 2023, 2022, and 2021, dividends of $5.0 million, $2.0 million and $0.0 million were declared and paid by NWLIC to NWLGI, respectively. In the years ended December 31, 2023, 2022, and 2021, dividends of $12.0 million, $0.0 million, and $0.0 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, 2023, 2022 and 2021
(In thousands)

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net amount	Percentage of Amount Assumed to Net
	(In thousands)				
2023					
Life insurance face amount in force	$18,049,420	3,154,859	—	14,894,561	— %
Premiums:					
Life insurance	$ 88,106	5,946	163	82,323	0.2 %
Accident and health insurance	2,723	—	—	2,723	— %
Annuities	3,125	—	—	3,125	— %
Total premiums	$ 93,954	5,946	163	88,171	0.2 %
2022					
Life insurance face amount in force	$19,668,410	3,549,917	—	16,118,493	— %
Premiums:					
Life insurance	$ 90,863	6,443	177	84,597	0.2 %
Accident and health insurance	3,252	—	—	3,252	— %
Annuities	6,656	—	—	6,656	— %
Total premiums	$ 100,771	6,443	177	94,505	0.2 %
2021					
Life insurance face amount in force	$20,888,431	3,781,167	—	17,107,264	— %
Premiums:					
Life insurance	$ 92,868	6,419	194	86,643	0.2 %
Accident and health insurance	3,346	—	—	3,346	— %
Annuities	31,012	—	—	31,012	— %
Total premiums	$ 127,226	6,419	194	121,001	0.2 %

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE V
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2023, 2022 and 2021
(In thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	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, 2023	$ 3,575	76	—	—	3,651
December 31, 2022	$ 2,987	588	—	—	3,575
December 31, 2021	$ 2,486	501	—	—	2,987
Allowance for current expected credit losses on debt securities:					
December 31, 2023	$ —	—	—	—	—
December 31, 2022	$ —	—	—	—	—
December 31, 2021	$ —	—	—	—	—
Allowance for current expected credit losses on reinsurance recoverables:					
December 31, 2023	$ 450	—	—	(450)	—
December 31, 2022	$ —	450	—	—	450
December 31, 2021	$ —	—	—	—	—
Allowance for possible losses on real estate:					
December 31, 2023	$ 350	20	—	—	370
December 31, 2022	$ 424	—	—	(74)	350
December 31, 2021	$ 424	—	—	—	424
Allowance for deferred tax valuation:					
December 31, 2023	$ —	10,723	—	—	10,723
December 31, 2022	$ —	—	—	—	—
December 31, 2021	$ —	—	—	—	—

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: February 29, 2024	/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	February 29, 2024
Ross R. Moody	and Chief Executive Officer	
	(Principal Executive Officer)	
/S/ Brian M. Pribyl	Senior Vice President - Chief Financial Officer,	February 29, 2024
Brian M. Pribyl	and Treasurer	
	(Principal Financial Officer)	
	(Principal Accounting Officer)	
/S/ Thomas A. Blackwell	Director	February 29, 2024
Thomas A. Blackwell		
/S/ David S. Boone	Director	February 29, 2024
David S. Boone		
/S/ Stephen E. Glasgow	Director	February 29, 2024
Stephen E. Glasgow		
/S/ E. Douglas McLeod	Director	February 29, 2024
E. Douglas McLeod		
/S/ Frances A. Moody-Dahlberg	Director	February 29, 2024
Frances A. Moody-Dahlberg		
/S/ Charles D. Milos	Director	February 29, 2024
Charles D. Milos		
/S/ E.J. Pederson	Director	February 29, 2024
E.J. Pederson		
/S/ Todd M. Wallace	Director	February 29, 2024
Todd M. Wallace		

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%
Ozark National Life Insurance Company	Missouri	National Western Life Insurance Company	100%
N.I.S. Financial Services, Inc.	Missouri	National Western Life Group, Inc.	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 February 29, 2024, on our audits of the consolidated financial statements and financial statement schedules of National Western Life Group, Inc. as of December 31, 2023 and 2022, and for each of the years in the three-year period ended December 31, 2023, which is included in the Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 29, 2024, on our audit of the internal control over financial reporting of National Western Life Group, Inc. as of December 31, 2023, which is included in the Annual Report on Form 10-K.

/S/FORVIS, LLP

West Des Moines, Iowa
February 29, 2024

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: February 29, 2024

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

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: February 29, 2024

/S/Brian M. Pribyl
Brian M. Pribyl
Senior Vice President,
Chief Financial Officer and
Treasurer

EXHIBIT 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National Western Life Group, Inc. ("Company") on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on or about the date hereof ("Report"), I, Ross R. Moody, Chairman of the Board, President, and Chief Executive Officer of the Company and I, Brian M. Pribyl, Senior Vice President, Chief Financial Officer, and Treasurer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2024

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

/S/Brian M. Pribyl
Brian M. Pribyl
Senior Vice President,
Chief Financial Officer
and Treasurer