PROTECTIVE LIFE CORP
Form 10-Q
November 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

or

o 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 001-11339

PROTECTIVE LIFE CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**95-2492236**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 HIGHWAY 280 SOUTH

BIRMINGHAM, ALABAMA 35223

(Address of principal executive offices and zip code)

Registrant s telephone number, including area code **(205) 268-1000**

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 x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated Filer o
Non-accelerated filer o	Smaller Reporting Company o

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

Number of shares of Common Stock, $0.01 Par Value, outstanding as of October 29, 2015: 1,000

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PROTECTIVE LIFE CORPORATION

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)		(Dollars In Thousands, Except Per Share Amounts)		
Revenues					
Premiums and policy fees	$ 797,741	$ 2,138,837	$ 261,866	$ 759,038	$ 2,426,736
Reinsurance ceded	(306,774)	(793,419)	(89,956)	(277,136)	(947,817)
Net of reinsurance ceded	490,967	1,345,418	171,910	481,902	1,478,919
Net investment income	440,620	1,165,783	175,180	558,174	1,647,153
Realized investment gains (losses):					
Derivative financial instruments	(74,590)	53,654	(123,274)	3,781	(191,495)
All other investments	5,348	(132,045)	81,153	1,194	153,456
Other-than-temporary impairment losses	(14,906)	(28,301)	(636)	(1,142)	(2,026)
Portion recognized in other comprehensive income (before taxes)	4,842	12,503	155	(1,212)	(3,379)
Net impairment losses recognized in earnings	(10,064)	(15,798)	(481)	(2,354)	(5,405)
Other income	108,312	284,669	36,421	105,389	311,359
Total revenues	960,593	2,701,681	340,909	1,148,086	3,393,987
Benefits and expenses					
Benefits and settlement expenses, net of reinsurance ceded: (2015 Successor - $266,287 and $687,238); (2015 Predecessor - $87,674; 2014 Predecessor - three months: $217,641; nine months: $851,028)	676,181	1,857,086	267,287	630,285	2,106,620
Amortization of deferred policy acquisition costs and value of business acquired	8,722	76,713	4,072	134,918	242,031
Other operating expenses, net of reinsurance ceded: (2015 Successor - $49,717 and $134,494) (2015 Predecessor - $35,036; 2014 Predecessor - three months: $49,196; nine months: $139,507)	188,430	490,885	68,368	198,000	573,038
Total benefits and expenses	873,333	2,424,684	339,727	963,203	2,921,689
Income before income tax	87,260	276,997	1,182	184,883	472,298
Income tax expense (benefit)	26,853	89,889	(327)	65,974	161,773
Net income	$ 60,407	$ 187,108	$ 1,509	$ 118,909	$ 310,525
Net income - basic			$ 0.02	$ 1.48	$ 3.88
Net income - diluted			$ 0.02	$ 1.46	$ 3.82
Cash dividends paid per share			$	$ 0.24	$ 0.68
Average shares outstanding - basic			80,452,848	80,231,591	79,942,018
			81,759,287	81,458,870	81,261,249

Average shares outstanding - diluted

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Net income	$ 60,407	$ 187,108	$ 1,509	$ 118,909	$ 310,525
Other comprehensive income (loss):					
Change in net unrealized gains (losses) on investments, net of income tax: (2015 Successor - $(25,289) and $(506,947)); (2015 Predecessor - $259,738; 2014 Predecessor - three months: $(44,766); nine months: $431,299)	(46,966)	(941,473)	482,370	(83,138)	800,982
Reclassification adjustment for investment amounts included in net income, net of income tax: (2015 Successor - $3,961 and $4,661); (2015 Predecessor - $(2,244); 2014 Predecessor - three months: $(7,446); nine months: $(16,027))	7,356	8,657	(4,166)	(13,827)	(29,763)
Change in net unrealized gains (losses) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2015 Successor - $781 and $(1,677)); (2015 Predecessor - $(131); 2014 Predecessor - three months: $561; nine months: $2,419)	1,451	(3,115)	(243)	1,044	4,494
Change in accumulated (loss) gain - derivatives, net of income tax: (2015 Successor - $0 and $(45)); (2015 Predecessor - $5; 2014 Predecessor - three months: $(22); nine months: $(31))		(86)	9	(41)	(58)
Reclassification adjustment for derivative amounts included in net income, net of income tax: (2015 Successor - $0 and $45); (2015 Predecessor - $13; 2014 Predecessor - three months: $103; nine months: $552)		86	23	190	1,025
Change in postretirement benefits liability adjustment, net of income tax: (2015 Successor - $0 and $0); (2015 Predecessor - $(6,475); 2014 Predecessor - three months: $631; nine months: $1,895)			(12,025)	1,173	3,520

Total other comprehensive income (loss)	(38,159)	(935,931)	465,968	(94,599)	780,200
Total comprehensive income (loss)	$ 22,248	$ (748,823)	$ 467,477	$ 24,310	$ 1,090,725

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	Successor Company As of September 30, 2015 (Dollars In Thousands)	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Assets		
Fixed maturities, at fair value (amortized cost: 2015 Successor - $37,851,257; 2014 Predecessor - $33,738,242)	$ 35,639,529	$ 36,775,989
Fixed maturities, at amortized cost (fair value: 2015 Successor - $518,363; 2014 Predecessor - $485,422)	579,329	435,000
Equity securities, at fair value (cost: 2015 Successor - $732,403; 2014 Predecessor - $778,744)	724,477	803,230
Mortgage loans (related to securitizations: 2015 Successor - $382,738; 2014 Predecessor - $455,250)	5,728,237	5,133,780
Investment real estate, net of accumulated depreciation (2015 Successor - $86; 2014 Predecessor - $246)	7,515	5,918
Policy loans	1,706,402	1,758,237
Other long-term investments	661,779	514,639
Short-term investments	238,658	250,645
Total investments	45,285,926	45,677,438
Cash	663,313	379,411
Accrued investment income	483,720	474,522
Accounts and premiums receivable	69,398	84,458
Reinsurance receivables	5,581,753	6,106,113
Deferred policy acquisition costs and value of business acquired	1,466,342	3,294,570
Goodwill	735,712	102,365
Other intangibles, net of accumulated amortization (2015 Successor - $27,541)	655,459	
Property and equipment, net of accumulated depreciation (2015 Successor - $5,930; 2014 Predecessor - $118,487)	104,089	52,853
Other assets	144,862	316,207
Assets related to separate accounts		
Variable annuity	12,646,751	13,157,429
Variable universal life	792,800	834,940
Total assets	$ 68,630,125	$ 70,480,306

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(continued)

(Unaudited)

	Successor Company As of September 30, 2015 (Dollars In Thousands)	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Liabilities		
Future policy benefits and claims	$ 29,734,838	$ 29,944,890
Unearned premiums	735,215	1,574,077
Total policy liabilities and accruals	30,470,053	31,518,967
Stable value product account balances	1,914,093	1,959,488
Annuity account balances	10,754,799	10,950,729
Other policyholders funds	1,128,486	1,430,325
Other liabilities	1,768,049	1,621,168
Income tax payable	48,887	23,901
Deferred income taxes	1,117,860	1,545,478
Non-recourse funding obligations	670,994	582,404
Repurchase program borrowings	455,718	50,000
Debt	1,605,796	1,300,000
Subordinated debt securities	450,603	540,593
Liabilities related to separate accounts		
Variable annuity	12,646,751	13,157,429
Variable universal life	792,800	834,940
Total liabilities	63,824,889	65,515,422
Commitments and contingencies - Note 11		
Shareowner s equity		
Preferred Stock; (Predecessor) $1 par value, shares authorized: 4,000,000; Issued: None		
Common Stock, 2015 (Successor) and 2014 (Predecessor) - $.01 par value and $.50 par value; shares authorized: 5,000 and 160,000,000; shares issued: 1,000 and 88,776,960, respectively		44,388
Additional paid-in-capital	5,554,059	606,125
Treasury stock, at cost (2014 Predecessor - 9,435,255 shares)		(185,705)
Retained earnings	187,108	3,082,000
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2015 Successor - $(502,286); 2014 Predecessor - $796,960)	(932,816)	1,480,068
Net unrealized (losses) gains relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2015 Successor - $(1,677); 2014 Predecessor - $2,208)	(3,115)	4,101
Accumulated loss - derivatives, net of income tax: (2015 Successor - $0; 2014 Predecessor - $(45))		(82)
Postretirement benefits liability adjustment, net of income tax: (2015 Successor - $0; 2014 Predecessor - $(35,545))		(66,011)
Total shareowner s equity	4,805,236	4,964,884
Total liabilities and shareowner s equity	$ 68,630,125	$ 70,480,306

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNER S EQUITY

(Unaudited)

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareowner s equity
			(Dollars In Thousands)			
Predecessor Company						
Balance, December 31, 2014	$ 44,388	$ 606,125	$ (185,705)	$ 3,082,000	$ 1,418,076	$ 4,964,884
Net income for the period of January 1, 2015 to January 31, 2015				1,509		1,509
Other comprehensive income					465,968	465,968
Comprehensive income for the period of January 1, 2015 to January 31, 2015						467,477
Stock-based compensation		1,550				1,550
Balance, January 31, 2015	$ 44,388	$ 607,675	$ (185,705)	$ 3,083,509	$ 1,884,044	$ 5,433,911

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner s equity
			(Dollars In Thousands)			
Successor Company						
Balance, February 1, 2015	$	$ 5,554,059	$	$	$	$ 5,554,059
Net income for the period of February 1, 2015 to September 30, 2015				187,108		187,108
Other comprehensive loss					(935,931)	(935,931)
Comprehensive loss for the period of February 1, 2015 to September 30, 2015						(748,823)
Balance, September 30, 2015	$	$ 5,554,059	$	$ 187,108	$ (935,931)	$ 4,805,236

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Successor Company	Predecessor Company	
	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)	(Dollars In Thousands)	
Cash flows from operating activities			
Net income	$ 187,108	$ 1,509	$ 310,525
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment losses (gains)	94,189	42,602	43,444
Amortization of DAC and VOBA	76,713	4,072	242,031
Capitalization of deferred policy acquisition costs	(207,309)	(22,489)	(215,616)
Depreciation and amortization expense	35,194	820	5,687
Deferred income tax	86,315	30,791	8,390
Accrued income tax	64,345	(32,803)	(11,220)
Interest credited to universal life and investment products	521,760	79,088	663,117
Policy fees assessed on universal life and investment products	(756,276)	(90,288)	(729,929)
Change in reinsurance receivables	142,267	(85,081)	42,565
Change in accrued investment income and other receivables	11,103	(5,789)	(28,297)
Change in policy liabilities and other policyholders funds of traditional life and health products	(147,891)	176,980	12,184
Trading securities:			
Maturities and principal reductions of investments	90,548	17,946	71,646
Sale of investments	107,035	26,422	187,829
Cost of investments acquired	(174,455)	(27,289)	(160,134)
Other net change in trading securities	66,189	(26,901)	(43,699)
Amortization of premiums and accretion of discounts on investments and mortgage loans	288,181	12,930	64,549
Change in other liabilities	(182,029)	238,592	220,160
Other income - gains on repurchase of non-recourse funding obligations			(4,587)
Other, net	(58,886)	(149,889)	(73,142)
Net cash provided by operating activities	244,101	191,223	605,503
Cash flows from investing activities			
Maturities and principal reductions of investments, available-for-sale	756,207	59,028	941,989
Sale of investments, available-for-sale	1,154,825	191,062	1,465,632
Cost of investments acquired, available-for-sale	(2,337,182)	(149,887)	(3,056,904)
Change in investments, held-to-maturity	(50,000)		(50,000)
Mortgage loans:			
New lendings	(1,101,820)	(100,530)	(649,125)
Repayments	894,164	45,741	908,364
Change in investment real estate, net	(59)	7	6,048
Change in policy loans, net	45,470	6,365	48,516

Change in other long-term investments, net	(79,030)	(25,339)	(69,778)
Change in short-term investments, net	22,313	(40,314)	(26,392)
Net unsettled security transactions	(30,877)	37,510	8,243
Purchase of property and equipment	(5,855)	(649)	(6,223)
Payments for business acquisitions			(906)
Net cash (used in) provided by investing activities	(731,844)	22,994	(480,536)
Cash flows from financing activities			
Borrowings under line of credit arrangements and debt	195,000		190,000
Principal payments on line of credit arrangement and debt	(193,093)	(60,000)	(395,000)
Issuance (repayment) of non-recourse funding obligations	50,000		31,651
Repurchase program borrowings	405,718		9,804
Dividends to shareowners			(53,668)
Investment product deposits and change in universal life deposits	1,951,647	169,233	2,415,424
Investment product withdrawals	(1,720,926)	(240,147)	(2,461,200)
Other financing activities, net		(4)	(33)
Net cash provided by (used in) financing activities	688,346	(130,918)	(263,022)
Change in cash	200,603	83,299	(138,055)
Cash at beginning of period	462,710	379,411	466,542
Cash at end of period	$ 663,313	$ 462,710	$ 328,487

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

On February 1, 2015, Protective Life Corporation (the Company) became a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaisha* organized under the laws of Japan (Dai-ichi Life), when DL Investment (Delaware), Inc. a wholly owned subsidiary of Dai-ichi Life, merged with and into the Company (the Merger). Prior to February 1, 2015, and for the periods reported as predecessor , the Company s stock was publicly traded on the New York Stock Exchange. Subsequent to the Merger date, the Company remains as an SEC registrant within the United States. The Company is a holding company with subsidiaries that provide financial services through the production, distribution, and administration of insurance and investment products. The Company markets individual life insurance, credit life and disability insurance, guaranteed investment contracts, guaranteed funding agreements, fixed and variable annuities, and extended service contracts throughout the United States. The Company also maintains a separate segment devoted to the acquisition of insurance policies from other companies. Founded in 1907, Protective Life Insurance Company (PLICO) is the Company s largest operating subsidiary.

The Merger was accounted for by the Company under the acquisition method of accounting under ASC Topic 805 *Business Combinations*. In accordance with ASC Topic 805-20-30, all identifiable assets acquired and liabilities assumed were measured at fair value as of the acquisition date. The Company elected to apply pushdown accounting by applying the guidance allowed by ASC Topic 805, *Business Combinations*, including the initial recognition of most of the Company s assets and liabilities at fair value as of the acquisition date, and similarly recognizing goodwill calculated based on the terms of the transaction and the fair value of the new basis of net assets of the Company. The new basis of accounting will be the basis of the accounting records in the preparation of future financial statements and related disclosures after the Merger date. Goodwill of $735.7 million was recorded as of the acquisition date which represents the cost in excess of the fair value of net assets acquired (including identifiable intangibles) in the Merger, and reflects the Company s assembled workforce, future growth potential and other sources of value not associated with identifiable assets.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the interim periods presented herein. Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments (consisting only of normal recurring items) necessary for a fair statement of the results for the interim periods presented. Operating results for the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company) are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2015 (Successor Company). The year-end consolidated condensed financial data included herein was derived from audited financial statements but does not include all disclosures required by GAAP within this report. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 (Predecessor Company).

The operating results of companies in the insurance industry have historically been subject to significant fluctuations due to changing competition, economic conditions, interest rates, investment performance, insurance ratings, claims, persistency, and other factors.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net income or shareowner s equity.

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Entities Included

The consolidated condensed financial statements for the predecessor and successor periods presented in this report include the accounts of Protective Life Corporation and subsidiaries and its affiliate companies in which the Company holds a majority voting or economic interest. Intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

For a full description of significant accounting policies, see Note 2 to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 (Predecessor Company). Other than the accounting matters resulting from the application of pushdown accounting in connection with ASC Topic 805, the Company did not make significant changes to accounting policies during the period of February 1, 2015 to September 30, 2015 (Successor Company) except as noted below.

Intangible Assets

Intangible assets with definite lives are amortized over the estimated useful life of the asset and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Amortizable intangible assets primarily consist of distribution relationships, trade names, and technology. Intangible assets with indefinite lives, primarily insurance licenses, are not amortized, but are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Value of Business Acquired

In conjunction with the Merger, a portion of the purchase price was allocated to the right to receive future gross profits from cash flows and earnings of the Company s insurance policies and investment contracts as of the date of the Merger. This intangible asset, called value of business acquired (VOBA), is based on the actuarially estimated present value of future cash flows from the Company s insurance policies and investment contracts in-force on the date of the Merger. The estimated present value of future cash flows used in the calculation of the VOBA is based on certain assumptions, including mortality, persistency, expenses, and interest rates that the Company expects to experience in future years. The Company amortizes VOBA in proportion to gross premiums for traditional life products, or estimated gross margins (EGMs) for participating traditional life products within the MONY block. For interest sensitive products, the Company uses various amortization bases including expected gross profits (EGPs), revenues, or insurance in-force.

Goodwill

Goodwill of $735.7 million was recognized in conjunction with the Merger as the excess of the purchase considerations over the fair value of identifiable assets acquired and liabilities assumed. The balance recognized as goodwill is not amortized, but is reviewed for impairment on an annual basis, or more frequently as events or circumstances may warrant, including those circumstances which would more likely than not reduce the fair value of the Company s reporting units below its carrying amount.

Property and Equipment

In conjunction with the Merger, property and equipment was recorded at fair value and will be depreciated from this basis in future periods based on the respective estimated useful lives. Real estate assets were recorded at appraised values as of the acquisition date. The Company has estimated the remaining useful life of the home office building to be 25 years. Land is not depreciated.

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The carrying amounts of the Company s fixed assets are as follows:

	Successor Company As of September 30, 2015 (Dollars In Thousands)	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Home office building	$ 65,342	$ 75,109
Land	24,920	
Data processing equipment	14,213	40,919
Other, principally furniture and equipment	5,544	55,312
Total property and equipment	110,019	171,340
Less: accumulated depreciation	5,930	118,487
Net property and equipment	$ 104,089	$ 52,853

Guaranteed Minimum Withdrawal Benefits

The Company also establishes reserves for guaranteed minimum withdrawal benefits (GMWB) on its variable annuity (VA) products. The GMWB is valued in accordance with FASB guidance under the ASC Derivatives and Hedging Topic which utilizes the valuation technique prescribed by the ASC Fair Value Measurements and Disclosures Topic, which requires the embedded derivative to be recorded at fair value using current implied volatilities for the equity indices. The fair value of the GMWB is impacted by equity market conditions and can result in the GMWB embedded derivative being in an overall net asset or net liability position. In times of favorable equity market conditions the likelihood and severity of claims is reduced and expected fee income increases. Since claims are generally expected later than fees, these favorable equity market conditions can result in the present value of fees being greater than the present value of claims, which results in a net GMWB embedded derivative asset. In times of unfavorable equity market conditions the likelihood and severity of claims is increased and expected fee income decreases and can result in the present value of claims exceeding the present value of fees resulting in a net GMWB embedded derivative liability. The methods used to estimate the embedded derivatives employ assumptions about mortality, lapses, policyholder behavior, equity market returns, interest rates, and market volatility. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. In conjunction with the Merger, the Company updated the fair value of the GMWB reserves to reflect current assumptions as of February 1, 2015 (Successor Company). As a result of the application of ASC Topic 805, the Company reset the hedge premium rates utilized in the valuation for all policies to be equal to the present value of future claims with the reset hedge premium rates being capped at the actual charges to the policyholder. This update resulted in a decrease in the net liability of approximately $266.1 million on the Merger date. As of September 30, 2015 (Successor Company), the net GMWB liability held was approximately $193.7 million.

Policyholder Liabilities

Insurance Liabilities and Reserves

In conjunction with the Merger and in accordance with ASC 805, insurance liabilities and reserves were recorded at fair value and the underlying contracts were considered to be new contracts, for measurement and reporting purposes as of the acquisition date. Estimating liabilities for future policy benefits on life and health insurance products requires the use of assumptions relative to future investment yields,

mortality, morbidity, persistency, and other assumptions based on the Company s historical experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Determining liabilities for the Company s property and casualty insurance products also requires the use of assumptions, including the projected levels of used vehicle prices, the frequency and severity of claims, and the effectiveness of internal processes designed to reduce the level of claims. The Company s results depend significantly upon the extent to which its actual claims experience is consistent with the assumptions the Company used in determining its reserves and pricing its products. The Company s reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. The Company cannot determine with precision the ultimate amounts that it will pay for actual claims or the timing of those payments. As such, at the acquisition date, the Company updated the assumptions described above to reflect current best estimates

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and reserves were calculated in accordance with the methodology described below. VOBA was recorded to reflect the difference between the fair value of the contractual insurance liability and the reserve established.

Traditional Life, Health, and Credit Insurance Products

Traditional life insurance products consist principally of those products with fixed and guaranteed premiums and benefits, and they include whole life insurance policies, term and term-like life insurance policies, limited payment life insurance policies, and certain annuities with life contingencies. In accordance with ASC 805, the liabilities for future policy benefits on traditional life insurance products, when combined with the associated VOBA, were recorded at fair value. These values were computed using assumptions that include interest rates, mortality, lapse rates, expenses estimates, and other assumptions based on the Company s experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. The liability for future policy benefits and claims on traditional life, health, and credit insurance products includes estimated unpaid claims that have been reported to us and claims incurred but not yet reported.

Universal Life and Investment Products

Universal life and investment products include universal life insurance, guaranteed investment contracts, guaranteed funding agreements, deferred annuities, and annuities without life contingencies. Benefit reserves for universal life and investment products represent policy account balances before applicable surrender charges plus certain deferred policy initiation fees that are recognized in income over the term of the policies. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policy account balances.

The Company establishes liabilities for fixed indexed annuity (FIA) products. These products are deferred fixed annuities with a guaranteed minimum interest rate plus a contingent return based on equity market performance. The FIA product is considered a hybrid financial instrument under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification) Topic 815 *Derivatives and Hedging* which allows the Company to make the election to value the liabilities of these FIA products at fair value. This election was made for the FIA products issued prior to 2010 as the policies were issued. These products are no longer being marketed. The future changes in the fair value of the liability for these FIA products will be recorded in *Benefit and settlement expenses* with the liability being recorded in *Annuity account balances*. For more information regarding the determination of fair value of annuity account balances please refer to Note 16, *Fair Value of Financial Instruments*. *Premiums and policy fees* for these FIA products consist of fees that have been assessed against the policy account balances for surrenders. Such fees are recognized when assessed and earned.

The Company currently markets a deferred fixed annuity with a guaranteed minimum interest rate plus a contingent return based on equity market performance and the products are considered hybrid financial instruments under the FASB s ASC Topic 815 *Derivatives and Hedging*. The Company did not elect to value these FIA products at fair value prior to the Merger date. As a result the Company accounts for the provision that provides for a contingent return based on equity market performance as an embedded derivative. The embedded derivative is bifurcated from the host contract and recorded at fair value in *Other liabilities*. The host contract is accounted for as a debt instrument in accordance with ASC Topic 944 *Financial Services Insurance* and is recorded in *Annuity account balances* with any discount to the minimum account value being accreted using the effective yield method. *Benefits and settlement expenses* include accreted interest and benefit claims incurred during the period.

The Company markets universal life products with a guaranteed minimum interest rate plus a contingent return based on equity market performance and are considered hybrid financial instruments under the FASB s ASC Topic 815 *Derivatives and Hedging*. The Company did not elect to value these IUL products at fair value prior to the Merger date. As a result the Company accounts for the provision that provides for a contingent return based on equity market performance as an embedded derivative. The embedded derivative is bifurcated from the host contract and recorded at fair value in *Other liabilities*. Changes in the fair value of the embedded derivative are recorded in *Realized investment gains (losses) Derivative financial instruments*. For more information regarding the determination of fair value of the IUL embedded derivative refer to Note 16, *Fair Value of Financial Instruments*. The host contract is accounted for as a debt instrument in accordance with ASC Topic 944 *Financial Services Insurance* and is recorded

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in *Future policy benefits and claims* with any discount to the minimum account value being accreted using the effective yield method. *Benefits and settlement expenses* include accreted interest and benefit claims incurred during the period.

The Company s accounting policies with respect to variable universal life (VUL) and VA are identical except that policy account balances (excluding account balances that earn a fixed rate) are valued at fair value and reported as components of assets and liabilities related to separate accounts.

The Company establishes liabilities for guaranteed minimum death benefits (GMDB) on its VA products. The methods used to estimate the liabilities employ assumptions about mortality and the performance of equity markets. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience. Future declines in the equity market would increase the Company s GMDB liability. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. Our GMDB, as of September 30, 2015 (Successor Company), are subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. As of September 30, 2015 (Successor Company), the GMDB reserve was $35.6 million.

Property and Casualty Insurance Products

Property and casualty insurance products include service contract business, surety bonds, and guaranteed asset protection (GAP). Unearned premium reserves are maintained for the portion of the premiums that is related to the unexpired period of the policy. Benefit reserves are recorded when insured events occur. Benefit reserves include case basis reserves for known but unpaid claims as of the balance sheet date as well as incurred but not reported (IBNR) reserves for claims where the insured event has occurred but has not been reported to the Company as of the balance sheet date. The case basis reserves and IBNR are calculated based on historical experience and on assumptions relating to claim severity and frequency, the level of used vehicle prices, and other factors. These assumptions are modified as necessary to reflect anticipated trends.

Reinsurance

The Company uses reinsurance extensively in certain of its segments and accounts for reinsurance and the recognition of the impact of reinsurance costs in accordance with the ASC Financial Services Insurance Topic. The following summarizes some of the key aspects of the Company s accounting policies for reinsurance.

Reinsurance Assets and Liabilities Claim liabilities and policy benefits are calculated consistently for all policies, regardless of whether or not the policy is reinsured. Once the claim liabilities and policy benefits for the underlying policies are estimated, the amounts recoverable from the reinsurers are estimated based on a number of factors including the terms of the reinsurance contracts, historical payment patterns of reinsurance partners, and the financial strength and credit worthiness of reinsurance partners and recorded as *Reinsurance receivables* on the balance sheet. The reinsurance receivables were recorded in the balance sheet using current accounting policies and the most current assumptions as of the merger date. As of the merger date, the Company also calculated the ceded VOBA associated

with the reinsured policies. The reinsurance receivables combined with the associated ceded VOBA represent the fair value of the reinsurance assets. Liabilities for unpaid reinsurance claims are produced from claims and reinsurance system records, which contain the relevant terms of the individual reinsurance contracts. The Company monitors claims due from reinsurers to ensure that balances are settled on a timely basis. Incurred but not reported claims are reviewed by the Company s actuarial staff to ensure that appropriate amounts are ceded.

The Company analyzes and monitors the credit worthiness of each of its reinsurance partners to minimize collection issues. For newly executed reinsurance contracts with reinsurance companies that do not meet predetermined standards, the Company requires collateral such as assets held in trusts or letters of credit.

Accounting Pronouncements Recently Adopted

Accounting Standards Update (ASU) No. 2014-08 Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. This Update changes the requirements for reporting discontinued operations and related disclosures. The Update limits the definition of a discontinued operation to disposals that represent strategic shifts that will have a major effect on an entity s operation and financial results.

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Additionally, the Update requires enhanced disclosures about the components of discontinued operations and the financial effects of the disposal. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2014. The Company has reviewed the additional disclosures required by the Update, and will apply the revised guidance to any disposals occurring after the effective date.

ASU No. 2014-11 Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. This Update changes the requirements for classification of certain repurchase agreements, and will expand the use of secured borrowing accounting for repurchase-to-maturity transactions. In addition, the Update requires additional disclosures for repurchase agreements accounted for both as sales and as secured borrowings. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2014. The Update did not impact the Company s financial position or results of operations. The Company has updated its policies and processes to ensure compliance with the additional disclosure requirements in this Update.

ASU No. 2014-17 Business Combinations (Topic 805). This Update relates to pushdown accounting , which refers to pushing down the acquirer s accounting and reporting basis (which is recognized in conjunction with its accounting for a business combination) to the acquiree s standalone financial statements. The new guidance makes pushdown accounting optional for an acquiree that is a business or nonprofit activity when there is a change-in- control event (e.g., the acquirer in a business combination obtains control over the acquiree). In addition, the staff of the SEC released Staff Accounting Bulletin (SAB) No. 115, which rescinds SAB Topic 5J, New Basis of Accounting Required in Certain Circumstances (the SEC staff s pre-existing guidance on pushdown accounting) and conforms SEC guidance on pushdown accounting to the FASB s new guidance. Revised SEC guidance was codified in ASU No. 2015-08, issued in May 2015. The new pushdown accounting guidance became effective upon its issuance on November 18, 2014. Although now optional, the Company has applied pushdown accounting to its standalone financial statements effective with the Company becoming a wholly owned subsidiary of Dai-ichi Life on February 1, 2015. The presentation within this report for predecessor and successor periods is consistent with this Update.

Accounting Pronouncements Not Yet Adopted

ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). This Update provides for significant revisions to the recognition of revenue from contracts with customers across various industries. Under the new guidance, entities are required to apply a prescribed 5-step process to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting for revenues associated with insurance products is not within the scope of this Update. The Update was originally effective for annual and interim periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU No. 2015-14 *Revenues from Contracts with Customers: Deferral of the Effective Date*, to defer the effective date of ASU No. 2014-09 by one year to annual and interim periods beginning after December 15, 2017. Early adoption will be allowed, but not before the original effective date. The Company is reviewing its policies and processes to ensure compliance with the requirements in this Update, upon adoption. The Company is currently assessing the impact this standard will have on its non-insurance operations.

ASU No. 2014-15 Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. This Update will require management to assess an entity s ability to continue as a going concern, and will require footnote disclosures in certain circumstances. Under the updated guidance, management should consider relevant conditions and evaluate whether it is probable that the entity will be unable to meet its obligations within one year after the issuance date of the financial statements. The Update is effective for annual periods ending December 31, 2016 and for annual and interim periods thereafter, with early adoption permitted. The amendments in this Update will not impact the Company s financial position or results of operations. However, the new guidance will require a formal assessment of going concern by management based on criteria prescribed in the new guidance. The Company is reviewing its policies and processes to ensure compliance with the new guidance.

ASU No. 2015-02 Consolidation Amendments to the Consolidation Analysis. This Update makes several targeted changes to generally accepted accounting principles, including a) eliminating the presumption that a general partner should consolidate a limited partnership and b) eliminating the consolidation model specific to limited partnerships. The amendments also clarify when fees and related party relationships should be considered in the consolidation of variable interest entities. The amendments in this Update are effective for annual and interim periods

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beginning after December 15, 2015. The Company is reviewing its policies and processes to ensure compliance with the requirements in this Update, upon adoption.

ASU No. 2015-03 Interest Imputation of Interest. The objective of this Update is to eliminate diversity in practice related to the presentation of debt issuance costs. The amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. The Update is effective for fiscal years beginning after December 15, 2015, and requires revised presentation of debt issuance costs in all periods presented in the financial statements. The Company is prepared to comply with the revised guidance.

ASU No. 2015-05 Intangibles Goodwill and Other Internal-Use Software. The amendments in this Update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer s accounting for service contracts. The Update is effective for annual and interim periods beginning after December 15, 2015. The Company is prepared to comply with the revised guidance and does not believe it will materially impact the presentation of the Company s financial position.

ASU No. 2015-09 Financial Services Insurance (Topic 944): Disclosures about Short-Duration Contracts. The amendments in this Update require additional disclosures for short-duration contracts issued by insurance entities. The additional disclosures focus on the liability for unpaid claims and claim adjustment expenses and include incurred and paid claims development information by accident year in tabular form, along with a reconciliation of this information to the statement of financial position. For accident years included in the development tables, the amendments also require disclosure of the total incurred-but-not-reported liabilities and expected development on reported claims, along with claims frequency information unless impracticable. Finally, the amendments require disclosure of the historical average annual percentage payout of incurred claims. With the exception of the current reporting period, claims development information may be presented as supplementary information. The Update is effective for annual periods beginning after December 15, 2015 and interim periods beginning after December 15, 2016. The Company is reviewing its products to determine the applicability and potential impact of the new disclosures.

ASU No. 2015-12 - Plan Accounting - (Topics 960, 962 and 965). This Update is a three-part standard that provides guidance on certain aspects of the accounting related to employee benefit plans. Part I requires an employee benefit plan to use contract value as the only measurement amount for fully-benefit responsive investment contracts. Part II simplifies and increases the effectiveness of plan investment disclosure requirements for employee benefit plans by eliminating certain disclosures related to individual investments over 5 percent and by eliminating the need to disaggregate investments in multiple ways. Part III provides a measurement-date practical expedient for plan investments when the fiscal year-end of a plan does not coincide with a month-end. The guidance is effective for fiscal years beginning after

December 15, 2015 for all three parts and early adoption is permitted. For parts I and II, amendments should be applied retrospectively to all financial statements presented, while part III should be applied prospectively. The Company is reviewing its policies and procedures to ensure compliance with the revised guidance.

ASU No. 2015-15 Interest - Imputation of Interest - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The objective of this Update is to clarify the SEC Staff s position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on the topic in ASU No. 2015-03. This Update reflects the SEC Staff s decision to not object when an entity defers and presents debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. The Company is prepared to comply with the revised guidance.

ASU No. 2015-16 - Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments. This Update provides that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period following a business combination in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in the Update are to be applied prospectively for

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adjustments that occur after the effective date, with early adoption permitted for financial statements that have not been issued. The Company is prepared to comply with the revised guidance.

3. RECENTLY ANNOUNCED REINSURANCE TRANSACTION

On September 30, 2015, PLICO entered into a Master Agreement (the Master Agreement) with Genworth Life and Annuity Insurance Company (GLAIC). Pursuant to the Master Agreement, PLICO agreed to enter into a reinsurance agreement (the Reinsurance Agreement) pursuant to which PLICO will coinsure certain term life insurance business of GLAIC. In connection with the reinsurance transaction, PLICO intends to enter into a financing transaction with a term of up to 20 years involving, among other parties, its indirect wholly owned subsidiary, Golden Gate Captive Insurance Company (Golden Gate), and a syndicate of third-party risk takers, to finance up to $2.2 billion of XXX reserves related to the GLAIC business to be reinsured and the other term life insurance business currently reinsured by Golden Gate. Although PLICO intends to execute the financing transaction concurrently with its entry into the Reinsurance Agreement, the closing of the transactions contemplated by the Master Agreement is not conditioned upon the consummation of the financing transaction.

4. DAI-ICHI MERGER

On February 1, 2015 the Company, subsequent to required approvals from the Company s shareholders and relevant regulatory authorities, became a wholly owned subsidiary of Dai-ichi Life as contemplated by the Agreement and Plan of Merger (the Merger Agreement) with Dai-ichi Life and DL Investment (Delaware), Inc., a Delaware corporation and wholly owned subsidiary of Dai-ichi Life, which provided for the Merger of DL Investment (Delaware), Inc. with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of Dai-ichi Life. On February 1, 2015 each share of the Company s common stock outstanding was converted into the right to receive $70 per share, without interest (the Per Share Merger Consideration). The aggregate cash consideration paid in connection with the Merger for the outstanding shares of common stock was approximately $5.6 billion and paid directly to the shareowners of record by Dai-ichi Life. According to public statements by both companies, the Merger will provide Dai-ichi Life with a platform for growth in the United States, where it did not previously have a significant presence. In connection with the completion of the Merger, the Company s previously publicly traded equity was delisted from the NYSE, although the Company remains an SEC registrant for financial reporting purposes in the United States.

The Merger was accounted for under the acquisition method of accounting under ASC Topic 805. In accordance with ASC Topic 805-20-30, all identifiable assets acquired and liabilities assumed were measured at fair value as of the acquisition date. Goodwill of $735.7 million represents the cost in excess of the fair value of net assets acquired (including identifiable intangibles) in the Merger, and reflects the Company s assembled workforce, future growth potential and other sources of value not associated with identifiable assets. None of the goodwill is tax deductible.

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The following table summarizes the consideration paid for the acquisition and the preliminary determination of the fair value of assets acquired and liabilities assumed at the acquisition date:

		Fair Value As of February 1, 2015 (Dollars In Thousands)
Assets		
Fixed maturities	$	38,363,025
Equity securities		745,512
Mortgage loans		5,580,229
Investment real estate		7,456
Policy loans		1,751,872
Other long-term investments		686,507
Short-term investments		316,167
Total investments		47,450,768
Cash		462,710
Accrued investment income		484,021
Accounts and premiums receivable		112,182
Reinsurance receivables		5,724,020
Value of business acquired		1,276,886
Goodwill		735,712
Other intangibles		683,000
Property and equipment		104,364
Other assets		120,762
Income tax receivable		15,458
Assets related to separate accounts		
Variable annuity		12,970,587
Variable universal life		819,188
Total assets	$	70,959,658
Liabilities		
Future policy and benefit claims	$	30,195,841
Unearned premiums		682,183
Total policy liabilities and accruals		30,878,024
Stable value product account balances		1,932,277
Annuity account balances		10,941,661
Other policyholders funds		1,388,083
Other liabilities		2,188,863
Deferred income taxes		1,535,556
Non-recourse funding obligations		621,798
Repurchase program borrowings		50,000
Debt		1,519,211
Subordinated debt securities		560,351
Liabilities related to separate accounts		
Variable annuity		12,970,587
Variable universal life		819,188
Total liabilities		65,405,599
Net assets acquired	$	5,554,059

As of the acquisition date, all contractual cash flows related to the Company s historical and acquired receivables (as presented within this consolidated balance sheet) are expected to be collected.

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Intangible assets recognized by the Company included the following (excluding goodwill):

	Estimated Fair Value on Acquisition Date (Dollars In Thousands)	Estimated Useful Life (In Years)
Distribution relationships	$ 405,000	14-22
Trade names	103,000	13-17
Technology	143,000	7-14
Total intangible assets subject to amortization	651,000	
Insurance licenses	32,000	Indefinite
Total intangible assets	$ 683,000	

Identified intangible assets were valued using the excess earnings method, relief from royalty method or cost approach, as appropriate.

Amortizable intangible assets will be amortized straight line over their assigned useful lives. The following is a schedule of future estimated aggregate amortization expense:

Year	Amount (Dollars In Thousands)
2015	$ 10,328
2016	41,313
2017	41,313
2018	41,313
2019	41,313

All tangible and intangible assets of the Company were allocated to applicable operating segments in connection with the recording of pushdown accounting. The purchase price was also allocated to each operating segment in accordance with the determined fair value of the operating segments, such that the total reconciled with the total consideration paid in the merger. Subtraction of the fair value of the tangible and intangible assets for each operating segment from the allocated purchase price of that operating segment resulted in the goodwill allocated to each operating segment. The amount of goodwill allocated to each operating segment is reflected in Note 19, *Operating Segments*.

Treatment of certain acquisition related costs

The Company recorded costs related to the Merger in either the predecessor or successor periods based on the specific facts and circumstances underlying each individual transaction. Certain of these costs were fully contingent on the consummation of the Merger on February 1, 2015 (Successor Company). These costs are not expensed in either the Predecessor or Successor Company Statement of Comprehensive Income (Loss). Liabilities for payment of these contingent costs are included in the opening balance sheet as of February 1, 2015 (Successor Company), and the nature and amount of the costs are discussed below.

Fees in the amount of $28.8 million which were paid to the Company s financial advisor related to the Merger were recorded as liabilities as of the acquisition date. In accordance with the terms of the contract, payment of these fees was contingent on the successful closing of the Merger, and became payable on the date thereof.

Certain of the Company s stock-based compensation arrangements provided for acceleration of benefits on the completion of a change-in-control event. Upon the completion of the Merger, benefits in the amount of $138.2 million became payable to eligible employees under these arrangements. Such accounts were recorded as liabilities as of the acquisition closing date. The portion of this payable that represented expense accelerated on the merger date was $25.4 million.

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Treatment of Benefit Plans

At or immediately prior to the Merger, each stock appreciation right with respect to shares of Common Stock granted under any Stock Plan (each, a SAR) that were outstanding and unexercised immediately prior to the Merger and that had a base price per share of Common Stock underlying such SAR (the Base Price) that was less than the Per Share Merger Consideration (each such SAR, an In-the-Money SAR), whether or not exercisable or vested, was cancelled and converted into the right to receive an amount in cash less any applicable withholding taxes, determined by multiplying (i) the excess of the Per Share Merger Consideration over the Base Price of such In-the-Money SAR by (ii) the number of shares of Common Stock subject to such In-the-Money SAR (such amount, the SAR Consideration).

At or immediately prior to the effective time of the Merger, each restricted stock unit with respect to a share of Common Stock granted under any Stock Plan (each, a RSU) that was outstanding immediately prior to the Merger, whether or not vested, was cancelled and converted into the right to receive an amount in cash, without interest, less any applicable withholding taxes, determined by multiplying (i) the Per Share Merger Consideration by (ii) the number of RSUs.

The number of performance shares earned for each award of performance shares granted under any Stock Plan was calculated by determining the number of performance shares that would have been paid if the subject award period had ended on the December 31 immediately preceding the Merger (based on the conditions set for payment of performance share awards for the subject award period), provided that the number of performance shares earned for each award were not less than the aggregate number of performance shares at the target performance level. Each performance share earned that was outstanding immediately prior to the Merger, whether or not vested, was cancelled and converted into the right to receive an amount in cash, without interest, less any applicable withholding taxes, determined by multiplying (i) the Per Share Merger Consideration by (ii) the number of Performance Shares.

5. MONY CLOSED BLOCK OF BUSINESS

In 1998, MONY Life Insurance Company (MONY) converted from a mutual insurance company to a stock corporation (demutualization). In connection with its demutualization, an accounting mechanism known as a closed block (the Closed Block) was established for certain individuals participating policies in force as of the date of demutualization. Assets, liabilities, and earnings of the Closed Block are specifically identified to support its participating policyholders. The Company acquired the Closed Block in conjunction with the acquisition of MONY in 2013.

Assets allocated to the Closed Block inure solely to the benefit of each Closed Block s policyholders and will not revert to the benefit of MONY or the Company. No reallocation, transfer, borrowing or lending of assets can be made between the Closed Block and other portions of MONY s general account, any of MONY s separate accounts or any affiliate of MONY without the approval of the Superintendent of The New York State Insurance Department (the Superintendent). Closed Block assets and liabilities are carried on the same basis as similar assets and liabilities held in the general account.

The excess of Closed Block liabilities over Closed Block assets (adjusted to exclude the impact of related amounts in accumulated other comprehensive income (loss) (AOCI)) at the merger date represented the estimated maximum future post-tax earnings from the Closed Block that would be recognized in income from continuing operations over the period the policies and contracts in the Closed Block remain in force. In

connection with the acquisition of MONY, the Company developed an actuarial calculation of the expected timing of MONY s Closed Block s earnings as of October 1, 2013. Pursuant to the acquisition of the Company by Dai-ichi Life, this actuarial calculation of the expected timing of MONY s Closed Block earnings was recalculated and reset as of February 1, 2015, along with the establishment of a policyholder dividend obligation as of such date.

If the actual cumulative earnings from the Closed Block are greater than the expected cumulative earnings, only the expected earnings will be recognized in the Company s net income. Actual cumulative earnings in excess of expected cumulative earnings at any point in time are recorded as a policyholder dividend obligation because they will ultimately be paid to Closed Block policyholders as an additional policyholder dividend unless offset by future performance that is less favorable than originally expected. If a policyholder dividend obligation has been previously

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established and the actual Closed Block earnings in a subsequent period are less than the expected earnings for that period, the policyholder dividend obligation would be reduced (but not below zero). If, over the period the policies and contracts in the Closed Block remain in force, the actual cumulative earnings of the Closed Block are less than the expected cumulative earnings, only actual earnings would be recognized in income from continuing operations. If the Closed Block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside the Closed Block.

Many expenses related to Closed Block operations, including amortization of VOBA, are charged to operations outside of the Closed Block; accordingly, net revenues of the Closed Block do not represent the actual profitability of the Closed Block operations. Operating costs and expenses outside of the Closed Block are, therefore, disproportionate to the business outside of the Closed Block.

Summarized financial information for the Closed Block as of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company) is as follows.

	Successor Company As of September 30, 2015 (Dollars In Thousands)	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Closed block liabilities		
Future policy benefits, policyholders account balances and other policyholder liabilities	$ 6,036,312	$ 6,138,505
Policyholder dividend obligation	58,435	366,745
Other liabilities	33,706	53,838
Total closed block liabilities	6,128,453	6,559,088
Closed block assets		
Fixed maturities, available-for-sale, at fair value	$ 4,426,194	$ 4,524,037
Equity securities, available-for-sale, at fair value		5,387
Mortgage loans on real estate	247,797	448,855
Policy loans	749,908	771,120
Cash and other invested assets	131,183	30,984
Other assets	161,407	221,270
Total closed block assets	5,716,489	6,001,653
Excess of reported closed block liabilities over closed block assets	411,964	557,435
Portion of above representing accumulated other comprehensive income:		
Net unrealized investment gains (losses) net of policyholder dividend obligation of $(154,143) (Successor) and $106,886 (Predecessor)		
Future earnings to be recognized from closed block assets and closed block liabilities	$ 411,964	$ 557,435

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Reconciliation of the policyholder dividend obligation is as follows:

	Successor Company February 1, 2015 to September 30, 2015	Predecessor Company January 1, 2015 to January 31, 2015	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)	(Dollars In Thousands)	
Policyholder dividend obligation, beginning of period	$ 323,432	$ 366,745	$ 190,494
Applicable to net revenue (losses)	(27,854)	(1,369)	(8,781)
Change in net unrealized investment gains (losses) allocated to the policyholder dividend obligation; includes deferred tax benefits of $(83,000) (Successor); $47,277 (2015 - Predecessor); $38,448 (2014 - Predecessor)	(237,143)	135,077	119,502
Policyholder dividend obligation, end of period	$ 58,435	$ 500,453	$ 301,215

Closed Block revenues and expenses were as follows:

	Successor Company		Predecessor Company		
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Revenues					
Premiums and other income	$ 46,610	$ 128,279	$ 15,065	$ 48,596	$ 151,442
Net investment income (loss)	54,593	142,274	19,107	63,847	176,470
Net investment gains (losses)	167	3,017	568	223	6,328
Total revenues	101,370	273,570	34,740	112,666	334,240
Benefits and other deductions					
Benefits and settlement expenses	90,966	245,711	31,152	101,200	300,735
Other operating expenses	258	733		286	376
Total benefits and other deductions	91,224	246,444	31,152	101,486	301,111
Net revenues before income taxes	10,146	27,126	3,588	11,180	33,129
Income tax expense	3,551	9,494	1,256	3,913	11,595
Net revenues	$ 6,595	$ 17,632	$ 2,332	$ 7,267	$ 21,534

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6. INVESTMENT OPERATIONS

Net realized gains (losses) for all other investments are summarized as follows:

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Fixed maturities	$ (1,304)	$ 2,408	$ 6,891	$ 22,329	$ 49,897
Equity securities	51	72		1,298	1,298
Impairments on fixed maturity securities	(10,064)	(15,798)	(481)	(2,354)	(5,405)
Impairments on equity securities					
Modco trading portfolio	8,377	(133,524)	73,062	(17,225)	110,067
Other investments	(1,776)	(1,001)	1,200	(5,208)	(7,806)
Total realized gains (losses) - investments	$ (4,716)	$ (147,843)	$ 80,672	$ (1,160)	$ 148,051

For the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company), gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $0.7 million and $7.7 million and gross realized losses were $12.0 million and $21.0 million, respectively, including $10.1 million and $15.8 million of impairment losses, respectively.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $6.9 million and gross realized losses were $0.5 million, including $0.4 million of impairment losses.

For the three and nine months ended September 30, 2014 (Predecessor Company), gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $23.9 million and $51.9 million and gross realized losses were $2.5 million and $5.9 million, including $2.3 million and $5.1 million of impairment losses, respectively.

For the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company sold securities in an unrealized gain position with a fair value (proceeds) of $94.8 million and $809.9 million, respectively. The gains realized on the sale of these securities was $0.7 million and $7.7 million, respectively.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company sold securities in an unrealized gain position with a fair value (proceeds) of $172.6 million. The gain realized on the sale of these securities was $6.9 million.

For the three and nine months ended September 30, 2014 (Predecessor Company), the Company sold securities in an unrealized gain position with a fair value (proceeds) of $497.1 million and $1.1 billion, respectively. The gains realized on the sale of these securities was $23.9 million and $51.9 million, respectively.

For the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company sold securities in an unrealized loss position with a fair value (proceeds) of $34.6 million and $83.9 million, respectively. The loss realized on the sale of these securities was $2.0 million and $5.2 million, respectively. The Company made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company sold securities in an unrealized loss position with a fair value (proceeds) of $0.4 million. The loss realized on the sale of these securities

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were immaterial to the Company. The Company made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the three and nine months ended September 30, 2014 (Predecessor Company), the Company sold securities in an unrealized loss position with a fair value (proceeds) of $2.3 million and $6.7 million, respectively. The losses realized on the sale of these securities were $0.3 million and $0.8 million, respectively. The Company made the decision to exit these holdings in conjunction with our overall asset liability management process.

The amortized cost and fair value of the Company s investments classified as available-for-sale as of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company), are as follows:

Successor Company As of September 30, 2015	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Total OTTI Recognized in OCI(1)**
		(Dollars In Thousands)			
Fixed maturities:					
Residential mortgage-backed securities	$ 1,617,048	$ 13,339	$ (14,565)	$ 1,615,822	$
Commercial mortgage-backed securities	1,294,633	2,000	(18,970)	1,277,663	
Other asset-backed securities	815,437	1,320	(23,743)	793,014	
U.S. government-related securities	1,631,826	1,189	(15,543)	1,617,472	
Other government-related securities	19,360		(476)	18,884	
States, municipals, and political subdivisions	1,732,549	759	(119,823)	1,613,485	50
Corporate securities	27,965,401	29,981	(2,064,946)	25,930,436	(4,842)
Preferred stock	64,362		(2,250)	62,112	
	35,140,616	48,588	(2,260,316)	32,928,888	(4,792)
Equity securities	725,750	2,835	(10,761)	717,824	
Short-term investments	173,484			173,484	
	$ 36,039,850	$ 51,423	$ (2,271,077)	$ 33,820,196	$ (4,792)

Predecessor Company As of December 31, 2014					
Fixed maturities:					
Residential mortgage-backed securities	$ 1,374,206	$ 56,330	$ (12,278)	$ 1,418,258	$ 6,404
Commercial mortgage-backed securities	1,119,979	59,637	(2,364)	1,177,252	
Other asset-backed securities	857,441	17,885	(35,950)	839,376	(95)
U.S. government-related securities	1,394,028	44,149	(9,282)	1,428,895	
Other government-related securities	16,939	3,233		20,172	
States, municipals, and political subdivisions	1,391,526	296,594	(431)	1,687,689	
Corporate securities	24,765,303	2,759,255	(139,031)	27,385,527	
	30,919,422	3,237,083	(199,336)	33,957,169	6,309

Equity securities		757,259		38,669		(14,182)		781,746		
Short-term investments		155,500						155,500		
	$	31,832,181	$	3,275,752	$	(213,518)	$	34,894,415	$	6,309

(1) These amounts are included in the gross unrealized gains and gross unrealized losses columns above.

The preferred stock shown above as of September 30, 2015 (Successor Company) is included in the equity securities total as of December 31, 2014 (Predecessor Company).

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The amortized cost and fair value of the Company s investments classified as held-to-maturity as of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company), are as follows:

Successor Company As of September 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Total OTTI Recognized in OCI
	(Dollars In Thousands)				
Fixed maturities:					
Other	$ 579,329	$	$ (60,966)	$ 518,363	$
	$ 579,329	$	$ (60,966)	$ 518,363	$
Predecessor Company As of December 31, 2014					
Fixed maturities:					
Other	$ 435,000	$ 50,422	$	$ 485,422	$
	$ 435,000	$ 50,422	$	$ 485,422	$

During the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the nine months ended September 30, 2014 (Predecessor Company), the Company did not record any other-than-temporary impairments on held-to-maturity securities. The Company s held-to-maturity securities had $61.0 million of gross unrecognized holding losses as of September 30, 2015 (Successor Company). The Company does not consider these unrecognized holding losses to be other-than-temporary based on certain positive factors associated with the securities which include credit ratings, financial health of the issuer, continued access of the issuer to capital markets and other pertinent information.

The Company s held-to-maturity securities had no gross unrecognized holding losses as of December 31, 2014 (Predecessor Company).

As of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company), the Company had an additional $2.7 billion and $2.8 billion of fixed maturities, $6.7 million and $21.5 million of equity securities, and $65.2 million and $95.1 million of short-term investments classified as trading securities, respectively.

The amortized cost and fair value of available-for-sale and held-to-maturity fixed maturities as of September 30, 2015 (Successor Company), by expected maturity, are shown below. Expected maturities of securities without a single maturity date are allocated based on estimated rates of prepayment that may differ from actual rates of prepayment.

	Successor Company			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value

	(Dollars In Thousands)		(Dollars In Thousands)	
Due in one year or less	$ 830,760	$ 830,346	$	$
Due after one year through five years	5,914,198	5,870,182		
Due after five years through ten years	7,709,254	7,521,517		
Due after ten years	20,686,404	18,706,843	579,329	518,363
	$ 35,140,616	$ 32,928,888	$ 579,329	$ 518,363

During the three months ended September 30, 2015 (Successor Company) and the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company recorded pre-tax other-than-temporary impairments of investments of $14.9 million and $28.3 million, respectively. Of the $14.9 million of impairments for the three months

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ended September 30, 2015 (Successor Company), $10.1 million was recorded in earnings and $4.8 million was recorded in other comprehensive income (loss). Of the $28.3 million of impairments for the period of February 1, 2015 to September 30, 2015 (Successor Company), $15.8 million was recorded in earnings and $12.5 million was recorded in other comprehensive income (loss).

There were no other-than-temporary impairments related to fixed maturities or equity securities that the Company intended to sell or expected to be required to sell for the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company).

During the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company recorded pre-tax other-than-temporary impairments of investments of $0.6 million, all of which related to fixed maturities. Credit impairments recorded in earnings during the period were $0.5 million. During the period of January 1, 2015 to January 31, 2015 (Predecessor Company), $0.1 million of non-credit losses previously recorded in other comprehensive income were recorded in earnings as credit losses. There were no other-than-temporary impairments related to fixed maturities or equity securities that the Company intended to sell or expected to be required to sell for the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

During the three and nine months ended September 30, 2014 (Predecessor Company), the Company recorded pre-tax other-than-temporary impairments of investments of $1.1 million and $2.0 million, respectively, all of which related to fixed maturities. Credit impairments recorded in earnings during the three and nine months ended September 30, 2014 (Predecessor Company) were $2.3 million and $5.4 million, respectively. During the three and nine months ended September 30, 2014 (Predecessor Company), $1.2 million and $3.4 million, respectively, of non-credit losses previously recorded in other comprehensive income (loss) were recorded in earnings as credit losses. There were no other-than-temporary impairments related to fixed maturities or equity securities that the Company intended to sell or expected to be required to sell for the three and nine months ended September 30, 2014 (Predecessor Company).

The following chart is a rollforward of available-for-sale credit losses on fixed maturities held by the Company for which a portion of an other-than-temporary impairment was recognized in other comprehensive income (loss):

	Successor Company		Predecessor Company		
	For The Three Months Ended September 30, 2015	**February 1, 2015 to September 30, 2015**	**January 1, 2015 to January 31, 2015**	**For The Three Months Ended September 30, 2014**	**For The Nine Months Ended September 30, 2014**
	(Dollars In Thousands)		(Dollars In Thousands)		
Beginning balance	$ 4,472	$	$ 15,478	$ 17,985	$ 41,692
Additions for newly impaired securities		4,472			
Additions for previously impaired securities	9,479	9,479	221	626	1,653
Reductions for previously impaired securities due to a change in expected cash flows				(3,672)	(28,406)
Reductions for previously impaired securities that were sold in the current period	(687)	(687)			
Ending balance	$ 13,264	$ 13,264	$ 15,699	$ 14,939	$ 14,939

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The following table includes the gross unrealized losses and fair value of the Company s investments that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2015 (Successor Company):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(Dollars In Thousands)			
Residential mortgage-backed securities	$ 884,032	$ (14,565)	$	$	$ 884,032	$ (14,565)
Commercial mortgage-backed securities	1,104,282	(18,970)			1,104,282	(18,970)
Other asset-backed securities	704,678	(23,743)			704,678	(23,743)
U.S. government-related securities	1,359,161	(15,543)			1,359,161	(15,543)
Other government-related securities	18,884	(476)			18,884	(476)
States, municipalities, and political subdivisions	1,567,309	(119,823)			1,567,309	(119,823)
Corporate securities	23,924,900	(2,064,946)			23,924,900	(2,064,946)
Preferred stock	62,112	(2,250)			62,112	(2,250)
Equities	448,372	(10,761)			448,372	(10,761)
	$ 30,073,730	$ (2,271,077)	$	$	$ 30,073,730	$ (2,271,077)

The preferred stock shown above as of September 30, 2015 (Successor Company) is included in the equity securities total as of December 31, 2014 (Predecessor Company).

The book value of the Company s investment portfolio was marked to fair value as of February 1, 2015 (Successor Company), in conjunction with the Dai-ichi Merger which resulted in the elimination of previously unrealized gains and losses from accumulated other comprehensive income. The level of interest rates as of February 1, 2015 (Successor Company) resulted in an increase in the carrying value of the Company s investments. Since February 1, 2015 (Successor Company), interest rates have increased resulting in net unrealized losses in the Company s investment portfolio.

As of September 30, 2015 (Successor Company), the Company had a total of 2,914 positions that were in an unrealized loss position, but the Company does not consider these unrealized loss positions to be other-than-temporary. This is based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover, and the Company does not intend to sell or expect to be required to sell the securities before recovering the Company s amortized cost of the securities.

The Company does not consider these unrealized loss positions to be other-than-temporary, based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover, and does not intend to sell or expect to be required to sell the securities before recovering the Company s amortized cost of the securities.

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The following table includes the gross unrealized losses and fair value of the Company s investments that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2014 (Predecessor Company):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(Dollars In Thousands)			
Residential mortgage-backed securities	$ 166,271	$ (9,562)	$ 67,280	$ (2,716)	$ 233,551	$ (12,278)
Commercial mortgage-backed securities	49,909	(334)	102,529	(2,030)	152,438	(2,364)
Other asset-backed securities	108,666	(6,473)	537,486	(29,477)	646,152	(35,950)
U.S. government-related securities	231,917	(3,868)	280,803	(5,414)	512,720	(9,282)
Other government-related securities						
States, municipalities, and political subdivisions	1,904	(134)	10,482	(297)	12,386	(431)
Corporate securities	1,659,287	(76,341)	776,864	(62,690)	2,436,151	(139,031)
Equities	17,430	(217)	129,719	(13,965)	147,149	(14,182)
	$ 2,235,384	$ (96,929)	$ 1,905,163	$ (116,589)	$ 4,140,547	$ (213,518)

RMBS had a gross unrealized loss greater than twelve months of $2.7 million as of December 31, 2014 (Predecessor Company). Factors such as the credit enhancement within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

CMBS had a gross unrealized loss greater than twelve months of $2.0 million as of December 31, 2014 (Predecessor Company). Factors such as the credit enhancement within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

The other asset-backed securities had a gross unrealized loss greater than twelve months of $29.5 million as of December 31, 2014 (Predecessor Company). This category predominately includes student-loan backed auction rate securities, the underlying collateral, of which is at least 97% guaranteed by the Federal Family Education Loan Program (FFELP). These unrealized losses have occurred within the Company s auction rate securities (ARS) portfolio since the market collapse during 2008. At this time, the Company has no reason to believe that the U.S. Department of Education would not honor the FFELP guarantee, if it were necessary.

The U.S. government-related category had gross unrealized losses greater than twelve months of $5.4 million as of December 31, 2014 (Predecessor Company). These declines were entirely related to changes in interest rates.

The corporate securities category had gross unrealized losses greater than twelve months of $62.7 million as of December 31, 2014 (Predecessor Company). The aggregate decline in market value of these securities was deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the

issuer to capital markets, and other pertinent information.

The equities category had a gross unrealized loss greater than twelve months of $14.0 million as of December 31, 2014 (Predecessor Company). The aggregate decline in market value of these securities was deemed temporary due to factors supporting the recoverability of the respective investments. Positive factors include credit ratings, the financial health of the issuer, the continued access of the issuer to the capital markets, and other pertinent information.

As of September 30, 2015 (Successor Company), the Company had securities in its available-for-sale portfolio which were rated below investment grade of $1.5 billion and had an amortized cost of $1.6 billion. In addition, included in the Company s trading portfolio, the Company held $302.1 million of securities which were rated below investment grade. Approximately $974.3 million of the below investment grade securities were not publicly traded.

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The change in unrealized gains (losses), net of income tax, on fixed maturity and equity securities, classified as available-for-sale is summarized as follows:

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Fixed maturities	$ (54,282)	$ (1,437,623)	$ 670,229	$ (143,367)	$ 1,004,990
Equity securities	2,385	(5,152)	10,226	(2,184)	30,820

Variable Interest Entities

The Company holds certain investments in entities in which its ownership interests could possibly be considered variable interests under Topic 810 of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC or Codification) (excluding debt and equity securities held as trading, available for sale, or held to maturity). The Company reviews the characteristics of each of these applicable entities and compares those characteristics to applicable criteria to determine whether the entity is a Variable Interest Entity (VIE). If the entity is determined to be a VIE, the Company then performs a detailed review to determine whether the interest would be considered a variable interest under the guidance. The Company then performs a qualitative review of all variable interests with the entity and determines whether the Company is the primary beneficiary. ASC 810 provides that an entity is the primary beneficiary of a VIE if the entity has 1) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and 2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

Based on this analysis, the Company had an interest in one wholly owned subsidiary, Red Mountain, LLC (Red Mountain), that was determined to be a VIE as of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company). The activity most significant to Red Mountain is the issuance of a note in connection with a financing transaction involving Golden Gate V Vermont Captive Insurance Company (Golden Gate V) and the Company in which Golden Gate V issued non-recourse funding obligations to Red Mountain and Red Mountain issued the note to Golden Gate V. Credit enhancement on the Red Mountain Note is provided by an unrelated third party. For details of this transaction, see Note 10, *Debt and Other Obligations*. The Company had the power, via its 100% ownership through an affiliate, to direct the activities of the VIE, but did not have the obligation to absorb losses related to the primary risks or sources of variability to the VIE. The variability of loss would be borne primarily by the third party in its function as provider of credit enhancement on the Red Mountain Note. Accordingly, it was determined that the Company is not the primary beneficiary of the VIE. The Company s risk of loss related to the VIE is limited to its investment of $10,000. Additionally, the Company has guaranteed the VIE s payment obligation for the credit enhancement fee to the unrelated third party provider. As of September 30, 2015 (Successor Company), no payments have been made or required related to this guarantee.

7. MORTGAGE LOANS

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of September 30, 2015 (Successor Company), the Company s mortgage loan holdings were approximately $5.7 billion. The Company has specialized in making loans on either credit-oriented commercial properties or credit-anchored strip shopping centers and apartments. The Company s underwriting procedures relative to its commercial loan portfolio are based, in the Company s view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (retail, multi-family, senior living, professional office buildings, and warehouses). The Company believes that these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history.

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The majority of the Company s mortgage loans portfolio was underwritten and funded by the Company. From time to time, the Company may acquire loans in conjunction with an acquisition.

The Company s commercial mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan s contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income.

As of February 1, 2015, all mortgage loans were measured at fair value. Each mortgage loan was individually analyzed to determine the fair value. Each loan was either analyzed and assigned a discount rate or given an impairment, based on whether facts and circumstances which, as of the acquisition date, indicated less than full projected collections of contractual principal and interest payments. Various market factors were considered in determining the net present value of the expected cash flow stream or underlying real estate collateral, including the characteristics of the borrower, the underlying collateral, underlying credit worthiness of the tenants, and tenant payment history. Known events and risks, such as refinancing risks, were also considered in the fair value determination. In certain cases, fair value was based on the NPV of the expected cash flow stream or the underlying value of the real estate collateral.

Certain of the mortgage loans have call options between 3 and 10 years. However, if interest rates were to significantly increase, we may be unable to exercise the call options on our existing mortgage loans commensurate with the significantly increased market rates. As of September 30, 2015, assuming the loans are called at their next call dates, approximately $27.3 million would become due for the remainder of 2015, $944.4 million in 2016 through 2020, $365.3 million in 2021 through 2025, and $114.5 million thereafter.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participating interest in the cash flows from the underlying real estate. As of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company), approximately $562.6 million and $553.6 million, respectively, of the Company s mortgage loans have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. During the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), January 1, 2015 to January 31, 2015 (Predecessor Company), and for the three and nine months ended September 30, 2014 (Predecessor Company), the Company recognized $3.3 million, $8.4 million, $0.1 million, $8.0 million, and $13.8 million, respectively, of participating mortgage loan income.

As of September 30, 2015 (Successor Company), approximately $7.3 million, or 0.02%, of invested assets consisted of nonperforming mortgage loans and/or restructured mortgage loans since February 1, 2015 (Successor Company). The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. During the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company entered into certain mortgage loan transactions that were accounted for as troubled debt restructurings under Topic 310 of the FASB ASC. For all mortgage loans, the impact of troubled debt restructurings is generally reflected in the Company s investment balance and in the allowance for mortgage loan credit losses. Transactions accounted for as troubled debt restructurings during the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company) included either the acceptance of assets in satisfaction of principal during the respective periods or at a future date, and were the result of agreements between the creditor and the debtor. During the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company accepted or agreed to accept assets of $12.1 million in satisfaction of $15.2 million of principal and for the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company accepted or agreed to accept assets of $11.3 million in satisfaction of $13.8 million of principal. These transactions resulted in no material realized losses in the Company s investment in mortgage loans net of existing discounts recorded for mortgage loans losses for the period of February 1, 2015 to September 30, 2015 (Successor Company).

The Company s mortgage loan portfolio consists of two categories of loans: 1) those not subject to a pooling and servicing agreement and 2) those subject to a contractual pooling and servicing agreement. As of September 30, 2015 (Successor Company), $7.3 million of mortgage loans not subject to a pooling and servicing agreement were

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nonperforming mortgage loans and/or restructured mortgage loans since February 1, 2015 (Successor Company). None of the restructured loans were nonperforming during the periods of February 1, 2015 to September 30, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company). The Company did not foreclose on any nonperforming loans not subject to a pooling and servicing agreement during the periods of February 1, 2015 to September 30, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company).

As of September 30, 2015 (Successor Company), none of the loans subject to a pooling and servicing agreement were nonperforming or restructured. The Company did not foreclose on any nonperforming loans subject to pooling and servicing agreement during the periods of February 1, 2015 to September 30, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company).

As of September 30, 2015 (Successor Company) and December 31, 2014 (Predecessor Company), the Company had an allowance for mortgage loan credit losses of $2.0 million and $5.7 million, respectively. Due to the Company s loss experience and nature of the loan portfolio, the Company believes that a collectively evaluated allowance would be inappropriate. The Company believes an allowance calculated through an analysis of specific loans that are believed to have a higher risk of credit impairment provides a more accurate presentation of expected losses in the portfolio and is consistent with the applicable guidance for loan impairments in ASC Subtopic 310. Since the Company uses the specific identification method for calculating the allowance, it is necessary to review the economic situation of each borrower to determine those that have higher risk of credit impairment. The Company has a team of professionals that monitors borrower conditions such as payment practices, borrower credit, operating performance, and property conditions, as well as ensuring the timely payment of property taxes and insurance. Through this monitoring process, the Company assesses the risk of each loan. When issues are identified, the severity of the issues are assessed and reviewed for possible credit impairment. If a loss is probable, an expected loss calculation is performed and an allowance is established for that loan based on the expected loss. The expected loss is calculated as the excess carrying value of a loan over either the present value of expected future cash flows discounted at the loan s original effective interest rate, or the current estimated fair value of the loan s underlying collateral. A loan may be subsequently charged off at such point that the Company no longer expects to receive cash payments, the present value of future expected payments of the renegotiated loan is less than the current principal balance, or at such time that the Company is party to foreclosure or bankruptcy proceedings associated with the borrower and does not expect to recover the principal balance of the loan.

A charge off is recorded by eliminating the allowance against the mortgage loan and recording the renegotiated loan or the collateral property related to the loan as investment real estate on the balance sheet, which is carried at the lower of the appraised fair value of the property or the unpaid principal balance of the loan, less estimated selling costs associated with the property.

	Successor Company	Predecessor Company	
	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	As of December 31, 2014
	(Dollars In Thousands)	(Dollars In Thousands)	
Beginning balance	$	$ 5,720	$ 3,130
Charge offs	(535)	(861)	(675)
Recoveries	(639)	(2,359)	(2,600)
Provision	3,199		5,865
Ending balance	$ 2,025	$ 2,500	$ 5,720

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It is the Company s policy to cease to carry accrued interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes over 90 days delinquent, it is the Company s general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. For loans subject to a pooling and servicing agreement, there are certain additional restrictions and/or requirements related to workout proceedings, and as such, these loans may have different attributes and/or circumstances affecting the status of delinquency or categorization of those in nonperforming status. An analysis of the delinquent loans is shown in the following chart.

Successor Company As of September 30, 2015	**30-59 Days Delinquent**	**60-89 Days Delinquent**	**Greater than 90 Days Delinquent**	**Total Delinquent**
		(Dollars In Thousands)		
Commercial mortgage loans	$ 6,386	$ 6,087	$ 1,190	$ 13,663
Number of delinquent commercial mortgage loans	4	3	1	8

Predecessor Company As of December 31, 2014				
Commercial mortgage loans	$ 8,972	$	$ 1,484	$ 10,456
Number of delinquent commercial mortgage loans	4		1	5

The Company s commercial mortgage loan portfolio consists of mortgage loans that are collateralized by real estate. Due to the collateralized nature of the loans, any assessment of impairment and ultimate loss given a default on the loans is based upon a consideration of the estimated fair value of the real estate. The Company limits accrued interest income on impaired loans to 90 days of interest. Once accrued interest on the impaired loan is received, interest income is recognized on a cash basis. For information regarding impaired loans, please refer to the following chart:

Successor Company As of September 30, 2015	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**	**Cash Basis Interest Income**
			(Dollars In Thousands)			
Commercial mortgage loans:						
With no related allowance recorded	$ 4,532	$ 5,288	$	$ 1,511	$ 72	$ 45
With an allowance recorded	5,676	5,828	2,025	2,838		48

Predecessor Company As of December 31, 2014						
Commercial mortgage loans:						
With no related allowance recorded	$	$	$	$	$	$
With an allowance recorded	19,632	20,603	5,720	3,272	1,224	1,280

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As of September 30, 2015 (Successor Company), the Company did not carry any mortgage loans that have been modified in a troubled debt restructuring. Mortgage loans that were modified in a troubled debt restructuring:

Predecessor Company As of December 31, 2014	Number of Contracts	Pre-Modification Outstanding Recorded Investment (Dollars In Thousands)	Post-Modification Outstanding Recorded Investment
Troubled debt restructuring:			
Commercial mortgage loans	6	$ 28,648	$ 19,593

8. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

Deferred policy acquisition costs

The balances and changes in DAC are as follows:

	Successor Company February 1, 2015 to September 30, 2015 (Dollars In Thousands)	Predecessor Company January 1, 2015 to January 31, 2015	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Balance, beginning of period	$	$ 2,647,980	$ 2,721,687
Capitalization of commissions, sales, and issue expenses	213,353	22,513	288,592
Amortization	(14,689)	1,117	(195,605)
Change in unrealized investment gains and losses	6,560	(96,830)	(166,694)
Balance, end of period	$ 205,224	$ 2,574,780	$ 2,647,980

Value of business acquired

The balances and changes in VOBA are as follows:

	Successor Company February 1, 2015 to September 30, 2015	Predecessor Company January 1, 2015 to January 31, 2015	Predecessor Company As of December 31, 2014

	(Dollars In Thousands)		(Dollars In Thousands)		
Balance, beginning of period	$	1,276,886	$ 646,590	$	848,528
Amortization		(62,023)	(5,189)		(61,704)
Change in unrealized investment gains and losses		52,301	(79,418)		(140,234)
Other		(6,046)			
Balance, end of period	$	1,261,118	$ 561,983	$	646,590

As of February 1, 2015, the existing deferred acquisition costs (DAC) and VOBA balance was written off in conjunction with the merger previously disclosed in Note 4, *Dai-ichi Merger* and in accordance with ASC Topic 805 Business Combinations.

Concurrently, a VOBA asset was created representing the actuarial estimated present value of future cash flows from the Company s insurance policies and investment contracts in-force on the date of the Merger.

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The expected amortization of VOBA for the next five years is as follows:

Years	Expected Amortization (Dollars In Thousands)	
2015	$	39,882
2016		141,406
2017		129,471
2018		117,447
2019		99,473

9. GOODWILL

During the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company decreased its goodwill balance by approximately $0.3 million. The decrease for the period of the Predecessor Company was due to an adjustment in the Acquisitions segment related to tax benefits realized during the period on the portion of tax goodwill in excess of GAAP basis goodwill. The goodwill balances associated with the Predecessor Company were replaced with newly established goodwill balances in conjunction with the Dai-ichi Merger, in accordance with ASC Topic 805, as described below.

As permitted by ASC Topic 805, *Business Combinations*, the Company measured its assets and liabilities at fair value on the date of the merger, February 1, 2015. The purchase price in excess of the fair value of assets and liabilities of the Company resulted in the establishment of goodwill as of the date of the merger. As of February 1, 2015 (Successor Company), the Company established an aggregate goodwill balance of $735.7 million. Refer to Note 4, *Dai-ichi Merger*, for more information related to the Successor Company goodwill. There has been no change in the goodwill during the period of February 1, 2015 to September 30, 2015 (Successor Company).

Accounting for goodwill requires an estimate of the future profitability of the associated lines of business to assess the recoverability of the capitalized acquisition goodwill. The Company evaluates the carrying value of goodwill at the segment (or reporting unit) level at least annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: 1) a significant adverse change in legal factors or in business climate, 2) unanticipated competition, or 3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first determines through qualitative analysis whether relevant events and circumstances indicate that it is more likely than not that segment goodwill balances are impaired as of the measurement date. If it is determined that it is more likely than not that impairment exists, the Company compares its estimate of the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. The Company utilizes a fair value measurement (which includes a discounted cash flows analysis) to assess the carrying value of the reporting units in consideration of the recoverability of the goodwill balance assigned to each reporting unit as of the measurement date. The Company s material goodwill balances are attributable to certain of its operating segments (which are each considered to be reporting units). The cash flows used to determine the fair value of the Company s reporting units are dependent on a number of significant assumptions. The Company s estimates, which consider a market participant view of fair value, are subject to change given the inherent uncertainty in predicting future results and cash flows, which are impacted by such things as policyholder behavior, competitor pricing, capital limitations, new product introductions, and specific industry and market conditions. Additionally, the discount rate used is based on the Company s judgment of the appropriate rate for each reporting unit based on the relative risk associated with the projected cash flows. As of September 30, 2015 (Successor Company) and for the period February 1, 2015 through September 30, 2015 (Successor Company), the Company did not identify any events or circumstances which would indicate that the fair value of its operating segments would have declined below their book value, either individually or in the aggregate. Accordingly, no impairment to the Company s goodwill balance has been recorded.

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10. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

In conjunction with the Merger and in accordance with ASC Topic 805, the Company adjusted the carrying value of debt to fair value as of the date of the Merger, February 1, 2015. This resulted in the Company establishing premiums and discounts on its outstanding debt, subordinated debentures and non-recourse funding obligations. The carrying value of the Company s revolving line of credit approximates fair value due the nature of the borrowings and the fact the Company pays a variable rate of interest that reflects current market conditions. The fair value of the Company s senior notes, subordinated debt, non-recourse funding obligations associated with Golden Gate II Captive Insurance Company and MONY Life Insurance Company, were determined using market prices as of February 1, 2015. The fair value of the Golden Gate V non-recourse funding obligation was determined using a discounted cash flow model with inputs derived from comparable financial instruments. The premiums and discounts established as of February 1, 2015 are amortized over the expected life of the instruments using the effective interest method. The amortization of premiums and discounts are recorded as a component of interest expense and are recorded in Other operating expenses on the Company s Consolidated Condensed Statements of Income.

Debt and subordinated debt securities are summarized as follows:

	Successor Company As of September 30, 2015 (Dollars In Thousands)		Predecessor Company As of December 31, 2014 (Dollars In Thousands)	
Debt (year of issue):				
Revolving Line of Credit	$	495,000	$	450,000
6.40% Senior Notes (2007), due 2018		164,152		150,000
7.375% Senior Notes (2009), due 2019		477,669		400,000
8.45% Senior Notes (2009), due 2039		468,975		300,000
	$	1,605,796	$	1,300,000
Subordinated debt securities (year of issue):				
6.125% Subordinated Debentures (2004), due 2034, callable 2009	$		$	103,093
6.25% Subordinated Debentures (2012), due 2042, callable 2017		297,253		287,500
6.00% Subordinated Debentures (2012), due 2042, callable 2017		153,350		150,000
	$	450,603	$	540,593

During the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company called and redeemed the entire $103.1 million of outstanding principal amount of the Company s 6.125% Subordinated Debentures due 2034.

Under a revolving line of credit arrangement that was in effect until February 2, 2015 (the Credit Facility), the Company had the ability to borrow on an unsecured basis up to an aggregate principal amount of $750 million. The Company had the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.0 billion. Balances outstanding under the Credit Facility accrued interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of the Company s senior unsecured long-term debt (Senior Debt), or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent s

prime rate, (y) 0.50% above the Federal Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of our Senior Debt. The Credit Facility also provided for a facility fee at a rate, 0.175%, that could vary with the ratings of the Company s Senior Debt and that was calculated on the aggregate amount of commitments under the Credit Facility, whether used or unused. The Credit Facility provided that the Company was liable for the full amount of any obligations for borrowings or letters of credit, including those of PLICO, under the Credit Facility. The maturity date of the Credit Facility was July 17, 2017. The Company was not aware of any non-compliance with the financial debt covenants of the Credit Facility as of December 31, 2014 (Predecessor Company). There was an outstanding balance of $450.0 million bearing interest at a rate of LIBOR plus 1.20% under the Credit Facility as of December 31, 2014 (Predecessor Company). As of December 31, 2014 (Predecessor Company), PLICO had used $55.0

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million of borrowing capacity by executing a Letter of Credit under the Credit Facility for the benefit of an affiliated captive reinsurance subsidiary of the Company. This Letter of Credit had not been drawn upon as of December 31, 2014 (Predecessor Company).

On February 2, 2015, the Company amended and restated the Credit Facility (the 2015 Credit Facility). Under the 2015 Credit Facility, the Company has the ability to borrow on an unsecured basis up to an aggregate principal amount of $1.0 billion. The Company has the right in certain circumstances to request that the commitment under the 2015 Credit Facility be increased up to a maximum principal amount of $1.25 billion. Balances outstanding under the 2015 Credit Facility accrue interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of the Company s Senior Debt, or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent s prime rate, (y) 0.50% above the Federal Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of our Senior Debt. The 2015 Credit Facility also provided for a facility fee at a rate that varies with the ratings of the Company s Senior Debt and that is calculated on the aggregate amount of commitments under the 2015 Credit Facility, whether used or unused. The initial facility fee rate was 0.15% on February 2, 2015, and was adjusted to 0.125% upon our subsequent ratings upgrade on February 2, 2015. The 2015 Credit Facility provides that the Company is liable for the full amount of any obligations for borrowings or letters of credit, including those of PLICO, under the 2015 Credit Facility. The maturity date of the 2015 Credit Facility is February 2, 2020. The Company is not aware of any non-compliance with the financial debt covenants of the Credit Facility as of February 2, 2015 or the 2015 Credit Facility as of September 30, 2015 (Successor Company). There was an outstanding balance of $495.0 million bearing interest at a rate of LIBOR plus 1.00% as of September 30, 2015 (Successor Company). As of September 30, 2015 (Successor Company), the $55.0 million Letter of Credit executed by PLICO was no longer issued and outstanding.

Non-Recourse Funding Obligations

Golden Gate Captive Insurance Company

Golden Gate Captive Insurance Company (Golden Gate), a South Carolina special purpose financial captive insurance company and wholly owned subsidiary of PLICO, had three series of non-recourse funding obligations with a total outstanding balance of $800 million as of September 30, 2015 (Successor Company). The Company holds the entire outstanding balance of non-recourse funding obligation. The Series A1 non-recourse funding obligations have a balance of $400 million and accrue interest at 7.375%, the Series A2 non-recourse funding obligations have a balance of $100 million and accrue interest at 8.00%, and the Series A3 non-recourse funding obligations have a balance of $300 million and accrue interest at 8.45%.

Golden Gate II Captive Insurance Company

Golden Gate II Captive Insurance Company (Golden Gate II), a South Carolina special purpose financial captive insurance company wholly owned by PLICO, had $575 million of outstanding non-recourse funding obligations as of September 30, 2015 (Successor Company). These outstanding non-recourse funding obligations were issued to special purpose trusts, which in turn issued securities to third parties. Certain of our affiliates own a portion of these securities. As of September 30, 2015 (Successor Company), securities related to $144.9 million of the outstanding balance of the non-recourse funding obligations were held by external parties and securities related to $430.1 million of the non-recourse funding obligations were held by the Company and its affiliates. The Company has entered into certain support agreements with Golden Gate II obligating the Company to make capital contributions or provide support related to certain of Golden Gate II s expenses and in certain circumstances, to collateralize certain of the Company s obligations to Golden Gate II. These support agreements provide that amounts would become payable by the Company to Golden Gate II if its annual general corporate expenses were higher than modeled amounts or if Golden Gate II s investment income on certain investments or premium income was below certain actuarially determined amounts. As of

September 30, 2015 (Successor Company), no payments have been made under these agreements, however, certain support agreement obligations to Golden Gate II of approximately $1.9 million have been collateralized by the Company. Re-evaluation and, if necessary, adjustments of any support agreement collateralization amounts occur annually during the first quarter pursuant to the terms of the support agreements.

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Golden Gate V Vermont Captive Insurance Company

On October 10, 2012, Golden Gate V, a Vermont special purpose financial insurance company, and Red Mountain, both wholly owned subsidiaries of PLICO, entered into a 20-year transaction to finance up to $945 million of AXXX reserves related to a block of universal life insurance policies with secondary guarantees issued by our direct wholly owned subsidiary PLICO and indirect wholly owned subsidiary, West Coast Life Insurance Company (WCL). Golden Gate V issued non-recourse funding obligations to Red Mountain, and Red Mountain issued a note with an initial principal amount of $275 million, increasing to a maximum of $945 million in 2027, to Golden Gate V for deposit to a reinsurance trust supporting Golden Gate V s obligations under a reinsurance agreement with WCL, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. Through the structure, Hannover Life Reassurance Company of America (Hannover Re), the ultimate risk taker in the transaction, provides credit enhancement to the Red Mountain note for the 20-year term in exchange for a fee. The transaction is non-recourse to Golden Gate V, Red Mountain, WCL, PLICO and the Company, meaning that none of these companies are liable for the reimbursement of any credit enhancement payments required to be made. As of September 30, 2015 (Successor Company), the principal balance of the Red Mountain note was $485 million. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately $139.6 million and will be paid in annual installments through 2031. In connection with the transaction, the Company has entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate V or Red Mountain. The support agreements provide that amounts would become payable by the Company if Golden Gate V s annual general corporate expenses were higher than modeled amounts or in the event write-downs due to other-than-temporary impairments on assets held in certain accounts exceed defined threshold levels. Additionally, the Company has entered into separate agreements to indemnify Golden Gate V with respect to material adverse changes in non-guaranteed elements of insurance policies reinsured by Golden Gate V, and to guarantee payment of certain fee amounts in connection with the credit enhancement of the Red Mountain note. As of September 30, 2015 (Successor Company), no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate V had a $485 million outstanding non-recourse funding obligation as of September 30, 2015 (Successor Company). This non-recourse funding obligation matures in 2037, has scheduled increases in principal to a maximum of $945 million, and accrues interest at a fixed annual rate of 6.25%.

Non-recourse funding obligations outstanding as of September 30, 2015 (Successor Company), on a consolidated basis, are shown in the following table:

Issuer		**Carrying Value(1)**	**Maturity Year**	**Year-to-Date Weighted-Avg Interest Rate**
		(Dollars In Thousands)		
Golden Gate II Captive Insurance Company	$	118,377	2052	1.30%
Golden Gate V Vermont Captive Insurance Company(2)		550,079	2037	5.12%
MONY Life Insurance Company(2)		2,538	2024	6.19%
Total	$	670,994		

(1) Carrying values include premiums and discounts and do not represent unpaid principal balances.

(2) Fixed rate obligations

During the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company did not repurchase any of its outstanding non-recourse funding obligations. For the nine months ended September 30, 2014 (Predecessor Company), the Company repurchased $18.3 million of its outstanding non-recourse funding obligations, at a discount. The repurchase resulted in a $4.6 million pre-tax gain for the Company.

Letters of Credit

Golden Gate III Vermont Captive Insurance Company (Golden Gate III), a Vermont special purpose financial insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement (the Reimbursement Agreement) with UBS AG, Stamford Branch (UBS), as issuing lender. Under the original

Reimbursement Agreement, dated April 23, 2010, UBS issued a letter of credit (the LOC) in the initial amount of $505 million to a trust for the benefit of WCL. The Reimbursement Agreement was subsequently amended and restated effective November 21, 2011 (the First Amended and Restated Reimbursement Agreement), to replace the existing LOC with one or more letters of credit from UBS, and to extend the maturity date from April 1, 2018, to April 1, 2022. On August 7, 2013, Golden Gate III entered into a Second Amended and Restated Reimbursement Agreement with UBS (the Second Amended and Restated Reimbursement Agreement), which amended and restated the First Amended and Restated Reimbursement Agreement. Under the Second and Amended and Restated Reimbursement Agreement a new LOC in an initial amount of $710 million was issued by UBS in replacement of the existing LOC issued under the First Amended and Restated Reimbursement Agreement. The term of the LOC was extended from April 1, 2022 to October 1, 2023, subject to certain conditions being satisfied including scheduled capital contributions being made to Golden Gate III by one of its affiliates. The maximum stated amount of the LOC was increased from $610 million to $720 million in 2015 if certain conditions had been met. On June 25, 2014, Golden Gate III entered into a Third Amended and Restated Reimbursement Agreement with UBS (the Third Amended and Restated Reimbursement Agreement), which amended and restated the Second Amended and Restated Reimbursement Agreement. Under the Third Amended and Restated Reimbursement Agreement, a new LOC in an initial amount of $915 million was issued by UBS in replacement of the existing LOC issued under the Second Amended and Restated Reimbursement Agreement. The term of the LOC was extended from October 1, 2023 to April 1, 2025, subject to certain conditions being satisfied including scheduled capital contributions being made to Golden Gate III by one of its affiliates. The maximum stated amount of the LOC was increased from $720 million to $935 million in 2015 if certain conditions are met. The LOC is held in trust for the benefit of WCL, and supports certain obligations of Golden Gate III to WCL under an indemnity reinsurance agreement originally effective April 1, 2010, as amended and restated on November 21, 2011, and as further amended and restated on August 7, 2013 and on June 25, 2014 to include additional blocks of policies, and pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. The LOC balance was $935 million as of September 30, 2015 (Successor Company). The term of the LOC is expected to be approximately 15 years from the original issuance date. This transaction is non- recourse to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate III are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate III obligating the Company to make capital contributions or provide support related to certain of Golden Gate III s expenses and in certain circumstances, to collateralize certain of the Company s obligations to Golden Gate III. Future scheduled capital contributions amount to approximately $122.5 million and will be paid in three installments with the last payment occurring in 2021, and these contributions may be subject to potential offset against dividend payments as permitted under the terms of the Third Amended and Restated Reimbursement Agreement. The support agreements provide that amounts would become payable by the Company to Golden Gate III if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate III. Pursuant to the terms of an amended and restated letter agreement with UBS, the Company has continued to guarantee the payment of fees to UBS as specified in the Third Amended and Restated Reimbursement Agreement. As of September 30, 2015 (Successor Company), no payments have been made under these agreements.

Golden Gate IV Vermont Captive Insurance Company (Golden Gate IV), a Vermont special purpose financial insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement with UBS AG, Stamford Branch, as issuing lender. Under the Reimbursement Agreement, dated December 10, 2010, UBS issued an LOC in the initial amount of $270 million to a trust for the benefit of WCL. The LOC balance has increased, in accordance with the terms of the Reimbursement Agreement, during each quarter of 2015 and was $770 million as of September 30, 2015 (Successor Company). Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $790 million in 2016. The term of the LOC is expected to be 12 years from the original issuance date (stated maturity of December 30, 2022). The LOC was issued to support certain obligations of Golden Gate IV to WCL under an indemnity reinsurance agreement, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. This transaction is non-recourse to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate IV are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate IV obligating the Company to make capital contributions or provide support related to certain of Golden Gate IV s expenses and in certain circumstances, to collateralize certain of the Company s obligations to Golden Gate IV. The support agreements provide that amounts would become payable by the Company to Golden Gate IV if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate IV. The Company has also entered into a separate

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agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of September 30, 2015 (Successor Company), no payments have been made under these agreements.

Repurchase Program Borrowings

While the Company anticipates that the cash flows of its operating subsidiaries will be sufficient to meet its investment commitments and operating cash needs in a normal credit market environment, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has established repurchase agreement programs for certain of its insurance subsidiaries to provide liquidity when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Under this program, the Company may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are typically for a term less than 90 days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. Cash received is invested in fixed maturity securities, and the agreements provided for net settlement in the event of default or on termination of the agreements. As of September 30, 2015 (Successor Company), the fair value of securities pledged under the repurchase program was $500.5 million and the repurchase obligation of $455.7 million was included in the Company s consolidated condensed balance sheets (at an average borrowing rate of 22 basis points). During the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the maximum balance outstanding at any one point in time related to these programs was $652.2 million and $175.0 million, respectively. The average daily balance was $530.5 million and $77.4 million (at an average borrowing rate of 18 and 16 basis points, respectively) during the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively. As of December 31, 2014 (Predecessor Company), the Company had a $50.0 million outstanding balance related to such borrowings. During 2014, the maximum balance outstanding at any one point in time related to these programs was $633.7 million. The average daily balance was $470.4 million (at an average borrowing rate of 11 basis points) during the year ended December 31, 2014 (Predecessor Company).

The following table provides the amount of collateral pledged for repurchase agreements, grouped by asset class, as of September 30, 2015 (Successor Company):

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions

Accounted for as Secured Borrowings

	Remaining Contractual Maturity of the Agreements As of September 30, 2015 (Successor Company) (Dollars In Thousands)				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions					
U.S. Treasury and agency securities	$ 124,489	$ 20,257	$ 15,029	$	$ 159,775
State and municipal securities					
Other asset-backed securities					
Corporate securities					
Equity securities					
Non-U.S. sovereign debt					

Mortgage loans	340,767				340,767
Other asset-backed securities					
Total borrowings	$ 465,256	$ 20,257	$ 15,029	$	$ 500,542

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11. COMMITMENTS AND CONTINGENCIES

The Company has entered into indemnity agreements with each of its current directors other than those that are employees of Dai-ichi Life that provide, among other things and subject to certain limitations, a contractual right to indemnification to the fullest extent permissible under the law. The Company has agreements with certain of its officers providing up to $10 million in indemnification. These obligations are in addition to the customary obligation to indemnify officers and directors contained in the Company s governance documents.

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. In addition, from time to time, companies may be asked to contribute amounts beyond prescribed limits. Most insurance guaranty fund laws provide that an assessment may be excused or deferred if it would threaten an insurer s own financial strength. The Company does not believe its insurance guaranty fund assessments will be materially different from amounts already provided for in the financial statements.

A number of civil jury verdicts have been returned against insurers, broker dealers and other providers of financial services involving sales, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, and other matters. Often these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very limited appellate review. In addition, in some class action and other lawsuits, companies have made material settlement payments. Publicly held companies in general and the financial services and insurance industries in particular are also sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some companies have been the subject of law enforcement or regulatory actions or other actions resulting from such investigations. The Company, in the ordinary course of business, is involved in such matters.

The Company establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company reviews relevant information with respect to litigation and regulatory matters on a quarterly and annual basis and updates its established liabilities, disclosures and estimates of reasonably possible losses or range of loss based on such reviews.

After the entry into the Merger Agreement on June 3, 2014, four lawsuits were filed against the Company, our then current directors, Dai-ichi Life and DL Investment (Delaware), Inc. on behalf of alleged Company shareowners. On June 11, 2014, a putative class action lawsuit styled *Edelman, et al. v. Protective Life Corporation, et al.*, Civil Action No. 01-CV- 2014-902474.00, was filed in the Circuit Court of Jefferson County, Alabama. On July 30, 2014, the plaintiff in *Edelman* filed an amended complaint. Three putative class action lawsuits were filed in the Court of Chancery of the State of Delaware, *Martin, et al. v. Protective Life Corporation, et al.*, Civil Action No. 9794-CB, filed June 19, 2014, *Leyendecker, et al. v. Protective Life Corporation, et al.*, Civil Action No. 9931-CB, filed July 22, 2014 and *Hilburn, et al. v. Protective Life Corporation, et al.*, Civil Action No. 9937-CB, filed July 23, 2014. The Delaware Court of Chancery consolidated the *Martin*, *Leyendecker,* and *Hilburn* actions under the caption *In re Protective Life Corp. Stockholders Litigation*, Consolidated Civil Action No. 9794-CB, designated the *Hilburn* complaint as the operative consolidated complaint (the Delaware Action) and appointed Charlotte Martin, Samuel J. Leyendecker, Jr., and Deborah J. Hilburn to serve as co-lead plaintiffs. These lawsuits alleged that our Board of Directors breached its fiduciary duties to the Company s shareowners, that the Merger involved an unfair price, an inadequate sales process, and unreasonable deal protection devices that purportedly precluded competing offers, and that the preliminary proxy statement filed with the SEC on July 10, 2014 failed to disclose purportedly material information. The complaints also alleged that the Company, Dai-ichi Life and DL Investment (Delaware), Inc. aided and

abetted those alleged breaches of fiduciary duties. The complaints sought injunctive relief, including enjoining or rescinding the Merger, and attorneys and other fees and costs, in addition to other relief. The Delaware Action also sought an award of unspecified damages.

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With respect to the *Edelman* lawsuit, on September 5, 2014, the court held a hearing to address motions to dismiss the lawsuit filed on behalf of the Company, the members of the Company s Board, and DL Investment (Delaware), Inc. On September 19, 2014, the court granted those motions and dismissed the *Edelman* lawsuit in its entirety and with prejudice, pending a possible appeal by the plaintiff. With respect to the Delaware Action, on September 24, 2014, the Company, each of the members of the Company s Board, Dai-ichi Life, and DL Investment (Delaware), Inc. entered into a Memorandum of Understanding (the MOU) with the plaintiffs in that case, which set forth the parties agreement in principle for a settlement of the Delaware Action. As set forth in the MOU, the Company, the members of the Company s Board, Dai-ichi Life, and DL Investment (Delaware), Inc. agreed to the settlement solely to eliminate the burden, expense, distraction, and uncertainties inherent in further litigation, and without admitting any liability or wrongdoing. The MOU contemplated that the parties would seek to enter into a stipulation of settlement providing for the certification of a mandatory non opt-out class, for settlement purposes only, to include any and all record and beneficial owners of shares (excluding the members of the Company s Board and their immediate family members, any entity in which any member of the Company s Board has a controlling interest, and any successors in interest thereto) that held shares at any time during the period beginning on June 3, 2014, through the date of consummation or termination of the Merger, including any and all of their respective successors in interest, successors, predecessors in interest, representatives, trustees, executors, administrators, heirs, assigns, or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under, any of them, together with their predecessors, successors and assigns, and a global release of claims relating to the Merger as set forth in the MOU. As part of the settlement, the Company agreed to make certain additional disclosures related to the Merger which are set forth in the Company s Form 8-K filed on September 25, 2014 and which supplement the information contained in the Company s definitive proxy statement filed with the SEC on August 25, 2014, as amended on August 27, 2014. Nothing in the Form 8-K or stipulation of settlement shall be deemed an admission of the legal necessity or materiality of any of the disclosures set forth in the Form 8-K. The stipulation of settlement and release of all claims in the Delaware Action was approved by the Court of Chancery of the State of Delaware on June 16, 2015. The terms of the settlement had no effect on the consideration received by Company shareowners in connection with the completion of the Merger, and the amount of attorneys fees and expenses awarded to the plaintiffs counsel did not have a material impact upon the Company.

In 2012, the IRS proposed favorable and unfavorable adjustments to the Company s 2003 through 2007 reported taxable income. The Company protested certain unfavorable adjustments and was seeking resolution at the IRS Appeals Division. The case followed normal procedure and was under review at Congress Joint Committee on Taxation. Subsequent to September 30, 2015, Appeals accepted the Company s proposed settlement offer that related to its earlier protest. As a result, the Company expects to pay approximately $13.0 million in tax. This payment will not materially impact the Company nor its effective tax rate.

In the three months ended September 30, 2015, the IRS proposed favorable and unfavorable adjustments to the Company s 2008 through 2011 reported taxable income. The Company agreed to these adjustments. As a result, it expects to receive approximately $9.8 million in tax refunds. However, due to the activity in the previous exam cycle per the preceding paragraph, the tax computations are in the process of being recomputed. Regardless of these recalculations, these refunds will not materially affect the Company s effective tax rate. Through the acquisition of MONY by PLICO certain income tax credit carryforwards, which arose in MONY s pre-acquisition tax years, transferred to the Company. This transfer was in accordance with the applicable rules of the Internal Revenue Code and the related Regulations. In spite of this transfer, AXA, the former parent of the consolidated income tax return group in which MONY was a member, retains the right to utilize these credits in the future to offset future increases in its 2010 through 2013 tax liabilities. The Company had determined that, based on all information known as of the acquisition date and through the March 31, 2014 reporting date, it was probable that a loss of the utilization of these carryforwards had been incurred. Due to indemnification received from AXA during the quarter ending June 30, 2014, the probability of loss of these carryforwards has been eliminated. Accordingly, in the table summarizing the fair value of net assets acquired from the Acquisition, the amount of the deferred tax asset from the credit carryforwards is no longer offset by a liability.

Certain of the Company s insurance subsidiaries, as well as certain other insurance companies for which the Company has coinsured blocks of life insurance and annuity policies, are under audit for compliance with the unclaimed property laws of a number of states. The audits are being conducted on behalf of the treasury departments or unclaimed property administrators in such states. The focus of the audits is on whether there have been unreported deaths, maturities, or policies that have exceeded limiting age with respect to which death benefits or other payments

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under life insurance or annuity policies should be treated as unclaimed property that should be escheated to the state. The Company is presently unable to estimate the reasonably possible loss or range of loss that may result from the audits due to a number of factors, including uncertainty as to the legal theory or theories that may give rise to liability, the early stages of the audits being conducted, and, with respect to one block of life insurance policies that is co-insured by a subsidiary of the Company, uncertainty as to whether the Company or other companies are responsible for the liabilities, if any, arising in connection with such policies. The Company will continue to monitor the matter for any developments that would make the loss contingency associated with the audits probable or reasonably estimable.

Certain of the Company s subsidiaries are under a targeted multi-state examination with respect to their claims paying practices and their use of the U.S. Social Security Administration s Death Master File or similar databases (a Death Database) to identify unreported deaths in their life insurance policies, annuity contracts and retained asset accounts. There is no clear basis in previously existing law for requiring a life insurer to search for unreported deaths in order to determine whether a benefit is owed, and substantial legal authority exists to support the position that the prevailing industry practice was lawful. A number of life insurers, however, have entered into settlement or consent agreements with state insurance regulators under which the life insurers agreed to implement procedures for periodically comparing their life insurance and annuity contracts and retained asset accounts against a Death Database, treating confirmed deaths as giving rise to a death benefit under their policies, locating beneficiaries and paying them the benefits and interest, and escheating the benefits and interest as well as penalties to the state if the beneficiary could not be found. It has been publicly reported that the life insurers have paid administrative and/or examination fees to the insurance regulators in connection with the settlement or consent agreements. The Company believes it is reasonably possible that insurance regulators could demand from the Company administrative and/or examination fees relating to the targeted multi-state examination. Based on publicly reported payments by other life insurers, the Company estimates the range of such fees to be from $0 to $3.5 million.

12. EMPLOYEE BENEFIT PLANS

Due to the Dai-ichi Life transaction, the Company re-measured all materially impacted benefit plans as of January 31, 2015 (Predecessor Company). Financial re-measurement was performed for the defined benefit pension plan, the unfunded excess benefit plan, and the postretirement life insurance plan as of January 31, 2015 (Predecessor Company). The January 2015 results for the retiree life plan were not material, and therefore, re-measurement was not deemed necessary for this plan. The Company has disclosed relevant financial information related to the applicable January 31, 2015 (Predecessor Company) re-measurements, as follows.

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The following table presents the benefit obligation, fair value of plan assets, and the funded status of the Company s defined benefit pension plan and unfunded excess benefit plan as of January 31, 2015 (Predecessor Company) and December 31, 2014 (Predecessor Company). This table also includes the amounts not yet recognized as components of net periodic pension costs as of January 31, 2015 (Predecessor Company) and December 31, 2014 (Predecessor Company).

	Predecessor Company			
	Defined Benefit Pension Plan		Unfunded Excess Benefits Plan	
	As of January 31, 2015	As of December 31, 2014	As of January 31, 2015	As of December 31, 2014
	(Dollars In Thousands)			
Accumulated benefit obligation, end of period	$ 262,290	$ 249,453	$ 49,251	$ 47,368
Change in projected benefit obligation:				
Projected benefit obligation at beginning of period	$ 267,331	$ 219,152	$ 49,575	$ 39,679
Service cost	974	9,411	95	954
Interest cost	1,002	10,493	140	1,696
Amendments				
Actuarial (gain) or loss	12,384	38,110	1,555	9,153
Benefits paid	(592)	(9,835)	(122)	(1,907)
Projected benefit obligation at end of period	281,099	267,331	51,243	49,575
Change in plan assets:				
Fair value of plan assets at beginning of period	203,772	180,173		
Actual return on plan assets	(3,525)	17,921		
Employer contributions(1)	2,165	15,513	122	1,907
Benefits paid	(592)	(9,835)	(122)	(1,907)
Fair value of plan assets at end of period	201,820	203,772		
After reflecting FASB guidance				
Funded status	(79,279)	(63,559)	(51,243)	(49,575)
Amounts recognized in the balance sheet:				
Other liabilities	(79,279)	(63,559)	(51,243)	(49,575)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial loss	96,965	80,430	22,401	20,983
Prior service cost/(credit)	(1,001)	(1,033)	23	24
Total amounts recognized in AOCI	$ 95,964	$ 79,397	$ 22,424	$ 21,007

(1) Employer contributions disclosed are based on the Company s fiscal filing year.

As of January 31, 2015 (Predecessor Company) and December 31, 2014 (Predecessor Company), the projected benefit obligation associated with the postretirement life insurance plan was $9.8 million and $9.3 million, respectively.

As a result of the Merger on February 1, 2015, all unrecognized prior service costs or credits, actuarial gains or losses, and any remaining transition assets or obligations were not carried forward on the acquisition date. Therefore, the amounts presented in the Amounts recognized in accumulated other comprehensive income in the chart above were set to zero on the Merger date.

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The benefit obligations as of January 31, 2015 (Predecessor Company) were determined based on the assumptions used in the 2014 year-end disclosures with the following exception:

	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan	Postretirement Life Insurance Plan
Discount rate	3.55%	3.26%	3.79%

Components of the net periodic benefit cost for the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the three and nine months ended September 30, 2014 (Predecessor Company) are as follows:

	Successor Company				Predecessor Company					
	For The Three Months Ended September 30, 2015		February 1, 2015 to September 30, 2015		January 1, 2015 to January 31, 2015		For The Three Months Ended September 30, 2014		For The Nine Months Ended September 30, 2014	
	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan	Defined Benefit Pension Plan	Unfunded Excess Benefit Plan
	(Dollars In Thousands)				(Dollars In Thousands)					
Service cost benefits earned during the period	$ 2,973	$ 333	$ 7,928	$ 888	$ 974	$ 95	$ 2,227	$ 226	$ 6,680	$ 678
Interest cost on projected benefit obligation	2,433	408	6,488	1,088	1,002	140	2,587	406	7,761	1,219
Expected return on plan assets	(3,642)		(9,712)		(1,293)		(3,065)		(9,194)	
Amortization of prior service cost					(33)	1	(98)	3	(294)	9
Amortization of actuarial losses					668	138	1,576	321	4,727	962
Total net periodic benefit cost	$ 1,764	$ 741	$ 4,704	$ 1,976	$ 1,318	$ 374	$ 3,227	$ 956	$ 9,680	$ 2,868

During the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company contributed $2.2 million to its defined benefit pension plan for the 2014 plan year. During the period of February 1, 2015 to September 30, 2015 (Successor Company), the Company contributed $1.4 million to its defined benefit pension plan for the 2014 plan year. The Company will continue to make contributions in future periods as necessary to at least satisfy minimum funding requirements. The Company may also make additional contributions in future periods to maintain an adjusted funding target attainment percentage (AFTAP) of at least 80% and to avoid certain Pension Benefit Guaranty Corporation (PBGC) reporting triggers.

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13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in the accumulated balances for each component of accumulated other comprehensive income (loss) (AOCI) as of September 30, 2015 (Successor Company), January 31, 2015 (Predecessor Company) and December 31, 2014 (Predecessor Company).

Changes in Accumulated Other Comprehensive Income (Loss) by Component

Successor Company	Unrealized Gains and Losses on Investments(2)	Accumulated Gain and Loss Derivatives	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Thousands, Net of Tax)		
Beginning Balance, February 1, 2015	$	$	$
Other comprehensive income (loss) before reclassifications	(941,473)	(86)	(941,559)
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	(3,115)		(3,115)
Amounts reclassified from accumulated other comprehensive income (loss)(1)	8,657	86	8,743
Net current-period other comprehensive income (loss)	(935,931)		(935,931)
Ending Balance, September 30, 2015	$ (935,931)	$	$ (935,931)

(1) See Reclassification table below for details.

(2) As of September 30, 2015 net unrealized losses reported in AOCI were offset by $506.9 million due to the impact those net unrealized losses would have had on certain of the Company s insurance assets and liabilities if the net unrealized losses had been recognized in net income.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

Predecessor Company	Unrealized Gains and Losses on Investments(2)	Accumulated Gain and Loss Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Thousands, Net of Tax)			
Beginning Balance, December 31, 2014	$ 1,484,169	$ (82)	$ (66,011)	$ 1,418,076
Other comprehensive income (loss) before reclassifications	482,370	9	(12,527)	469,852

Other comprehensive income (loss) relating to other- than-temporary impaired investments for which a portion has been recognized in earnings		(243)						(243)
Amounts reclassified from accumulated other comprehensive income (loss)(1)		(4,166)		23		502		(3,641)
Net current-period other comprehensive income (loss)		477,961		32		(12,025)		465,968
Ending Balance, January 31, 2015	$	1,962,130	$	(50)	$	(78,036)	$	1,884,044

(1) See Reclassification table below for details.

(2) As of January 31, 2015 and December 31, 2014, net unrealized losses reported in AOCI were offset by $(492.6) million and $(504.4) million, respectively, due to the impact those net unrealized losses would have had on certain of the Company s insurance assets and liabilities if the net unrealized losses had been recognized in net income.

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Changes in Accumulated Other Comprehensive Income (Loss) by Component

Predecessor Company	Unrealized Gains and Losses on Investments(2)	Accumulated Gain and Loss Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Thousands, Net of Tax)			
Beginning Balance, December 31, 2013	$ 539,003	$ (1,235)	$ (43,702)	$ 494,066
Other comprehensive income (loss) before reclassifications	986,958	(2)	(27,395)	959,561
Other comprehensive income (loss) relating to other- than-temporary impaired investments for which a portion has been recognized in earnings	3,498			3,498
Amounts reclassified from accumulated other comprehensive income (loss)(1)	(45,290)	1,155	5,086	(39,049)
Net current-period other comprehensive income (loss)	945,166	1,153	(22,309)	924,010
Ending Balance, December 31, 2014	$ 1,484,169	$ (82)	$ (66,011)	$ 1,418,076

(1) See Reclassification table below for details.

(2) As of December 31, 2014 and 2013, net unrealized losses reported in AOCI were offset by $(504.4) million and $(189.8) million,

respectively, due to the impact those net unrealized losses would have had on certain of the Company s insurance assets and liabilities if the net unrealized losses had been recognized in net income.

The following tables summarize the reclassifications amounts out of AOCI for the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the three and nine months ended September 30, 2014 (Predecessor Company).

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Successor Company For The Three Months Ended September 30, 2015	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Condensed Statements of Income
Unrealized gains and losses on available-for-sale securities		
Net investment gains (losses)	$ (1,253)	Realized investment gains (losses): All other investments
Impairments recognized in earnings	(10,064)	Net impairment losses recognized in earnings

		(11,317)	Total before tax
		3,961	Tax (expense) or benefit
	$	(7,356)	Net of tax

(1) See Note 17, Derivative Financial Instruments for additional information.

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Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Successor Company February 1, 2015 to September 30, 2015		Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Condensed Statements of Income
Gains and losses on derivative instruments			
Net settlement (expense)/benefit(1)	$	(131)	Benefits and settlement expenses, net of reinsurance ceded
		(131)	Total before tax
		45	Tax (expense) or benefit
	$	(86)	Net of tax
Unrealized gains and losses on available-for-sale securities			
Net investment gains (losses)	$	2,480	Realized investment gains (losses): All other investments
Impairments recognized in earnings		(15,798)	Net impairment losses recognized in earnings
		(13,318)	Total before tax
		4,661	Tax (expense) or benefit
	$	(8,657)	Net of tax

(1) See Note 17, Derivative Financial Instruments for additional information.

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Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Predecessor Company January 1, 2015 to January 31, 2015		Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Condensed Statements of Income
Gains and losses on derivative instruments			
Net settlement (expense)/benefit(1)	$	(36)	Benefits and settlement expenses, net of reinsurance ceded
		(36)	Total before tax
		13	Tax (expense) or benefit
	$	(23)	Net of tax
Unrealized gains and losses on available-for-sale securities			
Net investment gains (losses)	$	6,891	Realized investment gains (losses): All other investments
Impairments recognized in earnings		(481)	Net impairment losses recognized in earnings
		6,410	Total before tax
		(2,244)	Tax (expense) or benefit
	$	4,166	Net of tax
Postretirement benefits liability adjustment			
Amortization of net actuarial gain/(loss)	$	(808)	Other operating expenses
Amortization of prior service credit/(cost)		31	Other operating expenses
Amortization of transition asset/(obligation)		5	Other operating expenses
		(772)	Total before tax
		270	Tax (expense) or benefit
	$	(502)	Net of tax

(1) See Note 17, Derivative Financial Instruments for additional information.

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Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Predecessor Company For The Three Months Ended September 30, 2014		Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Condensed Statements of Income
Gains and losses on derivative instruments			
Net settlement (expense)/benefit(1)	$	(293)	Benefits and settlement expenses, net of reinsurance ceded
		(293)	Total before tax
		103	Tax (expense) or benefit
	$	(190)	Net of tax
Unrealized gains and losses on available-for-sale securities			
Net investment gains (losses)	$	23,627	Realized investment gains (losses): All other investments
Impairments recognized in earnings		(2,354)	Net impairment losses recognized in earnings
		21,273	Total before tax
		(7,446)	Tax (expense) or benefit
	$	13,827	Net of tax
Postretirement benefits liability adjustment			
Amortization of net actuarial gain/(loss)	$	(1,900)	Other operating expenses
Amortization of prior service credit/(cost)		95	Other operating expenses
		(1,805)	Total before tax
		632	Tax (expense) or benefit
	$	(1,173)	Net of tax

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(1) See Note 17, Derivative Financial Instruments for additional information.

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Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Predecessor Company For The Nine Months Ended September 30, 2014		Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Condensed Statements of Income
Gains and losses on derivative instruments			
Net settlement (expense)/benefit(1)	$	(1,577)	Benefits and settlement expenses, net of reinsurance ceded
		(1,577)	Total before tax
		552	Tax (expense) or benefit
	$	(1,025)	Net of tax
Unrealized gains and losses on available-for-sale securities			
Net investment gains (losses)	$	51,195	Realized investment gains (losses): All other investments
Impairments recognized in earnings		(5,405)	Net impairment losses recognized in earnings
		45,790	Total before tax
		(16,027)	Tax (expense) or benefit
	$	29,763	Net of tax
Postretirement benefits liability adjustment			
Amortization of net actuarial gain/(loss)	$	(5,700)	Other operating expenses
Amortization of prior service credit/(cost)		285	Other operating expenses
		(5,415)	Total before tax
		1,895	Tax (expense) or benefit
	$	(3,520)	Net of tax

(1) See Note 17, Derivative Financial Instruments for additional information.

14. EARNINGS PER SHARE

As of February 1, 2015, the Company became a wholly owned subsidiary of Dai-ichi Life, and for the period of February 1, 2015 to September 30, 2015 (Successor Company), there was no market for the Company s common stock and therefore the Company will no longer disclose earnings per share information.

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period, including shares issuable under various deferred compensation plans. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares and dilutive potential common shares outstanding during the period, assuming the shares were not anti-dilutive, including shares issuable under various stock-based compensation plans and stock purchase contracts.

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A reconciliation of the numerators and denominators of the basic and diluted earnings per share is presented below for the period of January 1, 2015 to January 31, 2015 (Predecessor Company) and for the three and nine months ended September 30, 2014 (Predecessor Company):

		Predecessor Company	
	January 1, 2015 to January 31, 2015	**For The Three Months Ended September 30, 2014**	**For The Nine Months Ended September 30, 2014**
	(Dollars In Thousands, Except Per Share Amounts)		
Calculation of basic earnings per share:			
Net income	$ 1,509	$ 118,909	$ 310,525
Average shares issued and outstanding	79,343,253	79,095,917	78,860,218
Issuable under various deferred compensation plans	1,109,595	1,135,674	1,081,800
Weighted shares outstanding - basic	80,452,848	80,231,591	79,942,018
Per share:			
Net income - basic	$ 0.02	$ 1.48	$ 3.88
Calculation of diluted earnings per share:			
Net income	$ 1,509	$ 118,909	$ 310,525
Weighted shares outstanding - basic	80,452,848	80,231,591	79,942,018
Stock appreciation rights (SARs)	64,570	72,223	342,203
Issuable under various other stock-based compensation plans	935,382	869,320	718,215
Restricted stock units	306,487	285,736	258,813
Weighted shares outstanding - diluted	81,759,287	81,458,870	81,261,249
Per share:			
Net income - diluted	$ 0.02	$ 1.46	$ 3.82

15. INCOME TAXES

The Company used its respective estimates of its annual 2015 and 2014 incomes in computing its effective income tax rates for the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the three and nine months ended September 30, 2014 (Predecessor Company). The effective tax rates for the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the three and nine months ended September 30, 2014 (Predecessor Company) were 30.8%, 32.5%, (27.7)%, 35.7%, and 34.3%, respectively. The recorded tax benefit for the period of January 1, 2015 to January 31, 2015 (Predecessor Company) includes the benefit associated with the re-measurement of the unrecognized tax benefits discussed in the following paragraph.

In conjunction with the Merger and as a result of the adjustments to the Company s assets and liabilities which were discussed in Note 2, *Summary of Significant Accounting Policies*, the Company s deferred tax assets and liabilities were re-measured as of the date of the Merger.

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The components of the Company s net deferred income tax liability are as follows:

	Successor Company As of September 30, 2015 (Dollars In Thousands)	Predecessor Company As of December 31, 2014 (Dollars In Thousands)
Deferred income tax assets:		
Loss and credit carryforwards	$ 23,430	$ 516
Premium receivables and policy liabilities		95,298
Deferred compensation	236,942	194,223
Invested assets (other than unrealized gains)		63,901
Deferred policy acquisition costs	396,868	
Premium on corporate debt	115,041	
Net unrealized loss on investments	504,012	
Other	40,598	
Valuation allowance	(2,059)	(2,206)
	1,314,832	351,732
Deferred income tax liabilities:		
Premium receivables and policy liabilities	193,390	
VOBA and other intangibles	666,365	
DAC and VOBA		1,078,533
Invested assets (other than unrealized gains)	1,572,937	
Net unrealized gains on investments		799,123
Other		19,554
	2,432,692	1,897,210
Net deferred income tax liability	$ (1,117,860)	$ (1,545,478)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Successor Company February 1, 2015 to September 30, 2015 (Dollars In Thousands)	Predecessor Company January 1, 2015 to January 31, 2015	Predecessor Company As of December 31, 2014
		(Dollars In Thousands)	
Balance, beginning of period	$ 137,593	$ 193,244	$ 105,881
Additions for tax positions of the current year	8,217	(5,010)	57,463
Additions for tax positions of prior years	1,602	7,724	39,433
Reductions of tax positions of prior years:			
Changes in judgment	(1,028)	(58,365)	(9,533)
Settlements during the period	(90,872)		
Lapses of applicable statute of limitations			
Balance, end of period	$ 55,512	$ 137,593	$ 193,244

The revisions to the Company s unrecognized tax benefits for the period of February 1, 2015 to September 30, 2015 (Successor Company) are shown in the chart above. These revisions included increasing prior determinations of amounts accrued for earlier years as well as reducing some previously accrued amounts. These revisions were primarily related to timing issues. However, revisions were made to certain issues that constituted permanent differences between GAAP income and taxable income. The tax on these permanent differences, excluding interest, caused income tax expense to increase by approximately $4.1 million, $0.2 million, and $3.3 million for the period of February 1, 2015 to

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September 30, 2015 (Successor Company), the one month ended January 31, 2015 (Predecessor Company), and the year ended December 31, 2014 (Predecessor Company), respectively.

In the IRS audit that concluded in 2012, the IRS proposed favorable and unfavorable adjustments to the Company s 2003 through 2007 reported taxable incomes. The Company protested certain unfavorable adjustments and was seeking resolution at the IRS Appeals Division. Subsequent to September 30, 2015, Appeals accepted the Company s proposed settlement offer that related to its earlier protest. In the IRS audit that concluded during the three months ended September 30, 2015, the IRS proposed favorable and unfavorable adjustments to the Company s 2008 through 2011 reported taxable income. The Company agreed to these adjustments. The resulting net adjustment to the Company s income taxes for the year 2003 through 2011 will not materially affect the Company nor its effective tax rate.

The Company is currently under audit by the IRS for the years 2012 and 2013. As of September 30, 2015, no materially adverse adjustments to reported taxable income have been proposed.

The Company believes that in the next 12 months approximately $41.7 million of these unrecognized tax benefits will be reduced. Based upon technical guidance and ongoing discussions with the IRS, the Company anticipates that within the next 12 months it will reach final settlement with the IRS regarding its material uncertain tax positions for the years 2003 through 2013.

In general, the Company is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for tax years that began before 2003.

Based on the Company s current assessment of future taxable income, including available tax planning opportunities, the Company anticipates that it is more likely than not that it will generate sufficient taxable income to realize all of its material deferred tax assets. The Company did not record a valuation allowance against its material deferred tax assets as of September 30, 2015.

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair value of its financial instruments based on the fair value hierarchy established in FASB guidance referenced in the Fair Value Measurements and Disclosures Topic which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company has adopted the provisions from the FASB guidance that is referenced in the Fair Value Measurements and Disclosures Topic for non-financial assets and liabilities (such as property and equipment, goodwill, and other intangible assets) that are required to be measured at fair value on a periodic basis. The effect on the Company s periodic fair value measurements for non-financial assets and liabilities was not material.

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:** Unadjusted quoted prices for identical assets or liabilities in an active market.

- **Level 2:** Quoted prices in markets that are not active or significant inputs that are observable either directly or indirectly. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets

b) Quoted prices for identical or similar assets or liabilities in non-active markets

c) Inputs other than quoted market prices that are observable

d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means.

- **Level 3:** Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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The following table presents the Company s hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 (Successor Company):

	Level 1	Level 2	Level 3	Total
		(Dollars In Thousands)		
Assets:				
Fixed maturity securities - available-for-sale				
Residential mortgage-backed securities	$	$ 1,615,819	$ 3	$ 1,615,822
Commercial mortgage-backed securities		1,277,663		1,277,663
Other asset-backed securities		207,263	585,751	793,014
U.S. government-related securities	1,102,371	515,101		1,617,472
State, municipalities, and political subdivisions		1,613,485		1,613,485
Other government-related securities		18,884		18,884
Corporate securities	83	24,881,615	1,048,738	25,930,436
Preferred stock	62,112			62,112
Total fixed maturity securities - available-for-sale	1,164,566	30,129,830	1,634,492	32,928,888
Fixed maturity securities - trading				
Residential mortgage-backed securities		288,280		288,280
Commercial mortgage-backed securities		148,640		148,640
Other asset-backed securities		121,937	155,153	277,090
U.S. government-related securities	236,425	4,880		241,305
State, municipalities, and political subdivisions		310,973		310,973
Other government-related securities		59,527		59,527
Corporate securities		1,359,582	18,319	1,377,901
Preferred stock	6,925			6,925
Total fixed maturity securities - trading	243,350	2,293,819	173,472	2,710,641
Total fixed maturity securities	1,407,916	32,423,649	1,807,964	35,639,529
Equity securities	642,921	11,792	69,764	724,477
Other long-term investments(1)	122,120	172,937	95,203	390,260
Short-term investments	229,835	8,823		238,658
Total investments	2,402,792	32,617,201	1,972,931	36,992,924
Cash	663,313			663,313
Other assets	20,376			20,376
Assets related to separate accounts				
Variable annuity	12,646,751			12,646,751
Variable universal life	792,800			792,800
Total assets measured at fair value on a recurring basis	$ 16,526,032	$ 32,617,201	$ 1,972,931	$ 51,116,164
Liabilities:				
Annuity account balances(2)	$	$	$ 95,198	$ 95,198
Other liabilities (1)	22,085	2,891	608,360	633,336
Total liabilities measured at fair value on a recurring basis	$ 22,085	$ 2,891	$ 703,558	$ 728,534

(1)Includes certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

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The following table presents the Company s hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 (Predecessor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Assets:				
Fixed maturity securities - available-for-sale				
Residential mortgage-backed securities	$	$ 1,418,255	$ 3	$ 1,418,258
Commercial mortgage-backed securities		1,177,252		1,177,252
Other asset-backed securities		275,415	563,961	839,376
U.S. government-related securities	1,165,188	263,707		1,428,895
State, municipalities, and political subdivisions		1,684,014	3,675	1,687,689
Other government-related securities		20,172		20,172
Corporate securities	132	26,059,712	1,325,683	27,385,527
Total fixed maturity securities - available-for-sale	1,165,320	30,898,527	1,893,322	33,957,169
Fixed maturity securities - trading				
Residential mortgage-backed securities		288,114		288,114
Commercial mortgage-backed securities		151,111		151,111
Other asset-backed securities		105,118	169,461	274,579
U.S. government-related securities	245,563	4,898		250,461
State, municipalities, and political subdivisions		325,446		325,446
Other government-related securities		57,032		57,032
Corporate securities		1,447,333	24,744	1,472,077
Total fixed maturity securities - trading	245,563	2,379,052	194,205	2,818,820
Total fixed maturity securities	1,410,883	33,277,579	2,087,527	36,775,989
Equity securities	630,910	99,266	73,054	803,230
Other long-term investments (1)	119,997	106,079	67,894	293,970
Short-term investments	244,100	6,545		250,645
Total investments	2,405,890	33,489,469	2,228,475	38,123,834
Cash	379,411			379,411
Other assets	11,669			11,669
Assets related to separate accounts				
Variable annuity	13,157,429			13,157,429
Variable universal life	834,940			834,940
Total assets measured at fair value on a recurring basis	$ 16,789,339	$ 33,489,469	$ 2,228,475	$ 52,507,283
Liabilities:				
Annuity account balances (2)	$	$	$ 97,825	$ 97,825
Other liabilities (1)	62,146	3,741	754,852	820,739
Total liabilities measured at fair value on a recurring basis	$ 62,146	$ 3,741	$ 852,677	$ 918,564

(1)Includes certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

Determination of fair values

The valuation methodologies used to determine the fair values of assets and liabilities reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company s credit standing, liquidity, and where appropriate, risk margins on unobservable parameters. The following is a discussion of the methodologies used to determine fair values for the financial instruments as listed in the above table.

The fair value of fixed maturity, short-term, and equity securities is determined by management after considering one of three primary sources of information: third party pricing services, non-binding independent broker quotations, or pricing matrices. Security pricing is applied using a waterfall approach whereby publicly available

prices are first sought from third party pricing services, the remaining unpriced securities are submitted to independent brokers for non-binding prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Third party pricing services price approximately 90% of the Company s available-for-sale and trading fixed maturity securities. Based on the typical trading volumes and the lack of quoted market prices for available-for-sale and trading fixed maturities, third party pricing services derive the majority of security prices from observable market inputs such as recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information outlined above. If there are no recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Certain securities are priced via independent non-binding broker quotations, which are considered to have no significant unobservable inputs. When using non-binding independent broker quotations, the Company obtains one quote per security, typically from the broker from which we purchased the security. A pricing matrix is used to price securities for which the Company is unable to obtain or effectively rely on either a price from a third party pricing service or an independent broker quotation.

The pricing matrix used by the Company begins with current spread levels to determine the market price for the security. The credit spreads, assigned by brokers, incorporate the issuer s credit rating, liquidity discounts, weighted- average of contracted cash flows, risk premium, if warranted, due to the issuer s industry, and the security s time to maturity. The Company uses credit ratings provided by nationally recognized rating agencies.

For securities that are priced via non-binding independent broker quotations, the Company assesses whether prices received from independent brokers represent a reasonable estimate of fair value through an analysis using internal and external cash flow models developed based on spreads and, when available, market indices. The Company uses a market-based cash flow analysis to validate the reasonableness of prices received from independent brokers. These analytics, which are updated daily, incorporate various metrics (yield curves, credit spreads, prepayment rates, etc.) to determine the valuation of such holdings. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the analytics, the price received from the independent broker is adjusted accordingly. The Company did not adjust any quotes or prices received from brokers during the period of February 1, 2015 to September 30, 2015 (Successor Company) and the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

The Company has analyzed the third party pricing services valuation methodologies and related inputs and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs that is in accordance with the Fair Value Measurements and Disclosures Topic of the ASC. Based on this evaluation and investment class analysis, each price was classified into Level 1, 2, or 3. Most prices provided by third party pricing services are classified into Level 2 because the significant inputs used in pricing the securities are market observable and the observable inputs are corroborated by the Company. Since the matrix pricing of certain debt securities includes significant non-observable inputs, they are classified as Level 3.

Asset-Backed Securities

This category mainly consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities (collectively referred to as asset-backed securities or ABS). As of September 30, 2015 (Successor Company), the Company held $3.7 billion of ABS classified as Level 2. These securities are priced from information provided by a third party pricing service and independent broker quotes. The third party pricing services and brokers mainly value securities using both a market and income approach to valuation. As part of this valuation process they consider the following characteristics of the item being measured to be relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, and 7) credit ratings of the securities.

After reviewing these characteristics of the ABS, the third party pricing service and brokers use certain inputs to determine the value of the security. For ABS classified as Level 2, the valuation would consist of predominantly

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market observable inputs such as, but not limited to: 1) monthly principal and interest payments on the underlying assets, 2) average life of the security, 3) prepayment speeds, 4) credit spreads, 5) treasury and swap yield curves, and 6) discount margin. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

As of September 30, 2015 (Successor Company), the Company held $740.9 million of Level 3 ABS, which included $585.8 million of other asset-backed securities classified as available-for-sale and $155.1 million of other asset-backed securities classified as trading. These securities are predominantly ARS whose underlying collateral is at least 97% guaranteed by the FFELP. As a result of the ARS market collapse during 2008, the Company prices its ARS using an income approach valuation model. As part of the valuation process the Company reviews the following characteristics of the ARS in determining the relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, 7) credit ratings of the securities, 8) liquidity premium, and 9) paydown rate.

Corporate Securities, U.S. Government-Related Securities, States, Municipals, and Political Subdivisions, and Other Government Related Securities

As of September 30, 2015 (Successor Company), the Company classified approximately $28.8 billion of corporate securities, U.S. government-related securities, states, municipals, and political subdivisions, and other government-related securities as Level 2. The fair value of the Level 2 securities is predominantly priced by broker quotes and a third party pricing service. The Company has reviewed the valuation techniques of the brokers and third party pricing service and has determined that such techniques used Level 2 market observable inputs. The following characteristics of the securities are considered to be the primary relevant inputs to the valuation: 1) weighted- average coupon rate, 2) weighted-average years to maturity, 3) seniority, and 4) credit ratings. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

The brokers and third party pricing service utilize valuation models that consist of a hybrid income and market approach to valuation. The pricing models utilize the following inputs: 1) principal and interest payments, 2) treasury yield curve, 3) credit spreads from new issue and secondary trading markets, 4) dealer quotes with adjustments for issues with early redemption features, 5) liquidity premiums present on private placements, and 6) discount margins from dealers in the new issue market.

As of September 30, 2015 (Successor Company), the Company classified approximately $1.1 billion of securities as Level 3 valuations. Level 3 securities primarily represent investments in illiquid bonds for which no price is readily available. To determine a price, the Company uses a discounted cash flow model with both observable and unobservable inputs. These inputs are entered into an industry standard pricing model to determine the final price of the security. These inputs include: 1) principal and interest payments, 2) coupon rate, 3) sector and issuer level spread over treasury, 4) underlying collateral, 5) credit ratings, 6) maturity, 7) embedded options, 8) recent new issuance, 9) comparative bond analysis, and 10) an illiquidity premium.

Equities

As of September 30, 2015 (Successor Company), the Company held approximately $81.6 million of equity securities classified as Level 2 and Level 3. Of this total, $65.7 million represents Federal Home Loan Bank (FHLB) stock. The Company believes that the cost of the FHLB stock approximates fair value. The remainder of these equity securities is primarily investments in preferred stock.

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Other Long-Term Investments and Other Liabilities

Other long-term investments and other liabilities consist entirely of free-standing and embedded derivative financial instruments. Refer to Note 17, *Derivative Financial Instruments* for additional information related to derivatives. Derivative financial instruments are valued using exchange prices, independent broker quotations, or pricing valuation models, which utilize market data inputs. Excluding embedded derivatives, as of September 30, 2015 (Successor Company), 100% of derivatives based upon notional values were priced using exchange prices or independent broker quotations. The remaining derivatives were priced by pricing valuation models, which predominantly utilize observable market data inputs. Inputs used to value derivatives include, but are not limited to, interest swap rates, credit spreads, interest rate and equity market volatility indices, equity index levels, and treasury rates. The Company performs monthly analysis on derivative valuations that includes both quantitative and qualitative analyses.

Derivative instruments classified as Level 1 generally include futures and options, which are traded on active exchange markets.

Derivative instruments classified as Level 2 primarily include interest rate and inflation swaps, options, and swaptions. These derivative valuations are determined using independent broker quotations, which are corroborated with observable market inputs.

Derivative instruments classified as Level 3 are embedded derivatives and include at least one significant non-observable input. A derivative instrument containing Level 1 and Level 2 inputs will be classified as a Level 3 financial instrument in its entirety if it has at least one significant Level 3 input.

The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instruments may not be classified within the same fair value hierarchy level as the associated assets and liabilities. Therefore, the changes in fair value on derivatives reported in Level 3 may not reflect the offsetting impact of the changes in fair value of the associated assets and liabilities.

The embedded derivatives are carried at fair value in other long-term investments and other liabilities on the Company s consolidated condensed balance sheet. The changes in fair value are recorded in earnings as Realized investment gains (losses) Derivative financial instruments . Refer to Note 17, *Derivative Financial Instruments* for more information related to each embedded derivatives gains and losses.

The fair value of the GMWB embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using multiple risk neutral stochastic equity scenarios and policyholder behavior assumptions. The risk neutral scenarios are generated using the current swap curve and projected equity volatilities and correlations. The projected equity volatilities are based on a blend of historical volatility and near- term equity market implied volatilities. The equity correlations are based on historical price observations. For policyholder behavior assumptions, expected lapse and utilization assumptions are used and updated for actual experience, as necessary. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 44.5% - 100%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR plus a credit spread (to represent the Company s non-performance risk). As a result of using significant unobservable inputs, the GMWB embedded derivative is categorized as Level 3. These assumptions are reviewed on a quarterly basis.

The balance of the FIA embedded derivative is impacted by policyholder cash flows associated with the FIA product that are allocated to the embedded derivative in addition to changes in the fair value of the embedded derivative during the reporting period. The fair value of the FIA embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using current index values and volatility, the hedge budget used to price the product, and policyholder assumptions (both elective and non-elective). For policyholder behavior assumptions, expected lapse and withdrawal assumptions are used and updated for actual experience, as necessary. The Company assumes age-based mortality from the 1994 Variable Annuity MGDB mortality table modified for company experience, with attained age factors varying from 49% - 80%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR up to one year and constant maturity

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treasury rates plus a credit spread (to represent the Company s non-performance risk) thereafter. Policyholder assumptions are reviewed on an annual basis. As a result of using significant unobservable inputs, the FIA embedded derivative is categorized as Level 3.

The balance of the indexed universal life (IUL) embedded derivative is impacted by policyholder cash flows associated with the IUL product that are allocated to the embedded derivative in addition to changes in the fair value of the embedded derivative during the reporting period. The fair value of the IUL embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using current index values and volatility, the hedge budget used to price the product, and policyholder assumptions (both elective and non-elective). For policyholder behavior assumptions, expected lapse and withdrawal assumptions are used and updated for actual experience, as necessary. The Company assumes age-based mortality from the SOA 2015 VBT Primary Tables modified for company experience, with attained age factors varying from 38% - 153%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR up to one year and constant maturity treasury rates plus a credit spread (to represent the Company s non-performance risk) thereafter. Policyholder assumptions are reviewed on an annual basis. As a result of using significant unobservable inputs, the IUL embedded derivative is categorized as Level 3.

The Company has assumed and ceded certain blocks of policies under modified coinsurance agreements in which the investment results of the underlying portfolios inure directly to the reinsurers. As a result, these agreements contain embedded derivatives that are reported at fair value. Changes in their fair value are reported in earnings. The investments supporting these agreements are designated as trading securities ; therefore changes in their fair value are also reported in earnings. As of September 30, 2015 (Successor Company), the fair value of the embedded derivative is based upon the relationship between the statutory policy liabilities (net of policy loans) of $2.5 billion and the statutory unrealized gain (loss) of the securities of $227.9 million. As a result, changes in the fair value of the embedded derivatives are largely offset by the changes in fair value of the related investments and each are reported in earnings. The fair value of the embedded derivative is considered a Level 3 valuation due to the unobservable nature of the policy liabilities.

Annuity Account Balances

The Company records certain of its FIA reserves at fair value. The fair value is considered a Level 3 valuation. The FIA valuation model calculates the present value of future benefit cash flows less the projected future profits to quantify the net liability that is held as a reserve. This calculation is done using multiple risk neutral stochastic equity scenarios. The cash flows are discounted using LIBOR plus a credit spread. Best estimate assumptions are used for partial withdrawals, lapses, expenses and asset earned rate with a risk margin applied to each. These assumptions are reviewed at least annually as a part of the formal unlocking process. If an event were to occur within a quarter that would make the assumptions unreasonable, the assumptions would be reviewed within the quarter.

The discount rate for the fixed indexed annuities is based on an upward sloping rate curve which is updated each quarter. The discount rates for September 30, 2015 (Successor Company), ranged from a one month rate of 0.40%, a 5 year rate of 2.19%, and a 30 year rate of 3.69%. A credit spread component is also included in the calculation to accommodate non-performance risk.

Separate Accounts

Separate account assets are invested in open-ended mutual funds and are included in Level 1.

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Valuation of Level 3 Financial Instruments

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

Assets:					
Corporate securities		1,022,464	Discounted cash flow	Spread over Treasury	0.74% - 12.18% (2.45%)
Embedded derivatives - GMWB(1)	$	193,709	Actuarial cash flow model	Mortality	1994 MGDB table with company experience
				Lapse	0.3% - 15%, depending on product/duration/funded status of guarantee
				Utilization	99%. 10% of policies have a one-time over-utilization of 400%
				Nonperformance risk	0.21% - 1.17%
Embedded derivative - FIA		76,709	Actuarial cash flow model	Expenses	$81.50 per policy
				Withdrawal rate	1.1% - 4.5% depending on duration and tax qualification
				Mortality	1994 MGDB table with company experience
				Lapse	2.5% - 40.0%, depending on duration/surrender charge period
				Nonperformance risk	0.21% - 1.17%

(1)The fair value for the GMWB embedded derivative is presented as a net liability for the purposes of this chart. Excludes modified coinsurance arrangements.

(2)Represents liabilities related to fixed indexed annuities.

The chart above excludes Level 3 financial instruments that are valued using broker quotes and those which book value approximates fair value.

The Company has considered all reasonably available quantitative inputs as of September 30, 2015 (Successor Company), but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $202.8 million of financial instruments being classified as Level 3 as of

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September 30, 2015 (Successor Company). Of the $202.8 million, $155.1 million are other asset-backed securities, $44.6 million are corporate securities, and $3.1 million are equity securities.

In certain cases the Company has determined that book value materially approximates fair value. As of September 30, 2015 (Successor Company), the Company held $66.7 million of financial instruments where book value approximates fair value which was predominantly FHLB stock.

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

Assets:					
Corporate securities		1,282,864	Discounted cash flow	Spread over treasury	0.33% - 7.50% (2.19%)
Embedded derivatives - GMWB(1)	$	245,090	Actuarial cash flow model	Mortality	44.5% to 100% of 1994 MGDB table
				Lapse	0.25% - 17%, depending on product/duration/funded status of guarantee
				Utilization	97% - 101%
				Nonperformance risk	0.12% - 0.96%
Embedded derivative - FIA		124,465	Actuarial cash flow model	Expenses	$83 - $97 per policy
				Withdrawal rate	1.1% - 4.5% depending on duration and tax qualification
				Mortality	49% to 80% of 1994 MGDB table
				Lapse	2.5% - 40.0%, depending on duration/surrender charge period
				Nonperformance risk	0.12% - 0.96%

(1)The fair value for the GMWB embedded derivative is presented as a net liability for the purposes of this chart. Excludes modified coinsurance arrangements.

(2)Represents liabilities related to fixed indexed annuities.

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The chart above excludes Level 3 financial instruments that are valued using broker quotes and those which book value approximates fair value.

The Company has considered all reasonably available quantitative inputs as of December 31, 2014 (Predecessor Company), but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $240.3 million of financial instruments being classified as Level 3 as of December 31, 2014 (Predecessor Company). Of the $240.3 million, $169.7 million are other asset-backed securities, $67.6 million are corporate securities, and $3.0 million are equity securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2014 (Predecessor Company), the Company held $73.7 million of financial instruments where book value approximates fair value. Of the $73.7 million, $70.0 million represents equity securities, which are predominantly FHLB stock, and $3.7 million of other fixed maturity securities.

The asset-backed securities classified as Level 3 are predominantly ARS. A change in the paydown rate (the projected annual rate of principal reduction) of the ARS can significantly impact the fair value of these securities. A decrease in the paydown rate would increase the projected weighted average life of the ARS and increase the sensitivity of the ARS fair value to changes in interest rates. An increase in the liquidity premium would result in a decrease in the fair value of the securities, while a decrease in the liquidity premium would increase the fair value of these securities.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate. This spread represents a risk premium that is impacted by company specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities. The fair values of corporate bonds are sensitive to changes in spread. When holding the treasury rate constant, the fair value of corporate bonds increases when spreads decrease, and decreases when spreads increase.

The fair value of the GMWB embedded derivative is sensitive to changes in the discount rate which includes the Company s nonperformance risk, volatility, lapse, and mortality assumptions. The volatility assumption is an observable input as it is based on market inputs. The Company s nonperformance risk, lapse, and mortality are unobservable. An increase in the three unobservable assumptions would result in a decrease in the fair value of the liability and conversely, if there is a decrease in the assumptions the fair value would increase. The fair value is also dependent on the assumed policyholder utilization of the GMWB where an increase in assumed utilization would result in an increase in the fair value of the liability and conversely, if there is a decrease in the assumption, the fair value would decrease.

The fair value of the FIA account balance liability is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the FIA embedded derivative is sensitive to non-performance risk, which is unobservable. The value of the liability increases with decreases in discount rate and non-performance risk and decreases with increases in the discount rate and non-performance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

The fair value of the FIA embedded derivative is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the FIA embedded derivative is sensitive to non-performance risk, which is unobservable. The value of the liability increases with decreases in the discount rate and non-performance risk and decreases with increases in the discount rate and nonperformance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

The fair value of the IUL embedded derivative is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the IUL embedded derivative is sensitive to non-performance risk, which is unobservable. The value of the liability increases with decreases in the discount rate and non-performance risk and decreases with increases in the discount rate and non-performance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2015 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 3	$	$	$	$	$	$	$	$	$	$	$ 3	$
Commercial mortgage-backed securities													
Other asset-backed securities	590,885				(4,185)						(949)	585,751	
U.S. government-related securities													
States, municipals, and political subdivisions													
Other government-related securities													
Corporate securities	1,111,431	76	5,939	(164)	(8,800)	62,183	(101,161)			(20,037)	(729)	1,048,738	
Total fixed maturity securities - available-for-sale	1,702,319	76	5,939	(164)	(12,985)	62,183	(101,161)			(20,037)	(1,678)	1,634,492	
Fixed maturity securities - trading													
Residential mortgage-backed securities													
Commercial mortgage-backed securities													
Other asset-backed securities	160,594	83		(1,640)		2,000	(6,001)				117	155,153	(1,500)
U.S. government-related securities													
States, municipals and political subdivisions													
Other government-related securities													
Corporate securities	19,316	73		(970)			(56)				(44)	18,319	(897)
Total fixed maturity securities - trading	179,910	156		(2,610)		2,000	(6,057)				73	173,472	(2,397)

Total fixed maturity securities	1,882,229	232	5,939	(2,774)	(12,985)	64,183	(107,218)			(20,037)	(1,605)	1,807,964	(2,397)
Equity securities	69,720		44									69,764	
Other long-term investments(1)	169,596			(74,393)								95,203	(74,393)
Short-term investments													
Total investments	2,121,545	232	5,983	(77,167)	(12,985)	64,183	(107,218)			(20,037)	(1,605)	1,972,931	(76,790)
Total assets measured at fair value on a recurring basis	$ 2,121,545	$ 232	$ 5,983	$ (77,167)	$ (12,985)	$ 64,183	$ (107,218)	$	$	$ (20,037)	$ (1,605)	$ 1,972,931	$ (76,790)
Liabilities:													
Annuity account balances(2)	$ 95,178	$	$	$ (3,173)	$	$	$	$ 93	$ 3,246	$	$	$ 95,198	$
Other liabilities(1)	427,765	17,329		(197,924)								608,360	(180,595)
Total liabilities measured at fair value on a recurring basis	$ 522,943	$ 17,329	$	$ (201,097)	$	$	$	$ 93	$ 3,246	$	$	$ 703,558	$ (180,595)

(1)Represents certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

For the three months ended September 30, 2015 (Successor Company), there were no transfers of securities into Level 3.

For the three months ended September 30, 2015 (Successor Company), $20.0 million of securities were transferred into Level 2. This amount was transferred from Level 3. These transfers resulted from securities that were priced internally using significant unobservable inputs where market observable inputs were not available in previous periods but were priced by independent pricing services or brokers as of September 30, 2015 (Successor Company).

For the three months ended September 30, 2015 (Successor Company), there were no transfers of securities from Level 2 to Level 1.

For the three months ended September 30, 2015 (Successor Company), there were no transfers of securities from Level 1.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the period of February 1, 2015 to September 30, 2015 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 3	$	$	$	$	$	$	$	$	$	$	$ 3	$
Commercial mortgage-backed securities													
Other asset-backed securities	603,646		165	(92)	(17,076)		(127)				(765)	585,751	
U.S. government-related securities													
States, municipals, and political subdivisions	3,675						(3,675)						
Other government-related securities													
Corporate securities	1,307,259	4,367	21,558	(851)	(33,047)	174,112	(356,096)			(61,890)	(6,674)	1,048,738	
Total fixed maturity securities - available-for-sale	1,914,583	4,367	21,723	(943)	(50,123)	174,112	(359,898)			(61,890)	(7,439)	1,634,492	
Fixed maturity securities - trading													
Residential mortgage-backed securities													
Commercial mortgage-backed securities													
Other asset-backed securities	169,473	4,032		(6,813)		2,000	(13,877)				338	155,153	(6,896)
U.S. government-related securities													
States, municipals and political subdivisions													
Other government-related securities													
Corporate securities	25,130	247		(1,269)			(5,640)				(149)	18,319	(1,546)
Total fixed maturity securities - trading	194,603	4,279		(8,082)		2,000	(19,517)				189	173,472	(8,442)

Total fixed maturity securities	2,109,186	8,646	21,723	(9,025)	(50,123)	176,112	(379,415)			(61,890)	(7,250)	1,807,964	(8,442)
Equity securities	73,044		44				(231)				(3,093)	69,764	
Other long-term investments(1)	93,274	76,342		(74,413)								95,203	1,929
Short-term investments													
Total investments	2,275,504	84,988	21,767	(83,438)	(50,123)	176,112	(379,646)			(61,890)	(10,343)	1,972,931	(6,513)
Total assets measured at fair value on a recurring basis	$ 2,275,504	$ 84,988	$ 21,767	$ (83,438)	$ (50,123)	$ 176,112	$ (379,646)	$	$	$ (61,890)	$ (10,343)	$ 1,972,931	$ (6,513)
Liabilities:													
Annuity account balances(2)	$ 98,279	$	$	$ (4,716)	$	$	$	$ 179	$ 7,976	$	$	$ 95,198	$
Other liabilities(1)	742,130	376,140		(242,370)								608,360	133,770
Total liabilities measured at fair value on a recurring basis	$ 840,409	$ 376,140	$	$ (247,086)	$	$	$	$ 179	$ 7,976	$	$	$ 703,558	$ 133,770

(1)Represents certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

For the period of February 1, 2015 to September 30, 2015 (Successor Company), there were no transfers of securities into Level 3.

For the period of February 1, 2015 to September 30, 2015 (Successor Company), $61.9 million of securities were transferred into Level 2. This amount was transferred from Level 3. These transfers resulted from securities that were priced internally using significant unobservable inputs where market observable inputs were not available in previous periods but were priced by independent pricing services or brokers as of September 30, 2015 (Successor Company).

For the period of February 1, 2015 to September 30, 2015 (Successor Company), $90.4 million of securities were transferred from Level 2 to Level 1.

For the period of February 1, 2015 to September 30, 2015 (Successor Company), there were no transfers from Level 1.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for period of January 1, 2015 to January 31, 2015 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 3	$	$	$	$	$	$	$	$	$	$	$ 3	$
Commercial mortgage-backed securities													
Other asset-backed securities	563,961				(3,867)		(32)			43,205	379	603,646	
U.S. government-related securities													
States, municipals, and political subdivisions	3,675											3,675	
Other government-related securities													
Corporate securities	1,325,683		12,282		(23,029)		(7,062)				(615)	1,307,259	
Total fixed maturity securities - available-for-sale	1,893,322		12,282		(26,896)		(7,094)			43,205	(236)	1,914,583	
Fixed maturity securities - trading													
Residential mortgage-backed securities													
Commercial mortgage-backed securities													
Other asset-backed securities	169,461	586		(139)			(472)				37	169,473	447
U.S. government-related securities													
States, municipals and political subdivisions													
Other government-related securities													
Corporate securities	24,744	602		(196)			(20)					25,130	406
Total fixed maturity securities - trading	194,205	1,188		(335)			(492)				37	194,603	853

Total fixed maturity securities	2,087,527	1,188	12,282	(335)	(26,896)		(7,586)			43,205	(199)	2,109,186	853
Equity securities	73,054				(10)							73,044	
Other long-term investments(1)	67,894	753		(25,902)								42,745	(25,149)
Short-term investments													
Total investments	2,228,475	1,941	12,282	(26,237)	(26,906)		(7,586)			43,205	(199)	2,224,975	(24,296)
Total assets measured at fair value on a recurring basis	$ 2,228,475	$ 1,941	$ 12,282	$ (26,237)	$ (26,906)	$	$ (7,586)	$	$	$ 43,205	$ (199)	$ 2,224,975	$ (24,296)
Liabilities:													
Annuity account balances(2)	$ 97,825	$	$	$ (536)	$	$	$	$ 7	$ 419	$	$	$ 97,949	$
Other liabilities(1)	754,852	61		(253,773)								1,008,564	(253,712)
Total liabilities measured at fair value on a recurring basis	$ 852,677	$ 61	$	$ (254,309)	$	$	$	$ 7	$ 419	$	$	$ 1,106,513	$ (253,712)

(1)Represents certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), $43.2 million of securities were transferred into Level 3. This amount was transferred from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods, using no significant unobservable inputs, but were priced internally using significant unobservable inputs where market observable inputs were no longer available as of January 31, 2015 (Predecessor Company). All transfers are recognized as of the end of the period.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), there were no transfers from Level 3 to Level 2.

For the period of January 1, 2015 to January 31, 2015 (Predecessor Company), there were no transfers from Level 2 to Level 1 and there were no transfers out of Level 1.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2014 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

	Beginning Balance	Total Realized and Unrealized Gains Included in Earnings	Total Realized and Unrealized Gains Included in Other Comprehensive Income	Total Realized and Unrealized Losses Included in Earnings	Total Realized and Unrealized Losses Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 10	$	$	$	$ (1)	$	$ (5)	$	$	$	$ 1	$ 5	$
Commercial mortgage-backed securities													
Other asset-backed securities	568,097		2,161	(71)	(4,299)		(140)				(380)	565,368	
U.S. government-related securities													
States, municipals, and political subdivisions	3,675											3,675	
Other government-related securities													
Corporate securities	1,524,297	201	8,435		(9,452)	11,797	(59,352)			(96,565)	(1,555)	1,377,806	
Total fixed maturity securities - available-for-sale	2,096,079	201	10,596	(71)	(13,752)	11,797	(59,497)			(96,565)	(1,934)	1,946,854	
Fixed maturity securities - trading													
Residential mortgage-backed securities	842	11								(853)			
Commercial mortgage-backed securities													
Other asset-backed securities	176,386	1,834		(837)			(7,137)				430	170,676	1,287
U.S. government-related securities													
States, municipals and political subdivisions													
Other government-related securities													
Corporate securities	31,520	182		(676)			(5,583)			(2,518)	252	23,177	234
Total fixed maturity securities - trading	208,748	2,027		(1,513)			(12,720)			(3,371)	682	193,853	1,521

Total fixed maturity securities	2,304,827	2,228	10,596	(1,584)	(13,752)	11,797	(72,217)			(99,936)	(1,252)	2,140,707	1,521
Equity securities	81,784	1,298	2,461		(91)	(1,742)				(10,651)	(1)	73,058	
Other long-term investments(1)	123,301	233		(18,117)								105,417	(17,884)
Short-term investments													
Total investments	2,509,912	3,759	13,057	(19,701)	(13,843)	10,055	(72,217)			(110,587)	(1,253)	2,319,182	(16,363)
Total assets measured at fair value on a recurring basis	$ 2,509,912	$ 3,759	$ 13,057	$ (19,701)	$ (13,843)	$ 10,055	$ (72,217)	$	$	$ (110,587)	$ (1,253)	$ 2,319,182	$ (16,363)
Liabilities:													
Annuity account balances(2)	$ 102,456	$ 862	$	$	$	$	$	$ 125	$ 3,590	$	$	$ 98,129	$
Other liabilities(1)	484,747	22,317		(71,316)								533,746	(48,999)
Total liabilities measured at fair value on a recurring basis	$ 587,203	$ 23,179	$	$ (71,316)	$	$	$	$ 125	$ 3,590	$	$	$ 631,875	$ (48,999)

(1)Represents certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

For the three months ended September 30, 2014 (Predecessor Company), there were no transfers into Level 3.

For the three months ended September 30, 2014 (Predecessor Company), there were $110.6 million of securities transferred out of Level 3. This amount was transferred to Level 2. These transfers resulted from securities that were previously priced internally using significant unobservable inputs, now being priced by independent pricing services or brokers.

For the three months ended September 30, 2014 (Predecessor Company), there were no transfers from Level 2 to Level 1.

For the three months ended September 30, 2014 (Predecessor Company), there were no transfers from Level 1.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the nine months ended September 30, 2014 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 28	$	$	$	$ (1)	$	$ (23)	$	$	$	$ 1	$ 5	$
Commercial mortgage-backed securities													
Other asset-backed securities	545,808		36,227	(71)	(5,532)		(9,934)				(1,130)	565,368	
U.S. government-related securities													
States, municipals, and political subdivisions	3,675											3,675	
Other government-related securities													
Corporate securities	1,549,940	1,170	62,723		(16,717)	102,029	(162,391)			(151,858)	(7,090)	1,377,806	
Total fixed maturity securities - available-for-sale	2,099,451	1,170	98,950	(71)	(22,250)	102,029	(172,348)			(151,858)	(8,219)	1,946,854	
Fixed maturity securities - trading													
Residential mortgage-backed securities		11				842				(853)			
Commercial mortgage-backed securities													
Other asset-backed securities	194,977	8,685		(3,951)			(29,832)				797	170,676	1,959
U.S. government-related securities													
States, municipals and political subdivisions													
Other government-related securities													
Corporate securities	29,199	1,060		(729)		4,059	(10,693)			4	277	23,177	(1)
Total fixed maturity securities - trading	224,176	9,756		(4,680)		4,901	(40,525)			(849)	1,074	193,853	1,958

Total fixed maturity securities	2,323,627	10,926	98,950	(4,751)	(22,250)	106,930	(212,873)			(152,707)	(7,145)	2,140,707	1,958
Equity securities	71,881	1,298	3,653		(257)	9,551	(2,416)			(10,651)	(1)	73,058	
Other long-term investments(1)	196,133	478		(91,194)								105,417	(90,716)
Short-term investments													
Total investments	2,591,641	12,702	102,603	(95,945)	(22,507)	116,481	(215,289)			(163,358)	(7,146)	2,319,182	(88,758)
Total assets measured at fair value on a recurring basis	$ 2,591,641	$ 12,702	$ 102,603	$ (95,945)	$ (22,507)	$ 116,481	$ (215,289)	$	$	$ (163,358)	$ (7,146)	$ 2,319,182	$ (88,758)
Liabilities:													
Annuity account balances(2)	$ 107,000	$	$	$ (2,261)	$	$	$	$ 300	$ 11,432	$	$	$ 98,129	$
Other liabilities(1)	270,630	22,342		(285,458)								533,746	(263,116)
Total liabilities measured at fair value on a recurring basis	$ 377,630	$ 22,342	$	$ (287,719)	$	$	$	$ 300	$ 11,432	$	$	$ 631,875	$ (263,116)

(1)Represents certain freestanding and embedded derivatives.

(2)Represents liabilities related to fixed indexed annuities.

For the nine months ended September 30, 2014 (Predecessor Company), $31.0 million of securities were transferred into Level 3. This amount was transferred from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods, using no significant unobservable inputs, but were priced internally using significant unobservable inputs where market observable inputs were no longer available as of September 30, 2014 (Predecessor Company). All transfers are recognized as of the end of the period.

For the nine months ended September 30, 2014 (Predecessor Company), $194.4 million of securities were transferred into Level 2. This amount was transferred from Level 3. These transfers resulted from securities that were previously priced internally using significant unobservable inputs, now being priced by independent pricing services or brokers.

For the nine months ended September 30, 2014 (Predecessor Company), there were no transfers from Level 2 to Level 1.

For the nine months ended September 30, 2014 (Predecessor Company), there were no transfers out of Level 1.

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Total realized and unrealized gains (losses) on Level 3 assets and liabilities are primarily reported in either realized investment gains (losses) within the consolidated condensed statements of income (loss) or other comprehensive income (loss) within shareowner s equity based on the appropriate accounting treatment for the item.

Purchases, sales, issuances, and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily relates to purchases and sales of fixed maturity securities and issuances and settlements of fixed indexed annuities.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. The asset transfers in the table(s) above primarily related to positions moved from Level 3 to Level 2 as the Company determined that certain inputs were observable.

The amount of total gains (losses) for assets and liabilities still held as of the reporting date primarily represents changes in fair value of trading securities and certain derivatives that exist as of the reporting date and the change in fair value of fixed indexed annuities.

Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company s financial instruments as of the periods shown below are as follows:

		Successor Company As of September 30, 2015		Predecessor Company As of December 31, 2014	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Thousands)		(Dollars In Thousands)	
Assets:					
Mortgage loans on real estate	3	$ 5,728,237	$ 5,590,446	$ 5,133,780	$ 5,524,059
Policy loans	3	1,706,402	1,706,402	1,758,237	1,758,237
Fixed maturities, held-to-maturity(1)	3	579,329	518,363	435,000	458,422
Liabilities:					
Stable value product account balances	3	$ 1,914,093	$ 1,903,615	$ 1,959,488	$ 1,973,624
Annuity account balances	3	10,754,799	10,321,313	10,950,729	10,491,775
Debt:					
Bank borrowings	3	$ 495,000	$ 495,000	$ 450,000	$ 450,000
Senior Notes	2	1,110,796	1,035,041	850,000	1,100,380
Subordinated debt securities	2	450,603	452,835	540,593	552,098
Non-recourse funding obligations(2)	3	670,994	615,816	582,404	578,212

Except as noted below, fair values were estimated using quoted market prices.

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(1) Security purchased from unconsolidated subsidiary, Red Mountain LLC.

(2) Of this carrying amount, $485.0 million, fair value of $496.7 million, as of September 30, 2015 (Successor Company) and $435.0 million, fair value of $461.4 million, as of December 31, 2014 (Predecessor Company), relates to non-recourse funding obligations issued by Golden Gate V.

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Fair Value Measurements

Mortgage loans on real estate

The Company estimates the fair value of mortgage loans using an internally developed model. This model includes inputs derived by the Company based on assumed discount rates relative to the Company s current mortgage loan lending rate and an expected cash flow analysis based on a review of the mortgage loan terms. The model also contains the Company s determined representative risk adjustment assumptions related to credit and liquidity risks.

Policy loans

The Company believes the fair value of policy loans approximates book value. Policy loans are funds provided to policy holders in return for a claim on the policy. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of repayments, the Company believes the fair value of policy loans approximates carrying value.

Fixed maturities, held-to-maturity

The Company estimates the fair value of its fixed maturity, held-to-maturity securities using internal discounted cash flow models. The discount rates used in the model are based on a current market yield for similar financial instruments.

Stable value product and Annuity account balances

The Company estimates the fair value of stable value product account balances and annuity account balances using models based on discounted expected cash flows. The discount rates used in the models are based on a current market rate for similar financial instruments.

Debt

Bank borrowings

The Company believes the carrying value of its bank borrowings approximates fair value as the borrowings pay a floating interest rate plus a spread based on the rating of the Company s senior debt which the Company believes approximates a market interest rate.

Non-recourse funding obligations

The Company estimates the fair value of its non-recourse funding obligations using internal discounted cash flow models. The discount rates used in the model are based on a current market yield for similar financial instruments.

17. DERIVATIVE FINANCIAL INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

The Company utilizes a risk management strategy that incorporates the use of derivative financial instruments to reduce exposure to certain risks, including but not limited to, interest rate risk, inflation risk, currency exchange risk, volatility risk, and equity market risk. These strategies are developed through the Company s analysis of data from financial simulation models and other internal and industry sources, and are then incorporated into the Company s risk management program.

Derivative instruments expose the Company to credit and market risk and could result in material changes from period to period. The Company attempts to minimize its credit risk by entering into transactions with highly rated counterparties. The Company manages the market risk by establishing and monitoring limits as to the types and degrees

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of risk that may be undertaken. The Company monitors its use of derivatives in connection with its overall asset/liability management programs and risk management strategies. In addition, all derivative programs are monitored by our risk management department.

Derivatives Related to Interest Rate Risk Management

Derivative instruments that are used as part of the Company s interest rate risk management strategy include interest rate swaps, interest rate futures, interest rate caps, and interest rate swaptions. The Company s inflation risk management strategy involves the use of swaps that requires the Company to pay a fixed rate and receive a floating rate that is based on changes in the Consumer Price Index (CPI).

Derivatives Related to Risk Mitigation of Certain Annuity Contracts

The Company may use the following types of derivative contracts to mitigate its exposure to certain guaranteed benefits related to VA, fixed indexed annuity, and indexed universal life contracts:

- Foreign Currency Futures
- Variance Swaps
- Interest Rate Futures
- Equity Options
- Equity Futures
- Credit Derivatives
- Interest Rate Swaps
- Interest Rate Swaptions
- Volatility Futures
- Volatility Options
- Total Return Swaps

Accounting for Derivative Instruments

The Company records its derivative financial instruments in the consolidated condensed balance sheet in other long-term investments and other liabilities in accordance with GAAP, which requires that all derivative instruments be recognized in the balance sheet at fair value. The change in the fair value of derivative financial instruments is reported either in the statement of income or in other comprehensive income (loss), depending upon whether it qualified for and also has been properly identified as being part of a hedging relationship, and also on the type of hedging relationship that exists.

For a derivative financial instrument to be accounted for as an accounting hedge, it must be identified and documented as such on the date of designation. For cash flow hedges, the effective portion of their realized gain or loss is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged item impacts earnings. Any remaining gain or loss, the ineffective portion, is recognized in current earnings. For fair value hedge derivatives, their gain or loss as well as the offsetting loss or gain attributable to the hedged risk of the hedged item is recognized in current earnings. Effectiveness of the Company s hedge relationships is assessed on a quarterly basis.

The Company reports changes in fair values of derivatives that are not part of a qualifying hedge relationship through earnings in the period of change. Changes in the fair value of derivatives that are recognized in current earnings are reported in Realized investment gains (losses) Derivative financial instruments .

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

- In connection with the issuance of inflation-adjusted funding agreements, the Company has entered into swaps to essentially convert the floating CPI-linked interest rate on these agreements to a fixed rate. The Company pays a fixed rate on the swap and receives a floating rate primarily determined by

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the period s change in the CPI. The amounts that are received on the swaps are almost equal to the amounts that are paid on the agreements. None of these positions were held as of September 30, 2015 (Successor Company), as these funding agreements and correlating swaps matured in June of 2015.

Derivative Instruments Not Designated and Not Qualifying as Hedging Instruments

The Company uses various other derivative instruments for risk management purposes that do not qualify for hedge accounting treatment. Changes in the fair value of these derivatives are recognized in earnings during the period of change.

Derivatives Related to Variable Annuity Contracts

- The Company uses equity, interest rate, currency, and volatility futures to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within its VA products. In general, the cost of such benefits varies with the level of equity and interest rate markets, foreign currency levels, and overall volatility.

- The Company uses equity options, variance swaps, and volatility options to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within its VA products. In general, the cost of such benefits varies with the level of equity markets and overall volatility.

- The Company uses interest rate swaps and interest rate swaptions to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within its VA products.

- The Company markets certain VA products with a GMWB rider. The GMWB component is considered an embedded derivative, not considered to be clearly and closely related to the host contract.

Derivatives Related to Fixed Annuity Contracts

- The Company uses equity, futures, and options to mitigate the risk within its fixed indexed annuity products. In general, the cost of such benefits varies with the level of equity and overall volatility.

- The Company uses equity options to mitigate the risk within its fixed indexed annuity products. In general, the cost of such benefits varies with the level of equity markets.

- The Company markets certain fixed indexed annuity products. The FIA component is considered an embedded derivative, not considered to be clearly and closely related to the host contract.

Derivatives Related to Indexed Universal Life Contracts

- The Company uses equity, futures, and options to mitigate the risk within its indexed universal life products. In general, the cost of such benefits varies with the level of equity markets.

- The Company markets certain IUL products. The IUL component is considered an embedded derivative, not considered to be clearly and closely related to the host contract.

Other Derivatives

- The Company uses certain interest rate swaps to mitigate the price volatility of fixed maturities. None of these positions were held as of September 30, 2015 (Successor Company).

- The Company uses various swaps and other types of derivatives to manage risk related to other exposures.

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- The Company is involved in various modified coinsurance and funds withheld arrangements which contain embedded derivatives. Changes in their fair value are recorded in current period earnings. The investment portfolios that support the related modified coinsurance reserves and funds withheld arrangements had fair value changes which substantially offset the gains or losses on these embedded derivatives.

The following table sets forth realized investments gains and losses for the periods shown:

Realized investment gains (losses) - derivative financial instruments

	Successor Company		Predecessor Company		
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)		(Dollars In Thousands)		
Derivatives related to VA contracts:					
Interest rate futures - VA	$ 12,140	$ (2,091)	$ 1,413	$ 1,979	$ 12,777
Equity futures - VA	40,951	3,215	9,221	861	(9,049)
Currency futures - VA	4,000	1,428	7,778	10,185	6,020
Variance swaps - VA				1,570	(1,103)
Equity options - VA	33,519	8,195	3,047	2,050	(31,240)
Interest rate swaptions - VA	(3,618)	(12,399)	9,268	(2,812)	(17,213)
Interest rate swaps - VA	101,808	(74,150)	122,710	22,011	124,548
Embedded derivative - GMWB	(253,630)	(7,713)	(207,018)	(51,429)	(181,105)
Total derivatives related to VA contracts	(64,830)	(83,515)	(53,581)	(15,585)	(96,365)
Derivatives related to FIA contracts:					
Embedded derivative - FIA	11,328	9,035	1,769	(2,462)	(9,036)
Equity futures - FIA	709	1,016	(184)	117	1,067
Volatility futures - FIA	(24)	6		(4)	4
Equity options - FIA	(12,099)	(6,499)	(2,617)	1,099	5,077
Total derivatives related to FIA contracts	(86)	3,558	(1,032)	(1,250)	(2,888)
Derivatives related to IUL contracts:					
Embedded derivative - IUL	1,287	3,082	(486)	347	62
Equity futures - IUL	17	39	3	16	16
Equity options - IUL	(1,110)	(1,048)	(115)	(24)	(24)
Total derivatives related to IUL contracts	194	2,073	(598)	339	54
Embedded derivative - Modco reinsurance treaties	(9,817)	131,505	(68,026)	20,426	(91,945)
Other derivatives	(51)	33	(37)	(149)	(351)
Total realized gains (losses) - derivatives	$ (74,590)	$ 53,654	$ (123,274)	$ 3,781	$ (191,495)

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The following table sets forth realized investments gains and losses for the Modco trading portfolio that is included in realized investment gains (losses) all other investments.

Realized investment gains (losses) - all other investments

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Modco trading portfolio(1)	$ 8,377	$ (133,524)	$ 73,062	$ (17,225)	$ 110,067

(1)The Company elected to include the use of alternate disclosures for trading activities.

The following table presents the components of the gain or loss on derivatives that qualify as a cash flow hedging relationship.

Gain (Loss) on Derivatives in Cash Flow Hedging Relationship

Successor Company	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss) (Effective Portion) Benefits and settlement expenses (Dollars In Thousands)	Amount and Location of (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion) Realized investment gains (losses)
For The Three Months Ended September 30, 2015			
Inflation	$	$	$
Total	$	$	$

Successor Company			
February 1, 2015 to September 30, 2015			
Inflation	$ (131)	$ (131)	$ 73
Total	$ (131)	$ (131)	$ 73

Predecessor Company

January 1, 2015 to January 31, 2015						
Inflation	$	13	$	(36)	$	(7)
Total	$	13	$	(36)	$	(7)

Predecessor Company

For The Three Months Ended September 30, 2014						
Inflation	$	(64)	$	(293)	$	(79)
Total	$	(64)	$	(293)	$	(79)

Predecessor Company

For The Nine Months Ended September 30, 2014						
Inflation	$	(90)	$	(1,577)	$	(205)
Total	$	(90)	$	(1,577)	$	(205)

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The table below present information about the nature and accounting treatment of the Company s primary derivative financial instruments and the location in and effect on the consolidated condensed financial statements for the periods presented below:

	Successor Company As of September 30, 2015		Predecessor Company As of December 31, 2014	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Thousands)		(Dollars In Thousands)	
Other long-term investments				
Derivatives not designated as hedging instruments:				
Interest rate swaps	$ 1,325,000	$ 82,642	$ 1,550,000	$ 50,743
Embedded derivative - Modco reinsurance treaties	64,984	859	25,760	1,051
Embedded derivative GMWB	3,656,394	94,344	2,804,629	66,843
Interest rate futures	946,551	2,547	27,977	938
Equity futures	297,690	9,806	26,483	427
Currency futures	239,526	2,608	197,648	2,384
Equity options	2,833,844	192,335	1,921,167	163,212
Interest rate swaptions	225,000	4,619	625,000	8,012
Other	1,336	500	242	360
	$ 9,590,325	$ 390,260	$ 7,178,906	$ 293,970
Other liabilities				
Cash flow hedges:				
Inflation	$	$	$ 40,469	$ 142
Derivatives not designated as hedging instruments:				
Interest rate swaps	575,000	13,809	275,000	3,599
Embedded derivative - Modco reinsurance treaties	2,490,850	221,849	2,562,848	311,727
Embedded derivative - GMWB	6,535,763	288,091	7,038,228	311,969
Embedded derivative - FIA	962,123	76,709	749,933	124,465
Embedded derivative - IUL	44,581	21,711	12,019	6,691
Interest rate futures	7,727	140		
Equity futures	81,421	1,835	385,256	15,069
Currency futures	37,137	93		
Equity options	1,242,384	8,863	699,295	47,077
Other	1,091	236		
	$ 11,978,077	$ 633,336	$ 11,763,048	$ 820,739

The Company reclassified the remaining balance of its cash flow hedge derivative financial instruments out of accumulated other comprehensive income (loss) into earnings during the period of February 1, 2015 to September 30, 2015 (Successor Company) as these derivative financial instruments matured in June of 2015.

18. OFFSETTING OF ASSETS AND LIABILITIES

Certain of the Company s derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event either minimum thresholds, or in certain cases ratings levels, have been reached. Additionally, certain of the Company s repurchase agreements provide for net settlement on termination of the agreement. Refer to Note 10, *Debt and Other Obligations* for details of the Company s repurchase agreement programs.

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The tables below present the derivative instruments by assets and liabilities for the Company as of September 30, 2015 (Successor Company):

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
	(Dollars In Thousands)					
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	$ 294,769	$	$ 294,769	$ 24,953	$ 148,469	$ 121,347
Total derivatives, subject to a master netting arrangement or similar arrangement	294,769		294,769	24,953	148,469	121,347
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	859		859			859
Embedded derivative - GMWB	94,344		94,344			94,344
Other	288		288			288
Total derivatives, not subject to a master netting arrangement or similar arrangement	95,491		95,491			95,491
Total derivatives	390,260		390,260	24,953	148,469	216,838
Total Assets	$ 390,260	$	$ 390,260	$ 24,953	$ 148,469	$ 216,838

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Paid	
	(Dollars In Thousands)					
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	$ 24,976	$	$ 24,976	$ 24,953	$ 23	$
Total derivatives, subject to a master netting arrangement or similar arrangement	24,976		24,976	24,953	23	
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	221,849		221,849			221,849
Embedded derivative - GMWB	288,091		288,091			288,091
Embedded derivative - FIA	76,709		76,709			76,709
Embedded derivative - IUL	21,711		21,711			21,711
Total derivatives, not subject to a master netting arrangement or similar arrangement	608,360		608,360			608,360

Total derivatives	633,336		633,336	24,953	23	608,360
Repurchase agreements(1)	455,718		455,718			455,718
Total Liabilities	$ 1,089,054	$	$ 1,089,054	$ 24,953	$ 23	$ 1,064,078

(1) Borrowings under repurchase agreements are for a term less than 90 days.

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The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2014 (Predecessor Company):

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	$ 225,716	$	$ 225,716	$ 53,612	$ 73,935	$ 98,169
Total derivatives, subject to a master netting arrangement or similar arrangement	225,716		225,716	53,612	73,935	98,169
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	1,051		1,051			1,051
Embedded derivative - GMWB	66,843		66,843			66,843
Other	360		360			360
Total derivatives, not subject to a master netting arrangement or similar arrangement	68,254		68,254			68,254
Total derivatives	293,970		293,970	53,612	73,935	166,423
Total Assets	$ 293,970	$	$ 293,970	$ 53,612	$ 73,935	$ 166,423

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Paid	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	$ 65,887	$	$ 65,887	$ 53,612	$ 12,258	$ 17
Total derivatives, subject to a master netting arrangement or similar arrangement	65,887		65,887	53,612	12,258	17
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	311,727		311,727			311,727
Embedded derivative - GMWB	311,969		311,969			311,969
Embedded derivative - FIA	124,465		124,465			124,465
Embedded derivative - IUL	6,691		6,691			6,691
Total derivatives, not subject to a master netting arrangement or similar arrangement	754,852		754,852			754,852

Total derivatives	820,739		820,739	53,612	12,258	754,869
Repurchase agreements(1)	50,000		50,000			50,000
Total Liabilities	$ 870,739	$	$ 870,739	$ 53,612	$ 12,258	$ 804,869

(1) Borrowings under repurchase agreements are for a term less than 90 days.

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19. OPERATING SEGMENTS

The Company has several operating segments, each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. The Company periodically evaluates its operating segments, as prescribed in the ASC Segment Reporting Topic, and makes adjustments to its segment reporting as needed. There were no changes to the Company s operating segments made or required to be made as a result of the Merger on February 1, 2015. A brief description of each segment follows.

- The Life Marketing segment markets fixed universal life (UL), indexed universal life, variable universal life (VUL), bank-owned life insurance (BOLI), and level premium term insurance (traditional) products on a national basis primarily through networks of independent insurance agents and brokers, broker-dealers, financial institutions, and independent marketing organizations.

- The Acquisitions segment focuses on acquiring, converting, and servicing policies acquired from other companies. The segment s primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment s acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. Policies acquired through the Acquisitions segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage unless new acquisitions are made.

- The Annuities segment markets fixed and VA products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.

- The Stable Value Products segment sells fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. The segment also issues funding agreements to the FHLB, and markets guaranteed investment contracts (GICs) to 401(k) and other qualified retirement savings plans. The Company recently terminated its funding agreement-backed notes program registered with the United States Securities and Exchange Commission (the SEC) and, on October 2, 2015, established an unregistered funding agreement-backed notes program. No offers, sales or issuances under this program have been made to date.

- The Asset Protection segment markets extended service contracts and credit life and disability insurance to protect consumers investments in automobiles, watercraft, and recreational vehicles. In addition, the segment markets a guaranteed asset protection (GAP) product. GAP coverage covers the difference between the loan pay-off amount and an asset s actual cash value in the case of a total loss.

- The Corporate and Other segment primarily consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations.

The Company uses the same accounting policies and procedures to measure segment operating income (loss) and assets as it uses to measure consolidated net income and assets. Segment operating income (loss) is income before income tax, excluding realized gains and losses on investments and derivatives net of the amortization related to DAC, VOBA, and benefits and settlement expenses. Operating earnings exclude changes in the GMWB embedded derivatives (excluding the portion attributed to economic cost), actual GMWB incurred claims and the related amortization of DAC/VOBA attributed to each of these items.

Segment operating income (loss) represents the basis on which the performance of the Company s business is internally assessed by management. Premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC/VOBA are attributed directly to each operating segment. Net investment income is allocated based on directly related assets required for transacting the business of that segment. Realized investment gains (losses) and other operating expenses are allocated to the segments in a manner that most appropriately reflects the operations of

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that segment. Investments and other assets are allocated based on statutory policy liabilities net of associated statutory policy assets, while DAC/VOBA and goodwill are shown in the segments to which they are attributable. The goodwill as of September 30, 2015 (Successor Company) was the result of the Dai-ichi Merger. The purchase price was allocated to the segments in proportion to the segment s respective fair value. The allocated purchase price in excess of the fair value of assets and liabilities of each segment resulted in the establishment of that segment s goodwill as of the date of the Merger.

There were no significant intersegment transactions during the three months ended September 30, 2015 (Successor Company), the period of February 1, 2015 to September 30, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company) and for the three and nine months ended September 30, 2014 (Predecessor Company).

The following tables summarize financial information for the Company s segments (Predecessor and Successor periods are not comparable):

	Successor Company (Dollars In Thousands)		Predecessor Company (Dollars In Thousands)		
	For The Three Months Ended September 30, 2015	**February 1, 2015 to September 30, 2015**	**January 1, 2015 to January 31, 2015**	**For The Three Months Ended September 30, 2014**	**For The Nine Months Ended September 30, 2014**
Revenues					
Life Marketing	$ 388,768	$ 1,040,066	$ 145,595	$ 400,706	$ 1,192,504
Acquisitions	352,141	974,915	139,761	408,522	1,273,714
Annuities	92,773	341,227	7,884	182,239	482,313
Stable Value Products	17,065	44,063	8,181	38,713	93,641
Asset Protection	68,949	182,656	21,953	70,584	207,837
Corporate and Other	40,897	118,754	17,535	47,322	143,978
Total revenues	$ 960,593	$ 2,701,681	$ 340,909	$ 1,148,086	$ 3,393,987
Segment Operating Income (Loss)					
Life Marketing	$ 19,535	$ 29,611	$ (1,618)	$ 32,820	$ 82,654
Acquisitions	59,016	132,962	20,134	72,929	198,807
Annuities	46,003	133,377	13,164	49,335	156,236
Stable Value Products	12,785	28,249	4,529	19,506	54,190
Asset Protection	5,322	15,266	2,420	8,530	23,433
Corporate and Other	(8,854)	(16,850)	(10,144)	(15,110)	(42,520)
Total segment operating income	133,807	322,615	28,485	168,010	472,800
Realized investment (losses) gains - investments(1)	8,625	(150,014)	89,815	(4,836)	138,617
Realized investment (losses) gains - derivatives	(55,172)	104,396	(117,118)	21,709	(139,119)
Income tax (expense) benefit	(26,853)	(89,889)	327	(65,974)	(161,773)
Net income	$ 60,407	$ 187,108	$ 1,509	$ 118,909	$ 310,525
Investment gains (losses)(2)	$ (4,716)	$ (147,843)	$ 80,672	$ (1,160)	$ 148,051
Less: amortization related to DAC/VOBA and	(13,341)	2,171	(9,143)	3,676	9,434

benefits and settlement expenses										
Realized investment gains (losses) - investments	$	8,625	$	(150,014)	$	89,815	$	(4,836)	$	138,617
Derivative gains (losses)(3)	$	(74,590)	$	53,654	$	(123,274)	$	3,781	$	(191,495)
Less: VA GMWB economic cost		(19,418)		(50,742)		(6,156)		(17,928)		(52,376)
Realized investment gains (losses) - derivatives	$	(55,172)	$	104,396	$	(117,118)	$	21,709	$	(139,119)

(1) Includes credit related other-than-temporary impairments of $10.1 million and $15.8 million for the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company), respectively. Includes $0.5 million, $2.3 million, and $5.4 million of credit related other-than-temporary impairments for the period of January 1, 2015 to January 31, 2015 (Predecessor Company) and for the three and nine months ended September 30, 2014 (Predecessor Company), respectively.

(2)Includes realized investment gains (losses) before related amortization.

(3)Includes realized gains (losses) on derivatives before the VA GMWB economic cost.

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Operating Segment Assets
As of September 30, 2015 (Successor Company)
(Dollars In Thousands)

	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$ 13,223,607	$ 20,014,577	$ 19,776,706	$ 1,790,724
Deferred policy acquisition costs and value of business acquired	1,078,408	(182,038)	531,735	
Other intangibles	324,362	40,297	200,112	9,556
Goodwill	203,543	14,524	336,677	113,813
Total assets	$ 14,829,920	$ 19,887,360	$ 20,845,230	$ 1,914,093

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$ 905,660	$ 10,050,619	$ 10,719	$ 65,772,612
Deferred policy acquisition costs and value of business acquired	38,237			1,466,342
Other intangibles	81,132			655,459
Goodwill	67,155			735,712
Total assets	$ 1,092,184	$ 10,050,619	$ 10,719	$ 68,630,125

Operating Segment Assets
As of December 31, 2014 (Predecessor Company)
(Dollars In Thousands)

	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$ 13,858,491	$ 19,858,284	$ 20,783,373	$ 1,958,867
Deferred policy acquisition costs and value of business acquired	1,973,156	600,482	684,574	621
Goodwill	10,192	29,419		
Total assets	$ 15,841,839	$ 20,488,185	$ 21,467,947	$ 1,959,488

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$ 927,202	$ 9,682,362	$ 14,792	$ 67,083,371
Deferred policy acquisition costs and value of business acquired	35,418	319		3,294,570
Goodwill	62,671	83		102,365
Total assets	$ 1,025,291	$ 9,682,764	$ 14,792	$ 70,480,306

20. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to September 30, 2015 (Successor Company), and through the date we filed our consolidated condensed financial statements with the United States Securities and Exchange Commission. All accounting and disclosure requirements related to subsequent events are included in our consolidated condensed financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our consolidated condensed financial statements included under Part I, Item 1, *Financial Statements (Unaudited)*, of this Quarterly Report on Form 10-Q and our audited consolidated financial statements for the year ended December 31, 2014 (Predecessor Company), included in our Annual Report on Form 10-K.

For a more complete understanding of our business and current period results, please read the following MD&A in conjunction with our latest Annual Report on Form 10-K and other filings with the United States Securities and Exchange Commission (the SEC).

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior period amounts comparable to those of the current period. Such reclassifications had no effect on previously reported net income or shareowner s equity.

FORWARD-LOOKING STATEMENTS CAUTIONARY LANGUAGE

This report reviews our financial condition and results of operations, including our liquidity and capital resources. Historical information is presented and discussed, and where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that may predict, forecast, indicate, or imply future results, performance, or achievements instead of historical facts and may contain words like believe, expect, estimate, project, budget, forecast, anticipate, plan, will, other words, phrases, or expressions with similar meaning. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the results contained in the forward-looking statements, and we cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise. For more information about the risks, uncertainties, and other factors that could affect our future results, please refer to Part I, Item 2, *Risks and Uncertainties* and Part II, Item 1A, *Risk Factors*, of this report, as well as Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (Predecessor Company).

IMPORTANT INVESTOR INFORMATION

We file reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other reports as required. The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer and the SEC maintains an internet site at www.sec.gov that contains these reports and other information filed electronically by us. We make available through our website, www.protective.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. We will furnish such documents to anyone who requests such copies in writing. Requests for copies should be directed to: Financial Information, Protective Life Corporation, P. O. Box 2606, Birmingham, Alabama 35202, Telephone (205) 268-3912, Fax (205) 268-3642.

We also make available to the public current information, including financial information, regarding the Company and our affiliates on the Financial Information page of our website, www.protective.com. We encourage investors, the media and others interested in us and our affiliates to review the information we post on our website. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

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OVERVIEW

Our business

On February 1, 2015, Protective Life Corporation (the Company) became a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaish*a organized under the laws of Japan (Dai-ichi Life), when DL Investment (Delaware), Inc., a wholly owned subsidiary of Dai-ichi Life, merged with and into the Company. Prior to February 1, 2015, the Company s stock was publicly traded on the New York Stock Exchange. Subsequent to the Merger, the Company remains an SEC registrant for financial reporting purposes in the United States. The Company, which is headquartered in Birmingham, Alabama, operates as a holding company for its insurance and other subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. Founded in 1907, Protective Life Insurance Company (PLICO) is our largest operating subsidiary. Unless the context otherwise requires, the Company, we, us, or our refers to the consolidated group of Protective Life Corporation and our subsidiaries.

We have several operating segments, each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. We periodically evaluate our operating segments as prescribed in the Accounting Standards Codification (ASC) Segment Reporting Topic, and make adjustments to our segment reporting as needed. There were no changes to our operating segments made or required to be made as a result of the Merger on February 1, 2015.

Our operating segments are Life Marketing, Acquisitions, Annuities, Stable Value Products, Asset Protection, and Corporate and Other.

- ***Life Marketing*** - We market fixed universal life (UL), indexed universal life (IUL), variable universal life (VUL), bank-owned life insurance (BOLI), and level premium term insurance (traditional) products on a national basis primarily through networks of independent insurance agents and brokers, broker-dealers, financial institutions, and independent marketing organizations.

- ***Acquisitions*** - We focus on acquiring, converting, and servicing policies from other companies. This segment s primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment s acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. Policies acquired through the Acquisitions segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage unless new acquisitions are made.

- ***Annuities*** - We market fixed and variable annuity (VA) products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.

- ***Stable Value Products*** - We sell fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. The segment also issues funding agreements to the Federal Home Loan Bank (FHLB), and markets guaranteed investment contracts (GICs) to 401(k) and other qualified retirement savings plans. We recently terminated our funding agreement-backed notes program registered with the SEC and, on October 2, 2015, established an unregistered funding agreement-backed notes program. No offers, sales or issuances under this program have been made to date.

- ***Asset Protection*** - We market extended service contracts and credit life and disability insurance to protect consumers investments in automobiles, watercraft, and recreational vehicles. In addition, the segment markets a guaranteed asset protection (GAP) product. GAP coverage covers the difference between the loan pay-off amount and an asset s actual cash value in the case of a total loss.

- ***Corporate and Other*** - This segment primarily consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment includes earnings from several non-

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strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations.

RECENT DEVELOPMENTS

On September 30, 2015, Protective Life Insurance Company (PLICO), a wholly owned subsidiary of the Company, entered into a Master Agreement (the Master Agreement) with Genworth Life and Annuity Insurance Company (GLAIC). Pursuant to the Master Agreement, PLICO agreed to enter into a reinsurance agreement (the Reinsurance Agreement) pursuant to which PLICO will coinsure certain term life insurance business of GLAIC. In connection with the reinsurance transaction, PLICO intends to enter into a financing transaction with a term of up to 20 years involving, among other parties, its indirect wholly owned subsidiary, Golden Gate Captive Insurance Company (Golden Gate), and a syndicate of third-party risk takers, to finance up to $2.2 billion of XXX reserves related to the GLAIC business to be reinsured and the other term life insurance business currently reinsured by Golden Gate. Although PLICO intends to execute the financing transaction concurrently with its entry into the Reinsurance Agreement, the closing of the transactions contemplated by the Master Agreement is not conditioned upon the consummation of the financing transaction.

RISKS AND UNCERTAINTIES

The factors which could affect our future results include, but are not limited to, general economic conditions and the following risks and uncertainties:

Risks Related to the Dai-ichi Merger and our Status as a Subsidiary of Dai-ichi Life

- uncertainty following the Merger could adversely affect our business and operations;
- our debt ratings and the financial strength ratings of our insurance subsidiaries may be adversely affected by our being a subsidiary of Dai-ichi Life;
- we are controlled by Dai-ichi Life, which has the ability to make important decisions affecting our business;

General

- we may not be able to achieve the expected results from our recently announced reinsurance transaction or obtain financing on terms currently anticipated,

- exposure to the risks of natural and man-made catastrophes, diseases, epidemics, pandemics, malicious acts, terrorist acts and climate change could adversely affect our operations and results;

- a disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect our business, financial condition and results of operations;

- confidential information maintained in the systems of the Company or other parities upon which the Company relies could be compromised or misappropriated, damaging our business and reputation and adversely affecting our financial condition and results of operations;

- our results and financial condition may be negatively affected should actual experience differ from management s assumptions and estimates;

- we may not realize our anticipated financial results from our acquisitions strategy;

- assets allocated to the MONY Closed Block benefit only the holders of certain policies; adverse performance of Closed Block assets or adverse experience of Closed Block liabilities may negatively affect us;

- we are dependent on the performance of others;

- our risk management policies, practices, and procedures could leave us exposed to unidentified or unanticipated risks, which could negatively affect our business or result in losses;

- our strategies for mitigating risks arising from our day-to-day operations may prove ineffective resulting in a material adverse effect on our results of operations and financial condition;

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Financial environment

- interest rate fluctuations and sustained periods of low interest rates could negatively affect our interest earnings and spread income, or otherwise impact our business;
- our investments are subject to market and credit risks, which could be heightened during periods of extreme volatility or disruption in financial and credit markets;
- equity market volatility could negatively impact our business;
- our use of derivative financial instruments within our risk management strategy may not be effective or sufficient;
- credit market volatility or disruption could adversely impact our financial condition or results from operations;
- our ability to grow depends in large part upon the continued availability of capital;
- we could be adversely affected by a ratings downgrade or other negative action by a ratings organization;
- we could be forced to sell investments at a loss to cover policyholder withdrawals;
- disruption of the capital and credit markets could negatively affect our ability to meet our liquidity and financing needs;
- difficult general economic conditions could materially adversely affect our business and results of operations;
- we may be required to establish a valuation allowance against our deferred tax assets, which could materially adversely affect our results of operations, financial condition, and capital position;
- we could be adversely affected by an inability to access our credit facility;
- we could be adversely affected by an inability to access FHLB lending;
- our financial condition or results of operations could be adversely impacted if our assumptions regarding the fair value and future performance of our investments differ from actual experience;
- adverse actions of certain funds or their advisers could have a detrimental impact on our ability to sell our variable life and annuity products, or maintain current levels of assets in those products;
- the amount of statutory capital that we have and the amount of statutory capital that we must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of our control;

- we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends;

Industry

- we are highly regulated and are subject to routine audits, examinations and actions by regulators, law enforcement agencies, and self-regulatory organizations;
- changes to tax law or interpretations of existing tax law could adversely affect our ability to compete with non-insurance products or reduce the demand for certain insurance products;
- financial services companies are frequently the targets of legal proceedings, including class action litigation, which could result in substantial judgments;
- the financial services and insurance industries are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny;
- new accounting rules, changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact us;
- use of reinsurance introduces variability in our statements of income;
- our reinsurers could fail to meet assumed obligations, increase rates, terminate agreements, or be subject to adverse developments that could affect us;
- our policy claims fluctuate from period to period resulting in earnings volatility;

Competition

- we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry and negatively affect profitability;
- our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; and

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- we may not be able to protect our intellectual property and may be subject to infringement claims.

For more information about the risks, uncertainties, and other factors that could affect our future results, please see Part II, Item 1A of this report and our Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

Our accounting policies require the use of judgments relating to a variety of assumptions and estimates, including, but not limited to expectations of current and future mortality, morbidity, persistency, expenses, and interest rates, as well as expectations around the valuations of securities. Because of the inherent uncertainty when using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated condensed financial statements. For a complete listing of our critical accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2014 (Predecessor Company). Certain of our accounting policies were amended in conjunction with the Dai-ichi Merger. Please refer to Note 2, *Summary of Significant Accounting Policies*, included in this Form 10-Q for more information.

RESULTS OF OPERATIONS

We use the same accounting policies and procedures to measure segment operating income (loss) and assets as we use to measure consolidated net income and assets. Segment operating income (loss) is income before income tax, excluding realized gains and losses on investments and derivatives, net of the amortization related to deferred acquisition costs (DAC), value of business acquired (VOBA), and benefits and settlement expenses. Segment operating income (loss) also excludes changes in the guaranteed minimum withdrawal benefits (GMWB) embedded derivatives (excluding the portion attributed to economic cost), actual GMWB incurred claims and the related amortization of DAC attributed to each of these items.

Segment operating income (loss) represents the basis on which the performance of our business is internally assessed by management. Premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC/VOBA are attributed directly to each operating segment. Net investment income is allocated based on directly related assets required for transacting the business of that segment. Realized investment gains (losses) and other operating expenses are allocated to the segments in a manner that most appropriately reflects the operations of that segment. Investments and other assets are allocated based on statutory policy liabilities net of associated statutory policy assets, while DAC/VOBA and goodwill are shown in the segments to which they are attributable.

However, segment operating income (loss) should not be viewed as a substitute for net income calculated in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition, our segment operating income (loss) measures may not be comparable to similarly titled measures reported by other companies.

We periodically review and update as appropriate our key assumptions on products using the ASC Financial Services-Insurance Topic, including future mortality, expenses, lapses, premium persistency, benefit utilization, investment yields, interest spreads, and equity market returns.

Changes to these assumptions result in adjustments which increase or decrease DAC/VOBA amortization and/or benefits and expenses. The periodic review and updating of assumptions is referred to as unlocking . When referring to DAC/VOBA amortization or unlocking on products covered under the ASC Financial Services-Insurance Topic, the reference is to changes in all balance sheet components amortized over estimated gross profits.

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The following table presents a summary of results and reconciles segment operating income (loss) to consolidated net income (Predecessor and Successor periods are not comparable):

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
Segment Operating Income (Loss)					
Life Marketing	$ 19,535	$ 29,611	$ (1,618)	$ 32,820	$ 82,654
Acquisitions	59,016	132,962	20,134	72,929	198,807
Annuities	46,003	133,377	13,164	49,335	156,236
Stable Value Products	12,785	28,249	4,529	19,506	54,190
Asset Protection	5,322	15,266	2,420	8,530	23,433
Corporate and Other	(8,854)	(16,850)	(10,144)	(15,110)	(42,520)
Total segment operating income	133,807	322,615	28,485	168,010	472,800
Realized investment gains (losses) - investments(1)	8,625	(150,014)	89,815	(4,836)	138,617
Realized investment gains (losses) - derivatives	(55,172)	104,396	(117,118)	21,709	(139,119)
Income tax (expense) benefit	(26,853)	(89,889)	327	(65,974)	(161,773)
Net income	$ 60,407	$ 187,108	$ 1,509	$ 118,909	$ 310,525
Investment gains (losses)(2)	$ (4,716)	$ (147,843)	$ 80,672	$ (1,160)	$ 148,051
Less: amortization related to DAC/VOBA and benefits and settlement expenses	(13,341)	2,171	(9,143)	3,676	9,434
Realized investment gains (losses) - investments	$ 8,625	$ (150,014)	$ 89,815	$ (4,836)	$ 138,617
Derivative gains (losses) (3)	$ (74,590)	$ 53,654	$ (123,274)	$ 3,781	$ (191,495)
Less: VA GMWB economic cost	(19,418)	(50,742)	(6,156)	(17,928)	(52,376)
Realized investment gains (losses) - derivatives	$ (55,172)	$ 104,396	$ (117,118)	$ 21,709	$ (139,119)

(1) Includes credit related other-than-temporary impairments of $10.1 million and $15.8 million for the three months ended September 30, 2015 (Successor Company) and for the period of February 1, 2015 to September 30, 2015 (Successor Company), respectively. Includes $0.5 million, $2.3 million, and $5.4 million of credit related other-than-temporary impairments for the period of January 1, 2015 to January31, 2015 (Predecessor Company) and for the three and nine months ended September 30, 2014 (Predecessor Company), respectively.

(2) Includes realized investment gains (losses) before related amortization.

(3) Includes realized gains (losses) on derivatives before the VA GMWB economic cost.

For The Three Months Ended September 30, 2015 (Successor Company)

Net income was $60.4 million and operating income was $133.8 million for the three months ended September 30, 2015.

We experienced net realized losses of $79.3 million for the three months ended September 30, 2015. The losses realized were primarily related to $10.1 million of other-than-temporary impairment credit-related losses, net losses of $64.8 million of derivatives related to variable annuity contracts, $1.4 million of losses related to the net activity of the modified coinsurance portfolio, $1.3 million of losses related to investment securities sale activity, net losses of $1.8 million loss related to other investment and derivative activity, and net losses of $0.1 million of derivatives related to FIA contracts. The net losses on derivatives related to VA contracts were impacted by changes in the policyholder behavior assumptions, primarily the lowering of assumed lapses used to value the GMWB embedded derivatives. Partially offsetting these losses were net gains of $0.2 million related to IUL contracts.

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- Life Marketing segment operating income was $19.5 million which consisted of universal life operating income of $11.1 million, traditional life operating income of $11.3 million, and operating loss of $2.9 million in other lines.

- Acquisitions segment operating income was $59.0 million. This included expected runoff of the in-force blocks of business.

- Annuities segment operating income was $46.0 million which included $19.5 million of fixed annuity operating earnings, $30.7 million of variable annuity operating earnings, and a $4.2 million loss in other annuity earnings. The fixed annuity results were negatively impacted by $3.0 million of unfavorable single premium immediate annuities (SPIA) mortality. The segment recorded $0.9 million of favorable unlocking.

- Stable Value Products segment operating income of $12.8 million was primarily due to activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was $1.8 million and the adjusted operating spread, which excludes participating income, was 227 basis points.

- Asset Protection segment operating income was $5.3 million which consisted of service contract earnings of $2.2 million, GAP product earnings of $2.1 million, and credit insurance earnings of $1.0 million.

- The Corporate and Other segment s $8.9 million operating loss was primarily due to $49.4 million of other operating expense which is primarily interest expense and corporate overhead expenses. These expenses were partially offset by $40.8 million of investment income which represents income on assets supporting our equity capital.

For The Period of February 1, 2015 to September 30, 2015 (Successor Company)

Net income was $187.1 million and operating income was $322.6 million for the period of February 1, 2015 to September 30, 2015.

We experienced net realized losses of $94.2 million for the period of February 1, 2015 to September 30, 2015. The losses realized were primarily related to $15.8 million of other-than-temporary impairment credit-related losses, net losses of $83.5 million of derivatives related to variable annuity contracts, $2.0 million of losses related to the net activity of the modified coinsurance portfolio, and net losses of $1.0 million loss related to other investment and derivative activity. The net losses on derivatives related to VA contracts in addition to capital market impacts were affected by changes in the lowering of assumed lapses used to value the GMWB embedded derivatives. Partially offsetting these losses were $2.4 million of gains related to investment securities sale activity, net gains of $3.6 million of derivatives related to FIA contracts,

and net gains of $2.1 million related to IUL contracts.

- Life Marketing segment operating income was $29.6 million which consisted of universal life operating income of $30.9 million, traditional life operating income of $8.8 million, and an operating loss of $10.1 million in other lines.

- Acquisitions segment operating income was $133.0 million. This included expected runoff of the in-force blocks of business.

- Annuities segment operating income was $133.4 million which included $63.9 million of fixed annuity operating earnings, $80.5 million of variable annuity operating earnings, and a $11.0 million loss in other annuity earnings. The fixed annuity results were positively impacted by $1.8 million of favorable SPIA mortality. The segment recorded $1.3 million of favorable unlocking.

- Stable Value Products segment operating income of $28.2 million was primarily due to activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was $3.5 million and the adjusted operating spread, which excludes participating income, was 190 basis points.

- Asset Protection segment operating income was $15.3 million which consisted of service contract earnings of $8.2 million, GAP product earnings of $4.8 million, and credit insurance earnings of $2.3 million.

• The Corporate and Other segment s $16.9 million operating loss was primarily due to $127.8 million of other operating expense which is primarily interest expense and corporate overhead expenses. These expenses were partially offset by $110.4 million of investment income which represents income on assets supporting our equity capital.

For The Period of January 1, 2015 to January 31, 2015 (Predecessor Company)

Net income was $1.5 million and operating income was $28.5 million for the period of January 1, 2015 to January 31, 2015.

We experienced net realized losses of $42.6 million for the period of January 1, 2015 to January 31, 2015. The losses realized for the period of January 1, 2015 to January 31, 2015, were primarily related to $0.5 million for other-than-temporary impairment credit-related losses, net losses of $53.6 million of derivatives related to variable annuity contracts, net losses of $1.0 million of derivatives related to FIA contracts, and net losses of $0.6 million of derivatives related to IUL contracts. Partially offsetting these losses were $6.9 million of gains related to investment securities sale activity, $5.0 million of gains related to the net activity of the modified coinsurance portfolio, and net gains of $1.2 million related to other investment and derivative activity.

• Life Marketing segment operating loss was $1.6 million. Included in that amount was a traditional life operating loss of $3.4 million, universal life earnings of $1.2 million, and operating earnings of $0.6 million in other lines.

• Acquisitions segment operating income was $20.1 million. This included expected runoff of the in force blocks of business.

• Annuities segment operating income was $13.2 million. Included in that amount was $2.8 million of unfavorable SPIA mortality results and $2.3 million of unfavorable unlocking, primarily related to the VA line of business.

• Stable Value Products segment operating income of $4.5 million was primarily due activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was $0.1 million and the adjusted operating spread, which excludes participating income, was 276 basis points.

• Asset Protection segment operating income was $2.4 million which consisted of $1.3 million in service contract earnings, $0.9 million in GAP product earnings, and credit insurance earnings of $0.2 million.

- The Corporate and Other segment s $10.1 million operating loss was primarily due to $20.5 million of other operating expense which is primarily interest expense and corporate overhead expenses. These expenses were partially offset by $10.7 million of investment income which represents income on assets supporting our equity capital.

For The Three Months Ended September 30, 2014 (Predecessor Company)

Net income was $118.9 million and operating income was $168.0 million for the three months ended September 30, 2014.

We experienced net realized gains of $2.6 million for the three months ended September 30, 2014. The gains realized for the three months ended September 30, 2014, were primarily related to $23.6 million of gains related to investment securities sale activity, $3.2 million of gains related to the net activity of the modified coinsurance portfolio, and net gains of $0.3 million of derivatives related IUL contracts. Partially offsetting these gains were $2.3 million of other-than-temporary impairment credit-related losses, $5.4 million of losses related to other investment and derivative activity, $15.6 million of losses on derivatives related to variable annuity contracts, and net losses of $1.3 million of derivatives related to FIA contracts.

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- Life Marketing segment operating income was $32.8 million. Included in that amount was traditional life operating income of $30.2 million, universal life earnings of $0.8 million, and operating earnings of $1.8 million in other lines.

- Acquisitions segment operating income was $72.9 million. This included expected runoff of the in-force blocks of business.

- Annuities segment operating income was $49.3 million. Included in that amount were $6.7 million of unfavorable SPIA mortality results and $3.5 million of unfavorable DAC unlocking.

- Stable Value Products segment operating income of $19.5 million was primarily due activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was $3.9 million and the adjusted operating spread, which excludes participating income, was 264 basis points.

- Asset Protection segment operating income was $8.5 million which consisted of $4.8 million in service contract earnings, $3.0 million in GAP product earnings, and credit insurance earnings of $0.7 million.

- The Corporate and Other segment s $15.1 million operating loss was primarily due to $61.8 million of other operating expense which is primarily interest expense and corporate overhead expenses. These expenses were partially offset by $46.9 million of investment income which represents income on assets supporting our equity capital.

For The Nine Months Ended September 30, 2014 (Predecessor Company)

Net income was $310.5 million and operating income was $472.8 million for the nine months ended September 30, 2014.

We experienced net realized losses of $43.4 million for the nine months ended September 30, 2014. The losses realized for the nine months ended September 30, 2014, were primarily related to $96.4 million of losses on derivatives related to variable annuity contracts, $5.4 million of other-than-temporary impairment credit-related losses, net losses of $2.9 million of derivatives related to FIA contracts, and $8.2 million of losses related to other investment and derivative activity. Partially offsetting these losses were gains of $51.2 million related to investment securities sale activity, $18.1 million of gains related to the net activity of the modified coinsurance portfolio, and net gains of $0.1 million of derivatives related to IUL contracts.

- Life Marketing segment operating income was $82.7 million. Included in that amount was traditional life operating income of $63.4 million, universal life earnings of $12.3 million, and operating earnings of $7.0 million in other lines.

- Acquisitions segment operating income was $198.8 million. This included expected runoff of the in-force blocks of business.

- Annuities segment operating income was $156.2 million. Included in that amount was $21.7 million of unfavorable SPIA mortality results and $1.0 million of favorable DAC unlocking.

- Stable Value Products segment operating income of $54.2 million was primarily due activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was $4.9 million and the adjusted operating spread, which excludes participating income, was 265 basis points.

- Asset Protection segment operating income was $23.4 million which consisted of $13.2 million in service contract earnings, $8.4 million in GAP product earnings, and credit insurance earnings of $1.8 million.

- The Corporate and Other segment s $42.5 million operating loss was primarily due to $173.4 million of other operating expense which is primarily interest expense and corporate overhead expenses. These expenses were partially offset by $127.8 million of investment income which represents income on assets supporting our equity capital.

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Life Marketing

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company	
	For The Three Months Ended September 30, 2015	February 1, 2015 to September 30, 2015	January 1, 2015 to January 31, 2015	For The Three Months Ended September 30, 2014	For The Nine Months Ended September 30, 2014
	(Dollars In Thousands)			(Dollars In Thousands)	
REVENUES					
Gross premiums and policy fees	$ 415,673	$ 1,099,068	$ 136,068	$ 377,014	$ 1,226,218
Reinsurance ceded	(175,652)	(455,331)	(51,142)	(150,586)	(550,661)
Net premiums and policy fees	240,021	643,737	84,926	226,428	675,557
Net investment income	121,602	320,413	47,460	139,818	410,550
Other income					