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FORM 10-K

PROTECTIVE LIFE CORP - N/A

Filed: March 02, 2018 (period: December 31, 2017)

Annual report with a comprehensive overview of the company

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D. C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

or

☐ **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

(State or other jurisdiction of
incorporation or organization)

95-2492236

(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**

Securities registered pursuant to Section 12(b) of the Act: **None**

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

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

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

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

Emerging Growth company ☐

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

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

Aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant as of June 30, 2017: **None (\$0)**

Number of shares of Common Stock, \$0.01 Par Value, outstanding as of February 1, 2018: **1,000**

Documents Incorporated by Reference: **None**

PROTECTIVE LIFE CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2017
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PART I

Item 1. Business

Protective Life Corporation (the "Company") is a holding company headquartered in Birmingham, Alabama, with 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 the Company's largest operating subsidiary. Unless the context otherwise requires, the "Company," "we," "us," or "our" refers to the consolidated group of Protective Life Corporation and its subsidiaries.

On February 1, 2015, The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaisha* organized under the laws of Japan (now known as Dai-ichi Life Holdings, Inc., "Dai-ichi Life"), acquired 100% of the Company's outstanding shares of common stock through the merger of DL Investment (Delaware), Inc., a Delaware corporation and wholly owned subsidiary of Dai-ichi Life, with and into the Company, with the Company continuing as the surviving entity (the "Merger"). As a result of the Merger, the Company is a direct, wholly owned subsidiary of Dai-ichi Life.

The Company operates 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's operating segments are Life Marketing, Acquisitions, Annuities, Stable Value Products, and Asset Protection. The Company has an additional segment referred to as Corporate and Other which consists of net investment income on assets supporting our equity capital, unallocated corporate overhead, and expenses not attributable to the segments above (including interest on certain corporate debt). This segment also includes earnings from several non-strategic or runoff lines of business, financing and investment related transactions, and the operations of several small subsidiaries. The Company periodically evaluates its operating segments and makes adjustments to our segment reporting as needed.

Additional information concerning the Company and its operating segments may be found in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 22, *Operating Segments* to the consolidated financial statements included in this report.

In the following paragraphs, the Company reports sales and other statistical information. These statistics are used to measure the relative progress of its marketing and acquisition efforts, but may not have an immediate impact on reported segment or consolidated adjusted operating income. Sales data for traditional life insurance is based on annualized premiums, while universal life sales are based on annualized planned premiums, or "target" premiums if lesser, plus 6% of amounts received in excess of target premiums and 10% of single premiums. "Target" premiums for universal life are those premiums upon which full first year commissions are paid. Sales of annuities are measured based on the amount of purchase payments received less surrenders occurring within twelve months of the purchase payments. Stable value contract sales are measured at the time the purchase payments are received. Sales within the Asset Protection segment are based on the amount of single premiums and fees received.

These statistics are derived from various sales tracking and administrative systems and are not derived from the Company's financial reporting systems or financial statements. These statistics attempt to measure only some of the many factors that may affect future profitability, and therefore, are not intended to be predictive of future profitability.

Life Marketing

The Life Marketing segment markets 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, independent distribution organizations, and affinity groups.

The following table presents the Life Marketing segment's sales as defined above:

Successor Company	
For The Year Ended December 31,	Sales
	(Dollars In Millions)
2017	\$ 172
2016	170
For the period of February 1, 2015 to December 31, 2015	144
Predecessor Company	
For The Year Ended December 31,	Sales
	(Dollars In Millions)
For the period of January 1, 2015 to January 31, 2015	\$ 12
2014	130
2013	155

Acquisitions

The Acquisitions segment focuses on acquiring, converting, and servicing policies and contracts 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. The Company expects acquisition opportunities to continue to be available. However, the Company believes it may face increased competition and evolving capital requirements that may affect the environment and the form of future acquisitions.

Most acquisitions completed by the Acquisitions segment have not included the acquisition of an active sales force, thus policies acquired through the 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 segment's revenues and earnings may fluctuate from year to year depending upon the level of acquisition activity. In transactions where some marketing activity was included, the Company may cease future marketing efforts, redirect those efforts to another segment of the Company, or elect to continue marketing new policies as a component of other segments.

The Company believes that its focused and disciplined approach to the acquisition process and its experience in the assimilation, conservation, and servicing of acquired policies provides a significant competitive advantage. On occasion, the Company's other operating segments have acquired companies and/or blocks of policies, such as the December 2016 acquisition of USWC Holding Company which is included in the Asset Protection segment. These acquisitions are not included in the Acquisitions segment. The results of these acquisitions are included in the respective segment's financial results.

On January 18, 2018, and for the limited purposes set forth therein, the Company entered into a Master Transaction Agreement (the "Master Transaction Agreement") with Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, for the limited purposes set forth therein, Liberty Mutual Group Inc. ("Liberty Mutual"), The Lincoln National Life Insurance Company ("Lincoln Life"), and for the limited purposes set forth therein, Lincoln National Corporation, pursuant to which Lincoln Life will acquire Liberty Mutual's Group Benefits Business and Individual Life and Annuity Business (the "Life Business") through the acquisition of all of the issued and outstanding capital stock of Liberty Life Assurance Company of Boston ("Liberty") (the "Transaction"). Pursuant to the Master Transaction Agreement, the Company, PLICO and Protective Life and Annuity Insurance Company ("PLAIC"), a wholly owned subsidiary of PLICO, agreed to enter into reinsurance agreements and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the reinsurance agreements, Liberty will cede to PLICO and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance policies relating to the Life Business. The aggregate statutory reserves of Liberty to be ceded to PLICO and PLAIC as of the closing of the Transaction are expected to be approximately \$13.0 billion. To support its obligations under the reinsurance agreements, PLICO and PLAIC will each establish a trust account for the benefit of Lincoln Life. Entry into the reinsurance agreements represents an estimated capital investment by PLICO of approximately \$1.17 billion. The transaction is expected to be completed in the second quarter of 2018, pending regulatory approvals and other customary closing conditions.

On January 15, 2016, PLICO completed a reinsurance transaction with Genworth Life and Annuity Insurance Company ("GLAIC"). Effective January 1, 2016, PLICO entered into a reinsurance agreement under the terms of which PLICO coinsures certain term life insurance business of GLAIC. This transaction allowed the Company to invest its capital and increase the scale of its Acquisitions segment.

Annuities

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

The Company's variable annuities offer the policyholder the opportunity to invest in various investment accounts and offer optional features that guarantee the death and withdrawal benefits of the underlying annuity.

The Company's fixed annuities include indexed annuities, single premium deferred annuities, and single premium immediate annuities. The Company's fixed annuities also include modified guaranteed annuities which guarantee an interest rate for a fixed period. Contract values for these annuities are "market-value adjusted" upon surrender prior to maturity. In certain interest rate environments, these products afford the Company with a measure of protection from the effects of changes in interest rates.

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The demand for annuity products is related to the general level of interest rates, performance of the equity markets, and perceived risk of insurance companies. The following table presents fixed annuity and VA sales:

Successor Company			
For The Year Ended December 31,	Fixed Annuities	Variable Annuities	Total Annuities
	(Dollars In Millions)		
2017	\$ 1,131	\$ 426	\$ 1,557
2016	727	593	1,320
For the period of February 1, 2015 to December 31, 2015	566	1,096	1,662

Predecessor Company			
For The Year Ended December 31,	Fixed Annuities	Variable Annuities	Total Annuities
	(Dollars In Millions)		
For the period of January 1, 2015 to January 31, 2015	\$ 28	\$ 59	\$ 87
2014	831	953	1,784
2013	693	1,867	2,560

Stable Value Products

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 Federal Home Loan Bank ("FHLB") and markets guaranteed investment contracts ("GICs") to 401(k) and other qualified retirement savings plans. GICs are contracts which specify a return on funds for a specified period and often provide flexibility for withdrawals at book value in keeping with the benefits provided by the plan. The demand for GICs is related to the relative attractiveness of the "fixed rate" investment option in a 401(k) plan compared to the equity-based investment options which may be available to plan participants. The Company also has an unregistered funding agreement-backed notes program which provides for offers of notes to both domestic and international institutional investors.

The segment's products complement the Company's overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts. The Company's emphasis is on a consistent and disciplined approach to product pricing and asset/liability management, careful underwriting of early withdrawal risks, and maintaining low distribution and administration costs. Most GICs and funding agreements the Company has written have maturities of one to twelve years.

The following table presents Stable Value Products sales:

Successor Company			
For The Year Ended December 31,	GICs	Funding Agreements	Total
	(Dollars In Millions)		
2017	\$ 116	\$ 1,650	\$ 1,766
2016	190	1,667	1,857
For the period of February 1, 2015 to December 31, 2015	115	699	814

Predecessor Company			
For The Year Ended December 31,	GICs	Funding Agreements	Total
	(Dollars In Millions)		
For the period of January 1, 2015 to January 31, 2015	\$ —	\$ —	\$ —
2014	42	50	92
2013	495	—	495

Asset Protection

The Asset Protection segment markets extended service contracts, credit life and disability insurance, and other specialized ancillary products to protect consumers' investments in automobiles, recreational vehicles ("RV"), watercraft, and powersports. In addition, the segment markets a guaranteed asset protection ("GAP") product. GAP products are designed to cover the difference between the scheduled loan pay-off amount and an asset's actual cash value in the case of a total loss. Each type of specialized ancillary product protects against damage or other loss to a particular aspect of the underlying asset. The segment's products are primarily marketed through a national network of approximately 8,500 automobile, marine, and RV dealers. A network of direct employee sales representatives and general agents distribute these products to the dealer market.

The following table presents the insurance and related product sales measured by the amount of single premiums and fees received:

Successor Company	
For The Year Ended December 31,	Sales
	(Dollars In Millions)
2017	\$ 584
2016	504
For the period of February 1, 2015 to December 31, 2015	482

Predecessor Company	
For The Year Ended December 31,	Sales
	(Dollars In Millions)
For the period of January 1, 2015 to January 31, 2015	\$ 37
2014	487
2013	470

In 2017, all of the segment's sales were through the automobile, RV, marine, and powersports dealer distribution channel and approximately 78.6% of the segment's sales were extended service contracts. A portion of the sales and resulting premiums are reinsured with producer-affiliated reinsurers.

Corporate and Other

The Corporate and Other segment primarily consists of net investment income on assets supporting our equity capital, unallocated corporate overhead, and expenses not attributable to the segments above (including interest on corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, financing and investment related transactions, and the operations of several small subsidiaries. The results of this segment may fluctuate from year to year.

Investments

As of December 31, 2017 (Successor Company), the Company's investment portfolio was approximately \$54.6 billion. The types of assets in which the Company may invest are influenced by various state insurance laws which prescribe qualified investment assets. Within the parameters of these laws, the Company invests in assets giving consideration to such factors as liquidity and capital needs, investment quality, investment return, matching of assets and liabilities, and the overall composition of the investment portfolio by asset type and credit exposure. On February 1, 2015, immediately before the Merger, the fair value of the Company's investment portfolio was significantly above the carrying value primarily due to low market interest rates. As a result of purchase accounting applied as of February 1, 2015, the carrying value of the Company's investment portfolio was adjusted to fair value which resulted in a drop in the overall yield of the Company's investment portfolio for the successor period. For further information regarding the Company's investments, the maturity of and the concentration of risk among the Company's invested assets, derivative financial instruments, and liquidity, see Note 2, *Summary of Significant Accounting Policies*, Note 5, *Investment Operations*, and Note 7, *Derivative Financial Instruments* to the consolidated financial statements included in this report, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The following table presents the investment results from continuing operations of the Company:

	Successor Company				
	Cash, Accrued Investment Income, and Investments as of December 31,	Net Investment Income	Percentage Earned on Average of Cash and Investments	Realized Investment Gains (Losses)	
				Derivative Financial Instruments	All Other Investments
	(Dollars In Thousands)				
For The Year Ended December 31, 2017	\$ 55,370,926	\$ 2,051,588	3.7%	\$ (305,828)	\$ 109,686
For The Year Ended December 31, 2016	51,526,733	1,942,456	3.8	(40,288)	72,911
February 1, 2015 to December 31, 2015	46,040,220	1,632,948	3.5	29,997	(193,879)

Predecessor Company			
For The Period of	Net Investment Income	Realized Investment Gains (Losses)	
		Derivative Financial Instruments	All Other Investments
(Dollars In Thousands)			
January 1, 2015 to January 31, 2015	\$ 175,180	\$ (123,274)	\$ 80,672

Predecessor Company					
For The Year Ended December 31,	Cash, Accrued Investment Income, and Investments as of December 31,	Net Investment Income	Percentage Earned on Average of Cash and Investments	Realized Investment Gains (Losses)	
				Derivative Financial Instruments	All Other Investments
(Dollars In Thousands)					
2014	\$ 46,531,371	\$ 2,197,724	4.7%	\$ (346,878)	\$ 198,127
2013	44,751,600	1,918,081	4.9	188,131	(145,984)

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of December 31, 2017 (Successor Company), the Company's mortgage loan holdings were approximately \$6.8 billion. The Company has specialized in making loans on credit-oriented commercial properties, credit-anchored strip shopping centers, senior living facilities, 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 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. The majority of the Company's mortgage loan portfolio was underwritten and funded by the Company. From time to time, the Company may acquire loans in conjunction with an acquisition. For more information

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regarding the Company's investment in mortgage loans, refer to Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Note 9, *Mortgage Loans* to the consolidated financial statements included herein.

Ratings

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including our insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. These ratings are important to maintaining public confidence in an insurer's products, its ability to market its products and its competitive position. The following table summarizes the current financial strength ratings of our significant member companies from the major independent rating organizations:

Ratings	A.M. Best	Fitch	Standard & Poor's	Moody's
Insurance company financial strength rating:				
Protective Life Insurance Company	A+	A+	AA-	A1
West Coast Life Insurance Company	A+	A+	AA-	A1
Protective Life and Annuity Insurance Company	A+	A+	AA-	—
Protective Property & Casualty Insurance Company	A-	—	—	—
MONY Life Insurance Company	A+	A+	A+	A1

The Company's ratings are subject to review and change by the rating organizations at any time and without notice. A downgrade or other negative action by a ratings organization with respect to the financial strength ratings of the Company's insurance subsidiaries could adversely affect sales, relationships with distributors, the level of policy surrenders and withdrawals, the Company's acquisitions strategy or competitive position in the marketplace, and the cost or availability of reinsurance. The rating agencies may take various actions, positive or negative, with respect to the financial strength ratings of the Company's insurance subsidiaries, including as a result of the Company's status as a subsidiary of Dai-ichi Life.

Rating organizations also publish credit ratings for the issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important in the debt issuer's overall ability to access credit markets and other types of liquidity. Ratings are not recommendations to buy the Company's securities or products. A downgrade or other negative action by a ratings organization with respect to our credit rating could limit the Company's access to capital markets, increase the cost of issuing debt, and a downgrade of sufficient magnitude, combined with other negative factors, could require the Company to post collateral. The rating organizations may take various actions, positive or negative, with respect to the Company's debt ratings, including as a result of the Company's status as a subsidiary of Dai-ichi Life.

Life Insurance In-Force

The following table presents life insurance sales by face amount and life insurance in-force:

	Successor Company			Predecessor Company		
	For The Year Ended December 31,		February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015	For The Year Ended December 31,	
	2017	2016			2014	2013
	(Dollars In Thousands)			(Dollars In Thousands)		
New Business Written						
Life Marketing	\$ 52,154,590	\$ 48,654,140	\$ 37,677,352	\$ 3,425,214	\$ 35,967,402	\$ 39,107,963
Asset Protection	483,299	646,225	641,794	58,345	878,671	1,040,593
Total	\$ 52,637,889	\$ 49,300,365	\$ 38,319,146	\$ 3,483,559	\$ 36,846,073	\$ 40,148,556

	Successor Company			Predecessor Company	
	As of December 31,			As of December 31,	
	2017	2016	2015	2014	2013
	(Dollars In Thousands)			(Dollars In Thousands)	
Business Acquired Acquisitions	\$ —	\$ 83,285,951	\$ —	\$ —	\$ 44,812,977
Insurance In-Force at End of Year ⁽¹⁾					
Life Marketing	\$ 613,752,209	\$ 590,021,218	\$ 565,858,830	\$ 546,994,786	\$ 535,747,678
Acquisitions	246,499,115	263,771,251	199,482,477	215,223,031	235,552,325
Asset Protection	1,466,334	1,721,641	1,910,691	2,055,873	2,149,324
Total	<u>\$ 861,717,658</u>	<u>\$ 855,514,110</u>	<u>\$ 767,251,998</u>	<u>\$ 764,273,690</u>	<u>\$ 773,449,327</u>

(1) Reinsurance assumed has been included, reinsurance ceded (Successor 2017 - \$328,377,398; 2016 - \$348,994,650; 2015 - \$368,142,294); (Predecessor 2014 - \$388,890,060; 2013 - \$416,809,287) has not been deducted.

The ratio of voluntary terminations of individual life insurance to mean individual life insurance in-force, which is determined by dividing the amount of insurance terminated due to lapses during the year by the mean of the insurance in-force at the beginning and end of the year, adjusted for the timing of major acquisitions is as follows:

Successor Company	
As of December 31,	Ratio of Voluntary Termination
2017	4.5%
2016	4.9
2015	4.2

Predecessor Company	
As of December 31,	Ratio of Voluntary Termination
2014	4.7%
2013	5.1

Investment Products In-Force

The amount of investment products in-force is measured by account balances. The following table includes the stable value products and fixed and variable annuity account balances. A majority of the VA account balances are reported in the Company's financial statements as liabilities related to separate accounts.

Successor Company					
As of December 31,	Stable Value Products		Fixed Annuities		Variable Annuities
	(Dollars In Thousands)				
2017	\$	4,698,371	\$	10,921,190	\$ 13,956,071
2016		3,501,636		10,642,115	13,244,252
2015		2,131,822		10,719,862	12,829,188
Predecessor Company					
As of December 31,	Stable Value Products		Fixed Annuities		Variable Annuities
	(Dollars In Thousands)				
2014	\$	1,959,488	\$	10,724,849	\$ 13,383,309
2013		2,559,552		10,832,956	13,083,735

Underwriting

The underwriting policies of the Company's insurance subsidiaries are established by management. With respect to individual insurance, the subsidiaries use information from the application, and in some cases, third party medical information providers, inspection reports, credit reports, attending physician statements and/or the results of a medical exam, to determine whether a policy should be issued as applied for, other than applied for, or rejected. Substandard risks may be referred to reinsurers for evaluation. The Company does utilize a "simplified issue" approach for certain policies which are primarily sold through the Asset Protection segment. In the case of "simplified issue" policies, coverage is rejected if the responses to certain health questions contained in the application, or the applicant's inability to make an unqualified health certification, indicate adverse health of the applicant.

The Company's insurance subsidiaries generally require blood samples to be drawn with individual insurance applications above certain face amounts based on the applicant's age. Blood samples are tested for a wide range of chemical values and are screened for antibodies to certain viruses. Applications also contain questions permitted by law regarding certain viruses which must be answered by the proposed insureds.

The Company utilizes an advanced underwriting system, TeleLife®, for certain product lines in life business. TeleLife® streamlines the application process through a telephonic interview of the applicant, schedules medical exams, accelerates the underwriting process and the ultimate issuance of a policy mostly through electronic means, and reduces the number of attending physician statements. The Company also introduced a streamlined underwriting approach that utilizes the TeleLife® process and noninvasive risk selection tools to approve some applications without requiring a paramedical exam or lab testing.

The Company's maximum retention limit on directly issued business is \$5,000,000 for any one life on certain of its traditional life and universal life products.

Reinsurance Ceded

The Company's insurance subsidiaries cede life insurance to other insurance companies. The ceding insurance company remains liable with respect to ceded insurance should any reinsurer fail to meet the obligations assumed by it. The Company has also reinsured guaranteed minimum death benefit ("GMDB") claims relative to certain of its VA contracts.

For approximately 10 years prior to mid-2005, the Company entered into reinsurance contracts in which the Company ceded approximately 90% of its newly written traditional life insurance business on a first dollar quota share basis under coinsurance contracts. In mid-2005, the Company substantially discontinued coinsuring its newly written traditional life insurance and moved to yearly renewable term ("YRT") reinsurance. The amount of insurance retained by the Company on any one life on traditional life insurance was \$500,000 in years prior to mid-2005. In 2005, this retention amount was increased to \$1,000,000 for certain policies, and during 2008, was increased to \$2,000,000 for certain policies. During 2016, the retention amount was increased to \$5,000,000.

For approximately 15 years prior to 2012, the Company reinsured 90% of the mortality risk on the majority of its newly written universal life insurance on a YRT basis. During 2012, the Company moved to reinsure only amounts in excess of its \$2,000,000 retention, which was increased to \$5,000,000 during 2016, for the majority of its newly written universal life and level premium term insurance.

Policy Liabilities and Accruals

The applicable insurance laws under which the Company's insurance subsidiaries operate require that each insurance company report policy liabilities to meet future obligations on the outstanding policies. These liabilities are calculated in accordance with applicable law. These liabilities along with additional premiums to be received and the compounded interest earned on those premiums are considered to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the liabilities shall not be less than liabilities calculated using certain named mortality tables and interest rates.

The policy liabilities and accruals carried in the Company's financial reports presented on the basis of generally accepted accounting principles generally accepted in the United States of America ("GAAP") differ from those specified by the laws of the various states and carried in the insurance subsidiaries' statutory financial statements (presented on the basis of statutory accounting principles mandated by state insurance regulations). For policy liabilities for traditional life, immediate annuity, and health contracts, these differences arise from the use of mortality and morbidity tables and interest rate assumptions which are deemed to be more appropriate for financial reporting purposes than those required for statutory accounting purposes. The GAAP policy liabilities also include lapse assumptions in the calculation and use the net level premium method on all business which generally differs from policy liabilities calculated for statutory financial statements. Policy liabilities for universal life policies, deferred annuity contracts, GLCs, and funding agreements are generally carried in the Company's financial reports at the account value of the policy or contract plus accrued interest. Additional liabilities are held as appropriate for excess benefits above the account value.

Federal Taxes

In general, existing law exempts policyholders from current taxation on the increase in value of their life insurance and annuity products during these products' accumulation phase. This favorable tax treatment gives certain of the Company's products a competitive advantage over non-insurance products. If tax laws are revised such that there is an elimination or scale-back of this tax deferral, or competing non-insurance products are granted similar tax deferrals, then the relative attractiveness of the Company's products may be reduced or eliminated.

The Company is subject to corporate income, excise, franchise, and premium taxes. On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). The legislation significantly changes U.S. tax law by, among other things, lowering the corporate income tax rate effective January 1, 2018. The legislation is expected to result in an overall benefit for investment-related adjustments decreasing the effective tax rate and taxable income. The Company also expects an increase in taxable income, but no effect on the effective tax rate, as the result of changes in legislation regarding the capitalization of deferred acquisition costs and policyholder benefit reserves. While overall the Tax Reform Act will cause the Company to report higher amounts of taxable income, the Company expects to pay less income tax in the future due to the lower tax rate.

In addition, life insurance products are often used to fund estate tax obligations. Future changes to estate tax laws may affect the demand for life insurance products.

The Company's insurance subsidiaries are taxed in a manner similar to other life insurance companies in the industry. Certain restrictions apply to the inclusion of recently-acquired life insurance companies into the Company's consolidated income tax return. Additionally, restrictions on the amount of life insurance income that can be offset by non-life-insurance losses may cause the Company's income tax expense to increase.

The Company's decreased reliance on reinsurance for newly written traditional life products results in a net reduction of current taxes, offset by an increase in deferred taxes. The Company allocates the benefits of reduced current taxes to the Life Marketing and Acquisition segments. The profitability and competitive position of certain products is dependent on the continuation of existing tax law and the Company's ability to generate future taxable income.

Competition

Life and health insurance is a mature and highly competitive industry. In recent years, the industry has experienced a decline in life insurance sales, though the aging population has increased the demand for retirement savings products. The Company encounters significant competition in all lines of business from other insurance companies, many of which have greater financial resources than the Company and which may have a greater market share, offer a broader range of products, services or features, assume a greater level of risk, have lower operating or financing costs, or have lower profitability expectations. The Company also faces competition from other providers of financial services. Competition could result in, among other things, lower sales or higher lapses of existing products.

The Company's ability to compete is dependent upon, among other things, its ability to attract and retain distributors to market its insurance and investment products, its ability to develop competitive and profitable products, its ability to maintain low unit costs, and its maintenance of adequate ratings from rating organizations.

As technology evolves, a comparison of a particular product of any company for a particular customer with competing products for that customer is more readily available, which could lead to increased competition as well as agent or customer behavior, including persistency, which differs from past behavior.

Risk Management

Risk management is a critical part of the Company's business, and the Company has adopted risk management processes in multiple aspects of its operations, including product development and management, business acquisitions, underwriting, investment management, asset-liability management, and technology. The Company's Enterprise Risk Management office, under the direction of the Chief Risk Officer, along with other departments, management groups and committees, have responsibilities for managing different risks throughout the Company. Risk management includes the assessment of risk, a decision process which includes determining which risks are acceptable and the monitoring and management of identified risks on an ongoing basis. The primary objectives of these risk management processes are to determine the acceptable level of variations the Company experiences from its expected results and to implement strategies designed to limit such variations to these levels.

Regulation

The Company is subject to government regulation in each of the states in which it conducts business. In many instances, the regulatory models emanate from the National Association of Insurance Commissioners ("NAIC"). Such regulation is vested in state agencies having broad administrative and in some instances discretionary power dealing with many aspects of the Company's business, which may include, among other things, premium and cost of insurance rates and increases thereto, interest crediting policy, underwriting practices, reserve requirements, marketing practices, advertising, privacy, cybersecurity, policy forms, reinsurance reserve requirements, insurer use of captive reinsurance companies, acquisitions, mergers, capital adequacy, claims practices and the remittance of unclaimed property. In addition, some state insurance departments may enact rules or regulations with extra-territorial application, effectively extending their jurisdiction to areas such as permitted insurance company investments that are normally the province of an insurance company's domiciliary state regulator.

The Company's insurance subsidiaries are required to file periodic reports with the regulatory agencies in each of the jurisdictions in which they do business, and their business and accounts are subject to examination by such agencies at any time. Under the rules of the NAIC, insurance companies are examined periodically (generally every three to five years) by one or more of the regulatory agencies on behalf of the states in which they do business. At any given time, a number of financial and/or market conduct examinations of the Company's subsidiaries may be ongoing. From time to time, regulators raise issues during examinations or audits for the Company's subsidiaries that could, if determined adversely, have a material adverse impact on the Company. To date, no such insurance department examinations have produced any significant adverse findings regarding any of the Company's insurance company subsidiaries.

Under the 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. From time to time, companies may be asked to contribute amounts beyond prescribed limits. It is possible that the Company could be assessed with respect to product lines not offered by the Company. In addition, legislation may be introduced in various states with respect to guaranty fund assessment laws related to insurance products, including long-term care insurance and other specialty products, that increases the cost of future assessments or alters future premium tax offsets received in connection with guaranty fund assessments. The Company cannot predict the amount, nature or timing of any future assessments or legislation, any of which could have a material and adverse impact on the Company's financial condition or results of operations.

In addition, many states, including the states in which the Company's insurance subsidiaries are domiciled, have enacted legislation or adopted regulations regarding insurance holding company systems. These laws require registration of and periodic reporting by insurance companies domiciled within the jurisdiction which control or are controlled by other corporations or persons so as to constitute an insurance holding company system. These laws also affect the acquisition of control of insurance companies as well as transactions between insurance companies and companies controlling them. Most states, including Tennessee, where PLICO is domiciled, require administrative approval of the acquisition of control of an insurance company domiciled in the state or the acquisition of control of an insurance holding company whose insurance subsidiary is incorporated in the state. In Tennessee, the acquisition of 10% of the voting securities of an entity is deemed to be the acquisition of control for the purpose of the insurance holding company statute and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. Holding company legislation has been adopted in certain states where the Company's insurance subsidiaries are domiciled, which subjects the subsidiaries to increased reporting requirements. Holding company legislation has also been proposed in additional states, which, if adopted, will subject any domiciled subsidiaries to additional reporting and supervision requirements.

The states in which the Company's insurance subsidiaries are domiciled also impose certain restrictions on the subsidiaries' ability to pay dividends to the Company. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts are considered extraordinary and are subject to approval by the insurance commissioner of the state of domicile. The maximum amount that would qualify as ordinary dividends to the Company by its insurance subsidiaries in 2018 is approximately, in the aggregate, \$853.2 million. No assurance can be given that more stringent restrictions will not be adopted from time to time by states in which the Company's insurance subsidiaries are domiciled; such restrictions could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to the Company by such subsidiaries without prior approval by state regulatory authorities.

State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer and may lead to additional expense for the insurer. Some NAIC pronouncements, particularly as they affect accounting issues, take effect automatically in various states without affirmative action by those states. The Uniform Laws Commission's revisions to model regulations affecting unclaimed property have prompted states to re-examine and, in some cases,

change their own unclaimed property laws. These laws have resulted in exams conducted by the NAIC and on a state-by-state basis and could result in findings that adversely affect the Company. Additionally, regulatory actions with prospective impact can potentially have a significant adverse impact on currently sold products.

At the federal level, the executive branch or federal agencies may issue orders or take other action with respect to financial services and life insurance matters, and bills are routinely introduced in both chambers of the United States Congress which could affect the Company's business. In the past, Congress has considered legislation that would impact insurance companies in numerous ways, such as providing for an optional federal charter or a federal presence for insurance, preempting state law in certain respects regarding the regulation of reinsurance, increasing federal oversight in areas such as consumer protection and solvency regulation, setting tax rates, and other matters. The Company cannot predict whether or in what form legislation will be enacted and, if so, the impact of such legislation on the Company.

The Company is also subject to various conditions and requirements of the Patient Protection and Affordable Care Act of 2010 (the "Healthcare Act"). The Healthcare Act makes significant changes to the regulation of health insurance and may affect the Company in various ways. The Healthcare Act may affect small blocks of business the Company has offered or acquired over the years that are, or are deemed to constitute, health insurance. The Healthcare Act may also affect the benefit plans the Company sponsors for employees or retirees and their dependents, the Company's expense to provide such benefits, the tax liabilities of the Company in connection with the provision of such benefits, and the Company's ability to attract or retain employees. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act. The Healthcare Act, any amendments or modifications thereto, or any regulatory pronouncement made thereunder, could have a significant impact on the Company.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act") made sweeping changes to the regulation of financial services entities, products and markets. The Dodd-Frank Act directed existing and newly-created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, a process that has substantially advanced but is not yet complete. Although the new presidential administration has indicated a desire to revise or reverse some of its provisions, the fate of these proposals is unclear, and we cannot predict with certainty how the Dodd-Frank Act will continue to affect the financial markets generally, or impact our business, ratings, results of operations, financial condition or liquidity.

Among other things, the Dodd-Frank Act imposed a comprehensive new regulatory regime on the over-the-counter ("OTC") derivatives marketplace and granted new joint regulatory authority to the United States Securities and Exchange Commission (the "SEC") and the U.S. Commodity Futures Trading Commission ("CFTC") over OTC derivatives. In collaboration with U.S. federal banking regulators, the CFTC has adopted regulations which categorize the Company as a "financial end-user" which is thereby required to post and collect margin in a variety of derivatives transactions. Recommendations and reports from entities created under the Dodd-Frank Act, such as the Federal Insurance Office ("FIO") and the Financial Stability Oversight Council ("FSOC"), could also affect the manner in which insurance and reinsurance are regulated in the U.S. and, thereby, the Company's business. The Dodd-Frank Act also created the Consumer Financial Protection Bureau ("CFPB"), an independent division of the Department of Treasury with jurisdiction over credit, savings, payment, and other consumer financial products and services, other than investment products already regulated by the SEC or the CFTC. Certain of the Company's subsidiaries sell products that may be regulated by the CFPB, and the Company is unable to predict at this time the ways in which the CFPB's regulations might directly or indirectly affect the Company or its subsidiaries.

The Company is subject to regulations adopted by the United States Department of Labor that affect a variety of products and services provided to employee benefit plans and individual investors that are governed by the Employee Retirement Income Security Act ("ERISA"). The regulations significantly expand the definition of "investment advice" and increase the circumstances in which the Company and broker-dealers, insurance agencies and other financial institutions that sell the Company's products could be deemed a "fiduciary" when providing investment advice with respect to ERISA plans or Individual Retirement Accounts ("IRAs"). The Department of Labor also issued amendments to long-standing exemptions from the provisions of ERISA and the Internal Revenue Code (the "Code") that prohibit fiduciaries from engaging in certain types of transactions ("Prohibited Transaction Exemptions") and adopted new Prohibited Transaction Exemptions. These amended and new Prohibited Transaction Exemptions appear to increase significantly the conditions that must be satisfied by fiduciaries in order to receive traditional forms of commission, such as sales commissions, for sales of insurance products to ERISA plans, plan participants and IRAs.

The Department of Labor has recently expanded the definition of "investment advice fiduciary" and made effective new and revised Prohibited Transaction Exemptions, with additional exemptions and conditions thereto delayed and under review. In addition, various other suitability and/or best interest requirements are being considered at the state and federal levels which, if made effective, may ultimately apply to the Company. The indefiniteness and continued delays associated with these various initiatives have created uncertainty among distributors of our products, and this uncertainty continues to have an impact upon sales. Our current distributors may continue to move forward with their plans to limit the number of products they offer, including the types of products offered by the Company. The Company may find it necessary to change sales representative and/or broker compensation, to limit the assistance or advice it can provide to owners of the Company's annuities, to replace or engage additional distributors, or to otherwise change the manner in which it designs and supports sales of its annuities. In addition, the Company continues to incur expenses in connection with initial and ongoing compliance obligations with respect to such rules, and in the aggregate these expenses may be significant.

Certain life insurance policies, contracts, and annuities offered by the Company are subject to regulation under the federal securities laws administered by the SEC. The federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions. From time to time, the SEC and the Financial Industry Regulatory Authority ("FINRA") examine or investigate the activities of broker-dealers and investment advisers, including the Company's affiliated broker-dealers and

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investment advisers. These examinations or investigations often focus on the activities of the registered representatives and registered investment advisers doing business through such entities and the entities' supervision of those persons.

The USA PATRIOT Act of 2001 includes anti-money laundering and financial transparency laws as well as various regulations applicable to broker-dealers and other financial services companies, including insurance companies. Financial institutions are required to collect information regarding the identity of their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies and share information with other financial institutions. As a result, the Company is required to maintain certain internal compliance practices, procedures, and controls.

Other types of regulation that could affect the Company and its subsidiaries include insurance company investment laws and regulations, state statutory accounting practices, tax laws, antitrust laws, minimum solvency requirements, enterprise risk requirements, state securities laws, federal privacy laws, cybersecurity regulation, technology and data regulations, insurable interest laws, federal anti-money laundering and anti-terrorism laws, employment and immigration laws and, because the Company owns and operates real property, state, federal, and local environmental laws. The Company may also be subject to regulations influenced by or related to international regulatory authorities or initiatives. The Company's sole stockholder, Dai-ichi Life, is subject to regulation by the Japanese Financial Services Authority ("JFSA"). Under applicable laws and regulations, Dai-ichi Life is required to provide notice to or obtain the consent of the JFSA prior to taking certain actions or engaging in certain transactions, either directly or indirectly through its subsidiaries, including the Company and its consolidated subsidiaries. Domestically, the NAIC may be influenced by the initiatives or regulatory structures or schemes of international regulatory bodies, and those initiatives or regulatory structures or schemes may not translate readily into the regulatory structures or schemes of the legal system (including the interpretation or application of standards by juries) under which U.S. insurers must operate. Changes in laws and regulations or in interpretations thereof, or to initiatives or regulatory structures or schemes of international regulatory bodies, which are applicable to the Company could have a significant adverse impact on the Company.

Additional issues related to regulation of the Company and its insurance subsidiaries are discussed in Item 1A, *Risk Factors*, and in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included herein.

Employees

As of December 31, 2017, the Company had approximately 2,773 employees, of which 2,755 were full-time and 18 were part-time employees. Included in the total were approximately 1,605 employees in Birmingham, Alabama, of which 1,597 were full-time and 8 were part-time employees. The Company believes its relations with its employees are satisfactory. Most employees are covered by contributory major medical, dental, vision, group life, and long-term disability insurance plans. The cost of these benefits to the Company in 2017 was approximately \$15.5 million. In addition, substantially all of the employees may participate in a defined benefit pension plan and 401(k) plan. The Company matches employee contributions to its 401(k) plan. See Note 16, *Employee Benefit Plans* to our consolidated financial statements for additional information.

Available Information

The Company files 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 the Company files 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. The Company is an electronic filer and the SEC maintains an internet site at www.sec.gov that contains the Company's annual, quarterly, and current reports and other information filed electronically by the Company.

The Company makes available free of charge through its website, www.protective.com, the Company's 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. The information found on the Company's website is not part of this or any other report filed with or furnished to the SEC. The Company 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 posted on our website. The information found on the Company's website is not part of this or any other report filed with or furnished to the SEC.

The Company has adopted a Code of Business Conduct, which applies to all directors, officers and employees of the Company and its wholly owned subsidiaries. The Code of Business Conduct incorporates a code of ethics that applies to the principal executive officer and all financial officers of the Company and its subsidiaries. The Code of Conduct is available on the Company's website, www.protective.com.

Executive Officers

As of December 31, 2017, the Company's executive officers were as follows:

Name	Age	Position
John D. Johns	65	Executive Chairman of the Company and a Director
Richard J. Bielen	57	President, Chief Executive Officer, and a Director
D. Scott Adams	53	Executive Vice President and Chief Administrative Officer
Mark L. Drew	56	Executive Vice President and General Counsel
Deborah J. Long	64	Executive Vice President, Chief Legal Officer and Secretary
Michael G. Temple	55	Executive Vice President, Finance and Risk
Carl S. Thigpen	61	Executive Vice President and Chief Investment Officer
Steven G. Walker	58	Executive Vice President and Chief Financial Officer

All executive officers are elected annually and serve at the pleasure of the Board of Directors. None of the executive officers are related to any director of the Company or to any other executive officer.

Mr. Johns has been Chairman of the Board of the Company since July 2017. He previously served as Chairman of the Board of the Company from January 2003 to July 2017 and Chief Executive Officer of the Company from December 2001 to July 2017. He has been a director of the Company since May 1997. From August 1996 to January 2016, Mr. Johns also served as President of the Company. Mr. Johns has been employed by the Company and its subsidiaries since 1993.

Mr. Bielen has been Chief Executive Officer of the Company since July 2017 and President of the Company since January 2016. From January 2016 to July 2017, Mr. Bielen also served as Chief Operating Officer of the Company. From June 2007 to January 2016, Mr. Bielen served as Vice Chairman and Chief Financial Officer of the Company. From August 2006 to June 2007, Mr. Bielen served as Executive Vice President, Chief Investment Officer, and Treasurer of the Company. Mr. Bielen became a director of the Company on February 1, 2015. Mr. Bielen has been employed by the Company and its subsidiaries since 1991.

Mr. Adams has been Executive Vice President and Chief Administrative Officer of the Company since January 2016. From April 2006 to January 2016, Mr. Adams served as Senior Vice President and Chief Human Resources Officer of the Company.

Mr. Drew has been Executive Vice President and General Counsel of the Company since August 2016. From 2006 to August 2016, Mr. Drew served as Managing Shareholder of Maynard Cooper & Gale, P.C., a Birmingham, Alabama based law firm, where Mr. Drew worked from 1988 until July 2016.

Ms. Long has been Executive Vice President, Chief Legal Officer, and Secretary of the Company since August 2016. From March 2007 to August 2016, Ms. Long served as Executive Vice President, General Counsel, and Secretary of the Company and from January 2016 to August 2016, Ms. Long also served as Chief Legal Officer of the Company. From March 2007 to August 2016, Ms. Long served as Executive Vice President, General Counsel, and Secretary of the Company. Ms. Long has been employed by the Company and its subsidiaries since 1994.

Mr. Temple has been Executive Vice President, Finance and Risk of the Company since November 2016. From January 2016 to November 2016, Mr. Temple served as Executive Vice President, Finance and Risk, and Chief Risk Officer of the Company. From December 2012 to January 2016, Mr. Temple served as Executive Vice President and Chief Risk Officer of the Company. Prior to joining the Company, Mr. Temple served as Senior Vice President and Chief Risk Officer at Unum Group, an insurance company in Chattanooga, Tennessee.

Mr. Thigpen has been Executive Vice President and Chief Investment Officer of the Company since June 2007. From January 2002 to June 2007, Mr. Thigpen served as Senior Vice President and Chief Mortgage and Real Estate Officer of the Company. Mr. Thigpen has been employed by the Company and its subsidiaries since 1984.

Mr. Walker has been Executive Vice President and Chief Financial Officer of the Company since January 2016. From January 2016 to March 2017, Mr. Walker also served as Controller of the Company. From March 2004 to January 2016, Mr. Walker served as Senior Vice President, Chief Accounting Officer, and Controller of the Company. Mr. Walker has been employed by the Company and its subsidiaries since 2002.

Certain of these executive officers also serve as executive officers and/or directors of various of the Company's subsidiaries.

Item 1A. Risk Factors

The operating results of companies in the insurance industry have historically been subject to significant fluctuations. The factors which could affect the Company's future results include, but are not limited to, general economic conditions and known trends and uncertainties which are discussed more fully below.

General Risk Factors

The Company is controlled by Dai-ichi Life, which has the ability to make important decisions affecting our business.

As of February 1, 2015, the date of completion of our merger, all of our common stock became owned by Dai-ichi Life Insurance Company, Limited (now known as Dai-ichi Life Holdings, Inc., “Dai-ichi Life”). As the holder of 100% of our voting stock, Dai-ichi Life is entitled to elect all of our directors, to approve any action requiring the approval of the holders of our voting stock, including adopting amendments to our certificate of incorporation and approving mergers or sales of substantially all of our assets, and to prevent any transaction that requires the approval of stockholders. Dai-ichi Life has effective control over our affairs, policies and operations, such as the appointment of management, future issuances of our securities, the payments of distributions by us, if any, in respect of our common stock, the incurrence of debt by us, and the entering into of extraordinary transactions, and Dai-ichi Life's interests may not in all cases be aligned with the interests of investors, including holders of our debt securities. Additionally, our credit agreement and indentures permit us to pay dividends and make other restricted payments to Dai-ichi Life under certain circumstances, and Dai-ichi Life may have an interest in our doing so. In addition, Dai-ichi Life has no obligation to provide us with any additional debt or equity financing.

The Company is exposed to risks related to natural and man-made disasters and catastrophes, diseases, epidemics, pandemics, malicious acts, cyber-attacks, terrorist acts and climate change, which could adversely affect the Company's operations and results.

While the Company has obtained insurance, implemented risk management and contingency plans, and taken preventive measures and other precautions, no predictions of specific scenarios can be made nor can assurance be given that there are not scenarios that could have an adverse effect on the Company. A natural or man-made disaster or catastrophe, including a severe weather or geological event such as a storm, tornado, fire, flood, earthquake, disease, epidemic, pandemic, malicious act, cyber-attack, terrorist act, or the occurrence of climate change, could cause the Company's workforce to be unable to engage in operations at one or more of its facilities or result in short- or long-term interruptions in the Company's business operations, any of which could be material to the Company's operating results for a particular period. Certain of these events could also adversely affect the mortality, morbidity, or other experience of the Company or its reinsurers and have a significant negative impact on the Company. In addition, claims arising from the occurrence of such events or conditions could have a material adverse effect on the Company's financial condition and results of operations. Such events or conditions could also have an adverse effect on lapses and surrenders of existing policies, as well as sales of new policies. In addition, such events or conditions could result in a decrease or halt in economic activity in large geographic areas, adversely affecting the Company's business within such geographic areas and/or the general economic climate. Such events or conditions could also result in additional regulation or restrictions on the Company in the conduct of its business. The possible macroeconomic effects of such events or conditions could also adversely affect the Company's asset portfolio, as well as many other aspects of the Company's business, financial condition, and results of operations. The Company's risk management efforts and other precautionary plans and activities may not adequately predict the impact on the Company from such events.

A disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect the Company's business, financial condition and results of operations.

In conducting its business, the Company relies extensively on various electronic systems, including computer systems, networks, data processing and administrative systems, and communication systems. The Company's business partners, counterparties, service providers and distributors also rely on such systems, as do securities exchanges and financial markets that are important to the Company's ability to conduct its business. These systems or their functionality could be disabled, disrupted, damaged or destroyed by intentional or unintentional acts or events such as cyber-attacks, viruses, sabotage, unauthorized tampering, physical or electronic break-ins or other security breaches, acts of war or terrorism, human error, system failures, failures of power or water supply, or the loss or malfunction of other utilities or services. They may also be disabled, disrupted, damaged or destroyed by natural events such as storms, tornadoes, fires, floods or earthquakes. While the Company and others on whom it depends try to identify threats and implement measures to protect their systems, such protective measures may not be sufficient. Disruption, damage or destruction of any of these systems could cause the Company or others on whom the Company relies to be unable to conduct business for an extended period of time or could result in significant expenditures to replace, repair or reinstate functionality, which could materially adversely impact the Company's business and its financial condition and results of operations.

Confidential information maintained in the systems of the Company or other parties upon which the Company relies could be compromised or misappropriated, damaging the Company's business and reputation and adversely affecting its financial condition and results of operations.

In the course of conducting its business, the Company retains confidential information, including information about its customers and proprietary business information. The Company retains confidential information in various electronic systems, including computer systems, networks, data processing and administrative systems, and communication systems. The Company maintains physical, administrative, and technical safeguards to protect the information and it relies on commercial technologies to maintain the security of its systems and to maintain the security of its transmission of such information to other parties, including its business partners, counterparties and service providers. The Company's business partners, counterparties and service providers likewise maintain confidential information, including, in some cases, customer information, on behalf of the Company. An intentional or unintentional breach or compromise of the security measures of the Company or such other parties could result in the disclosure, misappropriation, misuse, alteration or destruction of the confidential information retained by or on behalf of the Company, or the inability of the Company to conduct business for an indeterminate amount of time. Any of these events or circumstances could damage the Company's business and reputation, and adversely affect its financial condition and results of operations by, among other things, causing harm to the Company's business operations, reputation and customers, deterring

customers and others from doing business with the Company, subjecting the Company to significant regulatory, civil, and criminal liability, and requiring the Company to incur significant legal and other expenses.

Despite our efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate and implement effective preventative or detective measures against security breaches of all types because the techniques used change frequently or are not recognized until launched and because cyber-attacks can originate from a wide variety of sources or parties. Those parties may also attempt to fraudulently induce employees, customers or other users of our system to deliberately or inadvertently disclose sensitive information in order to gain access to our data or that of our customers or clients.

Cyber threats and related legal and regulatory standards applicable to our business are rapidly evolving and may subject the Company to heightened legal standards, new theories of liability and material claims and penalties that we cannot currently predict or anticipate. As cyber threats and applicable legal standards continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance our protective measures and computer systems, and to investigate and remediate any information security vulnerabilities. If the Company experiences security events or other technological failures, it may be subject to regulatory inquiries or proceedings, litigation or reputational damage or be required to pay claims, fines or penalties. While the Company has experienced cyber-attacks in the past, and to date the Company has not suffered any material harm or loss relating to cyber-attacks or other information security breaches at the Company or its counterparties, there can be no assurance that the Company will not suffer such losses in the future.

The Company's results and financial condition may be negatively affected should actual experience differ from management's assumptions and estimates.

In the conduct of business, the Company makes certain assumptions regarding mortality, morbidity, persistency, expenses, interest rates, equity markets, tax, business mix, casualty, contingent liabilities, investment performance, and other factors appropriate to the type of business it expects to experience in future periods. These assumptions are used to estimate the amounts of deferred policy acquisition costs, policy liabilities and accruals, future earnings, and various components of the Company's balance sheet. These assumptions are also used in the operation of the Company's business in making decisions crucial to the success of the Company, including the pricing of acquisitions and products. The Company's actual experience, as well as changes in estimates, is used to prepare the Company's financial statements. To the extent the Company's actual experience and changes in estimates differ from original estimates, the Company's financial condition may be adversely affected.

Mortality, morbidity, and casualty assumptions incorporate underlying assumptions about many factors. Such factors may include, for example, how a product is distributed, for what purpose the product is purchased, the mix of customers purchasing the products, persistency and lapses, future progress in the fields of health and medicine, and the projected level of used vehicle values. Actual mortality, morbidity, and/or casualty experience may differ from expectations. In addition, continued activity in the viatical, stranger-owned, and/or life settlement industry could cause the Company's level of lapses to differ from its assumptions about premium persistency and lapses, which could negatively impact the Company's performance.

The calculations the Company uses to estimate various components of its balance sheet and statements of income are necessarily complex and involve analyzing and interpreting large quantities of data. The Company currently employs various techniques for such calculations and relies, in certain instances, on third parties to make or assist in making such calculations. From time to time it develops and implements more sophisticated administrative systems and procedures capable of facilitating the calculation of more precise estimates. The systems and procedures that the Company develops and the Company's reliance upon third parties could result in errors in the calculations that impact our financial statements or affect our financial condition.

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

The Company may not realize its anticipated financial results from its acquisitions strategy.

The Company's Acquisitions segment focuses on the acquisitions of companies and business operations, and the coinsurance of blocks of insurance business, all of which have increased the Company's earnings. However, there can be no assurance that the Company will have future suitable opportunities for, or sufficient capital available to fund, such transactions. If our competitors have access to capital on more favorable terms or at a lower cost, our ability to compete for acquisitions may be diminished. In addition, there can be no assurance that the Company will be able to realize any projected operating efficiencies or achieve the anticipated financial results from such transactions.

The Company may be unable to complete an acquisition transaction. Completion of an acquisition transaction may be more costly or take longer than expected, or may have a different or more costly financing structure than initially contemplated. In addition, the Company may not be able to complete or manage multiple acquisition transactions at the same time, or the completion of such transactions may be delayed or be more costly than initially contemplated. The Company, its affiliates, or other parties to the transaction may be unable to obtain regulatory approvals required to complete an acquisition transaction. If the Company identifies and completes suitable acquisitions, it may not be able to successfully integrate the business in a timely or cost-effective manner, or retain key personnel and business relationships necessary to achieve anticipated financial results. In addition, there may be unforeseen liabilities that arise in connection with businesses or blocks of insurance business that the Company acquires or reinsures. Additionally, in connection with its acquisition transactions that involve reinsurance, the Company assumes, or otherwise becomes responsible for, the obligations of policies and other liabilities of other insurers. Any regulatory, legal, financial, or other adverse development affecting the other insurer could also have an adverse effect on the Company.

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 the Company.

On October 1, 2013, the Company completed the acquisition of MONY Life Insurance Company ("MONY") from AXA Financial, Inc. MONY was converted from a mutual insurance company to a stock corporation in accordance with its Plan of Reorganization dated August 14, 1998, as amended. In connection with its demutualization, an accounting mechanism known as a closed block (the "Closed Block") was established for the benefit of policyholders who owned certain individual insurance policies of MONY in force as of the date of demutualization. Please refer to Note 4, *MONY Closed Block of Business*, to the consolidated financial statements for a more detailed description of the Closed Block.

Assets allocated to the Closed Block inure solely to the benefit of the Closed Block's policyholders and will not revert to the benefit of the Company. However, if the Closed Block has insufficient funds to make guaranteed policy benefit payments, such payments must be made from assets outside the Closed Block. Adverse financial or investment performance of the Closed Block, or adverse mortality or lapse experience on policies in the Closed Block, may require MONY to pay policyholder benefits using assets outside the Closed Block, which events could have a material adverse impact on the Company's financial condition or results of operations and negatively affect the Company's risk-based capital ratios. In addition, regulatory actions could require payment of dividends to policyholders in a larger amount than is anticipated by the Company, which could have a material adverse impact on the Company.

The Company is dependent on the performance of others.

The Company's results may be affected by the performance of others because the Company has entered into various arrangements involving other parties. For example, most of the Company's products are sold through independent distribution channels, variable annuity deposits are invested in funds managed by third parties, and certain modified coinsurance assets are managed by third parties. The Company also enters into derivative transactions with various counterparties and clearinghouses. The Company may rely upon third parties to administer certain portions of its business or business that it reinsures. Additionally, the Company's operations are dependent on various technologies, some of which are provided and/or maintained by other parties. Any of the other parties upon which the Company depends may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, or other reasons. Such defaults could have a material adverse effect on the Company's financial condition and results of operations.

Certain of these other parties may act on behalf of the Company or represent the Company in various capacities. Consequently, the Company may be held responsible for obligations that arise from the acts or omissions of these other parties. As with all financial services companies, the Company's ability to conduct business is dependent upon consumer confidence in the industry and its products. Actions of competitors and financial difficulties of other companies in the industry could undermine consumer confidence and adversely affect retention of existing business and future sales of the Company's insurance and investment products.

The Company's risk management policies, practices, and procedures could leave it exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Company has developed risk management policies and procedures and expects to continue enhancing them in the future. Nonetheless, the Company's policies and procedures to identify, monitor, and manage both internal and external risks may not predict future exposures, which could be different or significantly greater than expected.

These identified risks may not be the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may adversely affect its business, financial condition and/or results of operations.

The Company's strategies for mitigating risks arising from its day-to-day operations may prove ineffective resulting in a material adverse effect on its results of operations and financial condition.

The Company's performance is highly dependent on its ability to manage risks that arise from a large number of its day-to-day business activities, including, but not limited to, policy pricing, reserving and valuation, underwriting, claims processing, policy administration and servicing, administration of reinsurance, execution of its investment and hedging strategy, financial and tax reporting, and other activities, many of which are very complex. The Company also may rely on third parties for such activities. The Company seeks to monitor and control its exposure to risks arising out of or related to these activities through a variety of internal controls, management review processes, and other mechanisms. However, the occurrence of unanticipated risks, or the occurrence of risks of a greater magnitude than expected, including those arising from a failure in processes, procedures or systems implemented by the Company or a failure on the part of employees or third parties upon which the Company relies in this regard, may have a material adverse effect on the Company's financial condition or results of operations.

Events that damage our reputation could adversely impact our business, results of operations or financial condition.

There are events which could harm our reputation, including, but not limited to, regulatory investigations, legal proceedings, and cyber or other information security events. Depending on the severity of damage to our reputation, our sales of new business and/or retention of existing business could be negatively impacted, and our ability to compete for acquisition transactions or engage in financial transactions may be diminished, all of which could adversely affect our results of operations or financial condition.

Risks Related to the Financial Environment

Interest rate fluctuations and sustained periods of low or high interest rates could negatively affect the Company's interest earnings and spread income, or otherwise impact its business.

Significant changes in interest rates expose the Company to the risk of not earning anticipated interest on products without significant account balances, or not realizing anticipated spreads between the interest rate earned on investments and the credited interest rates paid on in-force policies and contracts that have significant account balances. Both rising and declining interest rates as well as sustained periods of low interest rates could negatively affect the Company's interest earnings and spread income.

Lower interest rates may also result in lower sales of certain of the Company's life insurance and annuity products. Additionally, during periods of declining or low interest rates, certain previously issued life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in force from year to year during a period when the Company's investments earn lower returns. Certain of the Company's life insurance and annuity products guarantee a minimum credited interest rate, and the Company could become unable to earn its spread income or may earn less interest on its investments than it is required to credit to policyholders should interest rates decrease significantly and/or remain low for sustained periods. Additionally, the profitability of certain of the Company's life insurance products that do not have significant account balances could be reduced should interest rates decrease significantly and/or remain low for sustained periods.

The Company's expectations for future interest earnings and spreads are important components in amortization of deferred acquisition costs ("DAC") and value of business acquired ("VOBA"), and significantly lower interest earnings or spreads may accelerate amortization, thereby reducing net income in the affected reporting period. Sustained periods of low interest rates could also result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with the Company's products.

Higher interest rates may create a less favorable environment for the origination of mortgage loans and decrease the investment income the Company receives in the form of prepayment fees, make-whole payments, and mortgage participation income. Higher interest rates would also adversely affect the market value of fixed-income securities within the Company's investment portfolio. Higher interest rates may also increase the cost of debt and other obligations of the Company having floating rate or rate reset provisions and may result in fluctuations in sales of annuity products. During periods of increasing market interest rates, the Company may offer higher crediting rates on interest-sensitive products, such as universal life insurance and fixed annuities, and it may increase crediting rates on in-force products to keep these products competitive. In addition, rapidly rising interest rates may cause increased policy surrenders, withdrawals from life insurance policies and annuity contracts, and requests for policy loans as policyholders and contract holders shift assets into higher yielding investments. Increases in crediting rates, as well as surrenders and withdrawals, could have an adverse effect on the Company's financial condition and results of operations, including earnings, equity (including accumulated other comprehensive income (loss) ("AOCI")), and statutory risk-based capital ratios.

Additionally, the Company's asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve) and relationships between risk-adjusted and risk-free interest rates, market liquidity, and other factors. The effectiveness of the Company's asset/liability management programs and procedures may be negatively affected whenever actual results differ from these assumptions. In general, the Company's results of operations improve when the yield curve is positively sloped (i.e., when long-term interest rates are higher than short-term interest rates), and will be adversely affected by a flat or negatively sloped curve.

The Company's investments are subject to market and credit risks. These risks could be heightened during periods of extreme volatility or disruption in financial and credit markets.

The Company's invested assets and derivative financial instruments are subject to risks of credit defaults and changes in market values. These risks could be heightened during periods of extreme volatility or disruption in the financial and credit markets, including as a result of social or political unrest or instability domestically or abroad. A widening of credit spreads will increase the unrealized losses in the Company's investment portfolio. The factors affecting the financial and credit markets could lead to other-than-temporary impairments of assets in the Company's investment portfolio.

The value of the Company's commercial mortgage loan portfolio depends in part on the financial condition of the tenants occupying the properties that the Company has financed. The value of the Company's investment portfolio, including its portfolio of government debt obligations, debt obligations of those entities with an express or implied governmental guarantee and debt obligations of other issuers holding a large amount of such obligations, depends in part on the ability of the issuers or guarantors of such debt to maintain their credit ratings and meet their contractual obligations. Factors that may affect the overall default rate on, and market value of, the Company's invested assets, derivative financial instruments, and mortgage loans include interest rate levels, financial market performance, general economic conditions, and conditions affecting certain sectors of the economy, as well as particular circumstances affecting the individual tenants, borrowers, issuers and guarantors.

Significant continued financial and credit market volatility, changes in interest rates and credit spreads, credit defaults, real estate values, market illiquidity, declines in equity prices, acts of corporate malfeasance, ratings downgrades of the issuers or guarantors of these investments, and declines in general economic conditions and conditions affecting certain sectors of the economy, either alone or in combination, could have a material adverse impact on the Company's results of operations, financial condition, or cash flows through realized losses, impairments, changes in unrealized loss positions, and increased demands on

capital, including obligations to post additional capital and collateral. In addition, market volatility can make it difficult for the Company to value certain of its assets, especially if trading becomes less frequent. Valuations may include assumptions or estimates that may have significant period-to-period changes that could have an adverse impact on the Company's results of operations or financial condition.

Equity market volatility could negatively impact the Company's business.

Volatility in equity markets may influence prospective purchasers of variable life and annuity products and fixed annuity products that have returns linked to the performance of equity markets and may cause some existing customers to withdraw cash values or reduce investments in those products. The amount of policy fees received from variable products is affected by the performance of the equity markets, increasing or decreasing as markets rise or fall. Decreases in policy fees could materially and adversely affect the profitability of our variable annuity products.

Equity market volatility can also affect the profitability of annuity products with riders. The estimated cost of providing guaranteed minimum death benefits ("GMDB") and guaranteed living withdrawal benefits ("GLWB") incorporates various assumptions about the overall performance of equity markets over certain time periods. Periods of significant and sustained downturns in equity markets or increased equity market volatility could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products. While these liabilities are hedged, there still may be a possible resulting negative impact to net income and to the statutory capital and risk-based capital ratios of the Company's insurance subsidiaries.

The amortization of DAC relating to annuity products and the estimated cost of providing GMDB and GLWB incorporate various assumptions about the overall performance of equity markets over certain time periods. The rate of amortization of DAC and the cost of providing GMDB and GLWB could increase if equity market performance is worse than assumed.

The Company's use of derivative financial instruments within its risk management strategy may not be effective or sufficient.

The Company uses derivative financial instruments within its risk management strategy to mitigate risks to which it is exposed, including risks related to credit and equity markets, interest rate levels, foreign exchange, and volatility on its fixed indexed annuity and variable annuity products and associated guaranteed benefit features. The Company may also use derivative financial instruments within its risk management strategy to mitigate risks arising from its exposure to investments in individual issuers or sectors of issuers and to mitigate the adverse effects of interest rate levels or volatility on its overall financial condition or results of operations.

These derivative financial instruments may not effectively offset the changes in the carrying value of the exposures due to, among other things, the time lag between changes in the value of such exposures and the changes in the value of the derivative financial instruments purchased by the Company, extreme credit and/or equity market and/or interest rate levels or volatility, contract holder behavior that differs from the Company's expectations, and basis risk.

The use of derivative financial instruments by the Company generally to hedge various risks that impact GAAP earnings may have an adverse impact on the level of statutory capital and risk-based capital ratios because earnings under the Company's hedging program are recognized differently under GAAP and statutory accounting methods.

The Company may also choose not to hedge, in whole or in part, these or other risks that it has identified, due to, for example, the availability and/or cost of a suitable derivative financial instrument. In addition, the Company may fail to identify risks, or the magnitude thereof, to which it is exposed. The derivative financial instruments used by the Company in its risk management strategy may not be properly designed, may not be properly implemented as designed and/or may be insufficient to hedge the risks in relation to the Company's obligations.

The Company is subject to the risk that its derivative counterparties or clearinghouse may fail or refuse to meet their obligations to the Company, which may result in associated derivative financial instruments becoming ineffective or inefficient.

The above factors, either alone or in combination, may have a material adverse effect on the Company's financial condition and results of operations.

Credit market volatility or disruption could adversely impact the Company's financial condition or results from operations.

Significant volatility or disruption in domestic or foreign credit markets, including as a result of social or political unrest or instability, could have an adverse impact in several ways on either the Company's financial condition or results from operations. Changes in interest rates and credit spreads could cause market price and cash flow variability in the fixed-income instruments in the Company's investment portfolio. Significant volatility and lack of liquidity in the credit markets could cause issuers of the fixed-income securities in the Company's investment portfolio to default on either principal or interest payments on these securities. Additionally, market price valuations may not accurately reflect the underlying expected cash flows of securities within the Company's investment portfolio.

The Company's statutory surplus is also impacted by widening credit spreads as a result of the accounting for the assets and liabilities on its fixed market value adjusted ("MVA") annuities. Statutory separate account assets supporting the fixed MVA annuities are recorded at fair value. In determining the statutory reserve for the fixed MVA annuities, the Company is required to use current crediting rates based on U.S. Treasuries. In many capital market scenarios, current crediting rates based on U.S. Treasuries are highly correlated with market rates implicit in the fair value of statutory separate account assets. As a result, the

change in the statutory reserve from period to period will likely substantially offset the change in the fair value of the statutory separate account assets. However, in periods of volatile credit markets, actual credit spreads on investment assets may increase sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value losses. Credit spreads are not consistently fully reflected in crediting rates based on U.S. Treasuries, and the calculation of statutory reserves will not substantially offset the change in fair value of the statutory separate account assets resulting in reductions in statutory surplus. This situation would result in the need to devote significant additional capital to support fixed MVA annuity products.

Volatility or disruption in the credit markets could also impact the Company's ability to efficiently access financial solutions for purposes of issuing long-term debt for financing purposes, its ability to obtain financial solutions for purposes of supporting certain traditional and universal life insurance products for capital management purposes, or result in an increase in the cost of existing securitization structures.

The ability of the Company to implement financing solutions designed to fund a portion of statutory reserves on both the traditional and universal life blocks of business is dependent upon factors such as the ratings of the Company, the size of the blocks of business affected, the mortality experience of the Company, the credit markets, and other factors. The Company cannot predict the continued availability of such solutions or the form that the market may dictate. To the extent that such financing solutions were desired but are not available, the Company's financial position could be adversely affected through impacts including, but not limited to, higher borrowing costs, surplus strain, lower sales capacity, and possible reduced earnings.

The Company's ability to grow depends in large part upon the continued availability of capital.

The Company deploys significant amounts of capital to support its sales and acquisitions efforts. Although the Company believes it has sufficient capital to fund its immediate capital needs, the amount of capital available can vary significantly from period to period due to a variety of circumstances, some of which are not predictable or within the Company's control. Furthermore, our sole stockholder is not obligated to provide us with additional capital. A lack of sufficient capital could have a material adverse impact on the Company's financial condition and/or results of operations.

A ratings downgrade or other negative action by a rating organization could adversely affect the Company.

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including the Company's insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. While financial strength ratings are not a recommendation to buy the Company's securities or products, these ratings are important to maintaining public confidence in the Company, its products, its ability to market its products, and its competitive position. A downgrade or other negative action by a rating organization with respect to the financial strength ratings of the Company's insurance subsidiaries or the debt ratings of the Company could adversely affect the Company in many ways, including, but not limited to, reducing new sales of insurance and investment products, adversely affecting relationships with distributors and sales agents, increasing the number or amount of policy surrenders and withdrawals of funds, requiring a reduction in prices for the Company's insurance products and services in order to remain competitive, negatively impacting the Company's ability to execute its acquisition strategy, and adversely affecting the Company's ability to obtain reinsurance at a reasonable price, on reasonable terms or at all. A downgrade of sufficient magnitude could result in the Company, its insurance subsidiaries, or both being required to collateralize reserves, balances or obligations under certain contractual obligations, including reinsurance, funding, swap, and securitization agreements. A downgrade of sufficient magnitude could also result in the termination of certain funding and swap agreements.

Rating organizations also publish credit ratings for issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important to the Company's overall ability to access credit markets and other types of liquidity. Credit ratings are not recommendations to buy the Company's securities or products. Downgrades of the Company's credit ratings, or an announced potential downgrade or other negative action, could have a material adverse effect on the Company's financial conditions and results of operations in many ways, including, but not limited to, limiting the Company's access to capital markets, increasing the cost of debt, impairing its ability to raise capital to refinance maturing debt obligations, limiting its capacity to support the growth of its insurance subsidiaries, requiring it to pay higher amounts in connection with certain existing or future financing arrangements or transactions, and making it more difficult to maintain or improve the current financial strength ratings of its insurance subsidiaries. A downgrade of sufficient magnitude, in combination with other factors, could require the Company to post collateral pursuant to certain contractual obligations.

Rating organizations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to the views of the rating organization, general economic conditions, ratings of parent companies, and other circumstances outside the rated company's control. Factors identified by rating agencies that could lead to negative rating actions with respect to the Company or its insurance subsidiaries include, but are not limited to, weak growth in earnings, a deterioration of earnings (including deterioration due to spread compression in interest-sensitive lines of business), significant impairments in investment portfolios, heightened financial leverage, lower interest coverage ratios, risk-based capital ratios falling below ratings thresholds, a material reinsurance loss, underperformance of an acquisition, and the rating of a parent company. In addition, rating organizations use various models and formulas to assess the strength of a rated company, and from time to time rating organizations have, in their discretion, altered the models. Changes to the models could impact the rating organizations' judgment of the rating to be assigned to the rated company. Rating organizations may take various actions, positive or negative, with respect to our debt ratings and financial strength ratings of our insurance subsidiaries, including as a result of our status as a subsidiary of Dai-ichi Life. Any negative action by a ratings agency could have a material adverse impact on the Company's financial condition or results of operations. The Company cannot predict what actions the rating organizations may take, or what actions the Company may take in response to the actions of the rating organizations.

The Company could be forced to sell investments at a loss to cover policyholder withdrawals.

Many of the products offered by the Company allow policyholders and contract holders to withdraw their funds under defined circumstances. The Company manages its liabilities and configures its investment portfolios so as to provide and maintain sufficient liquidity to support expected withdrawal demands and contract benefits and maturities. While the Company owns a significant amount of liquid assets, a certain portion of its assets are relatively illiquid. If the Company experiences unexpected withdrawal or surrender activity, it could exhaust its liquid assets and be forced to liquidate other assets, perhaps at a loss or on other unfavorable terms. If the Company is forced to dispose of assets at a loss or on unfavorable terms, it could have an adverse effect on the Company's financial condition, the degree of which would vary in relation to the magnitude of the unexpected surrender or withdrawal activity.

Disruption of the capital and credit markets could negatively affect the Company's ability to meet its liquidity and financing needs.

The Company needs liquidity to meet its obligations to its policyholders and its debt holders, and to pay its operating expenses. The Company's sources of liquidity include insurance premiums, annuity considerations, deposit funds, cash flow from investments and assets, and other income from its operations. In normal credit and capital market conditions, the Company's sources of liquidity also include a variety of short-term and long-term borrowing arrangements, including issuing debt securities.

The Company's business is dependent on the capital and credit markets, including confidence in such markets. When the credit and capital markets are disrupted and confidence is eroded the Company may not be able to borrow money, including through the issuance of debt securities, or the cost of borrowing or raising capital may be prohibitively high. If the Company's internal sources of liquidity are inadequate during such periods, the Company could suffer negative effects from not being able to borrow money, or from having to do so on unfavorable terms. The negative effects could include being forced to sell assets at a loss, a lowering of the Company's credit ratings and the financial strength ratings of its insurance subsidiaries, and the possibility that customers, lenders, ratings agencies, or regulators develop a negative perception of the Company's financial prospects, which could lead to further adverse effects on the Company.

Difficult general economic conditions could materially adversely affect the Company's business and results of operations.

The Company's business and results of operations could be materially affected by difficult general economic conditions. Stressed economic conditions and volatility and disruptions in capital markets, particular markets or financial asset classes can have an adverse effect on the Company due to the size of the Company's investment portfolio and the sensitive nature of insurance liabilities to changing market factors. Disruptions in one market or asset class can also spread to other markets or asset classes. Volatility in financial markets can also affect the Company's business by adversely impacting general levels of economic activity, employment and customer behavior.

Like other financial institutions, and particularly life insurers, the Company may be adversely affected by these conditions. The presence of these conditions could have an adverse impact on the Company by, among other things, decreasing demand for its insurance and investment products, and increasing the level of lapses and surrenders of its policies. The Company and its subsidiaries could also experience additional ratings downgrades from ratings agencies, unrealized losses, significant realized losses, impairments in its investment portfolio, and charges incurred as a result of mark-to-market and fair value accounting principles. If general economic conditions become more difficult, the Company's ability to access sources of capital and liquidity may be limited.

The Company may be required to establish a valuation allowance against its deferred tax assets, which could have a material adverse effect on the Company's results of operations, financial condition, and capital position.

Deferred tax assets are attributable to certain differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets represent future savings of taxes that would otherwise be paid in cash. In general, the realization of the deferred tax assets is dependent upon the generation of sufficient future ordinary and capital taxable income. If it is determined that a certain deferred tax asset cannot be realized, then a deferred tax valuation allowance must be established, with a corresponding charge to either adjusted operating income or other comprehensive income (depending on the nature of the deferred tax asset).

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 its material deferred tax assets net of any existing valuation allowance. The Company has recognized valuation allowances of \$5.0 million and \$9.2 million as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively, related to state operating loss carryforwards which are more likely than not to expire unutilized. If future events differ from the Company's current forecasts, an additional valuation allowance may need to be established, which could have a material adverse effect on the Company's results of operations, financial condition, or capital position.

The Company could be adversely affected by an inability to access its credit facility.

The Company relies on its credit facility as a potential source of liquidity. The availability of these funds could be critical to the Company's credit and financial strength ratings and its ability to meet obligations, particularly when alternative sources of credit or liquidity are either difficult to access or costly. The availability of the Company's credit facility is dependent in part on the ability of the lenders to provide funds under the facility. The Company's credit facility contains various affirmative and negative covenants and events of default, including covenants requiring the Company to maintain a specified minimum consolidated net

worth. The Company's right to make borrowings under the facility is subject to the fulfillment of certain conditions, including its compliance with all covenants. The Company's failure to comply with the covenants in the credit facility could restrict its ability to access this credit facility when needed. The Company's inability to access some or all of the line of credit under the credit facility could have a material adverse effect on its financial condition and/or results of operations.

The Company could be adversely affected by an inability to access FHLB lending.

The Company is a member of the Federal Home Loan Bank (the "FHLB") of Cincinnati and the FHLB of New York. Membership provides the Company with access to FHLB financial services, including advances that provide an attractive funding source for short-term borrowing and for the sale of funding agreements. In recent years, the Federal Housing Finance Agency ("FHFA") has released advisory bulletins addressing concerns associated with insurance company (as opposed to federally-backed bank) access to FHLB financial services, the state insurance regulatory framework and FHLB creditor status in the event of member insurer insolvency. In response to FHFA actions, FHLB members, the NAIC and trade groups developed model legislation that would subject insurers accessing FHLB funding to collateral requirements similar to those applicable to federally insured depository institutions. While members of the FHLB and NAIC were not able to agree on certain points, legislation based on this model has been introduced and adopted in several states and is not being opposed by the NAIC. It is unclear at this time whether or to what extent additional or new legislation or regulatory action regarding continued access to FHLB financial services will be enacted or adopted. Any developments that limit access to FHLB financial services could have a material adverse effect on the Company.

The Company's securities lending program may subject it to liquidity and other risks.

The Company maintains a securities lending program in which securities are loaned to third parties, including brokerage firms and commercial banks. The borrowers of the Company's securities provide the Company with collateral, typically in cash, which it separately maintains. The Company invests the collateral in other securities, including primarily short-term government repo and money market funds. Securities loaned under the program may be returned to the Company by the borrower at any time, requiring the Company to return the related cash collateral. In some cases, the Company may use the cash collateral provided to purchase other securities to be held as invested collateral, and the maturity of such securities may exceed the term of the securities loaned under the program and/or the market value of such securities may fall below the amount of cash collateral that the Company is obligated to return to the borrower of the Company's loaned securities. If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell the securities held as invested collateral to meet the obligation, the Company may have difficulty selling such securities in a timely manner and/or the Company may be forced to sell the securities in a volatile or illiquid market for less than it otherwise would have been able to realize under normal market conditions. In addition, the Company's ability to sell securities held as invested collateral may be restricted under stressful market and economic conditions in which liquidity deteriorates.

The Company's financial condition or results of operations could be adversely impacted if the Company's assumptions regarding the fair value and future performance of its investments differ from actual experience.

The Company makes assumptions regarding the fair value and expected future performance of its investments. Expectations that the Company's investments in mortgage-backed and asset-backed securities will continue to perform in accordance with their contractual terms are based on assumptions a market participant would use in determining the current fair value and consider the performance of the underlying assets. It is reasonably possible that the underlying collateral of these investments will perform worse than current market expectations and that such reduced performance may lead to adverse changes in the cash flows on the Company's holdings of these types of securities. In addition, expectations that the Company's investments in corporate securities and/or debt obligations will continue to perform in accordance with their contractual terms are based on evidence gathered through its normal credit surveillance process. It is possible that issuers of the Company's investments in corporate securities and/or debt obligations will perform worse than current expectations. The occurrence of any of the foregoing events could lead the Company to recognize write-downs within its portfolio of mortgage and asset-backed securities or its portfolio of corporate securities and/or debt obligations. It is also possible that such unanticipated events would lead the Company to dispose of such investments and recognize the effects of any market movements in its financial statements. The Company also makes certain assumptions when utilizing internal models to value certain of its investments. It is possible that actual results will differ from the Company's assumptions. Such events could result in a material change in the value of the Company's investments.

Adverse actions of certain funds or their advisers could have a detrimental impact on the Company's ability to sell its variable life and annuity products, or maintain current levels of assets in those products.

Certain of the Company's insurance subsidiaries have arrangements with various open-end investment companies, or "mutual funds", and the investment advisers to those mutual funds, to offer the mutual funds as investment options in the Company's variable life and annuity products. It is possible that the termination of one or more of those arrangements by a mutual fund or its adviser could have a detrimental impact on the company's ability to sell its variable life and annuity products, or maintain current levels of assets in those products, which could have a material adverse effect on the Company's financial condition and/or results of operations.

The amount of statutory capital or risk-based capital that the Company has and the amount of statutory capital or risk-based capital that it must hold to maintain its financial strength and credit ratings and meet other requirements can vary significantly from time to time and such amounts are sensitive to a number of factors outside of the Company's control.

The Company primarily conducts business through licensed insurance company subsidiaries. Insurance regulators have established regulations that provide minimum capitalization requirements based on risk-based capital formulas for life and property and casualty companies. The risk-based capital formula for life insurance companies establishes capital requirements relating to

insurance, business, asset, interest rate, and certain other risks. The risk-based capital formula for property and casualty companies establishes capital requirements relating to asset, credit, underwriting, and certain other risks.

In any particular year, statutory surplus amounts and risk-based capital ratios may increase or decrease depending on a variety of factors, including, but not limited to, the amount of statutory income or losses generated by the Company's insurance subsidiaries (which itself is sensitive to equity market and credit market conditions), the amount of additional capital its insurance subsidiaries must hold to support business growth, changes in the Company's statutory reserve requirements, the Company's ability to secure capital market solutions to provide statutory reserve relief, changes in equity market levels, the value of certain fixed-income and equity securities in its investment portfolio, the credit ratings of investments held in its portfolio, including those issued by, or explicitly or implicitly guaranteed by, a government, the value of certain derivative instruments, changes in interest rates, foreign currency exchange rates or tax rates, credit market volatility, changes in consumer behavior, and changes to the NAIC risk-based capital formula. Most of these factors are outside of the Company's control.

The NAIC risk-based capital formula uses a tax factor that generally assumes a 35% corporate tax rate. Beginning in 2018, the maximum corporate tax rate will be 21%. While the extent of any changes to the risk-based capital formula is not yet known, the Company anticipates that the NAIC risk-based capital formula will change to reflect the lower corporate tax rate. This change would likely increase required capital, which, in turn, would decrease the statutory risk-based capital ratios of U.S. life insurance companies, including the Company and its subsidiaries.

The Company's financial strength and credit ratings are significantly influenced by the statutory surplus amounts and risk-based capital ratios of its insurance company subsidiaries. Rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital the Company must hold in order to maintain its current ratings. In addition, rating agencies may downgrade the investments held in the Company's portfolio, which could result in a reduction of the Company's capital and surplus and/or its risk-based capital ratio.

In scenarios of equity market declines, the amount of additional statutory reserves or risk-based capital the Company is required to hold for its variable product guarantees may increase at a rate greater than the rate of change of the markets. Increases in reserves or risk-based capital could result in a reduction to the Company's capital, surplus, and/or risk-based capital ratio. Also, in environments where there is not a correlative relationship between interest rates and spreads, the Company's market value adjusted annuity product can have a material adverse effect on the Company's statutory surplus position.

The Company operates as a holding company and depends on the ability of its subsidiaries to transfer funds to it to meet its obligations.

The Company operates as a holding company for its insurance and other subsidiaries and does not have any significant operations of its own. The Company's primary sources of funding are dividends from its operating subsidiaries, revenues from investment, data processing, legal, and management services rendered to subsidiaries, investment income, and external financing. These funding sources support the Company's general corporate needs including its debt service. If the funding the Company receives from its subsidiaries is insufficient for it to fund its debt service and other holding company obligations, it may be required to raise funds through the incurrence of debt, or the sale of assets.

The states in which the Company's insurance subsidiaries are domiciled impose certain restrictions on the subsidiaries' ability to pay dividends and make other payments to the Company. State insurance regulators may prohibit the payment of dividends or other payments to the Company by its insurance subsidiaries if they determine that the payments could be adverse to the insurance subsidiary or its policyholders or contract holders.

Industry and Regulatory Related Risks

The business of the Company is highly regulated and is subject to routine audits, examinations and actions by regulators, law enforcement agencies and self-regulatory organizations.

The Company is subject to government regulation in each of the states in which it conducts business. In many instances, the regulatory models emanate from the National Association of Insurance Commissioners ("NAIC"). Such regulation is vested in state agencies having broad administrative and in some instances discretionary power dealing with many aspects of the Company's business, which may include, among other things, premium and cost of insurance rates and increases thereto, interest crediting policy, underwriting practices, reserve requirements, marketing practices, advertising, privacy, cybersecurity, policy forms, reinsurance reserve requirements, insurer use of captive reinsurance companies, acquisitions, mergers, capital adequacy, claims practices and the remittance of unclaimed property. In addition, some state insurance departments may enact rules or regulations with extra-territorial application, effectively extending their jurisdiction to areas such as permitted insurance company investments that are normally the province of an insurance company's domiciliary state regulator.

At any given time, a number of financial, market conduct, or other examinations or audits of the Company's subsidiaries may be ongoing. It is possible that any examination or audit may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures, any of which could have a material adverse effect on the Company's financial condition and/or results of operations. The Company's insurance subsidiaries are required to obtain state regulatory approval for rate increases for certain health insurance products. The Company's profits may be adversely affected if the requested rate increases are not approved in full by regulators in a timely fashion.

State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit

of the consumer and may lead to additional expense for the insurer and, thus, could have a material adverse effect on the Company's financial condition and results of operations. At the federal level, the executive branch or federal agencies may issue orders or take other action with respect to financial services and life insurance matters, and bills are routinely introduced in both chambers of the United States Congress that could affect the Company and its business. In the past, Congress has considered legislation that would impact insurance companies in numerous ways, such as providing for an optional federal charter or a federal presence for insurance, preempting state law in certain respects regarding the regulation of reinsurance, increasing federal oversight in areas such as consumer protection and solvency regulation, setting tax rates, and other matters. The Company cannot predict whether or in what form legislation will be enacted and, if so, whether the enacted legislation will positively or negatively affect the Company or whether any effects will be material.

The Company may be subject to regulations of, or regulations influenced by, international regulatory authorities or initiatives.

The NAIC and the Company's state regulators may be influenced by the initiatives of international regulatory bodies, and those initiatives may not translate readily into the legal system under which U.S. insurers must operate. There is increasing pressure to conform to international standards due to the globalization of the business of insurance and the most recent financial crisis. In addition to developments at the NAIC and in the United States, the Financial Stability Board ("FSB"), consisting of representatives of national financial authorities of the G20 nations, and the G20 have issued a series of proposals intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated.

The International Association of Insurance Supervisors ("IAIS"), at the direction of the FSB, has published an evolving methodology for identifying "global systemically important insurers" ("G-SIIs") and high-level policy measures that will apply to G-SIIs. The FSB, working with national authorities and the IAIS, has designated nine insurance groups as G-SIIs. The IAIS is working on the policy measures which include higher capital requirements and enhanced supervision. Although neither the Company nor Dai-ichi Life has been designated as a G-SII, the list of designated insurers will be updated periodically by the FSB. It is possible that the greater size and reach of the combined group as a result of the Company becoming a subsidiary of Dai-ichi Life, or a change in the methodologies or their application, could lead to the combined group's designation as a G-SII.

The IAIS is also in the process of developing a common framework for the supervision of internationally active insurance groups ("IAIGs"), which is targeted to be implemented in 2019. The framework, which is currently under discussion, may include a global capital measurement standard for insurance groups deemed to be IAIGs that could exceed the sum of state or other local capital requirements. In addition, the IAIS is developing a model framework for the supervision of IAIGs that contemplates "group wide supervision" across national boundaries and legal entities, which could require each IAIG to conduct its own risk and solvency assessment to monitor and manage its overall solvency. It is likely that, as a result of the Merger, the combined group will be deemed an IAIG, in which case it may be subject to supervision requirements and capital measurement standards beyond those applicable to any competitors who are not designated as an IAIG.

The Company's sole stockholder, Dai-ichi Life, is also subject to regulation by the Japanese Financial Services Authority ("JFSA"). Under applicable laws and regulations, Dai-ichi Life is required to provide notice to or obtain the consent of the JFSA prior to taking certain actions or engaging in certain transactions, either directly or indirectly through its subsidiaries, including the Company and its consolidated subsidiaries, which could limit the ability of the Company to engage in certain transactions or business initiatives.

While it is not yet known how or the extent to which the Company will be impacted by these regulations, the Company may experience increased costs of compliance, increased disclosure, less flexibility in capital management, and more burdensome regulation and capital requirements for specific lines of business. In addition, such regulations could impact the business of the Company and its reserve and capital requirements, financial condition or results of operations.

NAIC actions, pronouncements and initiatives may affect the Company's product profitability, reserve and capital requirements, financial condition or results of operations.

Although some NAIC pronouncements, particularly as they affect accounting, reserving and risk-based capital issues, may take effect automatically without affirmative action taken by the states, the NAIC is not a governmental entity and its processes and procedures do not comport with those to which governmental entities typically adhere. Therefore, it is possible that actions could be taken by the NAIC that become effective without the procedural safeguards that would be present if governmental action was required. In addition, with respect to some financial regulations and guidelines, states sometimes defer to the interpretation of the insurance department of a non-domiciliary state. Neither the action of the domiciliary state nor the action of the NAIC is binding on a non-domiciliary state. Accordingly, a state could choose to follow a different interpretation. The Company is also subject to the risk that compliance with any particular regulator's interpretation of a legal, accounting or actuarial issue may result in non-compliance with another regulator's interpretation of the same issue, particularly when compliance is judged in hindsight. There is an additional risk that any particular regulator's interpretation of a legal, accounting or actuarial issue may change over time to the Company's detriment, or that changes to the overall legal or market environment may cause the Company to change its practices in ways that may, in some cases, limit its growth or profitability. Statutes, regulations, interpretations, and instructions may be applied with retroactive impact, particularly in areas such as accounting, reserve and risk-based capital requirements. Also, regulatory actions with prospective impact can potentially have a significant impact on currently sold products.

The NAIC has announced more focused inquiries on certain matters that could have an impact on the Company's financial condition and results of operations. Such inquiries concern, for example, insurer use of captive reinsurance companies, variable annuity reserves and capital treatment, certain aspects of insurance holding company reporting and disclosure, reinsurance, cybersecurity practices, liquidity assessment, and risk-based capital calculations. In addition, the NAIC continues to consider

various initiatives to change and modernize its financial and solvency requirements and regulations. It has adopted principles-based reserving methodologies for life insurance and annuity reserves, but additional formulas and/or guidance relevant to the new standard are being developed. The NAIC is also considering changes to accounting and risk-based capital regulations, risk-based capital calculations, governance practices of insurers, and other items. Additionally, the NAIC is studying a group capital calculation that would aggregate required capital across U.S.-based insurance groups. The Company cannot currently estimate what impact these more focused inquiries or proposed changes, if they occur, will have on its product mix, product profitability, reserve and capital requirements, financial condition or results of operations.

The Company's use of captive reinsurance companies to finance statutory reserves related to its term and universal life products and to reduce volatility affecting its variable annuity products may be limited or adversely affected by regulatory action, pronouncements and interpretations.

The Company currently uses affiliated captive reinsurance companies in various structures to finance certain statutory reserves based on a regulation entitled "Valuation of Life Insurance Policies Model Regulation," commonly known as "Regulation XXX," and a supporting guideline entitled "The Application of the Valuation of Life Insurance Policies Model Regulation," commonly known as "Guideline AXXX," which are associated with term life insurance and universal life insurance with secondary guarantees, respectively, as well as to reduce the volatility in statutory risk-based capital associated with certain guaranteed minimum withdrawal and death benefit riders associated with certain of the Company's variable annuity products.

The NAIC has adopted Actuarial Guideline XLVIII ("AG48") and the substantially similar "Term and Universal Life Insurance Reserve Financing Model Regulation" (the "Reserve Model") which establish national standards for new reserve financing arrangements for term life insurance and universal life insurance with secondary guarantees. AG48 and the Reserve Model govern collateral requirements for captive reinsurance arrangements. In order to obtain reserve credit, AG48 and the Reserve Model require a minimum level of funds, consisting of primary and other securities, to be held by or on behalf of ceding insurers as security under each captive life reinsurance treaty. As a result of AG48 and the Reserve Model, the implementation of new captive structures in the future may be less capital efficient, lead to lower product returns and/or increased product pricing, or result in reduced sales of certain products. In some circumstances, AG48 and the Reserve Model could impact the Company's ability to engage in certain reinsurance transactions with non-affiliates.

The Financial Condition (E) Committee of the NAIC established a Variable Annuity Issues Working Group ("VAIWG") in 2015 to oversee the NAIC's efforts to study and address regulatory issues resulting in variable annuity captive reinsurance transactions. The VAIWG developed a Framework for Change (the "Framework") which was adopted in 2015. The Framework suggests numerous changes to current NAIC rules and regulations that are intended to decrease incentives for insurers to establish variable annuities captives, which changes could potentially be applied to both in-force and new business. The Framework proposes that various NAIC groups consider and adopt recommended changes to current rules and regulations (with a likely effective date in 2019) and that, upon adoption, domestic regulators request that insurers ceding business to variable annuity captives recapture such business and dissolve such captives. The VAIWG recently exposed for comment a set of recommended changes received from its consultant in December 2017. If the recommendations are adopted, changes in the regulation of variable annuities and variable annuity captives could adversely affect our future financial condition and/or results of operations.

The NAIC adopted revisions to the Part A Laws and Regulations Preamble (the "Preamble") of the NAIC Financial Regulation Standards and Accreditation Program that includes within the definition of "multi-state insurer" certain insurer-owned captives and special purpose vehicles that are single-state licensed but assume reinsurance from cedants operating in multiple states. The revised definition subjects certain captives, including XXX/AXXX captives, variable annuity and long-term care captives, to all of the accreditation standards applicable to other traditional multi-state insurers, including standards related to capital and surplus requirements, risk-based capital requirements, investment laws and credit for reinsurance laws. Although we do not expect the revised definition to affect our existing life insurance captives (or our ability to engage in life insurance captive transactions in the future), such application will likely prevent us from engaging in variable annuity captive transactions on the same or a similar basis as in the past and, if applied retroactively, would likely cause us to recapture business from and unwind our existing variable annuity captive ("VA Captive").

While the recapture of business from our existing VA Captive, caused either by actions of the VAIWG or the effect of the Preamble, would not have a material adverse effect on the Company given current market conditions, in the future the Company could experience fluctuations in its risk-based capital ratio due to market volatility if it were prohibited from engaging in similar transactions or required to unwind its existing VA Captive, which could adversely affect our future financial condition and results of operations.

Any regulatory action or change in interpretation that materially adversely affects the Company's use or materially increases the Company's cost of using captives or reinsurers for the affected business, either retroactively or prospectively, could have a material adverse impact on the Company's financial condition or results of operations. If the Company were required to discontinue its use of captives for intercompany reinsurance transactions on a retroactive basis, adverse impacts would include early termination fees payable to third party finance providers with respect to certain structures, diminished capital position and higher cost of capital. Additionally, finding alternative means to support policy liabilities efficiently is an unknown factor that would be dependent, in part, on future market conditions and the Company's ability to obtain required regulatory approvals. On a prospective basis, discontinuation of the use of captives could impact the types, amounts and pricing of products offered by the Company's insurance subsidiaries.

Laws, regulations and initiatives related to unreported deaths and unclaimed property and death benefits may result in operational burdens, fines, unexpected payments or escheatments.

Since 2012, various states have enacted laws that require life insurers to search for unreported deaths. The National Conference of Insurance Legislators ("NCOIL") has adopted the Model Unclaimed Life Insurance Benefits Act (the "Unclaimed Benefits Act") and legislation or regulations have been enacted in numerous states that are similar to the Unclaimed Benefits Act, although each state's version differs in some respects. The Unclaimed Benefits Act, if adopted by any state, imposes new requirements on insurers to periodically compare their life insurance and annuity contracts and retained asset accounts against the U.S. Social Security Administration's Death Master File or similar databases (a "Death Database"), investigate any potential matches to confirm the death and determine whether benefits are due, and to attempt to locate the beneficiaries of any benefits that are due or, if no beneficiary can be located, escheat the benefit to the state as unclaimed property. Other states in which the Company does business may also consider adopting legislation similar to the Unclaimed Benefits Act. The Company cannot predict whether such legislation will be proposed or enacted in additional states.

The Uniform Laws Commission has adopted revisions to the Uniform Unclaimed Property Act in a manner likely to impact state unclaimed property laws and requirements, though it is not clear at this time to what extent or whether requirements will conflict with otherwise imposed search requirements. Other life insurance industry associations and regulatory associations are also considering these matters. Certain states have amended or may amend their unclaimed property laws to require insurers to compare in-force and certain terminated life insurance policies, annuity contracts, and retained asset accounts against a Death Database, to investigate potential matches to determine whether the named insured is deceased, to attempt to locate and pay beneficiaries any unclaimed benefits required to be paid, and, if no beneficiary can be located, to escheat policy benefits to the appropriate state as unclaimed property. The enactment of such unclaimed property laws may require the Company to incur significant expenses, including benefits with respect to terminated policies for which no reserves are currently held and unanticipated operational expenses. Any of the foregoing could have a material adverse effect on the Company's financial condition and results of operations.

A number of state treasury departments and administrators of unclaimed property have audited life insurance companies for compliance with unclaimed property laws. The focus of the audits has been to determine whether there have been maturities of policies or contracts, or policies that have exceeded limiting age with respect to which death benefits or other payments under the policies should be treated as unclaimed property that should be escheated to the state. In addition, the audits have sought to identify unreported deaths of insureds. There is no clear basis in previously existing law for treating an unreported death as giving rise to a policy benefit that would be subject to unclaimed property procedures. A number of life insurers, however, have entered into resolution agreements with state treasury departments and administrators of unclaimed property under which the life insurers agreed to procedures for comparing their previously issued 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, escheating the benefits and interest, in some cases at a negotiated rate, to the state if the beneficiary could not be found, and paying penalties to the state, if required. The amounts publicly reported to have been paid to beneficiaries and/or escheated to the states have been substantial.

The NAIC has established an Investigations of Life/Annuity Claims Settlement Practices (D) Task Force to coordinate targeted multi-state examinations of life insurance companies on claims settlement practices. The state insurance regulators on the Task Force have initiated targeted multi-state examinations of life insurance companies with respect to the companies' claims paying practices and use of 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. 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 systems and 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, escheating the benefits and interest to the state if the beneficiary could not be found, and paying penalties to the state, if required. It has been publicly reported that the life insurers have paid substantial administrative and/or examination fees to the insurance regulators in connection with the settlement or consent agreements.

Certain of the Company's subsidiaries as well as certain other insurance companies from whom the Company has coinsured blocks of life insurance and annuity policies are subject to unclaimed property audits and/or targeted multi-state examinations by insurance regulators similar to those described above. It is possible that the audits, examinations and/or the enactment of state laws similar to the Unclaimed Benefits Act could result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, payment of administrative penalties and/or examination fees to state authorities, and changes to the Company's procedures for identifying unreported deaths and escheatment of abandoned property. It is possible any such additional payments and any costs related to changes in Company procedures could materially impact the Company's financial condition and/or results of operations. It is also possible that life insurers, including the Company, may be subject to claims, regulatory actions, law enforcement actions, and civil litigation arising from their prior business practices, unclaimed property practices or related audits and examinations. Any resulting liabilities, payments or costs, including initial and ongoing costs of changes to the Company's procedures or systems, could be significant and could have a material adverse effect on the Company's financial condition or results of operations.

During December 2012, the West Virginia Treasurer filed actions against the Company's subsidiaries Protective Life Insurance Company and West Coast Life Insurance Company in West Virginia state court (*State of West Virginia ex rel. John D. Perdue v. Protective Life Insurance Company*; *State of West Virginia ex rel. John D. Perdue v. West Coast Life Insurance Company*; Defendants' Motions to Dismiss granted on December 27, 2013; Notice of Appeal filed on January 27, 2014; dismissal reversed by the West Virginia Supreme Court of Appeals on June 16, 2015; Petition for Rehearing filed by Defendant insurance companies

denied on September 21, 2015). The actions, which also name numerous other life insurance companies, allege that the companies violated the West Virginia Uniform Unclaimed Property Act, seek to compel compliance with the Act, and seek payment of unclaimed property, interest, and penalties. While the legal theory or theories that may give rise to liability in the West Virginia Treasurer litigation are uncertain, it is possible that other jurisdictions may pursue similar actions. The Company does not currently believe that losses, if any, arising from the West Virginia Treasurer litigation will be material. The Company cannot, however, predict whether other jurisdictions will pursue similar actions or, if they do, whether such actions will have a material impact on the Company's financial condition and/or results of operations.

The Company is subject to insurance guaranty fund laws, rules and regulations that could adversely affect the Company's financial condition or results of operations.

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. From time to time, companies may be asked to contribute amounts beyond prescribed limits. It is possible that the Company could be assessed with respect to product lines not offered by the Company. In 2017, the NAIC adopted provisions to the Life and Health Insurance Guaranty Association Model Act that, if adopted by states, would result in an increase to the percentage of liabilities attributable to any future long term care provider insolvency that can be assessed to life insurers. Legislation may be introduced in various states with respect to guaranty fund assessment laws related to insurance products, including long term care insurance and other specialty products, that differs from the revised Model Act and increases the cost of future assessments or that alters future premium tax offsets received in connection with guaranty fund assessments. The Company cannot predict the amount, nature or timing of any future assessments or legislation, any of which could have a material and adverse impact on the Company's financial condition or results of operations.

The Company is subject to insurable interest laws, rules and regulations that could adversely affect the Company's financial condition or results of operations.

The purchase of life insurance products is limited by state insurable interest laws, which in most jurisdictions require that the purchaser of life insurance name a beneficiary that has some interest in the sustained life of the insured. To some extent, the insurable interest laws present a barrier to the life settlement, or "stranger-owned" industry, in which a financial entity acquires an interest in life insurance proceeds, and efforts have been made in some states to liberalize the insurable interest laws. To the extent these laws are relaxed, the Company's lapse assumptions may prove to be incorrect, which could adversely affect the Company's financial condition or results of operations.

The Healthcare Act and related regulations could adversely affect the results of operations or financial condition of the Company.

The Company is subject to various conditions and requirements of the Patient Protection and Affordable Care Act of 2010 (the "Healthcare Act"). The Healthcare Act makes significant changes to the regulation of health insurance and may affect the Company in various ways. The Healthcare Act may affect the small blocks of business the Company has offered or acquired over the years that are, or are deemed to constitute, health insurance. The Healthcare Act may also affect the benefit plans the Company sponsors for employees or retirees and their dependents, the Company's expense to provide such benefits, the tax liabilities of the Company in connection with the provision of such benefits, and the Company's ability to attract or retain employees. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act. The Company cannot predict the effect that the Healthcare Act, any amendments or modifications thereto, or any regulatory pronouncement made thereunder, will have on its results of operations or financial condition.

Laws, rules and regulations promulgated in connection with the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act may adversely affect the results of operations or financial condition of the Company.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enacted in July 2010 made sweeping changes to the regulation of financial services entities, products and markets. The Dodd-Frank Act directed existing and newly-created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, a process that has substantially advanced but is not yet complete. While a number of studies and much of the rule-making process has already been completed, there continues to be uncertainty regarding the results of ongoing studies and the ultimate requirements of regulations that have not yet been adopted. Although the new presidential administration has indicated a desire to revise or reverse some of its provisions, the fate of these proposals is unclear, and we cannot predict with certainty how the Dodd-Frank Act will continue to affect the financial markets generally, or impact our business, ratings, results of operations, financial condition or liquidity.

Among other things, the Dodd-Frank Act imposed a comprehensive new regulatory regime on the over-the-counter ("OTC") derivatives marketplace and granted new joint regulatory authority to the United States Securities and Exchange Commission (the "SEC") and the U.S. Commodity Futures Trading Commission ("CFTC") over OTC derivatives. While the SEC and CFTC continue to promulgate rules required by the Dodd-Frank Act, most rules have been finalized and, as a result, certain of the Company's derivatives operations are subject to, among other things, new recordkeeping, reporting and documentation requirements and new clearing requirements for certain swap transactions (currently, certain interest rate swaps and index-based credit default swaps; cleared swaps require the posting of margin to a clearinghouse via a futures commission merchant and, in some case, to the futures commission merchant as well).

In 2015, U.S. federal banking regulators and the CFTC adopted regulations that will require swap dealers, security-based swap dealers, major swap participants and major security-based swap participants ("Swap Entities") to post margin to, and collect margin from, their OTC swap counterparties (the "Margin Rules"). Under the Margin Rules, the Company would be considered a "financial end-user" that, when facing a Swap Entity, is required to post and collect variation margin for its non-cleared swaps.

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In addition, depending on its derivatives exposure, the Company may be required to post and collect initial margin as well. The initial margin requirements of the Margin Rules will be phased-in over a period of five years based on the average aggregate notional amount of the Swap Entity's (combined with all of its affiliates) and its counterparty's (combined with all of its affiliates) swap positions. It is anticipated that the Company will not be subject to the initial margin requirements until September 1, 2020. The variation margin requirement took effect on September 1, 2016, for swaps where both the Swap Entity (and its affiliates) and its counterparty (and its affiliates) have an average daily aggregate notional amount of swaps for March, April and May of 2016 that exceeds \$3 trillion. Otherwise, the variation margin requirement, to which we are subject, took effect on March 1, 2017.

Other regulatory requirements may indirectly impact us. For example, non-U.S. counterparties of the Company may also be subject to non-U.S. regulation of their derivatives transactions with the Company. In addition, counterparties regulated by the Prudential Regulators (which consist of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Federal Housing Finance Agency) are subject to liquidity, leverage and capital requirements that impact their derivatives transactions with the Company. Collectively, these new requirements have increased the direct and indirect costs of our derivatives activities and may further increase them in the future.

The Dodd-Frank Act also established a Federal Insurance Office ("FIO") under the U.S. Treasury Department. Although the Federal Insurance Office was not granted general supervisory authority over the insurance industry, it is authorized to, among other things, (1) monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance and (2) recommend changes to the state system of insurance regulation to the U.S. Congress. The FIO was required to issue several reports to Congress on the insurance industry, most notably, (i) a report on "how to modernize and improve the system of insurance regulation in the United States", and (ii) a report on "the breadth and scope of the global reinsurance market and the critical role such market plays in supporting insurance in the United States." The FIO issued its report on how to modernize and improve the system of insurance regulation in the United States in December 2013. The report details the strengths and weaknesses of the current insurance regulatory system and makes recommendations in the areas of insurance sector solvency and marketplace regulation. Although the report stops short of recommending direct federal regulation of insurance, it does recommend significantly greater federal involvement in a number of areas. In December 2014, the FIO published its report on the breadth and scope of the global reinsurance market. In this reinsurance report, the FIO indicates that reinsurance collateral continues to be at the forefront of its thinking with regard to potential direct federal involvement in insurance regulation. Specifically, the FIO's report argues that federal officials are well-positioned to make determinations regarding whether a foreign jurisdiction has sufficiently effective regulation and, in doing so, consider other prudential issues pending in the U.S. and between the U.S. and affected foreign jurisdictions. The reinsurance report notes that work continues towards initiating negotiations for covered agreements with leading reinsurance jurisdictions that may have the effect of preempting inconsistent state laws. In 2017, the U.S. and E.U. entered into such a covered agreement. It remains to be seen whether the U.S. will negotiate covered agreements with other major U.S. trading partners. More generally, it remains to be seen whether either of the FIO's reports will affect the manner in which insurance and reinsurance are regulated in the U.S. and, thereby, the Company's business.

The Dodd-Frank Act also established the Financial Stability Oversight Council (the "FSOC"), which is charged with identifying risks to the financial stability of the U.S. financial markets, promoting market discipline, and responding to emerging threats to the stability of the U.S. financial markets. The FSOC is empowered to make recommendations to primary financial regulatory agencies regarding the application of new or heightened standards and safeguards for financial activities or practices, and certain participation in such activities, that threaten the stability of the U.S. financial markets. In addition, the FSOC is authorized to determine whether an insurance company is systematically significant and to recommend that it should be subject to enhanced prudential standards and to supervision by the Board of Governors of the Federal Reserve System. In April 2012, the FSOC approved its final rule for designating non-bank financial companies as systemically important financial institutions ("SIFI"). Under the final rule, the Company's assets, liabilities and operations do not currently satisfy the financial thresholds that serve as the first step of the three-stage process to designate a non-bank financial company as a SIFI. While recent developments suggest that it is unlikely that FSOC will be designating additional non-bank financial companies as systematically significant, there can be no assurance of that unless and until FSOC's authority to do so has been rescinded.

Additionally, the Dodd-Frank Act created the Consumer Financial Protection Bureau ("CFPB"), an independent division of the Department of Treasury with jurisdiction over credit, savings, payment, and other consumer financial products and services, but excluding investment products already regulated by the SEC or the CFTC. The CFPB has supervisory authority over certain non-banks whose activities or products it determines pose risks to consumers, and issued a rule in 2016 amending regulations under the Home Mortgage Disclosure Act that requires the Company to, among other things, collect and disclose extensive data related to its lending practices. At this time, the rule relates to reporting data relative to Company loans made on multi-family apartments, seniors living housing, manufactured housing communities and any mixed-use properties which contain a residential component. It is unclear at this time how burdensome compliance with this or other rules promulgated under the Home Mortgage Disclosure Act will become.

Certain of the Company's subsidiaries sell products that may be regulated by the CFPB. The CFPB continues to bring enforcement actions involving a growing number of issues, including actions brought jointly with state Attorneys General, which could directly or indirectly affect the Company or any of its subsidiaries. The Company is unable at this time to predict the impact of these activities on the Company.

Although the full impact of the Dodd-Frank Act cannot be determined until all of the various studies mandated by the law are conducted and all implementing regulations are adopted, many of the legislation's requirements could have an adverse impact on the financial services and insurance industries. In addition, the Dodd-Frank Act could make it more expensive for us to conduct business, require us to make changes to our business model, or satisfy increased capital requirements.

Regulations issued by the Department of Labor expanding the definition of “investment advice fiduciary” under ERISA and creating and revising several prohibited transaction exemptions for investment activities in light of that expanded definition may have a material adverse impact on our ability to sell annuities and other products, to retain in-force business and on our financial condition or results of operations.

Broker-dealers, insurance agencies and other financial institutions sell the Company’s annuities to employee benefit plans governed by provisions of the Employee Retirement Income Security Act (“ERISA”) and Individual Retirement Accounts (“IRAs”) that are governed by similar provisions under the Internal Revenue Code (the “Code”). Consequently, our activities and those of the firms that sell the Company’s products are subject to restrictions that require ERISA fiduciaries to perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that prohibit ERISA fiduciaries from causing a covered plan or retirement account to engage in certain prohibited transactions absent an exemption. In general, the prohibited transaction provisions of ERISA and the Code restrict the receipt of compensation from third parties in connection with the provision of investment advice to ERISA plans and participants and IRAs.

On April 6, 2016, the Department of Labor issued new regulations expanding the definition of “investment advice fiduciary” under ERISA. These new regulations increased the number of circumstances in which the Company and broker-dealers, insurance agencies and other financial institutions that sell the Company’s products could be deemed a fiduciary when providing investment advice with respect to ERISA plans or IRAs. The Department of Labor also issued amendments to long-standing exemptions from the provisions of ERISA and the Code that prohibit fiduciaries from engaging in certain types of transactions (“Prohibited Transaction Exemptions”) and adopted new Prohibited Transaction Exemptions. These amended and new Prohibited Transaction Exemptions appear to increase significantly the conditions that must be satisfied by fiduciaries in order to receive traditional forms of commission, such as sales commissions, for sales of insurance products to ERISA plans, plan participants and IRAs.

The expanded definition of “investment advice fiduciary” and certain regulations related to new and revised Prohibited Transaction Exemptions went into effect on June 9, 2017, allowing fiduciaries to rely on the Prohibited Transaction Exemptions provided that they adhere to certain required Impartial Conduct Standards. The implementation of additional conditions applicable to the Prohibited Transaction Exemptions with which fiduciaries must comply has been delayed until July 1, 2019 and may be impacted, along with the current definition of “investment advice fiduciary”, by public comments solicited pursuant to the Department of Labor’s Request for Information. Responses to the Request for Information may also result in the adoption of new Prohibited Transaction Exemptions or additional conditions applicable to existing exemption requirements.

There remains significant uncertainty surrounding the final form that these regulations may take. Our current distributors may continue to move forward with their plans to limit the number of products they offer, including the types of products offered by the Company. The Company may find it necessary to change sales representative and/or broker compensation, to limit the assistance or advice it can provide to owners of the Company’s annuities, to replace or engage additional distributors, or otherwise change the manner in which it designs and supports sales of its annuities. In addition, the Company continues to incur expenses in connection with initial and ongoing compliance obligations with respect to such rules, and in the aggregate these expenses may be significant. The foregoing could have a material adverse impact on our ability to sell annuities and other products, to retain in-force business, and on our financial condition or results of operations.

In addition to the foregoing, the NAIC has proposed the Suitability in Annuity Transactions Model Regulation which, if adopted by regulators, would impose a stricter standard of care upon insurers who sell annuities. Likewise, several states are considering legislation that would implement new requirements and standards applicable to the sale of annuities and, in some cases, life insurance products. These standards vary widely in scope, applicability and timing of implementation. The adoption and enactment of these or any revised standards as law or regulation could have a material adverse effect upon the manner in which the Company’s products are sold.

The Company may be subject to regulation, investigations, enforcement actions, fines and penalties imposed by the SEC, FINRA and other federal and international regulators in connection with its business operations.

Certain life insurance policies, contracts, and annuities offered by the Company are subject to regulation under the federal securities laws administered by the SEC. The federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions. From time to time, the SEC and the Financial Industry Regulatory Authority (“FINRA”) examine or investigate the activities of broker-dealers and investment advisers, including the Company’s affiliated broker-dealers and investment advisers. These examinations or investigations often focus on the activities of the registered representatives and registered investment advisers doing business through such entities and the entities’ supervision of those persons. It is possible that any examination or investigation could lead to enforcement action by the regulator and/or may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures of such entities, any of which could have a material adverse effect on the Company’s financial condition or results of operations.

In June of 2017, the Chairman of the SEC requested public comments on a series of questions focused on (1) the current regulatory framework for broker-dealers and investment advisers, (2) the current state of the market for retail advice, and (3) market trends. The SEC will consider these views as it determines future steps, including potential rulemaking, related to standards of conduct applicable to broker-dealers and investment advisers. In this request the Chairman also welcomed the opportunity to engage with the Department of Labor as the SEC moves forward with its examination of the standards of conduct applicable to broker-dealers, investment advisers and matters related thereto.

FINRA has also issued a report addressing how its member firms might identify and address conflicts of interest including conflicts related to the introduction of new products and services and the compensation of the member firms’ associated persons.

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These regulatory initiatives could have an impact on Company operations and the manner in which broker-dealers and investment advisers distribute the Company's products.

The Company may also be subject to regulation by governments of the countries in which it currently does, or may in the future, do, business, as well as regulation by the U.S. Government with respect to its operations in foreign countries, such as the Foreign Corrupt Practices Act. Penalties for violating the various laws governing the Company's business in other countries may include restrictions upon business operations, fines and imprisonment, both within the U.S. and abroad. U.S. enforcement of anti-corruption laws continues to increase in magnitude, and penalties may be substantial.

The Company is subject to conditions and requirements set forth in the Telephone Consumer Protection Act ("TCPA"), which places restrictions on the use of automated telephone and facsimile machines. Class action lawsuits alleging violations of the act have been filed against a number of companies, including life insurance carriers. These class action lawsuits contain allegations that defendant carriers were vicariously liable for the alleged wrongful conduct of agents who violated the TCPA. Some of the class actions have resulted in substantial settlements against other insurers. Any such actions against the Company could result in a material adverse effect upon our financial condition or results of operations.

Other types of regulation that could affect the Company and its subsidiaries include, but are not limited to, insurance company investment laws and regulations, state statutory accounting and reserving practices, antitrust laws, minimum solvency requirements, enterprise risk requirements, state securities laws, federal privacy laws, cybersecurity regulation, technology and data regulations, insurable interest laws, federal anti-money laundering and anti-terrorism laws, employment and immigration laws (including laws in Alabama where over half of the Company's employees are located), and because the Company owns and operates real property, state, federal, and local environmental laws. Under some circumstances, severe penalties may be imposed for breach of these laws.

The Company cannot predict what form any future changes to laws and/or regulations affecting participants in the financial services sector and/or insurance industry, including the Company and its competitors or those entities with which it does business, may take, or what effect, if any, such changes may have.

The Company's ability to enter into certain transactions is influenced by how such a transaction might affect Dai-ichi Life's taxation in Japan.

Changes to tax law, such as the effect of the Tax Reform Act enacted on December 22, 2017, or interpretations of existing tax law could adversely affect the Company and its ability to compete with non-insurance products or reduce the demand for certain insurance products.

In general, existing law exempts policyholders from current taxation on the increase in value of most insurance and annuity products during these products' accumulation phase. This favorable tax treatment provides some of the Company's products with a competitive advantage over products offered by non-insurance companies. To the extent that the law is revised to either reduce the tax-deferred status of life insurance and annuity products, or to establish the tax-deferred status of competing products, then all life insurance companies, including the Company's subsidiaries, would be adversely affected with respect to their ability to sell their products. Furthermore, such changes would generally cause increased surrenders of existing life insurance and annuity products. For example, a change in law that further restricts the deductibility of interest expense when a business owns a life insurance product would result in increased surrenders of these products.

The Company is subject to corporate income, excise, franchise, and premium taxes. Federal tax law in place for 2017 provided certain benefits to the Company, such as the dividends-received deduction, the deferral of current taxation on derivatives' and securities' economic income, and the deduction for future policy benefits and claims. The Tax Cuts and Jobs Act (the "Tax Reform Act") will cause the Company to report higher amounts of taxable income in the future. However, the legislation significantly reduced the corporate income tax rate. Overall, the Company expects to pay less income tax in the future.

The Company's mid-2005 transition from relying on reinsurance for newly-written traditional life products to reinsuring some of these products' reserves into its captive insurance companies resulted in a net reduction in its current taxes, offset by an increase in its deferred taxes. The resulting benefit of reduced current taxes is attributed to the applicable life products and is an important component of the profitability of these products. The recent tax reform legislation, with its overall lower tax rate, has decreased the economic tax benefit associated with these products. Ultimately, the profitability and competitive position of these products is dependent on the continuation of favorable provisions in the tax law and the Company's ability to generate taxable income.

Financial services companies are frequently the targets of legal proceedings, including class action litigation, which could result in substantial judgments.

A number of judgments have been returned against insurers, broker-dealers, and other providers of financial services involving, among other things, sales, underwriting practices, product design, product disclosure, product administration, denial or delay of benefits, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or other persons with whom the company does business, employment-related matters, payment of sales or other contingent commissions, and other matters. Often these legal proceedings have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages, which creates the potential for unpredictable material adverse judgments or awards in any given legal

proceeding. Arbitration awards are subject to very limited appellate review. In addition, in some legal proceedings, companies have made material settlement payments. In some instances, substantial judgments may be the result of a party's perceived ability to satisfy such judgments as opposed to the facts and circumstances regarding the claims.

Group health coverage issued through associations and credit insurance coverages have received some negative publicity in the media as well as increased regulatory consideration and review and litigation. The Company has a small closed block of group health insurance coverage that was issued to members of an association.

A number of lawsuits and investigations regarding the method of paying claims have been initiated against life insurers. The Company offers payment methods that may be similar to those that have been the subject of such lawsuits and investigations.

The Company, like other financial services companies in the ordinary course of business, is involved in legal proceedings and regulatory actions. The occurrence of such matters may become more frequent and/or severe when general economic conditions have deteriorated. The Company may be unable to predict the outcome of such matters and may be unable to provide a reasonable range of potential losses. Given the inherent difficulty in predicting the outcome of such matters, it is possible that an adverse outcome in certain such matters could be material to the Company's results for any particular reporting period.

The financial services and insurance industries are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny.

The financial services and insurance industries are 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 other actions resulting from such investigations. Resulting publicity about one company may generate inquiries into or litigation against other financial service providers, even those who do not engage in the business lines or practices at issue in the original action. It is impossible to predict the outcome of such investigations or actions, whether they will expand into other areas not yet contemplated, whether they will result in changes in regulation, whether activities currently thought to be lawful will be characterized as unlawful, or the impact, if any, of such scrutiny on the financial services and insurance industry or the Company. From time to time, the Company receives subpoenas, requests, or other inquiries and responds to them in the ordinary course of business.

New accounting rules, changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact the Company.

The Company is required to comply with accounting principles generally accepted in the United States ("GAAP"). A number of organizations are instrumental in the development and interpretation of GAAP such as the SEC, the Financial Accounting Standards Board ("FASB"), and the American Institute of Certified Public Accountants ("AICPA"). GAAP is subject to constant review by these organizations and others in an effort to address emerging accounting rules and issue interpretative accounting guidance on a continual basis. The Company can give no assurance that future changes to GAAP will not have a negative impact on the Company. GAAP includes the requirement to carry certain assets and liabilities at fair value. These fair values are sensitive to various factors including, but not limited to, interest rate movements, credit spreads, and various other factors. Because of this sensitivity, changes in these fair values may cause increased levels of volatility in the Company's financial statements.

The FASB is working on several projects that could result in significant changes to GAAP. Furthermore, the FASB continues to monitor the development of International Financial Reporting Standards ("IFRS") and to consider the activities of the International Accounting Standards Board ("IASB") and how these activities may impact U.S. GAAP standard setting and financial reporting. While the SEC has indicated that it does not intend to incorporate IFRS into the U.S. financial reporting system in the near term, any changes to conform or converge the IFRS and GAAP frameworks would impose special demands on issuers in the areas of governance, employee training, internal controls, contract fulfillment and disclosure. Such changes would affect how we manage our business, as it will likely affect business processes such as the design of products and compensation plans. The Company is unable to predict whether, and if so, when the FASB projects will be adopted and/or implemented, or the degree to which IFRS will be incorporated into the U.S. financial reporting system.

In addition, the Company's insurance subsidiaries are required to comply with statutory accounting principles ("SAP"). SAP and various components of SAP (such as actuarial reserving methodology) are subject to constant review by the NAIC and its task forces and committees as well as state insurance departments in an effort to address emerging issues and otherwise improve or alter financial reporting. Certain NAIC pronouncements related to accounting and reporting matters take effect automatically without affirmative action by the states, and various proposals either are currently or have previously been pending before committees and task forces of the NAIC, some of which, if enacted, would negatively affect the Company. The NAIC is also currently working to reform model regulation in various areas. The Company cannot predict whether or in what form reforms will be enacted by state legislatures and, if so, whether the enacted reforms will positively or negatively affect the Company. In addition, the NAIC Accounting Practices and Procedures manual provides that state insurance departments may permit insurance companies domiciled therein to depart from SAP by granting them permitted accounting practices. The Company cannot predict whether or when the insurance departments of the states of domicile of its competitors may permit them to utilize advantageous accounting practices that depart from SAP, the use of which is not permitted by the insurance departments of the states of domicile of the Company's insurance subsidiaries. With respect to regulations and guidelines, states sometimes defer to the interpretation of the insurance department of the state of domicile. Neither the action of the domiciliary state nor action of the NAIC is binding on a state. Accordingly, a state could choose to follow a different interpretation. The Company can give no assurance that future changes to SAP or components of SAP or the grant of permitted accounting practices to its competitors will not have a negative impact on the Company. For additional information regarding pending NAIC reforms, please see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

If our business does not perform well, we may be required to recognize an impairment of our goodwill and indefinite lived intangible assets which could adversely affect our results of operations or financial condition.

Goodwill is the excess of the purchase price in an acquisition over the estimated fair value of net assets acquired. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances such as adverse changes in the business climate indicate that the fair value of the operating unit may be less than the carrying value of that operating unit. We perform our annual goodwill impairment testing during the fourth quarter of each year based upon data as of the close of the third quarter. Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment, at the operating segment level.

The estimated fair value of the operating segment is impacted by the performance of the business, which may be adversely impacted by prolonged market declines or other circumstances. If it is determined that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. Such write downs could have an adverse effect on our results of operations or financial position. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Goodwill*, and notes 2 and 11 of the notes to the consolidated financial statements for additional information.

The Company's indefinite lived intangible assets represent the value of the Company's insurance licenses on the date of the Merger. These assets are not amortized but are tested for impairment at least annually or more frequently if events or circumstances indicate that the fair value of the indefinite lived intangibles is less than the carrying value. We perform our annual impairment testing of indefinite lived intangibles during the fourth quarter of each year. Impairment testing is performed using the fair value approach, which requires the use of estimates and judgment. If it is determined that the indefinite lived intangibles have been impaired, we must write them down by the amount of the impairment, with a corresponding charge to net income. Such write downs could have an adverse effect on our results of operations or financial position.

The use of reinsurance introduces variability in the Company's statements of income.

The timing of premium payments to and receipt of expense allowances from reinsurers differs from the Company's receipt of customer premium payments and incurrence of expenses. These timing differences introduce variability in certain components of the Company's statements of income and may also introduce variability in the Company's quarterly financial results.

The Company's reinsurers could fail to meet assumed obligations, increase rates, terminate agreements or be subject to adverse developments that could affect the Company.

The Company and its insurance subsidiaries cede material amounts of insurance and transfer related assets to other insurance companies through reinsurance. However, notwithstanding the transfer of related assets or other issues, the Company remains liable with respect to ceded insurance should any reinsurer fail to meet the assumed obligations. Therefore, the failure, insolvency, or inability or unwillingness to pay under the terms of the reinsurance agreement with the Company of one or more of the Company's reinsurers could negatively impact the Company's earnings and financial position.

The Company's results and its ability to compete are affected by the availability and cost of reinsurance. Premium rates charged by the Company are based, in part, on the assumption that reinsurance will be available at a certain cost. Certain reinsurers may attempt to increase the rates they charge the Company for reinsurance, including rates for new policies the Company is issuing and rates related to policies that the Company has already issued. The Company may not be able to increase the premium rates it charges for policies it has already issued, and for competitive reasons it may not be able to raise the premium rates it charges for new policies to offset the increase in rates charged by reinsurers. If the cost of reinsurance were to increase, if reinsurance were to become unavailable, if alternatives to reinsurance were not available to the Company, or if a reinsurer should fail to meet its obligations, the Company could be adversely affected.

The number of life reinsurers has remained relatively constant in recent years. If the reinsurance market contracts in the future, the Company's ability to continue to offer its products on terms favorable to it could be adversely impacted.

In addition, reinsurers face challenges regarding illiquid credit and/or capital markets, investment downgrades, rating agency downgrades, deterioration of general economic conditions, and other factors negatively impacting the financial services industry. If reinsurers, including those with significant exposure to international markets and European Union member states, are unable to meet their obligations, the Company would be adversely impacted.

The Company has implemented a reinsurance program through the use of captive reinsurers. Under these arrangements, a captive owned by the Company serves as the reinsurer, and the consolidated books and tax returns of the Company reflect a liability consisting of the full reserve amount attributable to the reinsured business. The success of the Company's captive reinsurance program is dependent on a number of factors outside the control of the Company, including, but not limited to, continued access to financial solutions, a favorable regulatory environment, and the overall tax position of the Company. If the captive reinsurance program is not successful, the Company's financial condition could be adversely impacted.

The Company's policy claims fluctuate from period to period resulting in earnings volatility.

The Company's results may fluctuate from period to period due to fluctuations in the amount of policy claims received. In addition, certain of the Company's lines of business may experience higher claims if the economy is growing slowly or in recession, or if equity markets decline. Also, insofar as the Company continues to retain a larger percentage of the risk of newly

written life insurance products than it has in the past, its financial results may have greater variability due to fluctuations in mortality results.

The Company operates in a mature, highly competitive industry, which could limit its ability to gain or maintain its position in the industry and negatively affect profitability.

The insurance industry is a mature and highly competitive industry. In recent years, the industry has experienced reduced growth in life insurance sales. The Company encounters significant competition in all lines of business from other insurance companies, many of which have greater financial resources and higher ratings than the Company and which may have a greater market share, offer a broader range of products, services or features, assume a greater level of risk, have lower operating or financing costs, or have different profitability expectations than the Company. The Company also faces competition from other providers of financial services. Competition could result in, among other things, lower sales or higher lapses of existing products. Consolidation and expansion among banks, insurance companies, distributors, and other financial service companies with which the Company does business could also have an adverse effect on the Company's financial condition and results of operations if such companies require more favorable terms than previously offered to the Company or if such companies elect not to continue to do business with the Company following consolidation or expansion.

The Company's ability to compete is dependent upon, among other things, its ability to attract and retain distribution channels to market its insurance and investment products, its ability to develop competitive and profitable products, its ability to maintain low unit costs, and its maintenance of adequate ratings from rating agencies. As technology evolves, comparison of a particular product of any company for a particular customer with competing products for that customer is more readily available, which could lead to increased competition as well as agent or customer behavior, including persistency that differs from past behavior.

The Company's ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business.

The Company's ability to maintain competitive unit costs is dependent upon a number of factors, such as the level of new sales, persistency of existing business, and expense management. A decrease in sales or persistency without a corresponding reduction in expenses may result in higher unit costs. Additionally, a decrease in persistency of existing business may result in higher or more rapid amortization of deferred policy acquisition costs and thus higher unit costs and lower reported earnings. Although many of the Company's products contain surrender charges, the charges decrease over time and may not be sufficient to cover the unamortized deferred policy acquisition costs with respect to the insurance policy or annuity contract being surrendered. Some of the Company's products do not contain surrender charge features and such products can be surrendered or exchanged without penalty. A decrease in persistency may also result in higher claims.

The Company may not be able to protect its intellectual property and may be subject to infringement claims.

The Company relies on a combination of contractual rights and copyright, trademark, patent, and trade secret laws to establish and protect its intellectual property. Although the Company uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate its intellectual property. The Company may have to litigate to enforce and protect its copyrights, trademarks, patents, trade secrets, and know-how or to determine their scope, validity, or enforceability, which represents a diversion of resources that may be significant in amount and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce the protection of the Company's intellectual property assets could have a material adverse effect on its business and ability to compete.

The Company also may be subject to costly litigation in the event that another party alleges its operations or activities infringe upon that party's intellectual property rights. Third parties may have, or may eventually be issued, patents that could be infringed by the Company's products, methods, processes, or services. Any party that holds such a patent could make a claim of infringement against the Company. The Company may also be subject to claims by third parties for infringement of copyright and trademarks, violation of trade secrets, or breach of license usage rights. Any such claims and any resulting litigation could result in significant liability for damages. If the Company were found to have infringed third party patent or other intellectual property rights, it could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to its customers or utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets, or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on the Company's business, results of operations, and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's home office is located at 2801 Highway 280 South, Birmingham, Alabama. The Company owns two buildings consisting of 310,000 square feet. The first building was constructed in 1974 and the second building was constructed in 1982. Additionally, the Company leases a third 310,000 square-foot building constructed in 2004. Parking is provided for approximately 2,594 vehicles.

The Company leases administrative and marketing office space in 16 cities (excluding the home office building), with most leases being for periods of three to ten years. The aggregate annualized rent is approximately \$7.8 million.

The Company believes its properties are adequate and suitable for the Company's business as currently conducted and are adequately maintained. The above properties do not include properties the Company owns for investment only.

Item 3. Legal Proceedings

To the knowledge and in the opinion of management, there are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Company, to which the Company or any of its subsidiaries is a party or of which any of our properties is the subject. For additional information regarding legal proceedings see Item 1A, *Risk Factors*, and Note 15, *Commitments and Contingencies*, of the notes to the consolidated financial statements, each included herein.

Item 4. Mine Safety Disclosure—Not Applicable

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of February 1, 2015 the Company became a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Limited (now known as Dai-ichi Life Holdings, Inc., "Dai-ichi Life"), and as a result there is no market for our Common Stock, of which all shares are owned by Dai-ichi Life. Prior to February 1, 2015 the Company's Common Stock was listed on the New York Stock Exchange, but was delisted in connection with our becoming a wholly owned subsidiary of Dai-ichi Life.

The Company paid \$143.8 million and \$89.3 million of dividends during the year ended December 31, 2017 and 2016, respectively, to its parent, Dai-ichi Life. In the future, the Company expects to pay cash dividends to its parent, Dai-ichi Life, subject to its earnings and financial condition, regulatory requirements, capital needs, and other relevant factors. The Company's ability to pay cash dividends is dependent in part on cash dividends received by the Company from its life insurance subsidiaries. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Liquidity and Capital Resources" included herein. Such subsidiary dividends are restricted by the various insurance laws of the states in which the subsidiaries are domesticated. See Item 1, *Business*, "Regulation". The historical trading ranges of the Company's equity shares and related dividends are set forth below for the noted periods.

Item 6. Selected Financial Data

	Successor Company			Predecessor Company								
	For The Year Ended December 31,		February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015	For The Year Ended December 31,							
	2017	2016			2014	2013						
	(Dollars In Thousands)				(Dollars In Thousands, Except Per Share Amounts)							
INCOME STATEMENT DATA												
Premiums and policy fees	\$	3,477,419	\$	3,407,931	\$	3,008,050	\$	261,866	\$	3,297,768	\$	2,981,651
Reinsurance ceded		(1,360,735)		(1,314,716)		(1,154,978)		(89,956)		(1,373,597)		(1,377,195)
Net of reinsurance ceded		2,116,684		2,093,215		1,853,072		171,910		1,924,171		1,604,456
Net investment income		2,051,588		1,942,456		1,632,948		175,180		2,197,724		1,918,081
Realized investment gains (losses):												
Derivative financial instruments		(305,828)		(40,288)		29,997		(123,274)		(346,878)		188,131
All other investments		121,428		90,659		(166,886)		81,153		205,402		(123,537)
Other-than-temporary impairment losses		(3,962)		(32,075)		(28,659)		(636)		(2,589)		(10,941)
Portion recognized in other comprehensive income (before taxes)		(7,780)		14,327		1,666		155		(4,686)		(11,506)
Net impairment losses recognized in earnings		(11,742)		(17,748)		(26,993)		(481)		(7,275)		(22,447)
Other income		446,662		415,653		388,531		36,421		430,428		394,315
Total revenues		4,418,792		4,483,947		3,710,669		340,909		4,403,572		3,958,999
Total benefits and expenses		3,983,735		3,889,950		3,310,827		339,727		3,820,283		3,368,626
Income before income tax		435,057		593,997		399,842		1,182		583,289		590,373
Income tax expense (benefit)		(671,475)		200,968		131,543		(327)		198,414		196,909
Net income	\$	1,106,532	\$	393,029	\$	268,299	\$	1,509	\$	384,875	\$	393,464
PER SHARE DATA												
Net income from continuing operations—basic							\$	0.02	\$	4.81	\$	4.96
Net income available to PLC's common shareowners—basic							\$	0.02	\$	4.81	\$	4.96
Average shares outstanding—basic								80,452,848		80,065,217		79,395,622
Net income from continuing operations—diluted							\$	0.02	\$	4.73	\$	4.86
Net income available to PLC's common shareowners—diluted							\$	0.02	\$	4.73	\$	4.86
Average shares outstanding—diluted								81,759,287		81,375,496		80,925,713
Cash dividends paid							\$	—	\$	0.92	\$	0.78
Total Protective Life Corporation's Shareowners' Equity							\$	68.49	\$	62.58	\$	47.28

	Successor Company			Predecessor Company	
	As of December 31,			As of December 31,	
	2017	2016	2015	2014	2013
	(Dollars In Thousands)			(Dollars In Thousands)	
BALANCE SHEET DATA					
Total assets	\$ 79,634,767	\$ 75,003,379	\$ 68,488,697	\$ 70,480,306	\$ 68,757,363
Total stable value products and annuity account balances	15,619,561	14,143,751	12,851,684	12,910,217	13,684,805
Non-recourse funding obligations	2,747,477	2,796,474	685,684	582,404	562,448
Debt	945,052	1,163,285	1,588,806	1,300,000	1,585,000
Subordinated debt securities	495,289	441,202	448,763	540,593	540,593
Total shareowner's equity	7,127,199	5,471,521	4,581,224	4,964,884	3,714,794

Item 7. 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 audited financial statements and related notes included herein.

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," "shall," "may," and 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 Item 1A, *Risk Factors*, included herein.

IMPORTANT INVESTOR INFORMATION

We file reports with the United States Securities and Exchange Commission (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.

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 kaisha* organized under the laws of Japan (now known as Dai-ichi Life Holdings, Inc., "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, our stock was publicly traded on the New York Stock Exchange. Subsequent to the Merger, we remain 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 and make adjustments to our segment reporting as needed.

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, independent distribution organizations, and affinity groups.
- **Acquisitions**—We focus on acquiring, converting, and/or servicing policies and contracts 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 also have an unregistered funding agreement-backed notes program which provides for offers of notes to both domestic and international institutional investors.
- **Asset Protection**—We market extended service contracts, guaranteed asset protection (“GAP”) products, credit life and disability insurance, and other specialized ancillary products to protect consumers’ investments in automobiles, recreational vehicles, watercraft, and powersports. GAP products are designed to cover the difference between the scheduled loan pay-off amount and an asset’s actual cash value in the case of a total loss. Each type of specialized ancillary product protects against damage or other loss to a particular aspect of the underlying asset.
- **Corporate and Other**—This segment primarily consists of net investment income on assets supporting our equity capital, unallocated corporate overhead, and expenses not attributable to the segments above (including interest on corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, financing and investment related transactions, and the operations of several small subsidiaries.

RECENT DEVELOPMENTS

On January 18, 2018, PLICO and for the limited purposes set forth therein, the Company, entered into a Master Transaction Agreement (the “Master Transaction Agreement”) with Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, for the limited purposes set forth therein, Liberty Mutual Group Inc. (“Liberty Mutual”), The Lincoln National Life Insurance Company (“Lincoln Life”), and for the limited purposes set forth therein, Lincoln National Corporation, pursuant to which Lincoln Life will acquire Liberty Mutual's Group Benefits Business and Individual Life and Annuity Business (the “Life Business”) through the acquisition of all of the issued and outstanding capital stock of Liberty Life Assurance Company of Boston (“Liberty”) (the “Transaction”). Pursuant to the Master Transaction Agreement, the Company, PLICO and Protective Life and Annuity Insurance Company (“PLAIC”), a wholly owned subsidiary of PLICO, agreed to enter into reinsurance agreements and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the reinsurance agreements, Liberty will cede to PLICO and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance policies relating to the Life Business. The aggregate statutory reserves of Liberty to be ceded to PLICO and PLAIC as of the closing of the Transaction are expected to be approximately \$13.0 billion. To support its obligations under the reinsurance agreements, PLICO and PLAIC will each establish a trust account for the benefit of Lincoln Life. Entry into the reinsurance agreements represents an estimated capital investment by PLICO of approximately \$1.17 billion. The transaction is expected to be completed in the second quarter of 2018, pending regulatory approvals and other customary closing conditions.

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:

General

- we are controlled by Dai-ichi Life, which has the ability to make important decisions affecting our business;
- exposure to risks related to natural and man-made disasters and catastrophes, diseases, epidemics, pandemics, malicious acts, cyber-attacks, terrorist acts and climate change, which 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 parties 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;
- events that damage our reputation could adversely impact our business, results of operations, or financial condition;

Financial Environment

- interest rate fluctuations or sustained periods of low or high 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 rating 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 have a material adverse effect on 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 securities lending program may subject us to liquidity and other risks;
- 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 or risk-based capital that we have and the amount of statutory capital or risk-based 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;

Industry and Regulation

- the business of our company is highly regulated and is subject to routine audits, examinations, and actions by regulators, law enforcement agencies, and self-regulatory organizations;
- we may be subject to regulations of, or regulations influenced by, international regulatory authorities or initiatives;
- NAIC actions, pronouncements and initiatives may affect our product profitability, reserve and capital requirements, financial condition or results of operations;
- our use of captive reinsurance companies to finance statutory reserves related to our term and universal life products and to reduce volatility affecting our variable annuity products, may be limited or adversely affected by regulatory action, pronouncements and interpretations;
- laws, regulations and initiatives related to unreported deaths and unclaimed property and death benefits may result in operational burdens, fines, unexpected payments or escheatments;

- we are subject to insurance guaranty fund laws, rules and regulations that could adversely affect our financial condition or results of operations;
- we are subject to insurable interest laws, rules and regulations that could adversely affect our financial condition or results of operations;
- the Healthcare Act and related regulations could adversely affect our results of operations or financial condition;
- laws, rules and regulations promulgated in connection with the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act may adversely affect our results of operations or financial condition;
- regulations issued by the Department of Labor expanding the definition of "investment advice fiduciary" under ERISA and creating and revising several prohibited transactions exemptions for investment activities in light of that expanded definition may have a material adverse impact on our ability to sell annuities and other products, to retain in-force business and on our financial condition or results of operations;
- we may be subject to regulation, investigations, enforcement actions, fines and penalties imposed by the SEC, FINRA and other federal and international regulators in connection with our business operations;
- changes to tax law, such as the effect of the Tax Reform Act enacted on December 22, 2017, 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;
- if our business does not perform well, we may be required to recognize an impairment of our goodwill and indefinite lived intangible assets which could adversely affect our results of operations or financial condition;
- 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;
- 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
- 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 Item 1A, *Risk Factors*, of this report.

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 investments, securities, and certain intangible assets. 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 financial statements. A discussion of our various critical accounting policies is presented below.

Fair value of financial instruments—the Financial Accounting Standards Board ("FASB") guidance defines fair value for accounting principles generally accepted in the United States of America ("GAAP") and establishes a framework for measuring fair value as well as a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The term "fair value" in this document is defined in accordance with GAAP. The standard describes three levels of inputs that may be used to measure fair value. For more information, see Note 2, *Summary of Significant Accounting Policies* and Note 6, *Fair Value of Financial Instruments*, to the consolidated financial statements included in this report.

Available-for-sale securities and trading account securities are recorded at fair value, which is primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value for these securities. Market price quotes may not be readily available for some positions or for some positions within a market sector where trading activity has slowed significantly or ceased. These situations are generally triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial position, changes in credit ratings, and cash flows on the investments. As of December 31, 2017 (Successor Company), \$1.2 billion of available-for-sale and trading account assets, excluding other long-term investments, were classified as Level 3 fair value assets.

For securities that are priced via non-binding independent broker quotations, we assess 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. We use 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 we determine that there is a more appropriate fair value based upon the analytics, the price received from the independent broker is

adjusted accordingly. As of December 31, 2017 (Successor Company), we did not adjust any prices received from independent brokers.

Derivatives—We utilize 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. Assessing the effectiveness of the hedging programs and evaluating the carrying values of the related derivatives often involve a variety of assumptions and estimates. Derivative financial instruments are valued using exchange prices, independent broker quotations, or pricing valuation models, which utilize market data inputs. The fair values of most of our derivatives are determined using exchange prices or independent broker quotes, but certain derivatives, including embedded derivatives, are valued based upon industry standard models which calculate the present-value of the projected cash flows of the derivatives using current and implied future market conditions. These models include market-observable estimates of volatility and interest rates in the determination of fair value. The use of different assumptions may have a material effect on the estimated fair value amounts, as well as the amount of reported net income. In addition, measurements of ineffectiveness of hedging relationships are subject to interpretations and estimations, and any differences may result in material changes to our results of operations. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality, and other deal specific factors, where appropriate. The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors. The predominance of market inputs are actively quoted and can be validated through external sources. Estimation risk is greater for derivative financial instruments that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case quantitative based extrapolations of rate, price, or index scenarios are used in determining fair values. As of December 31, 2017 (Successor Company), the fair value of derivatives reported on our balance sheet in "other long-term investments" and "other liabilities" was \$605.1 million and \$1.0 billion, respectively. Of those derivative assets and liabilities, \$136.0 million and \$760.9 million, respectively, were Level 3 fair values determined by quantitative models.

Evaluation of Other-Than-Temporary Impairments—One of the significant estimates related to available-for-sale and held-to-maturity securities is the evaluation of investments for other-than-temporary impairments. If a decline in the fair value of an available-for-sale or held-to-maturity security is judged to be other-than-temporary, the security's basis is adjusted, and an other-than-temporary impairment is recognized through a charge in the statement of income. The portion of this other-than-temporary impairment related to credit losses on a security is recognized in earnings, while the non-credit portion, representing the difference between fair value and the discounted expected future cash flows of the security, is recognized within other comprehensive income (loss). The fair value of the other-than-temporarily impaired investment becomes its new cost basis on the date an other-than-temporary impairment is recognized. For fixed maturities, we accrete the new cost basis to par or to the estimated future value over the expected remaining life of the security by adjusting the security's future yields, assuming that future expected cash flows on the securities can be properly estimated.

Determining whether a decline in the current fair value of invested assets is other-than-temporary is both objective and subjective, and can involve a variety of assumptions and estimates, particularly for investments that are not actively traded in established markets. For example, assessing the value of certain investments requires that we perform an analysis of expected future cash flows, including rates of prepayments. Other investments, such as collateralized mortgage or bond obligations, represent selected tranches of a structured transaction, supported in the aggregate by underlying investments in a wide variety of issuers. Management considers a number of factors when determining the impairment status of individual securities. These include the economic condition of various industry segments and geographic locations and other areas of identified risks. Although it is possible for the impairment of one investment to affect other investments, we engage in ongoing risk management to safeguard against and limit any further risk to our investment portfolio. Special attention is given to correlative risks within specific industries, related parties, and business markets.

For certain securitized financial assets with contractual cash flows, including other asset-backed securities, the ASC Investments-Other Topic requires us to periodically update our best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, an other-than-temporary impairment charge is recognized. Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral. In addition, we consider our intent and ability to retain a temporarily depressed security until recovery.

Each quarter we review investments with unrealized losses and test for other-than-temporary impairments. We analyze various factors to determine if any specific other-than-temporary asset impairments exist. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of our intent to sell the security (including a more likely than not assessment of whether we will be required to sell the security) before recovering the security's amortized cost, 5) the duration of the decline, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, and in some cases, an analysis regarding our expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows is performed. Once a determination has been made that a specific other-than-temporary impairment exists, the security's basis is adjusted, and an other-than-temporary impairment is recognized. Equity securities that are other-than-temporarily impaired are written down to fair value with a realized loss recognized in earnings. Other-than-temporary impairments to debt securities that we do not intend to sell and do not expect to be required to sell before recovering the security's amortized cost are written down to discounted expected future cash flows ("post impairment cost"), and credit losses are recorded in earnings. The difference between the securities' discounted expected future cash flows and the fair value of the securities on the impairment date is recognized in other

comprehensive income (loss) as a non-credit portion impairment. When calculating the post impairment cost for residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"), we consider all known market data related to cash flows to estimate future cash flows. When calculating the post impairment cost for corporate debt securities, we consider all contractual cash flows to estimate expected future cash flows. To calculate the post impairment cost, the expected future cash flows are discounted at the original purchase yield. Debt securities that we intend to sell or expect to be required to sell before recovery are written down to fair value with the change recognized in earnings.

Our specific accounting policies related to our invested assets are discussed in Note 2, *Summary of Significant Accounting Policies*, and Note 5, *Investment Operations*, to the consolidated financial statements. As of December 31, 2017 (Successor Company), we held \$38.5 billion of available-for-sale investments, including \$21.7 billion in investments with a gross unrealized loss of \$682.2 million, and \$2.7 billion of held-to-maturity investments with a gross unrecognized holding loss of \$19.2 million.

Reinsurance—For each of our reinsurance contracts, we must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We must review all contractual features, particularly those that may limit the amount of insurance risk to which we are subject or features that delay the timely reimbursement of claims. If we determine that the possibility of a significant loss from insurance risk will occur only under remote circumstances, we record the contract under a deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on our consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to premiums, in our consolidated statements of income.

Our reinsurance is ceded to a diverse group of reinsurers. The collectability of reinsurance is largely a function of the solvency of the individual reinsurers. We perform periodic credit reviews on our reinsurers, focusing on, among other things, financial capacity, stability, trends, and commitment to the reinsurance business. We also require assets in trust, letters of credit, or other acceptable collateral to support balances due from reinsurers not authorized to transact business in the applicable jurisdictions. Despite these measures, a reinsurer's insolvency, inability, or unwillingness to make payments under the terms of a reinsurance contract could have a material adverse effect on our results of operations and financial condition. As of December 31, 2017 (Successor Company), our third party reinsurance receivables amounted to \$5.1 billion. These amounts include ceded reserve balances and ceded benefit payments.

We account for reinsurance as required by FASB guidance under the ASC Financial Services Topic as applicable. In accordance with this guidance, costs for reinsurance are amortized as a level percentage of premiums for traditional life products and a level percentage of estimated gross profits for universal life products. Accordingly, ceded reserve and deferred acquisition cost balances are established using methodologies consistent with those used in establishing direct policyholder reserves and deferred acquisition costs. Establishing these balances requires the use of various assumptions including investment returns, mortality, persistency, and expenses. The assumptions made for establishing ceded reserves and ceded deferred acquisition costs are consistent with those used for establishing direct policyholder reserves and deferred acquisition costs.

Assumptions are also made regarding future reinsurance premium rates and allowance rates. Assumptions made for mortality, persistency, and expenses are consistent with those used for establishing direct policyholder reserves and deferred acquisition costs. Assumptions made for future reinsurance premium and allowance rates are consistent with rates provided for in our various reinsurance agreements. For certain of our reinsurance agreements, premium and allowance rates may be changed by reinsurers on a prospective basis, assuming certain contractual conditions are met (primarily that rates are changed for all companies with which the reinsurer has similar agreements). To the extent that future rates are modified, these assumptions would be revised and both current and future results would be affected. For traditional life products, assumptions are not changed unless projected future revenues are expected to be less than future expenses. For universal life products, assumptions are periodically updated whenever actual experience and/or expectations for the future differ from that assumed. When assumptions are updated, changes are reflected in the income statement as part of an "unlocking" process. During the year ended December 31, 2017 (Successor Company), we adjusted our estimates of future reinsurance costs in both the Acquisitions and Life Marketing segments, resulting in an approximate \$28.9 million unfavorable impact.

Deferred Acquisition Costs and 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. VOBA amortization included accrued interest credited to account balances of up to approximately 7.8%. VOBA is subject to annual recoverability testing.

We incur significant costs in connection with acquiring new insurance business. Portions of these costs, which are determined to be incremental direct costs associated with successfully acquired policies and coinsurance of blocks of policies, are deferred and amortized over future periods. The recovery of such costs is dependent on the future profitability of the related policies. The amount of future profit is dependent principally on investment returns, mortality, morbidity, persistency, and expenses to administer the business and certain economic variables, such as inflation. These costs are amortized over the expected lives of the contracts, based on the level and timing of either gross profits or gross premiums, depending on the type of contract. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future profits are less than the unamortized deferred amounts. As of December 31, 2017 (Successor Company), we had a deferred acquisition costs ("DAC") and VOBA asset of \$2.2 billion.

We periodically review and update as appropriate our key assumptions on certain life and annuity products including future mortality, expenses, lapses, premium persistency, investment yields, and interest spreads. Changes to these assumptions result in adjustments which increase or decrease DAC and VOBA amortization and/or benefits and expenses.

Goodwill—Accounting for goodwill requires an estimate of the future profitability of the associated lines of business within our operating segments to assess the recoverability of the capitalized acquisition goodwill. We evaluate 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, we first determine 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 testing date. If the qualitative analysis does not indicate that an impairment of segment goodwill is more likely than not then no other specific quantitative impairment testing is required.

If it is determined that it is more likely than not that impairment exists, we perform a quantitative assessment and compare our estimate of the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. We utilize 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. Our material goodwill balances are attributable to certain of our operating segments (which are each considered to be reporting units). The cash flows used to determine the fair value of our reporting units are dependent on a number of significant assumptions. Our 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.

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 our reporting units below its carrying amount. During the fourth quarter of 2017, we performed our annual qualitative evaluation of goodwill based on the circumstances that existed as of October 1, 2017 (Successor Company) and determined that there was no indication that its segment goodwill was more likely than not impaired, thus no quantitative assessment was performed and no adjustment to impair goodwill was necessary. We have assessed whether events have occurred subsequent to October 1, 2017 that would impact our conclusion and no such events were identified. As of December 31, 2017 (Successor Company), we had goodwill of \$793.5 million.

Insurance Liabilities and Reserves—Establishing an adequate liability for our obligations to policyholders requires the use of assumptions. 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 our historical experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Determining liabilities for our property and casualty insurance products also requires the use of assumptions, including the frequency and severity of claims, and the effectiveness of internal processes designed to reduce the level of claims. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions that we used in determining our reserves and pricing our products. Our reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments. In addition, we fair value the liability related to our equity indexed annuity product at each balance sheet date, with changes in the fair value recorded through earnings. Changes in this liability may be significantly affected by interest rate fluctuations. As of December 31, 2017 (Successor Company), we had total policy liabilities and accruals of \$31.8 billion.

Guaranteed Minimum Death Benefits—We establish liabilities for guaranteed minimum death benefits ("GMDB") on our VA products. The methods used to estimate the liabilities employ assumptions about mortality and the performance of equity markets. We assume age-based mortality from the Ruark 2015 ALB adjusted table for company experience. Future declines in the equity market would increase our 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 December 31, 2017 (Successor Company), is subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. As of December 31, 2017 (Successor Company), the GMDB reserve was \$34.0 million.

Guaranteed Living Withdrawal Benefits—We establish reserves for guaranteed living withdrawal benefits ("GLWB") on our VA products. The GLWB 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 GLWB is impacted by equity market conditions and can result in the GLWB 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 GLWB 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 GLWB 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. We assume age-based mortality from the Ruark 2015 ALB adjusted table for company experience. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. As of December 31, 2017 (Successor Company), our net GLWB liability held was \$111.8 million.

Pension and Other Postretirement Benefits—Determining our obligations to employees under our pension plans and other postretirement benefit plans requires the use of assumptions. The calculation of the liability and expense related to our benefit plans incorporates the following significant assumptions:

- appropriate weighted average discount rate;
- estimated rate of increase in the compensation of employees; and
- expected long-term rate of return on the plan's assets.

See Note 16, *Employee Benefit Plans*, to the consolidated financial statements included in this report for further information on this plan.

Deferred Taxes and Uncertain Tax Positions—Deferred federal income taxes arise from the recognition of temporary differences between the basis of assets and liabilities determined for financial reporting purposes and the basis determined for income tax purposes. Such temporary differences are principally related to net unrealized gains (losses), deferred policy acquisition costs and value of business acquired, and future policy benefits and claims. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be in effect when such differences reverse. On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). The legislation significantly changes U.S. tax law by, among other things, lowering the corporate income tax rate. The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. Also on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. We have recognized the provisional tax impacts related to the revaluation of deferred tax assets and included these amounts in our consolidated financial statements for the year ended December 31, 2017 and disclosed such items which may be recorded on a provisional basis. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional regulatory guidance that may be issued, additional analysis, and resulting changes in interpretations and assumptions we have made. Any adjustments to these provisional amounts will be reported as a component of income tax expense (benefit) in the reporting period in which any such adjustments are determined. The accounting is expected to be complete by December 31, 2018.

We evaluate deferred tax assets for impairment quarterly at the taxpaying component level within each tax jurisdiction. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of such assets will not be realized as future reductions of current taxes. In determining the need for a valuation allowance we consider the reversal of existing temporary differences, future taxable income, and tax planning strategies. The determination of any valuation allowance requires management to make certain judgments and assumptions regarding future operations that are based on our historical experience and our expectations of future performance.

The ASC Income Taxes Topic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an expected or actual uncertain income tax return position and provides guidance on disclosure. Additionally, in order for us to recognize any degree of benefit in our financial statements from such a position, there must be a greater than 50 percent chance of success with the relevant taxing authority with regard to that position. In making this analysis, we assume that the taxing authority is fully informed of all of the facts regarding any issue. Our judgments and assumptions regarding uncertain tax positions are subject to change over time due to the enactment of new legislation, the issuance of revised or new regulations or rulings by the various tax authorities, and the issuance of new decisions by the courts.

Contingent Liabilities—The assessment of potential obligations for tax, regulatory, and litigation matters inherently involves a variety of estimates of potential future outcomes. We make such estimates after consultation with our advisors and a review of available facts. However, there can be no assurance that future outcomes will not differ from management's assessments.

RESULTS OF OPERATIONS

Our management and Board of Directors analyzes and assesses the operating performance of each segment using "pre-tax adjusted operating income (loss)" and "after-tax adjusted operating income (loss)". Consistent with GAAP accounting guidance for segment reporting, pre-tax adjusted operating income (loss) is our measure of segment performance. Pre-tax adjusted operating income (loss) is calculated by adjusting "income (loss) before income tax," by excluding the following items:

- realized gains and losses on investments and derivatives,
- changes in the GLWB embedded derivatives exclusive of the portion attributable to the economic cost of the GLWB,
- actual GLWB incurred claims, and
- the amortization of DAC, VOBA, and certain policy liabilities that is impacted by the exclusion of these items.

After-tax adjusted operating income (loss) is derived from pre-tax adjusted operating income (loss) with the inclusion of income tax expense or benefits associated with pre-tax adjusted operating income. Income tax expense or benefits is allocated to the items excluded from pre-tax adjusted operating income (loss) at the statutory federal income tax rate for the associated period. For periods ending on and prior to December 31, 2017 a rate of 35% was used. Beginning in 2018, a statutory federal income tax rate of 21% will be used to allocate income tax expense or benefits to items excluded from pre-tax adjusted operating income (loss). Income tax expense or benefits allocated to after-tax adjusted operating income (loss) can vary period to period based on changes in our effective income tax rate.

The items excluded from adjusted operating income (loss) are important to understanding the overall results of operations. Pre-tax adjusted operating income (loss) and after-tax adjusted operating income (loss) are not substitutes for income before income taxes or net income (loss), respectively. These measures may not be comparable to similarly titled measures reported by other companies. Our belief is that pre-tax and after-tax adjusted operating income (loss) enhances management's and the Board of Directors' understanding of the ongoing operations, the underlying profitability of each segment, and helps facilitate the allocation of resources.

In determining the components of the pre-tax adjusted operating income (loss) for each segment, premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC and 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 policy liabilities net of associated policy assets, while DAC/VOBA and goodwill are shown in the segments to which they are attributable.

During 2016, we modified our labeling of our non-GAAP measures presented herein as "Adjusted operating income (loss)" or "Pre-tax adjusted operating income (loss)". In previous filings, we referred to "Pre-tax adjusted operating income (loss)" as "Pre-tax operating income", "Operating income before tax", or "Segment operating income". In addition, we previously referred to "After-tax adjusted operating income (loss)" as "After-tax operating income" or "Operating earnings". The definition of these labels remains unchanged, but we have modified the labels to provide further clarity that these measures are non-GAAP measures.

We periodically review and update as appropriate our key assumptions used to measure certain balances related to insurance products, including future mortality, expenses, lapses, premium persistency, benefit utilization, investment yields, interest rates, and separate account fund returns. Changes to these assumptions result in adjustments which increase or decrease DAC and VOBA amortization and/or benefits and expenses. The periodic review and updating of assumptions is referred to as "unlocking." When referring to unlocking the reference is to changes in all balance sheet components associated with these assumption changes.

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

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Adjusted Operating Income (Loss)				
Life Marketing	\$ 50,778	\$ 39,745	\$ 57,414	\$ (1,618)
Acquisitions	249,749	260,511	194,654	20,134
Annuities	213,080	213,293	180,231	13,164
Stable Value Products	105,261	61,294	56,581	4,529
Asset Protection	24,356	16,487	20,627	2,420
Corporate and Other	(136,332)	(87,961)	(25,067)	(10,144)
Pre-tax adjusted operating income	506,892	503,369	484,440	28,485
Realized (losses) gains on investments and derivatives	(71,835)	90,628	(84,598)	(27,303)
Income before income tax	435,057	593,997	399,842	1,182
Income tax (benefit) expense	(671,475)	200,968	131,543	(327)
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Pre-tax adjusted operating income	\$ 506,892	\$ 503,369	\$ 484,440	\$ 28,485
Adjusted operating income tax benefit (expense)	646,333	(169,248)	(161,152)	(9,229)
After-tax adjusted operating income	1,153,225	334,121	323,288	19,256
Realized (losses) gains on investments and derivatives	(71,835)	90,628	(84,598)	(27,303)
Income tax (expense) benefit on adjustments	25,142	(31,720)	29,609	9,556
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Realized investment (losses) gains:				
Derivative financial instruments	\$ (305,828)	\$ (40,288)	\$ 29,997	\$ (123,274)
All other investments	121,428	90,659	(166,886)	81,153
Net impairment losses recognized in earnings	(11,742)	(17,748)	(26,993)	(481)
Less: related amortization ⁽¹⁾	(39,480)	24,360	(8,726)	(9,143)
Less: VA GLWB economic cost	(84,827)	(82,365)	(70,558)	(6,156)
Realized (losses) gains on investments and derivatives	\$ (71,835)	\$ 90,628	\$ (84,598)	\$ (27,303)

(1) Includes amortization of DAC/VOBA and benefits and settlement expenses that are impacted by realized gains (losses).

For The Year Ended December 31, 2017 (Successor Company), as compared to The Year Ended December 31, 2016 (Successor Company)

Net income for the year ended December 31, 2017 was \$1,106.5 million which was an increase of \$713.5 million. The increase in net income was primarily driven by a favorable change in income taxes of \$872.4 million which was driven by the change in the corporate tax rate. Pre-tax adjusted operating income was \$506.9 million which was an increase of \$3.5 million. The increase in pre-tax adjusted operating income consisted of an \$11.0 million increase in the Life Marketing segment, a \$44.0 million increase in the Stable Value Products segment, and an increase of \$7.9 million in the Asset Protection segment. These increases were partially offset by a \$10.8 million decrease in the Acquisitions segment and a \$48.4 million decrease in the Corporate and Other segment.

Income tax (benefit) expense decreased \$872.4 million for the year ended December 31, 2017, compared to 2016, due to the impact of the Tax Reform Act enacted on December 22, 2017. We recognized a provisional \$797.6 million tax benefit as a result of revaluing the ending net deferred tax liabilities from 35% to the newly enacted corporate income tax rate of 21%, partially offset by tax expense related to the write-off of certain deferred tax assets to reflect changes in tax law which will prohibit the deduction of those items in future periods. The effective tax rate was (154.3%) and 33.8% for the years ended December 31, 2017 and 2016, respectively. The decrease in the effective tax rate was due to the impact of the Tax Reform Act. Further information

on the components of the effective tax rates for the year ended December 31, 2017 and 2016, is presented in Note 18, *Income Taxes*.

Net realized losses on investments and derivatives for the year ended December 31, 2017 was \$71.8 million. These losses were primarily due to net losses on VA GLWB derivatives (after adjusting for economic cost and amortization) of \$67.6 million and net losses on FIA derivatives of \$6.6 million. The net losses on VA GLWB derivatives included a \$35.9 million loss related to variations in actual sub-account fund performance from the indices included in our hedging program, a \$25.7 million loss related to a decrease in our non-performance risk during the period, and a \$12.0 million loss from changes to policyholder assumptions. The net losses on FIA derivatives were primarily driven by losses of \$5.9 million from changes to policyholder assumptions.

- Life Marketing segment pre-tax adjusted operating income was \$50.8 million for the year ended December 31, 2017, representing an increase of \$11.0 million from the year ended December 31, 2016. The increase was primarily due to the impact of unlocking for the year ended December 31, 2017, as compared to the prior year. The segment recorded an unfavorable \$4.0 million of unlocking for the year ended December 31, 2017, as compared to an unfavorable \$13.3 million of unlocking for the year ended December 31, 2016.
- Acquisitions segment pre-tax adjusted operating income was \$249.7 million for the year ended December 31, 2017, a decrease of \$10.8 million as compared to the year ended December 31, 2016, primarily due to the expected runoff of the in-force blocks of business.
- Annuities segment pre-tax adjusted operating income was \$213.1 million for the year ended December 31, 2017, as compared to \$213.3 million for the year ended December 31, 2016, a decrease of \$0.2 million, or 0.1%. This variance was primarily the result of an unfavorable change in SPIA mortality and higher non-deferred expenses, partially offset by increased interest spreads, growth in VA fee income, and favorable unlocking. Segment results were positively impacted by \$16.5 million of favorable unlocking for the year ended December 31, 2017, as compared to \$8.1 million of favorable unlocking for the year ended December 31, 2016.
- Stable Value Products pre-tax adjusted operating income was \$105.3 million and increased \$44.0 million, or 71.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase in adjusted operating earnings primarily resulted from an increase in participating mortgage income and higher average account values. Participating mortgage income for the year ended December 31, 2017, was \$33.5 million as compared to \$11.0 million for the year ended December 31, 2016. The adjusted operating spread, which excludes participating income, decreased by eight basis points for the year ended December 31, 2017, from the prior year, due primarily to an increase in credited interest.
- Asset Protection segment pre-tax adjusted operating income was \$24.4 million, representing an increase of \$7.9 million, or 47.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract earnings increased \$13.7 million primarily due to favorable loss ratios and \$4.8 million of one-time transaction costs associated with the US Warranty acquisition in 2016. Credit insurance earnings decreased \$0.3 million primarily due to lower volume. Earnings from the GAP product line decreased \$5.5 million primarily resulting from higher loss ratios, somewhat offset by additional income provided by US Warranty.
- The Corporate and Other segment's pre-tax adjusted operating loss was \$136.3 million for the year ended December 31, 2017, as compared to an adjusted pre-tax operating loss of \$88.0 million for the year ended December 31, 2016. The decrease is primarily attributable to a \$49.5 million increase in corporate overhead expenses. The increase in overhead expenses was primarily due to certain accrued expenses that increased as a result of the favorable after-tax adjusted operating income results which increased due to the change in the corporate tax rate during the period.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Net income was \$268.3 million and pre-tax adjusted operating income was \$484.4 million for the period of February 1, 2015 to December 31, 2015.

We experienced net realized losses of \$163.9 million for the period of February 1, 2015 to December 31, 2015. The losses realized were primarily related to \$27.0 million of other-than-temporary impairment credit-related losses, net losses of \$135.3 million of derivatives related to variable annuity contracts, \$1.3 million of losses related to the net activity of the modified coinsurance portfolio, and net losses of \$1.0 million related to IUL contracts. 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 GLWB embedded derivatives. Partially offsetting these losses were \$0.3 million of gains related to investment securities sale activity, net gains of \$0.1 million of derivatives related to FIA contracts, and net gains of \$0.3 million loss related to other investment and derivative activity.

- Life Marketing segment pre-tax adjusted operating income was \$57.4 million which consisted of universal life operating income of \$54.5 million, traditional life adjusted operating income of \$15.9 million, and an adjusted operating loss of \$13.0 million in other lines which included \$17.4 million of amortization related intangible assets. Traditional life operating income included favorable mortality of \$6.4 million.
- Acquisitions segment pre-tax adjusted operating income was \$194.7 million. This included expected runoff of the in-force blocks of business.
- Annuities segment pre-tax adjusted operating income was \$180.2 million which included \$83.8 million of fixed annuity adjusted operating earnings, \$111.7 million of variable annuity adjusted operating earnings, and a \$15.3 million loss in other annuity earnings which included \$12.2 million of amortization related to intangible assets. The

fixed annuity results were negatively impacted by \$0.8 million of unfavorable SPIA mortality. The segment recorded \$2.4 million of favorable unlocking.

- Stable Value Products pre-tax adjusted operating income of \$56.6 million was primarily due to activity in average account values, operating spread, and participating mortgage income. Participating mortgage income was \$23.0 million and the adjusted operating spread, which excludes participating income, was 188 basis points.
- Asset Protection segment pre-tax adjusted operating income was \$20.6 million which consisted of service contract earnings of \$11.1 million, GAP product earnings of \$6.7 million, and credit insurance earnings of \$2.9 million.
- The Corporate and Other segment's \$25.1 million pre-tax adjusted operating loss was primarily due to \$179.0 million of other operating expenses which is primarily interest and corporate overhead expenses. These expenses were partially offset by \$154.1 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 pre-tax adjusted 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 pre-tax adjusted operating loss was \$1.6 million. Included in that amount was a traditional life adjusted operating loss of \$3.4 million, universal life earnings of \$1.2 million, and adjusted operating earnings of \$0.6 million in other lines.
- Acquisitions segment pre-tax adjusted operating income was \$20.1 million. This included expected runoff of the in-force blocks of business.
- Annuities segment pre-tax adjusted 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 pre-tax adjusted operating income was \$4.5 million was primarily due to 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 pre-tax adjusted 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 pre-tax adjusted 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.

Life Marketing

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Gross premiums and policy fees	\$ 1,855,075	\$ 1,772,523	\$ 1,553,658	\$ 136,068
Reinsurance ceded	(843,164)	(800,276)	(671,487)	(51,142)
Net premiums and policy fees	1,011,911	972,247	882,171	84,926
Net investment income	553,999	525,495	446,439	47,460
Other income	112,855	111,292	111,497	12,810
Total operating revenues	1,678,765	1,609,034	1,440,107	145,196
Realized gains (losses)—investments	(6,291)	5,679	(13,008)	997
Realized gains (losses)—derivatives	(5,356)	13,135	(1,009)	(598)
Total revenues	1,667,118	1,627,848	1,426,090	145,595
BENEFITS AND EXPENSES				
Benefits and settlement expenses	1,330,031	1,261,231	1,109,341	123,525
Amortization of DAC/VOBA	119,164	130,560	108,035	4,584
Other operating expenses	178,792	177,498	165,317	18,705
Operating benefits and expenses	1,627,987	1,569,289	1,382,693	146,814
Amortization related to benefits and settlement expenses	(10,893)	6,613	499	(346)
Amortization of DAC/VOBA related to realized gains (losses)—investments	1,589	148	(224)	229
Total benefits and expenses	1,618,683	1,576,050	1,382,968	146,697
INCOME (LOSS) BEFORE INCOME TAX	48,435	51,798	43,122	(1,102)
Less: realized gains (losses)	(11,647)	18,814	(14,017)	399
Less: amortization related to benefits and settlement expenses	10,893	(6,613)	(499)	346
Less: related amortization of DAC/VOBA	(1,589)	(148)	224	(229)
PRE-TAX ADJUSTED OPERATING INCOME (LOSS)	<u>\$ 50,778</u>	<u>\$ 39,745</u>	<u>\$ 57,414</u>	<u>\$ (1,618)</u>

The following table summarizes key data for the Life Marketing segment:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Sales By Product ⁽¹⁾				
Traditional	\$ 8,065	\$ 1,035	\$ 512	\$ 42
Universal life	164,074	168,671	143,969	11,473
BOLI	—	—	15	—
	<u>\$ 172,139</u>	<u>\$ 169,706</u>	<u>\$ 144,496</u>	<u>\$ 11,515</u>
Sales By Distribution Channel				
Traditional brokerage	\$ 147,023	\$ 146,062	\$ 119,880	\$ 9,724
Institutional	16,291	16,294	18,936	1,472
Direct	8,825	7,350	5,680	319
	<u>\$ 172,139</u>	<u>\$ 169,706</u>	<u>\$ 144,496</u>	<u>\$ 11,515</u>
Average Life Insurance In-force ⁽²⁾				
Traditional	\$ 346,134,076	\$ 361,976,539	\$ 380,364,300	\$ 391,411,413
Universal life	253,282,098	215,333,069	176,050,239	153,317,720
	<u>\$ 599,416,174</u>	<u>\$ 577,309,608</u>	<u>\$ 556,414,539</u>	<u>\$ 544,729,133</u>
Average Account Values				
Universal life	\$ 7,626,868	\$ 7,449,470	\$ 7,321,233	\$ 7,250,973
Variable universal life	718,890	624,022	586,840	574,257
	<u>\$ 8,345,758</u>	<u>\$ 8,073,492</u>	<u>\$ 7,908,073</u>	<u>\$ 7,825,230</u>

(1) Sales data for traditional life insurance is based on annualized premiums. Universal life sales are based on annualized planned premiums, or "target" premiums if lesser, plus 6% of amounts received in excess of target premiums and 10% of single premiums. "Target" premiums for universal life are those premiums upon which full first year commissions are paid.

(2) Amounts are not adjusted for reinsurance ceded.

Operating Expenses Detail

Other operating expenses for the segment were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Insurance companies:				
First year commissions	\$ 197,815	\$ 196,375	\$ 163,229	\$ 14,109
Renewal commissions	39,931	38,089	31,773	2,513
First year ceding allowances	(2,244)	(3,556)	(2,716)	(49)
Renewal ceding allowances	(185,255)	(165,614)	(153,112)	(12,364)
General & administrative	228,960	213,879	192,686	17,467
Taxes, licenses, and fees	36,045	33,068	28,722	2,508
Other operating expenses incurred	315,252	312,241	260,582	24,184
Less: commissions, allowances and expenses capitalized	(254,375)	(246,738)	(201,951)	(17,059)
Other insurance company operating expenses	60,877	65,503	58,631	7,125
Distribution companies:				
Commissions	84,458	79,299	78,211	8,233
Other operating expenses	33,457	32,696	28,475	3,347
Other distribution company operating expenses	117,915	111,995	106,686	11,580
Other operating expenses	\$ 178,792	\$ 177,498	\$ 165,317	\$ 18,705

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$50.8 million for the year ended December 31, 2017, representing an increase of \$11.0 million from the year ended December 31, 2016. The increase was primarily due to the impact of unlocking for the year ended December 31, 2017, as compared to the prior year. The segment recorded an unfavorable \$4.0 million of unlocking for the year ended December 31, 2017, as compared to an unfavorable \$13.3 million of unlocking for the year ended December 31, 2016.

Operating Revenues

Total operating revenues for the year ended December 31, 2017, increased \$69.7 million, or 4.3%, as compared to the year ended December 31, 2016. This increase was driven by higher policy fees and higher universal life investment income due to increases in net in-force reserves, partly offset by lower traditional life premiums.

Net Premiums and Policy Fees

Net premiums and policy fees increased by \$39.7 million, or 4.1%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to an increase in policy fees associated with continued growth in universal life business, as well as increases in traditional life premiums.

Net Investment Income

Net investment income in the segment increased \$28.5 million, or 5.4%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Of the increase in net investment income, \$22.3 million resulted from growth in the universal life block of business. Traditional life investment income increased \$2.0 million.

Other Income

Other income increased \$1.6 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to higher revenue in the segment's non-insurance operations.

Benefits and Settlement Expenses

Benefits and settlement expenses increased by \$68.8 million, or 5.5%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due primarily to an increase in universal life claims and reserves, partially offset by lower traditional life claims and the impact of unlocking. For the year ended December 31, 2017, universal life unlocking increased policy benefits and settlement expenses \$8.6 million, as compared to an increase of \$16.3 million for the year ended December 31, 2016.

Amortization of DAC/VOBA

DAC/VOBA amortization decreased \$11.4 million, or 8.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to lower VOBA amortization in the traditional blocks resulting from decreased lapses. For the year ended December 31, 2017, universal life unlocking decreased amortization \$4.6 million, as compared to a decrease of \$3.0 million for the year ended December 31, 2016.

Other Operating Expenses

Other operating expenses increased \$1.3 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016. This increase was driven by higher commissions and general and administrative expense, partially offset by lower new business acquisition costs after capitalization and higher reinsurance allowances.

Sales

Sales for the segment increased \$2.4 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase in traditional life sales of \$7.0 million was primarily due to the introduction of new term products during 2017 which also led to the decrease in universal life sales of \$4.6 million for the year ended December 31, 2017.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$57.4 million for the period of February 1, 2015 to December 31, 2015, which consisted of universal life adjusted operating income of \$54.5 million, traditional life adjusted operating income of \$15.9 million, and an adjusted operating loss of \$13.0 million in other lines which included \$17.4 million of amortization related intangible assets. Traditional life adjusted operating income included favorable mortality of \$6.4 million.

Net Premiums and Policy Fees

Net premiums and policy fees were \$882.2 million for the period of February 1, 2015 to December 31, 2015. Included in this amount are traditional life net premiums of \$426.9 million and universal life policy fees of \$454.8 million.

Net Investment Income

Net investment income was \$446.4 million for the period of February 1, 2015 to December 31, 2015. Included in this amount is traditional life net investment income of \$59.5 million and universal life investment income of \$376.0 million.

Other Income

Other income was \$111.5 million for the period of February 1, 2015 to December 31, 2015. This amount is primarily comprised of revenue in the segment's non-insurance operations.

Benefits and Settlement Expenses

Benefit and settlement expenses were \$1.1 billion for the period of February 1, 2015 to December 31, 2015. This amount includes traditional life benefit and settlement expenses of \$348.4 million and universal life benefit and settlement expenses of \$757.9 million, including \$288.3 million of interest on funds for universal life policies. For the period of February 1, 2015 to December 31, 2015, universal life and BOLI unlocking increased policy benefits and settlement expenses \$1.6 million and was largely driven by assumption changes to lapses and yields.

Amortization of DAC and VOBA

DAC and VOBA amortization was \$108.0 million for the period of February 1, 2015 to December 31, 2015. For the same period, universal life and BOLI unlocking decreased amortization \$1.9 million.

Other Operating Expenses

Other operating expenses were \$165.3 million for the period of February 1, 2015 to December 31, 2015. Other operating expenses for the insurance companies reflect commissions of \$195.0 million, general and administrative expenses of \$192.7 million, and taxes, licenses, and fees of \$28.7 million, partly offset by ceding allowances of \$155.8 million and capitalization of \$202.0 million. Distribution company expenses were \$106.7 million for the period of February 1, 2015 to December 31, 2015.

Sales

Sales for the segment were \$144.5 million for the period of February 1, 2015 to December 31, 2015, comprised primarily of universal life sales.

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

Pre-tax Adjusted Operating Income (Loss)

Segment pre-tax adjusted operating loss was \$1.6 million. Included in that amount was a traditional life adjusted operating loss of \$3.4 million, universal life earnings of \$1.2 million, and adjusted operating earnings of \$0.6 million in other lines.

Net Premiums and Policy Fees

Net premiums and policy fees were \$84.9 million for the period of January 1, 2015 to January 31, 2015. This amount is comprised of traditional life net premiums of \$41.8 million and universal life policy fees of \$43.1 million.

Net Investment Income

Net investment income was \$47.5 million for the period of January 1, 2015 to January 31, 2015. Included in this amount is traditional life net investment income of \$6.3 million and universal life investment income of \$40.1 million.

Other Income

Other income was \$12.8 million for the period of January 1, 2015 to January 31, 2015. This amount is primarily comprised of revenue in the segment's non-insurance operations.

Benefits and Settlement Expenses

Benefit and settlement expenses were \$123.5 million for the period of January 1, 2015 to January 31, 2015. This amount includes traditional life benefit and settlement expenses of \$44.7 million, including an elevated level of claims and universal life benefit and settlement expenses of \$77.7 million, partly comprised of \$25.7 million of interest on funds for universal life policies.

Amortization of DAC and VOBA

DAC and VOBA amortization was \$4.6 million for the period of January 1, 2015 to January 31, 2015.

Other Operating Expenses

Other operating expenses were \$18.7 million for the period of January 1, 2015 to January 31, 2015. Other operating expenses for the insurance companies reflect commissions of \$16.6 million, general and administrative expenses of \$17.5 million, and taxes of \$2.5 million, partly offset by ceding allowances of \$12.4 million and capitalization of \$17.1 million. Distribution company expenses were \$11.6 million for the period of January 1, 2015 to January 31, 2015.

Sales

Sales for the segment were \$11.5 million for the period of January 1, 2015 to January 31, 2015, almost entirely comprised of universal life sales.

Reinsurance

Currently, the Life Marketing segment reinsures significant amounts of its life insurance in-force. Pursuant to the underlying reinsurance contracts, reinsurers pay allowances to the segment as a percentage of both first year and renewal premiums. Reinsurance allowances represent the amount the reinsurer is willing to pay for reimbursement of acquisition costs incurred by the direct writer of the business. A portion of reinsurance allowances received is deferred as part of DAC and a portion is recognized immediately as a reduction of other operating expenses. As the non-deferred portion of allowances reduces operating expenses in the period received, these amounts represent a net increase to operating income during that period.

Reinsurance allowances do not affect the methodology used to amortize DAC or the period over which such DAC is amortized. However, they do affect the amounts recognized as DAC amortization. DAC on universal life-type, limited-payment long duration, and investment contracts business is generally amortized based on the estimated gross profits of the policies in-force. Reinsurance allowances are considered in the determination of estimated gross profits, and therefore, impact DAC amortization on these lines of business. Deferred reinsurance allowances on level term business are recorded as ceded DAC, which is amortized over estimated ceded premiums of the policies in-force. Thus, deferred reinsurance allowances may impact DAC amortization. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements included in this report.

Impact of Reinsurance

Reinsurance impacted the Life Marketing segment line items as shown in the following table:

Life Marketing Segment Line Item Impact of Reinsurance

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Reinsurance ceded	\$ (843,164)	\$ (800,276)	\$ (671,487)	\$ (51,142)
BENEFITS AND EXPENSES				
Benefits and settlement expenses	(710,959)	(776,507)	(586,030)	(58,501)
Amortization of DAC/VOBA	(5,533)	(6,048)	(5,350)	(3,766)
Other operating expenses ⁽¹⁾	(180,435)	(161,352)	(148,293)	(11,728)
Total benefits and expenses	(896,927)	(943,907)	(739,673)	(73,995)
NET IMPACT OF REINSURANCE	<u>\$ 53,763</u>	<u>\$ 143,631</u>	<u>\$ 68,186</u>	<u>\$ 22,853</u>
Allowances received	\$ (187,499)	\$ (169,170)	\$ (155,828)	\$ (12,413)
Less: Amount deferred	7,064	7,818	7,535	685
Allowances recognized (ceded other operating expenses) ⁽¹⁾	<u>\$ (180,435)</u>	<u>\$ (161,352)</u>	<u>\$ (148,293)</u>	<u>\$ (11,728)</u>

(1) Other operating expenses ceded per the income statement are equal to reinsurance allowances recognized after capitalization.

The table above does not reflect the impact of reinsurance on our net investment income. By ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed, which will increase the assuming companies' profitability on the business that we cede. The net investment income impact to us and the assuming companies has not been quantified. The impact of including foregone investment income would be to substantially reduce the favorable net impact of reinsurance reflected above. We estimate that the impact of foregone investment income would be to reduce the net impact of reinsurance presented in the table above by 170% to 380%. The Life Marketing segment's reinsurance programs do not materially impact the "other income" line of our income statement.

As shown above, reinsurance had a favorable impact on the Life Marketing segment's operating income for the periods presented above. The impact of reinsurance is largely due to our quota share coinsurance program in place prior to mid-2005. Under that program, generally 90% of the segment's traditional new business was ceded to reinsurers. Since mid-2005, a much smaller percentage of overall term business has been ceded due to a change in reinsurance strategy on traditional business. In addition, since 2012, a much smaller percentage of the segment's new universal life business has been ceded. As a result of that change, the relative impact of reinsurance on the Life Marketing segment's overall results is expected to decrease over time. While the significance of reinsurance is expected to decline over time, the overall impact of reinsurance for a given period may fluctuate due to variations in mortality and unlocking of balances.

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

The higher ceded premium and policy fees for the year ended December 31, 2017, as compared to the year ended December 31, 2016, was caused primarily by higher universal life policy fees of \$48.5 million, offset by lower ceded traditional life premiums of \$5.1 million. Ceded traditional life premiums for the year ended December 31, 2017, decreased from the year ended December 31, 2016, primarily due to post level term activity.

Ceded benefits and settlement expenses were lower for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to lower ceded claims and reserves. Traditional ceded benefits decreased \$30.2 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to lower ceded reserves. Universal life ceded benefits decreased \$34.5 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to a decrease in ceded claims, partially offset by an increase in ceded reserves. Ceded universal life claims were \$40.0 million lower for the year ended December 31, 2017, as compared to the year ended December 31, 2016, driven by fewer high dollar claims during the current year.

Ceded amortization of DAC and VOBA decreased slightly for the year ended December 31, 2017, as compared to the year ended December 31, 2016.

Ceded other operating expenses reflect the impact of reinsurance allowances net of amounts deferred.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

The ceded premiums and policy fees were primarily comprised of ceded traditional life premiums of \$304.4 million and universal life policy fees of \$365.2 million.

Ceded benefits and settlement expenses were \$586.0 million for the period of February 1, 2015 to December 31, 2015. This amount is driven by ceded claims, partly offset by change in ceded reserves. Traditional life ceded benefits activity of \$321.0 million was due to ceded death benefits, partly offset by ceded reserves. Universal life ceded benefits of \$265.7 million were largely comprised of \$239.4 million in ceded universal life claims during the period.

Ceded amortization of DAC and VOBA activity was \$5.4 million for the period of February 1, 2015 to December 31, 2015.

Ceded other operating expenses reflect the impact of reinsurance allowances on pre-tax income.

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

The ceded premiums and policy fees were primarily comprised of ceded traditional life premiums of \$22.6 million and universal life policy fees of \$27.2 million. Traditional life ceded premiums for the period January 1, 2015 to January 31, 2015 were impacted by runoff and a number of policies with post level activity.

Ceded benefits and settlement expenses were \$58.5 million for the period of January 1, 2015 to January 31, 2015. This amount is driven by ceded claims, partly offset by change in ceded reserves. Traditional life ceded benefits activity of \$29.3 million was due to ceded death benefits, partly offset by ceded reserves. Universal life ceded benefits of \$30.0 million were mainly comprised of \$30.4 million in ceded universal life claims during the period.

Ceded amortization of DAC and VOBA activity was \$3.8 million for the period of January 1, 2015 to January 31, 2015.

Ceded other operating expenses reflect the impact of reinsurance allowances on pre-tax income.

Acquisitions

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Gross premiums and policy fees	\$ 1,113,355	\$ 1,180,376	\$ 1,023,413	\$ 88,855
Reinsurance ceded	(328,167)	(348,293)	(332,672)	(26,512)
Net premiums and policy fees	785,188	832,083	690,741	62,343
Net investment income	752,520	764,571	639,422	71,088
Other income	11,423	10,805	11,119	1,240
Total operating revenues	1,549,131	1,607,459	1,341,282	134,671
Realized gains (losses)—investments	121,036	69,018	(173,879)	73,601
Realized gains (losses)—derivatives	(101,084)	(460)	166,027	(68,511)
Total revenues	1,569,083	1,676,017	1,333,430	139,761
BENEFITS AND EXPENSES				
Benefits and settlement expenses	1,195,105	1,220,674	1,054,598	100,693
Amortization of VOBA	(6,330)	8,218	2,070	4,803
Other operating expenses	110,607	118,056	89,960	9,041
Operating benefits and expenses	1,299,382	1,346,948	1,146,628	114,537
Amortization related to benefits and settlement expenses	8,979	11,467	12,884	1,233
Amortization of VOBA related to realized gains (losses)—investments	(609)	(40)	(35)	230
Total benefits and expenses	1,307,752	1,358,375	1,159,477	116,000
INCOME BEFORE INCOME TAX	261,331	317,642	173,953	23,761
Less: realized gains (losses)	19,952	68,558	(7,852)	5,090
Less: amortization related to benefits and settlement expenses	(8,979)	(11,467)	(12,884)	(1,233)
Less: related amortization of VOBA	609	40	35	(230)
PRE-TAX ADJUSTED OPERATING INCOME	\$ 249,749	\$ 260,511	\$ 194,654	\$ 20,134

The following table summarizes key data for the Acquisitions segment:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Average Life Insurance In-Force ⁽¹⁾				
Traditional	\$ 227,487,175	\$ 233,303,794	\$ 175,316,149	\$ 182,177,575
Universal life	27,473,477	29,598,014	32,022,655	33,413,557
	<u>\$ 254,960,652</u>	<u>\$ 262,901,808</u>	<u>\$ 207,338,804</u>	<u>\$ 215,591,132</u>
Average Account Values				
Universal life	\$ 4,199,568	\$ 4,267,697	\$ 4,420,698	\$ 4,486,843
Fixed annuity ⁽²⁾	3,538,204	3,560,389	3,643,397	3,712,578
Variable annuity	1,189,695	1,181,332	1,327,080	1,396,587
	<u>\$ 8,927,467</u>	<u>\$ 9,009,418</u>	<u>\$ 9,391,175</u>	<u>\$ 9,596,008</u>
Interest Spread— Fixed Annuities				
Net investment income yield	4.07%	3.97%	3.95%	5.31%
Interest credited to policyholders	3.28	3.27	3.28	3.39
Interest spread ⁽³⁾	0.79%	0.70%	0.67%	1.92%

(1) Amounts are not adjusted for reinsurance ceded.

(2) Includes general account balances held within variable annuity products and is net of coinsurance ceded.

(3) Earned rates exclude portfolios supporting modified coinsurance and crediting rates exclude 100% cessations.

For the Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$249.7 million for the year ended December 31, 2017, a decrease of \$10.8 million as compared to the year ended December 31, 2016, primarily due to the expected runoff of the in-force blocks of business.

Operating revenues

Net premiums and policy fees decreased \$46.9 million, or 5.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to the expected runoff of the in-force blocks of business. Net investment income decreased \$12.1 million, or 1.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016.

Total benefits and expenses

Total benefits and expenses decreased \$50.6 million, or 3.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The decrease was primarily due to favorable amortization of VOBA, as well as the expected runoff of the in-force blocks of business.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$194.7 million. This included expected runoff of the in-force blocks of business.

Operating Revenues

Operating revenues for the segment were \$1.3 billion and included net premiums and policy fees of \$690.7 million, net investment income of \$639.4 million, and other income of \$11.1 million. The segment experienced expected runoff in the current period.

Total Benefits and Expenses

Total benefits and expenses were \$1.2 billion, primarily due to operating benefits and expenses of \$1.1 billion. Operating benefits and expenses included benefits and settlement expenses of \$1.1 billion, amortization of VOBA of \$2.1 million, and other operating expenses of \$90.0 million. The net impact of amortization related to benefits and settlement expenses and amortization of VOBA related to realized gains (losses) on investments contributed \$12.8 million to total benefits and expenses.

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

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$20.1 million. This included expected runoff of the in-force blocks of business.

Operating Revenues

Operating revenues for the segment were \$134.7 million and included net premiums and policy fees of \$62.3 million, net investment income of \$71.1 million, and other income of \$1.2 million. The segment experienced expected runoff in the current period.

Total Benefits and Expenses

Total benefits and expenses were \$116.0 million, primarily due to operating benefits and expenses of \$114.5 million. Operating benefits and expenses included benefits and settlement expenses of \$100.7 million, amortization of VOBA of \$4.8 million, and other operating expenses of \$9.0 million. The net impact of amortization related to benefits and settlement expenses and amortization of VOBA related to realized gains (losses) on investments contributed \$1.5 million to total benefits and expenses.

Reinsurance

The Acquisitions segment currently reinsures portions of both its life and annuity in-force. The cost of reinsurance to the segment is reflected in the chart shown below. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements included in this report.

Impact of Reinsurance

Reinsurance impacted the Acquisitions segment line items as shown in the following table:

**Acquisitions Segment
Line Item Impact of Reinsurance**

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Reinsurance ceded	\$ (328,167)	\$ (348,293)	\$ (332,672)	\$ (26,512)
BENEFITS AND EXPENSES				
Benefits and settlement expenses	(275,698)	(276,947)	(326,068)	(25,832)
Amortization of VOBA	(580)	(438)	(260)	(233)
Other operating expenses	(40,005)	(43,463)	(43,284)	(3,647)
Total benefits and expenses	(316,283)	(320,848)	(369,612)	(29,712)
NET IMPACT OF REINSURANCE⁽¹⁾	\$ (11,884)	\$ (27,445)	\$ 36,940	\$ 3,200

(1) Assumes no investment income on reinsurance. Foregone investment income would substantially reduce the favorable impact of reinsurance.

The segment's reinsurance programs do not materially impact the other income line of the income statement. In addition, net investment income generally has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded to the assuming companies. Conversely, the assuming companies will receive investment income on the reserves assumed which will increase the assuming companies' profitability on business assumed from the Company. For business ceded under modified coinsurance arrangements, the amount of investment income attributable to the assuming company is included as part of the overall change in policy reserves and, as such, is reflected in benefit and settlement expenses. The net investment income impact to us and the assuming companies has not been quantified as it is not fully reflected in our consolidated financial statements.

The net impact of reinsurance was more favorable by \$15.6 million for the year ended December 31, 2017 (Successor Company), as compared to the year ended December 31, 2016 (Successor Company), primarily due to lower ceded revenues. For the year ended December 31, 2017 (Successor Company), ceded revenues decreased by \$20.1 million, while ceded benefits and expenses decreased by \$4.6 million primarily due to lower operating expenses.

The net impact of reinsurance activity for the period of February 1, 2015 to December 31, 2015 (Successor Company) was primarily due to ceded premiums in relation to ceded benefits and settlement expenses. Ceded benefits and settlement expenses were primarily driven by ceded claims. Ceded claims included an unusually elevated level of claims in a block that is assumed and then one hundred percent ceded to a third party.

The net impact of reinsurance activity for the period of January 1, 2015 to January 31, 2015 (Predecessor Company) was primarily due to ceded premiums in relation to ceded benefits and settlement expenses. Ceded benefits and settlement expenses were primarily driven by ceded claims.

Annuities

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Gross premiums and policy fees	\$ 152,701	\$ 146,458	\$ 138,146	\$ 12,473
Reinsurance ceded	—	—	—	—
Net premiums and policy fees	152,701	146,458	138,146	12,473
Net investment income	321,844	322,608	297,114	37,189
Realized gains (losses)—derivatives	(84,827)	(82,365)	(70,558)	(6,156)
Other income	173,247	163,898	149,078	12,980
Total operating revenues	562,965	550,599	513,780	56,486
Realized gains (losses)—investments	28	(4,241)	(5,743)	(145)
Realized gains (losses)—derivatives, net of economic cost	(112,687)	28,576	(64,618)	(48,457)
Total revenues	450,306	574,934	443,419	7,884
BENEFITS AND EXPENSES				
Benefits and settlement expenses	212,533	213,181	226,127	27,485
Amortization of DAC and VOBA	(11,829)	(16,284)	(18,524)	5,911
Other operating expenses	149,181	140,409	125,946	9,926
Operating benefits and expenses	349,885	337,306	333,549	43,322
Amortization related to benefits and settlement expenses	4,096	919	697	3,128
Amortization of DAC/VOBA related to realized gains (losses)—investments	(42,642)	5,253	(22,547)	(13,617)
Total benefits and expenses	311,339	343,478	311,699	32,833
INCOME (LOSS) BEFORE INCOME TAX	138,967	231,456	131,720	(24,949)
Less: realized gains (losses)—investments	28	(4,241)	(5,743)	(145)
Less: realized gains (losses)—derivatives, net of economic cost	(112,687)	28,576	(64,618)	(48,457)
Less: amortization related to benefits and settlement expenses	(4,096)	(919)	(697)	(3,128)
Less: related amortization of DAC/VOBA	42,642	(5,253)	22,547	13,617
PRE-TAX ADJUSTED OPERATING INCOME	\$ 213,080	\$ 213,293	\$ 180,231	\$ 13,164

The following table summarizes key data for the Annuities segment:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Sales⁽¹⁾				
Fixed annuity	\$ 1,130,843	\$ 726,640	\$ 566,290	\$ 28,335
Variable annuity	426,353	593,409	1,096,113	59,115
	<u>\$ 1,557,196</u>	<u>\$ 1,320,049</u>	<u>\$ 1,662,403</u>	<u>\$ 87,450</u>
Average Account Values				
Fixed annuity ⁽²⁾	\$ 8,245,382	\$ 8,191,841	\$ 8,223,481	\$ 8,171,438
Variable annuity	13,050,411	12,328,057	12,506,856	12,365,217
	<u>\$ 21,295,793</u>	<u>\$ 20,519,898</u>	<u>\$ 20,730,337</u>	<u>\$ 20,536,655</u>
Interest Spread—Fixed Annuities⁽²⁾				
Net investment income yield	3.67%	3.69%	3.71%	5.22%
Interest credited to policyholders	2.54	2.65	2.88	3.17
Interest spread ⁽³⁾	<u>1.13%</u>	<u>1.04%</u>	<u>0.83%</u>	<u>2.05%</u>

(1) Sales are measured based on the amount of purchase payments received less surrenders occurring within twelve months of the purchase payments.

(2) Includes general account balances held within VA products.

(3) Interest spread on average general account values.

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Derivatives related to VA contracts:				
Interest rate futures - VA	\$ 26,015	\$ (3,450)	\$ (14,818)	\$ 1,413
Equity futures - VA	(91,776)	(106,431)	(5,033)	9,221
Currency futures - VA	(23,176)	33,836	7,169	7,778
Equity options - VA	(94,791)	(60,962)	(27,733)	3,047
Interest rate swaptions - VA	(2,490)	(1,161)	(13,354)	9,268
Interest rate swaps - VA	27,981	20,420	(85,942)	122,710
Total return swaps - VA	(32,240)	—	—	—
Embedded derivative - GLWB ⁽¹⁾	3,614	68,056	4,412	(207,018)
Total derivatives related to VA contracts	(186,863)	(49,692)	(135,299)	(53,581)
Derivatives related to FIA contracts:				
Embedded derivative - FIA	(55,878)	(16,494)	(738)	1,769
Equity futures - FIA	642	4,248	(355)	(184)
Volatility futures - FIA	—	—	5	—
Equity options - FIA	44,585	8,149	1,211	(2,617)
Total derivatives related to FIA contracts	(10,651)	(4,097)	123	(1,032)
Economic cost - VA GLWB ⁽²⁾	84,827	82,365	70,558	6,156
Realized gains (losses) - derivatives, net of economic cost	<u>\$ (112,687)</u>	<u>\$ 28,576</u>	<u>\$ (64,618)</u>	<u>\$ (48,457)</u>

(1) Includes impact of nonperformance risk of \$(41.6) million, \$9.7 million, \$2.2 million, and \$11.8 million for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

(2) Economic cost is the long-term expected average cost of providing the product benefit over the life of the policy based on product pricing assumptions. These include assumptions about the economic/market environment, and elective and non-elective policy owner behavior (e.g. lapses, withdrawal timing, mortality, etc.).

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
GMDB—Net amount at risk⁽¹⁾	\$ 72,825	\$ 123,091
GMDB Reserves	30,944	31,695
GLWB and GMAB Reserves	111,760	115,370
Account value subject to GLWB rider	9,718,263	9,486,773
GLWB Benefit Base	10,560,893	10,559,907
GMAB Benefit Base	3,298	3,770
S&P 500® Index	2,674	2,239

(1) Guaranteed benefits in excess of contract holder account balance.

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$213.1 million for the year ended December 31, 2017, as compared to \$213.3 million for the year ended December 31, 2016, a decrease of \$0.2 million, or 0.1%. This variance was primarily the result of an unfavorable change in SPIA mortality and higher non-deferred expenses, partially offset by increased interest spreads, growth in VA fee income, and favorable unlocking. Segment results were positively impacted by \$16.5 million of favorable unlocking for the year ended December 31, 2017, as compared to \$8.1 million of favorable unlocking for the year ended December 31, 2016.

Operating revenues

Segment operating revenues increased \$12.4 million, or 2.2%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to higher policy fees and other income from the VA line of business. Those increases were partially offset by higher GLWB economic cost in the VA line of business. Average fixed account balances increased 0.7% and average variable account balances increased 5.9% for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Benefits and settlement expenses

Benefits and settlement expenses decreased \$0.6 million, or 0.3%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. This decrease was primarily the result of lower credited interest partially offset by an unfavorable change in SPIA mortality. Included in benefits and settlement expenses was \$0.2 million of favorable unlocking for the year ended December 31, 2017, as compared to \$0.4 million of favorable unlocking for the year ended December 31, 2016.

Amortization of DAC and VOBA

DAC and VOBA amortization unfavorably changed by \$4.5 million, or 27.4%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The unfavorable changes in DAC and VOBA amortization were primarily due to higher fee income in the VA line of business and the runoff of negative VOBA in the fixed annuity lines of business. These changes were partially offset by a favorable change in unlocking. DAC and VOBA unlocking for the year ended December 31, 2017, was \$16.3 million favorable as compared to \$7.8 million favorable for the year ended December 31, 2016.

Other operating expenses

Other operating expenses increased \$8.8 million, or 6.2%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. This increase was the result of higher non-deferred acquisition costs, maintenance and overhead, and commission expenses.

Sales

Total sales increased \$237.1 million, or 18.0%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Sales of variable annuities decreased \$167.1 million, or 28.2% for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to disruptions in the broader market driven by regulatory rule changes and the relative competitiveness of our product within the market. Sales of fixed annuities increased by \$404.2 million, or 55.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to an increase in SPDA sales.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$180.2 million which included \$83.8 million of fixed annuity adjusted operating earnings, \$111.7 million of variable annuity adjusted operating earnings, and a \$15.3 million loss in other annuity earnings.

Operating Revenues

Segment operating revenues were \$513.8 million for the period of February 1, 2015 to December 31, 2015. Operating revenue consisted of \$297.1 million of net investment income, \$138.1 million of policy fees, \$149.1 million in other income, and \$70.6 million related to GLWB economic cost from the VA line of business.

Benefits and Settlement Expenses

Benefits and settlement expenses were \$226.1 million for the period of February 1, 2015 to December 31, 2015. Included in that amount was \$0.8 million in unfavorable SPIA mortality results, an increase in guaranteed benefit reserves of \$5.2 million from the VA line of business, and \$1.9 million of unfavorable unlocking.

Amortization of DAC and VOBA

DAC and VOBA amortization was \$18.5 million favorable for the period of February 1, 2015 to December 31, 2015 due to the allocation of negative VOBA to some of the products within the segment. There was \$4.4 million of favorable unlocking recorded by the segment during the period of February 1, 2015 to December 31, 2015.

Other Operating Expenses

Other operating expenses were \$125.9 million for the period of February 1, 2015 to December 31, 2015. Operating expenses consisted of \$31.8 million in acquisition expenses, \$47.0 million in maintenance and overhead expenses, and \$47.2 million in commission expenses.

Sales

Total sales were \$1.7 billion for the period of February 1, 2015 to December 31, 2015. Fixed annuity sales were \$566.3 million and variable annuity sales were \$1.1 billion.

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

Pre-tax Adjusted Operating Income

Pre-tax adjusted 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.

Operating Revenues

Segment operating revenues were \$56.5 million for the period of January 1, 2015 to January 31, 2015. Operating revenue consisted of \$37.2 million of net investment income, \$12.5 million of policy fees, \$13.0 million in other income, and \$6.2 million related to GLWB economic cost from the VA line of business.

Benefits and Settlement Expenses

Benefits and settlement expenses were \$27.5 million for the period of January 1, 2015 to January 31, 2015. Included in that amount was \$2.8 million of unfavorable SPIA mortality results and a \$2.6 million increase in guaranteed benefit reserves from the VA line of business.

Amortization of DAC and VOBA

DAC and VOBA amortization was \$5.9 million for the period of January 1, 2015 to January 31, 2015. The segment recorded unfavorable DAC unlocking of \$2.4 million, including \$2.2 million of unfavorable unlocking from the VA line of business.

Other Operating Expenses

Other operating expenses were \$9.9 million for the period of January 1, 2015 to January 31, 2015. Operating expenses consisted of \$2.8 million in acquisition expense, \$2.8 million in maintenance and overhead expenses, and \$4.3 million in commission expenses.

Sales

Total sales were \$87.5 million for the period of January 1, 2015 to January 31, 2015. Fixed annuity sales were \$28.3 million and variable annuity sales were \$59.1 million.

Stable Value Products

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Net investment income	\$ 186,576	\$ 107,010	\$ 78,459	\$ 6,888
Other income	24	229	133	—
Total operating revenues	186,600	107,239	78,592	6,888
Realized gains (losses)	3,406	7,341	1,078	1,293
Total revenues	190,006	114,580	79,670	8,181
BENEFITS AND EXPENSES				
Benefits and settlement expenses	74,578	41,736	19,348	2,255
Amortization of DAC	2,354	1,176	43	25
Other operating expenses	4,407	3,033	2,620	79
Total benefits and expenses	81,339	45,945	22,011	2,359
INCOME BEFORE INCOME TAX	108,667	68,635	57,659	5,822
Less: realized gains (losses)	3,406	7,341	1,078	1,293
PRE-TAX ADJUSTED OPERATING INCOME	\$ 105,261	\$ 61,294	\$ 56,581	\$ 4,529

The following table summarizes key data for the Stable Value Products segment:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Sales ⁽¹⁾				
GIC	\$ 115,500	\$ 189,800	\$ 114,700	\$ —
GFA	1,650,000	1,667,178	699,648	—
	<u>\$ 1,765,500</u>	<u>\$ 1,856,978</u>	<u>\$ 814,348</u>	<u>\$ —</u>
Average Account Values	\$ 4,143,568	\$ 2,753,636	\$ 1,933,838	\$ 1,932,722
Ending Account Values	\$ 4,698,371	\$ 3,501,636	\$ 2,131,822	\$ 1,911,751
Operating Spread				
Net investment income yield	4.50%	3.96%	4.36%	4.28%
Other income yield	—	0.01	0.01	—
Interest credited	1.79	1.53	1.12	1.40
Operating expenses	0.16	0.15	0.15	0.07
Operating spread	<u>2.55%</u>	<u>2.29%</u>	<u>3.10%</u>	<u>2.81%</u>
Adjusted operating spread ⁽²⁾	1.74%	1.82%	1.88%	2.76%

(1) Sales are measured at the time the purchase payments are received.

(2) Excludes participating mortgage loan income.

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$105.3 million and increased \$44.0 million, or 71.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase in adjusted operating earnings primarily resulted from an increase in participating mortgage income and higher average account values. Participating mortgage income for the year ended December 31, 2017, was \$33.5 million as compared to \$11.0 million for the year ended December 31, 2016. The adjusted operating spread, which excludes participating income, decreased by eight basis points for the year ended December 31, 2017, from the prior year, due primarily to an increase in credited interest.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income of \$56.6 million was primarily due to activity in average account values, operating spreads, and participating mortgage income. Participating mortgage income was \$23.0 million and the adjusted operating spread, which excludes participating income, was 188 basis points.

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

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income of \$4.5 million was primarily due to 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 Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Gross premiums and policy fees	\$ 343,489	\$ 294,588	\$ 278,937	\$ 23,127
Reinsurance ceded	(189,323)	(165,901)	(150,599)	(12,302)
Net premiums and policy fees	154,166	128,687	128,338	10,825
Net investment income	27,325	22,082	17,459	1,878
Other income	146,083	118,376	115,896	9,250
Realized gains (losses)	(1)	—	—	—
Total operating revenues	327,573	269,145	261,693	21,953
BENEFITS AND EXPENSES				
Benefits and settlement expenses	126,459	106,668	101,881	7,592
Amortization of DAC/VOBA	16,524	20,033	25,211	1,820
Other operating expenses	160,235	125,957	113,974	10,121
Total benefits and expenses	303,218	252,658	241,066	19,533
INCOME BEFORE INCOME TAX	24,355	16,487	20,627	2,420
Less: realized gains (losses) - investments	(1)	—	—	—
PRE-TAX ADJUSTED OPERATING INCOME	\$ 24,356	\$ 16,487	\$ 20,627	\$ 2,420

The following table summarizes key data for the Asset Protection segment:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Sales ⁽¹⁾				
Credit insurance	\$ 15,292	\$ 21,310	\$ 23,837	\$ 2,088
Service contracts	459,062	378,183	371,242	28,835
GAP	109,533	104,104	87,017	6,318
	<u>\$ 583,887</u>	<u>\$ 503,597</u>	<u>\$ 482,096</u>	<u>\$ 37,241</u>
Loss Ratios ⁽²⁾				
Credit insurance	20.5%	32.1%	28.8%	27.9%
Service contracts	62.6	76.2	85.4	82.4
GAP	121.9	109.0	83.9	56.6

(1) Sales are based on the amount of single premiums and fees received

(2) Incurred claims as a percentage of earned premiums

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income

Asset Protection segment pre-tax adjusted operating income was \$24.4 million, representing an increase of \$7.9 million, or 47.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract earnings

increased \$13.7 million primarily due to favorable loss ratios and \$4.8 million of one-time transaction costs associated with the US Warranty acquisition in 2016. Credit insurance earnings decreased \$0.3 million primarily due to lower volume. Earnings from the GAP product line decreased \$5.5 million primarily resulting from higher loss ratios, somewhat offset by additional income provided by US Warranty.

Net premiums and policy fees

Net premiums and policy fees increased \$25.5 million, or 19.8%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract premiums increased \$12.1 million primarily due to the addition of US Warranty business, somewhat offset by higher ceded premiums in existing distribution channels. GAP premiums increased \$15.0 million primarily due to higher premium rates on existing business and the addition of US Warranty business. Credit insurance premiums decreased \$1.6 million as a result of lower sales.

Other income

Other income increased \$27.7 million, or 23.4%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to the addition of US Warranty business in the service contract and GAP lines.

Benefits and settlement expenses

Benefits and settlement expenses increased \$19.8 million, or 18.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. GAP claims increased \$23.9 million due to higher loss ratios and the acquisition of US Warranty. Service contract claims decreased \$2.3 million primarily due to lower loss ratios, somewhat offset by the addition of claims from the US Warranty line. Credit insurance claims decreased \$1.8 million due primarily to lower loss ratios and lower volume.

Amortization of DAC and VOBA and Other operating expenses

Amortization of DAC and VOBA was \$3.5 million, or 17.5%, lower for year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to decreased amortization of in-force VOBA in the GAP product line and lower volume in the credit product line. Other operating expenses were \$34.3 million higher for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to the acquisition of US Warranty.

Sales

Total segment sales increased \$80.3 million, or 15.9%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract sales increased \$80.9 million due to additional volume provided by US Warranty. GAP sales increased \$5.4 million due to additional volume provided by US Warranty. Credit insurance sales decreased \$6.0 million due to decreasing demand for the product.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was \$20.6 million which consisted of service contract earnings of \$11.1 million, GAP product earnings of \$6.7 million, and credit insurance earnings of \$2.9 million.

Net Premiums and Policy Fees

Net premiums and policy fees were \$128.3 million, which consisted of service contract premiums of \$77.0 million, GAP premiums of \$38.7 million, and credit insurance premiums of \$12.6 million.

Other Income

Other income activity consisted of \$96.7 million from the service contract line, \$19.1 million from the GAP product line, and \$0.1 million from the credit insurance line.

Benefits and Settlement Expenses

Benefits and settlement expenses activity was \$65.8 million in service contract claims, \$32.5 million in GAP claims and \$3.6 million in credit insurance claims.

Amortization of DAC and VOBA and Other Operating Expenses

Amortization of DAC and VOBA consisted of \$13.2 million in the credit insurance line, \$11.2 million in the GAP line, and \$0.8 million in the service contract line, primarily resulting from amortization of VOBA activity. Other operating expenses were \$114.0 million including activity in all products lines.

Sales

Total segment sales consisted of \$371.2 million in the service contract line, \$87.0 million in the GAP product line, and credit insurance sales of \$23.8 million.

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

Pre-tax Adjusted Operating Income

Pre-tax adjusted 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.

Net Premiums and Policy Fees

Net premiums and policy fees consisted of service contract premiums of \$7.0 million, GAP premiums of \$2.6 million, and \$1.2 million of credit insurance premiums.

Other Income

Other income consisted of \$7.9 million from the service contract line and \$1.4 million from the GAP product line.

Benefits and Settlement Expenses

Benefits and settlement expenses was primarily due to service contract claims of \$5.8 million, GAP claims of \$1.5 million, and credit insurance claims of \$0.3 million.

Amortization of DAC and VOBA and Other Operating Expenses

Amortization of DAC and VOBA consisted of \$1.1 million in the credit insurance line, \$0.4 million in the GAP line, and \$0.3 million in the service contract line. Other operating expenses were \$10.1 million including activity in all product lines.

Sales

Total segment sales consisted of \$28.8 million in the service contract line, \$6.3 million in the GAP product line, and credit insurance sales of \$2.1 million.

Reinsurance

The majority of the Asset Protection segment's reinsurance activity relates to the cession of single premium credit life and credit accident and health insurance, vehicle service contracts, and guaranteed asset protection insurance to producer affiliated reinsurance companies ("PARCs"). These arrangements are coinsurance contracts ceding the business on a first dollar quota share basis generally at 100% to limit our exposure and allow the PARCs to share in the underwriting income of the product. Reinsurance contracts do not relieve us from our obligations to our policyholders. We also carry a catastrophic reinsurance policy for our GAP program. Losses incurred as a result of the recent hurricanes are covered under this policy. We believe losses from these catastrophes, net of reinsurance, will have an immaterial impact on our results of operations. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements included in this report.

Reinsurance impacted the Asset Protection segment line items as shown in the following table:

**Asset Protection Segment
Line Item Impact of Reinsurance**

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Reinsurance ceded	\$ (189,323)	\$ (165,901)	\$ (150,599)	\$ (12,302)
BENEFITS AND EXPENSES				
Benefits and settlement expenses	(80,439)	(72,742)	(65,895)	(4,659)
Amortization of DAC/VOBA	(3,216)	(1,870)	(637)	(520)
Other operating expenses	(3,685)	(4,745)	(4,162)	(531)
Total benefits and expenses	(87,340)	(79,357)	(70,694)	(5,710)
NET IMPACT OF REINSURANCE⁽¹⁾	\$ (101,983)	\$ (86,544)	\$ (79,905)	\$ (6,592)

(1) Assumes no investment income on reinsurance. Foregone investment income would substantially change the impact of reinsurance.

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Reinsurance premiums ceded increased \$23.4 million, or 14.1%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract ceded premiums increased \$21.1 million, or 16.1%. Gap ceded premiums increased \$4.7 million, or 24.0%. Ceded premiums in the credit line decreased \$2.4 million, or 15.6%.

Benefits and settlement expenses ceded increased \$7.7 million, or 10.6%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. GAP ceded claims increased \$8.7 million partly due ceded claims related to Hurricane Harvey. The increase was partially offset by a \$1.0 million decrease in ceded claims in the credit product line.

Amortization of DAC and VOBA ceded was \$1.3 million, or 72.0%, higher for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to increases in all product lines. Other operating expenses were \$1.1 million lower for the year ended December 31, 2017, as compared to the year ended December 31, 2016, due to decreases in all product lines.

Net investment income has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed which generally will increase the assuming companies' profitability on business we cede. The net investment income impact to us and the assuming companies has not been quantified as it is not reflected in our consolidated financial statements.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Reinsurance premiums ceded of \$150.6 million consisted of ceded premiums in the service contract line of \$114.2 million, ceded premiums in the GAP product line of \$20.5 million, and ceded premiums in the credit insurance line of \$15.9 million.

Benefits and settlement expenses ceded consisted of \$51.1 million in service contract ceded claims, \$11.6 million in GAP ceded claims, and \$3.2 million in credit insurance ceded claims.

Other operating expenses ceded of \$4.2 million was mainly due to ceded activity in the credit insurance and GAP product lines.

Net investment income has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed which generally will increase the assuming companies' profitability on business that we cede. The net investment income impact to us and the assuming companies has not been quantified as it is not reflected in our consolidated financial statements.

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

Reinsurance premiums ceded of \$12.3 million consisted of ceded premiums in the service contract line of \$9.4 million, ceded premiums in the GAP product line of \$1.4 million and ceded premiums in the credit insurance line of \$1.5 million.

Benefits and settlement expenses ceded consisted of \$4.0 million in service contract ceded claims, \$0.4 million in GAP ceded claims, and \$0.3 million in credit insurance ceded claims.

Amortization of DAC and VOBA ceded consisted of \$0.3 million in the service contract line and \$0.2 million in the credit insurance line. Other operating expenses ceded of \$0.5 million was mainly due to ceded activity in the credit insurance product line.

Net investment income has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed which generally will increase the assuming companies' profitability on business we cede. The net investment income impact to us and the assuming companies has not been quantified as it is not reflected in our consolidated condensed financial statements.

Corporate and Other

Segment Results of Operations

Segment results were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
REVENUES				
Gross premiums and policy fees	\$ 12,799	\$ 13,986	\$ 13,896	\$ 1,343
Reinsurance ceded	(81)	(246)	(220)	—
Net premiums and policy fees	12,718	13,740	13,676	1,343
Net investment income	209,324	200,690	154,055	10,677
Other income	3,030	11,053	808	141
Total operating revenues	225,072	225,483	168,539	12,161
Realized gains (losses)—investments	(8,492)	(4,886)	(2,254)	4,919
Realized gains (losses)—derivatives	(1,874)	826	82	455
Total revenues	214,706	221,423	166,367	17,535
BENEFITS AND EXPENSES				
Benefits and settlement expenses	16,382	17,946	14,568	1,722
Amortization of DAC/VOBA	—	—	27	87
Other operating expenses	345,022	295,498	179,011	20,496
Total benefits and expenses	361,404	313,444	193,606	22,305
INCOME (LOSS) BEFORE INCOME TAX	(146,698)	(92,021)	(27,239)	(4,770)
Less: realized gains (losses)—investments	(8,492)	(4,886)	(2,254)	4,919
Less: realized gains (losses)—derivatives	(1,874)	826	82	455
PRE-TAX ADJUSTED OPERATING INCOME (LOSS)	\$ (136,332)	\$ (87,961)	\$ (25,067)	\$ (10,144)

For The Year Ended December 31, 2017 (Successor Company), as compared to The Year Ended December 31, 2016 (Successor Company)

Pre-tax Adjusted Operating Income (Loss)

Pre-tax adjusted operating loss was \$136.3 million for the year ended December 31, 2017, as compared to an adjusted pre-tax operating loss of \$88.0 million for the year ended December 31, 2016. The decrease is primarily attributable to a \$49.5 million increase in corporate overhead expense. The increase in overhead expenses was primarily due to certain accrued expenses that increased as a result of the favorable after-tax adjusted operating income results which increased due to the change in the corporate tax rate during the period.

Operating Revenues

Net investment income for the segment increased \$8.6 million, or 4.3%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase in net investment income was primarily due to an increase in invested assets and investment yields.

Other Income

Other income decreased \$8.0 million or 72.6% for the year ended December 31, 2017, as compared to the year ended December 31, 2016. The decrease in income was primarily due to a decrease in the gain on extinguishment of debt.

Total Benefits and Expenses

Total benefits and expenses increased \$48.0 million or 15.3%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to increases in corporate overhead expenses.

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Pre-tax Adjusted Operating Income (Loss)

Pre-tax adjusted operating loss was \$25.1 million for the period of February 1, 2015 to December 31, 2015, which consisted of \$193.6 million of other operating expenses which is primarily interest and corporate overhead expenses. These expenses were partially offset by \$154.1 million of investment income which represents income on assets supporting our equity capital.

Operating Revenues

Operating revenues of \$168.5 million were primarily due to \$154.1 million of investment income which represents income on assets supporting our equity capital.

Total Benefits and Expenses

Total benefits and expenses of \$193.6 million were primarily due to \$179.0 million of other operating expenses which included corporate overhead expenses and \$82.0 million of interest expense.

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

Pre-tax Adjusted Operating Income (Loss)

The segment's \$10.1 million pre-tax adjusted 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.

Operating Revenues

Operating revenues of \$12.2 million were primarily due to \$10.7 million of investment income which represents income on assets supporting our equity capital.

Total Benefits and Expenses

Total benefits and expenses of \$22.3 million were primarily due to \$20.5 million of other operating expenses which included \$11.1 million of interest expense, corporate overhead expenses, and \$2.8 million of charitable contributions.

CONSOLIDATED INVESTMENTS

As of December 31, 2017 (Successor Company), our investment portfolio was approximately \$54.6 billion. The types of assets in which we may invest are influenced by various state insurance laws which prescribe qualified investment assets. Within the parameters of these laws, we invest in assets giving consideration to such factors as liquidity and capital needs, investment quality, investment return, matching of assets and liabilities, and the overall composition of the investment portfolio by asset type and credit exposure. We do not have material exposure to financial guarantee insurance companies with respect to our investment portfolio.

Within our fixed maturity investments, we maintain portfolios classified as “available-for-sale”, “trading”, and “held-to-maturity”. We purchase our available-for-sale investments with the intent to hold to maturity by purchasing investments that match future cash flow needs. However, we may sell any of our available-for-sale and trading investments to maintain proper matching of assets and liabilities. Accordingly, we classified \$38.5 billion, or 87.7%, of our fixed maturities as “available-for-sale” as of December 31, 2017 (Successor Company). These securities are carried at fair value on our consolidated balance sheets. Changes in fair value for our available-for-sale portfolio, net of tax and the related impact on certain insurance assets and liabilities are recorded directly to shareowner’s equity. Declines in fair value that are other-than-temporary are recorded as realized losses in the consolidated statements of income, net of any applicable non-credit component of the loss, which is recorded as an adjustment to other comprehensive income (loss).

Trading securities are carried at fair value and changes in fair value are recorded on the income statement as they occur. Our trading portfolio accounted for \$2.7 billion, or 6.1%, of our fixed maturities and \$56.3 million of short-term investments as of December 31, 2017 (Successor Company). Changes in fair value on the Modco trading portfolio, including gains and losses from sales, are passed to the reinsurers through the contractual terms of the reinsurance arrangements. Partially offsetting these amounts are corresponding changes in the fair value of the embedded derivative associated with the underlying reinsurance arrangement.

Fixed maturities with respect to which we have both the positive intent and ability to hold to maturity are classified as “held-to-maturity”. We classified \$2.7 billion, or 6.2%, of our fixed maturities as “held-to-maturity” as of December 31, 2017 (Successor Company). These securities are carried at amortized cost on our consolidated balance sheets.

Fair values for private, non-traded securities are determined as follows: 1) we obtain estimates from independent pricing services and 2) we estimate fair value based upon a comparison to quoted issues of the same issuer or issues of other issuers with similar terms and risk characteristics. We analyze the independent pricing services valuation methodologies and related inputs, including an assessment of the observability of market inputs. Upon obtaining this information related to fair value, management makes a determination as to the appropriate valuation amount. For more information about our the fair values of our investments please refer to Note 6, *Fair Value of Financial Instruments*, to the financial statements.

The following table presents the reported values of our invested assets:

	Successor Company			
	As of December 31,			
	2017		2016	
	(Dollars In Thousands)			
Publicly issued bonds (amortized cost: 2017 - \$30,880,196; 2016 - \$30,523,193)	\$ 30,860,541	56.5%	\$ 29,184,566	57.6%
Privately issued bonds (amortized cost: 2017 - \$12,894,569; 2016 - \$11,981,360)	12,939,997	23.7	11,679,121	23.0
Redeemable preferred stock (amortized cost: 2017 - \$97,690; 2016 - \$98,348)	94,418	0.1	89,827	0.3
Fixed maturities	43,894,956	80.3%	40,953,514	80.9%
Equity securities (cost: 2017 - \$740,813; 2016 - \$768,423)	754,360	1.4	754,489	1.5
Mortgage loans	6,817,723	12.5	6,132,125	12.1
Investment real estate	8,355	—	8,060	—
Policy loans	1,615,615	3.0	1,650,240	3.3
Other long-term investments	915,595	1.7	865,304	1.7
Short-term investments	615,210	1.1	332,431	0.5
Total investments	\$ 54,621,814	100.0%	\$ 50,696,163	100.0%

Included in the preceding table are \$2.7 billion and \$2.6 billion of fixed maturities and \$56.3 million and \$52.6 million of short-term investments classified as trading securities as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively. All of the fixed maturities in the trading portfolio are invested assets that are held pursuant

to modified coinsurance ("Modco") arrangements under which the economic risks and benefits of the investments are passed to third party reinsurers. Also included above are \$2.7 billion and \$2.8 billion of securities classified as held-to-maturity as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively.

Fixed Maturity Investments

As of December 31, 2017 (Successor Company), our fixed maturity investment holdings were approximately \$43.9 billion. The approximate percentage distribution of our fixed maturity investments by quality rating is as follows:

Rating	Successor Company			
	As of December 31,			
	2017		2016	
	(Dollars in Thousands)			
AAA	\$ 5,740,115	13.1%	\$ 5,241,698	12.8%
AA	3,577,512	8.2	3,500,090	8.5
A	13,969,721	31.8	12,748,585	31.1
BBB	15,752,970	35.9	14,471,125	35.4
Below investment grade	2,135,734	4.8	2,221,839	5.4
Not rated ⁽¹⁾	2,718,904	6.2	2,770,177	6.8
	\$ 43,894,956	100.0%	\$ 40,953,514	100.0%

(1) Our "not rated" securities are \$2.7 billion or 6.2% of our fixed maturity investments, of held-to-maturity securities issued by affiliates of the Company which are considered variable interest entities ("VIE's") and are discussed in Note 5, *Investment Operations*, to the consolidated financial statements. We are not the primary beneficiary of these entities and thus these securities are not eliminated in consolidation. These securities are collateralized by non-recourse funding obligations issued by captive insurance companies that are wholly owned subsidiaries of the Company.

We use various Nationally Recognized Statistical Rating Organizations' ("NRSRO") ratings when classifying securities by quality ratings. When the various NRSRO ratings are not consistent for a security, we use the second-highest convention in assigning the rating. When there are no such published ratings, we assign a rating based on the statutory accounting rating system if such ratings are available.

The distribution of our fixed maturity investments by type is as follows:

Type	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars in Thousands)	
Corporate securities	\$ 31,400,193	\$ 28,996,154
Residential mortgage-backed securities	2,586,906	2,153,510
Commercial mortgage-backed securities	2,036,626	1,961,153
Other asset-backed securities	1,387,646	1,411,617
U.S. government-related securities	1,250,486	1,295,120
Other government-related securities	351,207	302,933
States, municipalities, and political subdivisions	2,068,570	1,973,022
Redeemable preferred stock	94,418	89,828
Securities issued by affiliates	2,718,904	2,770,177
Total fixed income portfolio	<u>\$ 43,894,956</u>	<u>\$ 40,953,514</u>

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We periodically update our industry segmentation based on an industry accepted index. Updates to this index can result in a change in segmentation for certain securities between periods.

The industry segment composition of our fixed maturity securities is presented in the following table:

	Successor Company			
	As of December 31, 2017	% Fair Value	As of December 31, 2016	% Fair Value
	(Dollars In Thousands)		(Dollars In Thousands)	
Banking	\$ 4,301,821	9.8%	\$ 3,857,746	9.4%
Other finance	60,697	0.1	83,895	0.2
Electric utility	3,977,035	9.1	3,929,300	9.6
Energy	4,009,926	9.1	3,897,950	9.5
Natural gas	736,626	1.7	603,149	1.5
Insurance	3,689,572	8.4	3,197,348	7.8
Communications	1,691,391	3.9	1,654,630	4.0
Basic industrial	1,629,349	3.7	1,536,879	3.8
Consumer noncyclical	3,816,011	8.7	3,483,948	8.5
Consumer cyclical	1,232,991	2.8	1,050,529	2.6
Finance companies	162,673	0.4	139,050	0.3
Capital goods	1,910,950	4.4	1,779,590	4.3
Transportation	1,210,272	2.8	1,144,450	2.8
Other industrial	239,368	0.5	200,605	0.5
Brokerage	921,295	2.1	769,663	1.9
Technology	1,756,746	4.0	1,551,826	3.8
Real estate	82,125	0.2	122,058	0.3
Other utility	65,763	0.1	83,366	0.2
Commercial mortgage-backed securities	2,036,626	4.6	1,961,153	4.8
Other asset-backed securities	1,387,646	3.2	1,411,617	3.4
Residential mortgage-backed non-agency securities	1,861,883	4.2	1,423,735	3.5
Residential mortgage-backed agency securities	725,023	1.7	729,775	1.8
U.S. government-related securities	1,250,486	2.8	1,295,120	3.2
Other government-related securities	351,207	0.8	302,933	0.7
State, municipals, and political divisions	2,068,570	4.7	1,973,022	4.8
Securities issued by affiliates	2,718,904	6.2	2,770,177	6.8
Total	\$ 43,894,956	100.0%	\$ 40,953,514	100.0%

The total Modco trading portfolio fixed maturities by rating is as follows:

Rating	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
AAA	\$ 355,719	\$ 341,364
AA	277,984	301,258
A	911,490	849,286
BBB	890,101	884,850
Below investment grade	228,895	263,102
Total Modco trading fixed maturities	\$ 2,664,189	\$ 2,639,860

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A portion of our bond portfolio is invested in residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”), and other asset-backed securities (collectively referred to as asset-backed securities or “ABS”). ABS are securities that are backed by a pool of assets. These holdings as of December 31, 2017 (Successor Company), were approximately \$6.0 billion. Mortgage-backed securities (“MBS”) are constructed from pools of mortgages and may have cash flow volatility as a result of changes in the rate at which prepayments of principal occur with respect to the underlying loans. Excluding limitations on access to lending and other extraordinary economic conditions, prepayments of principal on the underlying loans can be expected to accelerate with decreases in market interest rates and diminish with increases in interest rates.

The following tables include the percentage of our collateral grouped by rating category and categorizes the estimated fair value by year of security origination for our Prime, Non-Prime, Commercial, and Other asset-backed securities as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company).

As of December 31, 2017 (Successor Company)										
	Prime ⁽¹⁾		Non-Prime ⁽¹⁾		Commercial		Other asset-backed		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
(Dollars In Millions)										
Rating \$										
AAA	\$ 2,264.2	\$ 2,268.0	\$ —	\$ —	\$ 1,258.2	\$ 1,271.1	\$ 591.5	\$ 590.5	\$ 4,113.9	\$ 4,129.6
AA	1.4	1.4	—	—	522.9	533.6	158.5	150.1	682.8	685.1
A	1.1	1.1	15.9	15.9	252.2	253.9	512.9	508.6	782.1	779.5
BBB	1.5	1.5	1.5	1.5	3.3	3.3	50.2	49.6	56.5	55.9
Below	92.5	92.1	208.8	209.0	—	—	74.5	73.7	375.8	374.8
	<u>\$ 2,360.7</u>	<u>\$ 2,364.1</u>	<u>\$ 226.2</u>	<u>\$ 226.4</u>	<u>\$ 2,036.6</u>	<u>\$ 2,061.9</u>	<u>\$ 1,387.6</u>	<u>\$ 1,372.5</u>	<u>\$ 6,011.1</u>	<u>\$ 6,024.9</u>
Rating %										
AAA	95.9%	95.9%	—%	—%	61.7%	61.6%	42.6%	43.0%	68.4%	68.5%
AA	0.1	0.1	—	—	25.7	25.9	11.4	10.9	11.4	11.4
A	—	—	7.0	7.0	12.4	12.3	37.0	37.1	13.0	12.9
BBB	0.1	0.1	0.6	0.6	0.2	0.2	3.6	3.6	0.9	0.9
Below	3.9	3.9	92.4	92.4	—	—	5.4	5.4	6.3	6.3
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Estimated Fair Value of Security by Year of Security Origination										
2013 and prior	\$ 897.4	\$ 898.8	\$ 226.2	\$ 226.4	\$ 1,025.2	\$ 1,039.4	\$ 761.2	\$ 752.4	\$ 2,910.0	\$ 2,917.0
2014	203.8	202.8	—	—	239.0	243.8	31.2	31.6	474.0	478.2
2015	456.4	458.4	—	—	213.7	211.9	29.4	28.7	699.5	699.0
2016	237.0	240.0	—	—	456.2	463.8	232.9	230.3	926.1	934.1
2017	566.1	564.1	—	—	102.5	103.0	332.9	329.5	1,001.5	996.6
Total	<u>\$ 2,360.7</u>	<u>\$ 2,364.1</u>	<u>\$ 226.2</u>	<u>\$ 226.4</u>	<u>\$ 2,036.6</u>	<u>\$ 2,061.9</u>	<u>\$ 1,387.6</u>	<u>\$ 1,372.5</u>	<u>\$ 6,011.1</u>	<u>\$ 6,024.9</u>

(1)Included in Residential Mortgage-Backed securities.

As of December 31, 2016 (Successor Company)

	Prime⁽¹⁾		Non-Prime⁽¹⁾		Commercial		Other asset-backed		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
(Dollars In Millions)										
Rating \$										
AAA	\$ 1,767.5	\$ 1,779.9	\$ —	\$ —	\$ 1,167.9	\$ 1,186.7	\$ 727.3	\$ 732.6	\$ 3,662.7	\$ 3,699.2
AA	3.1	3.1	—	—	517.0	532.9	125.2	117.8	645.3	653.8
A	2.8	2.8	0.5	0.5	266.5	270.9	426.4	428.6	696.2	702.8
BBB	2.2	2.2	1.8	1.9	9.8	9.8	34.6	34.7	48.4	48.6
Below	118.1	117.9	257.5	260.1	—	—	98.1	96.9	473.7	474.9
	<u>\$ 1,893.7</u>	<u>\$ 1,905.9</u>	<u>\$ 259.8</u>	<u>\$ 262.5</u>	<u>\$ 1,961.2</u>	<u>\$ 2,000.3</u>	<u>\$ 1,411.6</u>	<u>\$ 1,410.6</u>	<u>\$ 5,526.3</u>	<u>\$ 5,579.3</u>

Rating %										
AAA	93.3%	93.4%	—%	—%	59.6%	59.4%	51.5%	51.9%	66.3%	66.3%
AA	0.2	0.2	—	—	26.4	26.6	8.9	8.4	11.7	11.7
A	0.1	0.1	0.2	0.2	13.5	13.5	30.2	30.4	12.6	12.6
BBB	0.1	0.1	0.7	0.7	0.5	0.5	2.5	2.5	0.9	0.9
Below	6.3	6.2	99.1	99.1	—	—	6.9	6.8	8.5	8.5
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Estimated Fair Value of Security by Year of Security Origination

2012 and prior	\$ 845.2	\$ 845.2	\$ 259.8	\$ 262.5	\$ 825.5	\$ 837.1	\$ 828.7	\$ 828.9	\$ 2,759.2	\$ 2,773.7
2013	166.5	168.0	—	—	231.2	235.7	98.6	98.8	496.3	502.5
2014	205.0	205.0	—	—	238.2	246.9	168.4	168.4	611.6	620.3
2015	461.2	464.6	—	—	210.9	211.6	66.2	64.6	738.3	740.8
2016	215.8	223.1	—	—	455.4	469.0	249.7	249.9	920.9	942.0
Total	<u>\$ 1,893.7</u>	<u>\$ 1,905.9</u>	<u>\$ 259.8</u>	<u>\$ 262.5</u>	<u>\$ 1,961.2</u>	<u>\$ 2,000.3</u>	<u>\$ 1,411.6</u>	<u>\$ 1,410.6</u>	<u>\$ 5,526.3</u>	<u>\$ 5,579.3</u>

(1) Included in Residential Mortgage-Backed securities

The majority of our RMBS holdings as of December 31, 2017 (Successor Company) were super senior or senior bonds in the capital structure. Our total non-agency portfolio has a weighted-average life of 9.99 years. The following table categorizes the weighted-average life for our non-agency portfolio, by category of material holdings, as of December 31, 2017 (Successor Company):

Non-agency portfolio	Weighted-Average Life
Prime	10.51
Alt-A	3.45
Sub-prime	2.83

Mortgage Loans

We invest a portion of our investment portfolio in commercial mortgage loans. As of December 31, 2017 (Successor Company), our mortgage loan holdings were approximately \$6.8 billion. We have specialized in making loans on either credit-oriented commercial properties or credit-anchored strip shopping centers and apartments. Our underwriting procedures relative to our commercial loan portfolio are based, in our view, on a conservative and disciplined approach. We concentrate 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). We believe that these asset types tend to weather economic downturns better than other commercial asset classes in which we have chosen not to participate. We believe this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout our history. The majority of our mortgage loans portfolio was underwritten and funded by us. From time to time, we may acquire loans in conjunction with an acquisition.

Our 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

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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.

Certain of the mortgage loans have call options that occur within the next 11 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 December 31, 2017 (Successor Company), assuming the loans are called at their next call dates, approximately \$161.2 million will be due in 2018, \$858.6 million in 2019 through 2023, \$105.8 million in 2024 through 2028, and \$2.0 million thereafter.

We offer a type of commercial mortgage loan under which we 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 December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), approximately \$669.3 million and \$595.2 million, respectively, of our total mortgage loans principal balance have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income when received. During the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), we recognized, \$37.2 million, \$16.7 million, \$29.8 million, and \$0.1 million, respectively, of participating mortgage loan income.

The following table includes a breakdown of our commercial mortgage loan portfolio as of December 31, 2017 (Successor Company):

Commercial Mortgage Loan Portfolio Profile	
Total portfolio of 1,668 loans	\$6.8 billion
Average loan size	\$4.0 million
Weighted-average amortization	22.5 years
Weighted-average coupon	4.76%
Weighted-average LTV	56.1%
Weighted-average debt coverage ratio	1.55

We record mortgage loans net of an allowance for credit losses. This allowance is calculated through analysis of specific loans that have indicators of potential impairment based on current information and events. As of December 31, 2017 (Successor Company) there were no allowances for mortgage loan credit losses and as of December 31, 2016 (Successor Company), the Company had an allowance for mortgage loan credit losses of \$0.7 million. While our mortgage loans do not have quoted market values, as of December 31, 2017 (Successor Company), we estimated the fair value of our mortgage loans to be \$6.7 billion (using an internal fair value model which calculates the value of most loans by using the loan's discounted cash flows to the loan's call or maturity date), which was approximately 1.13% less than the amortized cost, less any related loan loss reserve.

At the time of origination, our mortgage lending criteria targets that the loan-to-value ratio on each mortgage is 75% or less. We target projected rental payments from credit anchors (i.e., excluding rental payments from smaller local tenants) of 70% of the property's projected operating expenses and debt service.

As of December 31, 2017, approximately \$6.5 million of invested assets consisted of nonperforming mortgage loans, restructured mortgage loans, or mortgage loans that were foreclosed and were converted to real estate properties. We do not expect these investments to adversely affect our liquidity or ability to maintain proper matching of assets and liabilities. During the year ended December 31, 2017, certain mortgage loan transactions occurred that would have been accounted for as troubled debt restructurings. For all mortgage loans, the impact of troubled debt restructurings is reflected in our investment balance and in the allowance for mortgage loan credit losses. During the year ended December 31, 2017, we recognized two troubled debt restructurings as a result of the Company granting concessions to borrowers which included loan terms unavailable from other lenders. These concessions were the result of agreements between the creditor and the debtor. We did not identify any loans whose principal was permanently impaired during the year ended December 31, 2017 (Successor Company).

Our 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 December 31, 2017 (Successor Company), \$6.5 million of mortgage loans not subject to a pooling and servicing agreement were nonperforming, restructured, or mortgage loans that were foreclosed and were converted to real estate properties. We foreclosed on \$6.1 million nonperforming loans during the year ended December 31, 2017 (Successor Company). We do not expect these investments to adversely affect our liquidity or ability to maintain proper matching of assets and liabilities.

As of December 31, 2017 (Successor Company), none of the loans subject to a pooling and servicing agreement were nonperforming or restructured. We did not foreclose on any nonperforming loans subject to a pooling and servicing agreement during the year ended December 31, 2017 (Successor Company).

It is our 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 our 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.

Unrealized Gains and Losses—Available-for-Sale Securities

The information presented below relates to investments at a certain point in time and is not necessarily indicative of the status of the portfolio at any time after December 31, 2017 (Successor Company), the balance sheet date. Information about unrealized gains and losses is subject to rapidly changing conditions, including volatility of financial markets and changes in interest rates. Management considers a number of factors in determining if an unrealized loss is other-than-temporary, including the expected cash to be collected and the intent, likelihood, and/or ability to hold the security until recovery. Consistent with our long-standing practice, we do not utilize a “bright line test” to determine other-than-temporary impairments. On a quarterly basis, we perform an analysis on every security with an unrealized loss to determine if an other-than-temporary impairment has occurred. This analysis includes reviewing several metrics including collateral, expected cash flows, ratings, and liquidity. Furthermore, since the timing of recognizing realized gains and losses is largely based on management’s decisions as to the timing and selection of investments to be sold, the tables and information provided below should be considered within the context of the overall unrealized gain/(loss) position of the portfolio. We had an overall net unrealized gain of \$36.0 million, prior to income tax and the related impact of certain insurance assets and liabilities offsets, as of December 31, 2017 (Successor Company), and an overall net unrealized loss of \$1.7 billion as of December 31, 2016 (Successor Company).

For fixed maturity and equity securities held that are in an unrealized loss position as of December 31, 2017 (Successor Company), the fair value, amortized cost, unrealized loss, and total time period that the security has been in an unrealized loss position are presented in the table below:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
(Dollars In Thousands)						
<= 90 days	\$ 6,352,717	29.3%	\$ 6,415,298	28.7%	\$ (62,581)	9.2%
>90 days but <= 180 days	453,654	2.1	466,505	2.1	(12,851)	1.9
>180 days but <= 270 days	133,617	0.6	135,660	0.6	(2,043)	0.3
>270 days but <= 1 year	122,746	0.6	124,767	0.6	(2,021)	0.3
>1 year but <= 2 years	6,659,813	30.7	6,830,315	30.5	(170,502)	25.0
>2 years but <= 3 years	7,979,534	36.7	8,411,717	37.5	(432,183)	63.3
>3 years but <= 4 years	—	—	—	—	—	—
>4 years but <= 5 years	—	—	—	—	—	—
>5 years	—	—	—	—	—	—
Total	\$ 21,702,081	100.0%	\$ 22,384,262	100.0%	\$ (682,181)	100.0%

As of December 31, 2017 (Successor Company), the Barclays Investment Grade Index was priced at 91 basis points versus a 10 year average of 176 basis points. Similarly, the Barclays High Yield Index was priced at 364 basis points versus a 10 year average of 652 basis points. As of December 31, 2017 (Successor Company), the five, ten, and thirty-year U.S. Treasury obligations were trading at levels of 2.2%, 2.4%, and 2.7%, as compared to 10 year averages of 1.7%, 2.6%, and 3.5%, respectively.

As of December 31, 2017 (Successor Company), 88.8% of the unrealized loss was associated with securities that were rated investment grade. We have examined the performance of the underlying collateral and cash flows and expect that our investments will continue to perform in accordance with their contractual terms. Factors such as credit enhancements within the deal structures and the underlying collateral performance/characteristics support the recoverability of the investments. Based on the factors discussed, we do not consider these unrealized loss positions to be other-than-temporary. However, from time to time, we may sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield enhancement, asset/liability management, and liquidity requirements.

Expectations that investments in mortgage-backed and asset-backed securities will continue to perform in accordance with their contractual terms are based on assumptions that a market participant would use in determining the current fair value. It is reasonably possible that the underlying collateral of these investments will perform worse than current market expectations and that such an event may lead to adverse changes in the cash flows on our holdings of these types of securities. This could lead to potential future write-downs within our portfolio of mortgage-backed and asset-backed securities. Expectations that our investments in corporate securities and/or debt obligations will continue to perform in accordance with their contractual terms are based on evidence gathered through our normal credit surveillance process. Although we do not anticipate such events, it is reasonably possible that issuers of our investments in corporate securities will perform worse than current expectations. Such events may lead us to recognize potential future write-downs within our portfolio of corporate securities. It is also possible that such unanticipated events would lead us to dispose of those certain holdings and recognize the effects of any such market movements in our financial statements.

As of December 31, 2017 (Successor Company), there were estimated gross unrealized losses of \$3.0 million related to our mortgage-backed securities collateralized by Alt-A mortgage loans. Gross unrealized losses in our securities collateralized by Alt-A residential mortgage loans as of December 31, 2017 (Successor Company), were primarily the result of continued widening spreads, representing marketplace uncertainty arising from higher defaults in Alt-A residential mortgage loans and rating agency downgrades of securities collateralized by Alt-A residential mortgage loans.

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We have no material concentrations of issuers or guarantors of fixed maturity securities. The industry segment composition of all securities in an unrealized loss position held as of December 31, 2017 (Successor Company) is presented in the following table:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
(Dollars In Thousands)						
Banking	\$ 1,733,309	8.0%	\$ 1,758,549	7.9%	\$ (25,240)	3.7%
Other finance	54,454	0.3	58,198	0.3	(3,744)	0.5
Electric utility	3,111,719	14.3	3,242,952	14.5	(131,233)	19.2
Energy	1,397,312	6.4	1,458,690	6.5	(61,378)	9.0
Natural gas	604,431	2.8	624,203	2.8	(19,772)	2.9
Insurance	1,697,233	7.8	1,743,140	7.8	(45,907)	6.7
Communications	1,238,082	5.7	1,303,264	5.8	(65,182)	9.6
Basic industrial	581,249	2.7	603,248	2.7	(21,999)	3.2
Consumer noncyclical	2,016,112	9.3	2,077,552	9.3	(61,440)	9.0
Consumer cyclical	630,915	2.9	651,415	2.9	(20,500)	3.0
Finance companies	39,710	0.2	40,581	0.2	(871)	0.1
Capital goods	1,121,919	5.2	1,146,545	5.1	(24,626)	3.6
Transportation	791,776	3.6	812,358	3.6	(20,582)	3.0
Other industrial	174,797	0.8	185,701	0.8	(10,904)	1.6
Brokerage	380,331	1.8	384,860	1.7	(4,529)	0.7
Technology	576,855	2.7	598,112	2.7	(21,257)	3.1
Real estate	43,096	0.2	43,610	0.2	(514)	0.1
Other utility	46,731	0.1	47,514	0.2	(783)	0.3
Commercial mortgage-backed securities	1,553,928	7.2	1,584,114	7.1	(30,186)	4.4
Other asset-backed securities	220,822	1.0	226,586	1.0	(5,764)	0.8
Residential mortgage-backed non-agency securities	822,794	3.8	838,846	3.7	(16,052)	2.4
Residential mortgage-backed agency securities	360,025	1.7	367,006	1.6	(6,981)	1.0
U.S. government-related securities	1,166,342	5.4	1,198,519	5.4	(32,177)	4.7
Other government-related securities	140,124	0.6	145,071	0.6	(4,947)	0.7
States, municipals, and political divisions	1,198,015	5.5	1,243,628	5.6	(45,613)	6.7
Total	\$ 21,702,081	100.0%	\$ 22,384,262	100.0%	\$ (682,181)	100.0%

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We have no material concentrations of issuers or guarantors of fixed maturity securities. The industry segment composition of all securities in an unrealized loss position held as of December 31, 2016 (Successor Company) is presented in the following table:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
(Dollars In Thousands)						
Banking	\$ 3,106,898	10.6%	\$ 3,214,957	10.3%	\$ (108,059)	5.8%
Other finance	65,883	0.2	69,729	0.2	(3,846)	0.2
Electric utility	3,412,425	11.7	3,727,811	12.0	(315,386)	16.9
Energy	2,714,073	9.3	2,892,598	9.3	(178,525)	9.6
Natural gas	542,654	1.9	593,355	1.9	(50,701)	2.7
Insurance	2,864,965	9.8	3,101,797	10.0	(236,832)	12.7
Communications	1,466,405	5.0	1,607,756	5.2	(141,351)	7.6
Basic industrial	1,149,208	3.9	1,236,848	4.0	(87,640)	4.7
Consumer noncyclical	2,636,679	9.0	2,822,430	9.1	(185,751)	10.0
Consumer cyclical	770,269	2.6	814,406	2.6	(44,137)	2.4
Finance companies	64,490	0.2	69,077	0.2	(4,587)	0.2
Capital goods	1,393,935	4.8	1,480,205	4.8	(86,270)	4.6
Transportation	954,836	3.3	1,018,546	3.3	(63,710)	3.4
Other industrial	163,993	0.6	176,558	0.6	(12,565)	0.7
Brokerage	516,318	1.8	550,112	1.8	(33,794)	1.8
Technology	949,675	3.2	1,003,894	3.2	(54,219)	2.9
Real estate	126,156	0.5	131,715	0.4	(5,559)	0.3
Other utility	17,326	0.1	18,516	0.1	(1,190)	0.1
Commercial mortgage-backed securities	1,552,621	5.3	1,594,299	5.1	(41,678)	2.2
Other asset-backed securities	500,497	1.7	521,195	1.7	(20,698)	1.1
Residential mortgage-backed non-agency securities	965,399	3.3	985,142	3.2	(19,743)	1.1
Residential mortgage-backed agency securities	265,996	0.9	271,920	0.9	(5,924)	0.3
U.S. government-related securities	1,237,945	4.2	1,278,400	4.1	(40,455)	2.2
Other government-related securities	177,805	0.6	192,602	0.6	(14,797)	0.8
States, municipals, and political divisions	1,610,621	5.5	1,716,179	5.4	(105,558)	5.7
Total	\$ 29,227,072	100.0%	\$ 31,090,047	100.0%	\$ (1,862,975)	100.0%

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The range of maturity dates for securities in an unrealized loss position as of December 31, 2017 (Successor Company) varies, with 23.4% maturing in less than 5 years, 17.1% maturing between 5 and 10 years, and 59.5% maturing after 10 years. The following table shows the credit rating of securities in an unrealized loss position as of December 31, 2017 (Successor Company):

S&P or Equivalent Designation	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
(Dollars In Thousands)						
AAA/AA/A	\$ 13,236,188	61.0%	\$ 13,577,874	60.7%	\$ (341,686)	50.1%
BBB	7,728,464	35.6	7,992,327	35.7	(263,863)	38.7
Investment grade	20,964,652	96.6	21,570,201	96.4	(605,549)	88.8
BB	383,672	1.8	417,420	1.9	(33,748)	4.9
B	221,947	1.0	250,466	1.1	(28,519)	4.2
CCC or lower	131,810	0.6	146,175	0.6	(14,365)	2.1
Below investment grade	737,429	3.4	814,061	3.6	(76,632)	11.2
Total	\$ 21,702,081	100.0%	\$ 22,384,262	100.0%	\$ (682,181)	100.0%

As of December 31, 2017 (Successor Company), we held a total of 1,845 positions that were in an unrealized loss position. Included in that amount were 105 positions of below investment grade securities with a fair value of \$737.4 million that were in an unrealized loss position. Total unrealized losses related to below investment grade securities were \$76.6 million, \$66.4 million of which had been in an unrealized loss position for more than twelve months. Below investment grade securities in an unrealized loss position were 1.4% of invested assets.

As of December 31, 2017 (Successor Company), securities in an unrealized loss position that were rated as below investment grade represented 3.4% of the total fair value and 11.2% of the total unrealized loss. We have the ability and intent to hold these securities to maturity. After a review of each security and its expected cash flows, we believe the decline in market value to be temporary.

The following table includes the fair value, amortized cost, unrealized loss, and total time period that the security has been in an unrealized loss position for all below investment grade securities as of December 31, 2017 (Successor Company):

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
(Dollars In Thousands)						
<= 90 days	\$ 189,398	25.7%	\$ 196,440	24.1%	\$ (7,042)	9.2%
>90 days but <= 180 days	40,100	5.4	42,333	5.2	(2,233)	2.9
>180 days but <= 270 days	11,019	1.5	11,709	1.4	(690)	0.9
>270 days but <= 1 year	1,360	0.2	1,630	0.2	(270)	0.4
>1 year but <= 2 years	57,346	7.8	62,340	7.7	(4,994)	6.5
>2 years but <= 3 years	438,205	59.4	499,608	61.4	(61,403)	80.1
>3 years but <= 4 years	—	—	—	—	—	—
>4 years but <= 5 years	—	—	—	—	—	—
>5 years	—	—	—	—	—	—
Total	\$ 737,428	100.0%	\$ 814,060	100.0%	\$ (76,632)	100.0%

Risk Management and Impairment Review

We monitor the overall credit quality of our portfolio within established guidelines. The following table includes our available-for-sale fixed maturities by credit rating as of December 31, 2017 (Successor Company):

<u>Rating</u>	Fair Value	Percent of Fair Value
	(Dollars In Thousands)	
AAA	\$ 5,384,396	14.0%
AA	3,299,528	8.6
A	13,058,231	33.9
BBB	14,862,869	38.6
Investment grade	36,605,024	95.1
BB	1,328,272	3.4
B	295,990	0.8
CCC or lower	282,577	0.7
Below investment grade	1,906,839	4.9
Total	\$ 38,511,863	100.0%

Not included in the table above are \$2.4 billion of investment grade and \$228.9 million of below investment grade fixed maturities classified as trading securities and \$2.7 billion of fixed maturities classified as held-to-maturity.

Limiting bond exposure to any creditor group is another way we manage credit risk. We held no credit default swaps on the positions listed below as of December 31, 2017 (Successor Company). The following table summarizes our ten largest maturity exposures to an individual creditor group as of December 31, 2017 (Successor Company):

Creditor	Fair Value of			Total Fair Value
	Funded Securities	Unfunded Exposures		
	(Dollars In Millions)			
Federal Home Loan Bank	\$ 231.8	\$ —	\$	231.8
Southern Co.	212.1	—		212.1
Duke Energy Corp.	209.9	—		209.9
AT&T, Inc.	207.1	—		207.1
Morgan Stanley	201.5	—		201.5
Exelon Corp.	200.2	—		200.2
Goldman Sachs Group Inc.	196.6	—		196.6
Wells Fargo & Co.	194.5	0.8		195.3
Anheuser-Busch Inbev.	193.9	—		193.9
Bank of American Corp.	186.4	0.2		186.6
Total	\$ 2,034.0	\$ 1.0	\$	2,035.0

Determining whether a decline in the current fair value of invested assets is an other-than-temporary decline in value is both objective and subjective, and can involve a variety of assumptions and estimates, particularly for investments that are not actively traded in established markets. We review our positions on a monthly basis for possible credit concerns and review our current exposure, credit enhancement, and delinquency experience.

Management considers a number of factors when determining the impairment status of individual securities. These include the economic condition of various industry segments and geographic locations and other areas of identified risks. Since it is possible for the impairment of one investment to affect other investments, we engage in ongoing risk management to safeguard against and limit any further risk to our investment portfolio. Special attention is given to correlative risks within specific industries, related parties, and business markets.

For certain securitized financial assets with contractual cash flows, including RMBS, CMBS, and other asset-backed securities (collectively referred to as asset-backed securities or “ABS”), GAAP requires us to periodically update our best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the expected cash flows since the last revised estimate, considering both timing and amount, an other-than-temporary impairment charge is recognized. Estimating future cash flows is a quantitative and qualitative

process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral. In addition, we consider our intent and ability to retain a temporarily depressed security until recovery.

Securities in an unrealized loss position are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. We consider a number of factors in determining whether the impairment is other-than-temporary. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of our intent to sell the security (including a more likely than not assessment of whether we will be required to sell the security) before recovering the security's amortized cost, 5) the time period during which the decline has occurred, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security-by-security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, along with an analysis regarding our expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows. Based on our analysis, for the year ended December 31, 2017 (Successor Company), we recognized approximately \$11.7 million of credit related impairments on investment securities in an unrealized loss position that were other-than-temporarily impaired resulting in a charge to earnings.

There are certain risks and uncertainties associated with determining whether declines in fair values are other-than-temporary. These include significant changes in general economic conditions and business markets, trends in certain industry segments, interest rate fluctuations, rating agency actions, changes in significant accounting estimates and assumptions, commission of fraud, and legislative actions. We continuously monitor these factors as they relate to the investment portfolio in determining the status of each investment.

We have deposits with certain financial institutions which exceed federally insured limits. We have reviewed the creditworthiness of these financial institutions and believe that there is minimal risk of a material loss.

The chart shown below includes our non-sovereign fair value exposures in these countries as of December 31, 2017 (Successor Company). As of December 31, 2017 (Successor Company), we had no unfunded exposure and had no direct sovereign fair value exposure.

Financial Instrument and Country	Non-sovereign Debt		Total Gross
	Financial	Non-financial	Funded Exposure
(Dollars In Millions)			
Securities:			
United Kingdom	\$ 622.5	\$ 869.9	\$ 1,492.4
Netherlands	224.7	256.6	481.3
France	142.1	231.7	373.8
Switzerland	228.4	112.4	340.8
Germany	148.8	165.0	313.8
Spain	7.6	221.2	228.8
Belgium	—	193.9	193.9
Sweden	127.7	20.6	148.3
Norway	—	100.0	100.0
Ireland	16.0	45.1	61.1
Luxembourg	—	57.6	57.6
Italy	—	45.9	45.9
Portugal	—	15.6	15.6
Total securities	1,517.8	2,335.5	3,853.3
Derivatives:			
Germany	34.9	—	34.9
United Kingdom	10.2	—	10.2
Switzerland	4.3	—	4.3
France	1.4	—	1.4
Total derivatives	50.8	—	50.8
Total	\$ 1,568.6	\$ 2,335.5	\$ 3,904.1

Realized Gains and Losses

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

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Fixed maturity gains - sales	\$ 18,790	\$ 41,698	\$ 8,650	\$ 6,920
Fixed maturity losses - sales	(5,849)	(9,488)	(7,368)	(29)
Equity gains - sales	78	387	95	—
Equity losses - sales	(2,408)	(295)	(1,096)	—
Impairments on securities	(11,742)	(17,748)	(26,993)	(481)
Modco trading portfolio	119,206	67,583	(167,359)	73,062
Other	(8,389)	(9,226)	192	1,200
Total realized gains (losses) - investments	\$ 109,686	\$ 72,911	\$ (193,879)	\$ 80,672
Derivatives related to VA contracts:				
Interest rate futures - VA	\$ 26,015	\$ (3,450)	\$ (14,818)	\$ 1,413
Equity futures - VA	(91,776)	(106,431)	(5,033)	9,221
Currency futures - VA	(23,176)	33,836	7,169	7,778
Equity options - VA	(94,791)	(60,962)	(27,733)	3,047
Interest rate swaptions - VA	(2,490)	(1,161)	(13,354)	9,268
Interest rate swaps - VA	27,981	20,420	(85,942)	122,710
Total return swaps - VA	(32,240)	—	—	—
Embedded derivative - GLWB	3,614	68,056	4,412	(207,018)
Total derivatives related to VA contracts	(186,863)	(49,692)	(135,299)	(53,581)
Derivatives related to FIA contracts:				
Embedded derivative - FIA	(55,878)	(16,494)	(738)	1,769
Equity futures - FIA	642	4,248	(355)	(184)
Volatility futures - FIA	—	—	5	—
Equity options - FIA	44,585	8,149	1,211	(2,617)
Total derivatives related to FIA contracts	(10,651)	(4,097)	123	(1,032)
Derivatives related to IUL contracts:				
Embedded derivative - IUL	(14,117)	9,529	(614)	(486)
Equity futures - IUL	(818)	129	144	3
Equity options - IUL	9,580	3,477	(540)	(115)
Total derivatives related to IUL contracts	(5,355)	13,135	(1,010)	(598)
Embedded derivative - Modco reinsurance treaties	(103,009)	390	166,092	(68,026)
Other derivatives	50	(24)	91	(37)
Total realized gains (losses) - derivatives	\$ (305,828)	\$ (40,288)	\$ 29,997	\$ (123,274)

Realized gains and losses on investments reflect portfolio management activities designed to maintain proper matching of assets and liabilities and to enhance long-term investment portfolio performance. The change in net realized investment gains (losses), excluding impairments and Modco trading portfolio activity during the year ended December 31, 2017 (Successor Company), primarily reflects the normal operation of our asset/liability program within the context of the changing interest rate and spread environment, as well as tax planning strategies designed to utilize capital loss carryforwards.

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Realized losses are comprised of other-than-temporary impairments and actual sales of investments. These other-than-temporary impairments resulted from our analysis of circumstances and our belief that credit events, loss severity, changes in credit enhancement, and/or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to these investments. These other-than-temporary impairments are presented in the chart below:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Alt-A MBS	\$ —	\$ —	\$ —	\$ —
Other MBS	81	178	203	—
Corporate securities	8,031	16,830	26,580	481
Equities	2,630	—	—	—
Other	1,000	740	210	—
Total	\$ 11,742	\$ 17,748	\$ 26,993	\$ 481

As previously discussed, management considers several factors when determining other-than-temporary impairments. Although we purchase securities with the intent to hold them until maturity, we may change our position as a result of a change in circumstances. Any such decision is consistent with our classification of all but a specific portion of our investment portfolio as available-for-sale. For the year ended December 31, 2017 (Successor Company), we sold securities in an unrealized loss position with a fair value of \$185.2 million. For such securities, the proceeds, realized loss, and total time period that the security had been in an unrealized loss position are presented in the table below:

	Successor Company			
	Proceeds	% Proceeds	Realized Loss	% Realized Loss
	(Dollars In Thousands)			
<= 90 days	\$ 35,086	18.9%	\$ (3,182)	38.5%
>90 days but <= 180 days	26,592	14.4	(520)	6.3
>180 days but <= 270 days	5,888	3.2	(179)	2.2
>270 days but <= 1 year	14,561	7.9	(524)	6.3
>1 year	103,030	55.6	(3,852)	46.7
Total	\$ 185,157	100.0%	\$ (8,257)	100.0%

For the year ended December 31, 2017 (Successor Company) we sold securities in an unrealized loss position with a fair value (proceeds) of \$185.2 million. The loss realized on the sale of these securities was \$8.3 million. We made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the year ended December 31, 2017 (Successor Company), we sold securities in an unrealized gain position with a fair value of \$879.2 million. The gain realized on the sale of these securities was \$18.9 million.

The \$8.4 million of other realized losses recognized for the year ended December 31, 2017 (Successor Company), included \$7.7 million of realized losses associated with our mortgage loan portfolio.

For the year ended December 31, 2017 (Successor Company), net gains of \$119.2 million related to changes in fair value on our Modco trading portfolios were included in realized gains and losses. Of this amount, approximately \$7.7 million of losses were realized through the sale of certain securities, which will be reimbursed by our reinsurance partners over time through the reinsurance settlement process for this block of business. The Modco embedded derivative associated with the trading portfolios had realized pre-tax losses of \$103.0 million during the year ended December 31, 2017 (Successor Company). These losses were due to higher treasury yields and tightened credit spreads.

Realized investment gains and losses related to derivatives represent changes in their fair value during the period and termination gains/(losses) on those derivatives that were closed during the period.

We use various derivative instruments to manage risks related to certain life insurance and annuity products. We can use these derivatives as economic hedges against risks inherent in the products. These risks have a direct impact on the cost of these products and are correlated with the equity markets, interest rates, foreign currency levels, and overall volatility. The hedged risks are recorded through the recognition of embedded derivatives associated with the products. These products include the GLWB rider associated with the variable annuity, fixed indexed annuity products as well as indexed universal life products. During the year ended December 31, 2017 (Successor Company), we experienced net realized losses on derivatives related to VA contracts of approximately \$186.9 million. These net losses on derivatives related to VA contracts were affected by capital market impacts, changes in the Company's non-performance risk, variations in actual sub-account fund performance from the indices included in our hedging program, as well as updates to certain policyholder assumptions during the year ended December 31, 2017.

We also use various swaps and other types of derivatives to mitigate risk related to other exposures. These contracts generated \$0.1 million of gains for the year ended December 31, 2017 (Successor Company).

LIQUIDITY AND CAPITAL RESOURCES

The Holding Company

Overview

Our primary sources of funding are dividends from our operating subsidiaries; revenues from investment management, data processing, legal, and management services rendered to subsidiaries; investment income; and external financing. These sources of cash support our general corporate needs including our common stock dividends and debt service. We expect to use a portion of our positive cash flow from operations to pay dividends to our parent, Dai-ichi Life. We paid a \$143.8 million dividend during the year ended December 31, 2017 (Successor Company), and expect to pay a dividend of approximately \$140.0 million during 2018.

The states in which our insurance subsidiaries are domiciled impose certain restrictions on the insurance subsidiaries' ability to pay us dividends. These restrictions are based in part on the prior year's statutory income and/or surplus. Generally, these restrictions pose no short-term liquidity concerns. We plan to retain portions of the earnings of our insurance subsidiaries in those companies primarily to support their future growth.

Debt and other capital resources

Our primary sources of capital are through retained income from our operating subsidiaries, capital infusions from our parent, Dai-ichi Life, as well as our ability to access debt financing markets. Additionally, we have access to the Credit Facility discussed below.

We have the ability to borrow under a Credit Facility arrangement on an unsecured basis up to an aggregate principal amount of \$1.0 billion. We have the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of \$1.25 billion. We are not aware of any non-compliance with the financial debt covenants of the Credit Facility as of December 31, 2017. The Company did not have an outstanding balance on the Credit Facility as of December 31, 2017.

Our aggregate principal balance with our debt, subordinated debt securities, and a Credit Facility decreased \$121.5 million during the year ended December 31, 2017 (Successor Company), as compared to a decrease of \$368.1 million during the year ended December 31, 2016 (Successor Company).

Changes in principal during 2017 and 2016 (Successor Company) are detailed below:

<u>Successor Company</u>	
<u>Description</u>	<u>Change in Principal</u> (Dollars In Thousands)
2017	
8.45% Senior Notes (2009), due 2039 (Par value: \$232,928)	\$ (13,998)
6.25% Subordinated Debt, due 2042 (Par value: \$287,500)	(287,500)
6.00% Subordinated Debt, due 2042 (Par value: \$150,000)	(150,000)
5.35% Subordinated Debt, due 2052 (Par value: \$500,000)	500,000
2016	
8.45% Senior Notes (2009), due 2039 (par value: \$246,926)	\$ (53,074)

Increases (reductions) in the Credit Facility balance during 2017 and 2016 are detailed below:

<u>Successor Company</u>		
<u>Description</u>	<u>Change in Principal</u> (Dollars In Thousands)	<u>Interest Rate</u>
2017		
Credit Facility	\$ (170,000)	one-month LIBOR + 1.00%
2016		
Credit Facility	\$ (315,000)	one-month LIBOR + 1.00%

Liquidity

Liquidity refers to a company's ability to generate adequate amounts of cash to meet its needs. We meet our liquidity requirements primarily through positive cash flows from our operating subsidiaries. Primary sources of cash from the operating subsidiaries are premiums, deposits for policyholder accounts, investment sales and maturities, and investment income. Primary uses of cash include benefit payments, withdrawals from policyholder accounts, investment purchases, policy acquisition costs, interest payments, and other operating expenses. We believe that we have sufficient liquidity to fund our cash needs under normal operating scenarios.

In the event of significant unanticipated cash requirements beyond our normal liquidity needs, we have additional sources of liquidity available depending on market conditions and the amount and timing of the liquidity need. These additional sources of liquidity include cash flows from operations, the sale of liquid assets, accessing our credit facility, and other sources described herein. Our decision to sell investment assets could be impacted by accounting rules, including rules relating to the likelihood of a requirement to sell securities before recovery of our cost basis. Under stressful market and economic conditions, liquidity may broadly deteriorate, which could negatively impact our ability to sell investment assets. If we require on short notice significant amounts of cash in excess of normal requirements, we may have difficulty selling investment assets in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The liquidity requirements of our regulated insurance subsidiaries primarily relate to the liabilities associated with their various insurance and investment products, operating expenses, and income taxes. Liabilities arising from insurance and investment products include the payment of policyholder benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans, and obligations to redeem funding agreements.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits and expected surrenders, withdrawals, loans, and redemption obligations without forced sales of investments. In addition, our insurance subsidiaries hold highly liquid, high-quality short-term investment securities and other liquid investment grade fixed maturity securities to fund our expected operating expenses, surrenders, and withdrawals. As of December 31, 2017 (Successor Company), our total cash and invested assets were \$54.9 billion. The life insurance subsidiaries were committed as of December 31, 2017 (Successor Company), to fund mortgage loans in the amount of \$572.3 million.

Our positive cash flows are used to fund an investment portfolio that provides for future benefit payments. We employ a formal asset/liability program to manage the cash flows of our investment portfolio relative to our long-term benefit obligations. The holding company held \$83.6 million of cash and short-term investments, and our subsidiaries held approximately \$783.9 million in cash and short-term investments as of December 31, 2017.

The following chart includes the cash flows provided by or used in operating, investing, and financing activities for the following periods:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Net cash provided by operating activities	\$ 195,272	\$ 249,638	\$ 355,628	\$ 191,223
Net cash (used in) provided by investing activities	(2,624,770)	(4,366,985)	(1,492,815)	22,994
Net cash provided by (used in) financing activities	2,333,626	4,069,457	1,070,549	(130,918)
Total	<u>\$ (95,872)</u>	<u>\$ (47,890)</u>	<u>\$ (66,638)</u>	<u>\$ 83,299</u>

For The Year Ended December 31, 2017 (Successor Company) as compared to The Year Ended December 31, 2016 (Successor Company)

Net Cash Provided by Operating Activities - Cash flows from operating activities are affected by the timing of premiums received, investment income, and benefits and expenses paid. Principal sources of cash inflows from operating activities include sales of our products and services as well as income from investments. We typically generate positive cash flows from operating activities, as premiums collected from our insurance products exceed benefit payments and surrenders, and we invest the excess. Due to the nature of our business and the fact that many of the products we sell produce financing and investing cash flows it is important to consider cash flows generated by investing and financing activities in conjunction with those generated by operating activities.

Net Cash Provided By (Used in) Investing Activities - Changes in cash from investing activities primarily related to our investment portfolio.

Net Cash (Used in) Provided by Financing Activities - Changes in cash from financing activities included \$220.0 million of inflows from secured financing liabilities for the year ended December 31, 2017 (Successor Company), as compared to the \$359.5 million of inflows for the year ended December 31, 2016 (Successor Company) and \$2.4 billion inflows of investment

product and universal life net activity as compared to \$2.1 billion in the prior year. Net activity related to credit facility resulted in outflows of \$121.5 million for the year ended December 31, 2017 (Successor Company), as compared to \$368.1 million of outflows for year ended December 31, 2016 (Successor Company). Net repayment of non-recourse funding obligations equaled \$47.0 million during the year ended December 31, 2017 (Successor Company), as compared to net issuances of \$2.1 billion during the year ended December 31, 2016 (Successor Company). The Company paid a dividend during the year ended December 31, 2017 (Successor Company) of \$143.8 million, as compared to a dividend of \$89.3 million during the year ended December 31, 2016 (Successor Company).

For The Period of February 1, 2015 to December 31, 2015 (Successor Company)

Net cash provided by operating activities - Cash flows from operating activities are affected by the timing of premiums received, fees received, investment income, and expenses paid. Principal sources of cash include sales of our products and services. We typically generate positive cash flows from operating activities, as premiums and policy fees collected from our insurance and investment products exceed benefit payments and redemptions, and we invest the excess. Accordingly, in analyzing our cash flows we focus on the amount of cash provided by or used in investing and financing activities.

Net cash (used in) provided by investing activities - Changes in cash from investing activities primarily related to the activity in our investment portfolio.

Net cash provided by (used in) financing activities - Changes in cash from financing activities included \$388.2 million of inflows from repurchase program borrowings for the period of February 1, 2015 to December 31, 2015 (Successor Company) and \$625.5 million inflows of investment product and universal life net activity. Net activity related to credit facility resulted in outflows of \$8.1 million for the period of February 1, 2015 to December 31, 2015 (Successor Company). Net issuance of non-recourse funding obligations was \$65.0 million during the period of February 1, 2015 to December 31, 2015 (Successor Company).

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

Changes in cash from financing activities included \$70.9 million outflows of investment product and universal life net activity for the period of January 1, 2015 to January 31, 2015 (Predecessor Company). Net activity related to our credit facility resulted in \$60.0 million of outflows for the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

Through our subsidiaries, we are members of the FHLB of Cincinnati and the FHLB of New York. FHLB advances provide an attractive funding source for short-term borrowing and for the sale of funding agreements. Membership in the FHLB requires that we purchase FHLB capital stock based on a minimum requirement and a percentage of the dollar amount of advances outstanding. Our borrowing capacity is determined by criteria established by each respective bank. In addition, our obligations under the advances must be collateralized. We maintain control over any such pledged assets, including the right of substitution. As of December 31, 2017 (Successor Company), we had \$595.8 million of funding agreement-related advances and accrued interest outstanding under the FHLB program.

While we anticipate that the cash flows of our operating subsidiaries will be sufficient to meet our investment commitments and operating cash needs in a normal credit market environment, we recognize that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, we have established repurchase agreement programs for certain of our insurance subsidiaries to provide liquidity when needed. We expect that the rate received on its investments will equal or exceed its borrowing rate. Under this program, we 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 December 31, 2017 (Successor Company), the fair value of securities pledged under the repurchase program was \$1,006.6 million and the repurchase obligation of \$885.0 million was included in our consolidated balance sheets (at an average borrowing rate of 142 basis points). During the year ended December 31, 2017 (Successor Company), the maximum balance outstanding at any one point in time related to these programs was \$988.5 million. The average daily balance was \$624.7 million (at an average borrowing rate of 101 basis points) during the year ended December 31, 2017 (Successor Company). As of December 31, 2016 (Successor Company), the fair value of securities pledged under the repurchase program was \$861.7 million and the repurchase obligation of \$797.7 million was included in our consolidated balance sheets (at an average borrowing rate of 65 basis points). During 2016, the maximum balance outstanding at any one point in time related to these programs was \$1,065.8 million. The average daily balance was \$505.4 million (at an average borrowing rate of 44 basis points) during the year ended December 31, 2016 (Successor Company).

We participate in securities lending, primarily as an investment yield enhancement, whereby securities that are held as investments are loaned out to third parties for short periods of time. We require initial collateral of 102% of the market value of the loaned securities to be separately maintained. The loaned securities' market value is monitored on a daily basis. As of December 31, 2017 (Successor Company), securities with a market value of \$125.3 million were loaned under this program. As collateral for the loaned securities, we receive short-term investments, which are recorded in "short-term investments" with a corresponding liability recorded in "secured financing liabilities" to account for its obligation to return the collateral. As of December 31, 2017 (Successor Company), the fair value of the collateral related to this program was \$132.7 million and we had an obligation to return \$132.7 million of collateral to the securities borrowers.

Statutory Capital

A life insurance company's statutory capital is computed according to rules prescribed by the NAIC, as modified by state law. Generally speaking, other states in which a company does business defer to the interpretation of the domiciliary state with respect to NAIC rules, unless inconsistent with the other state's regulations. Statutory accounting rules are different from GAAP

and are intended to reflect a more conservative view, for example, requiring immediate expensing of policy acquisition costs. The NAIC's risk-based capital requirements require insurance companies to calculate and report information under a risk-based capital formula. The achievement of long-term growth will require growth in the statutory capital of our insurance subsidiaries. The subsidiaries may secure additional statutory capital through various sources, such as retained statutory earnings or our equity contributions. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval of the insurance commissioner of the state of domicile. Dividends in larger amounts are considered extraordinary and are subject to affirmative prior approval by such commissioner. The maximum amount that would qualify as an ordinary dividend to us from our insurance subsidiaries in 2018 is approximately \$853.2 million.

State insurance regulators and the NAIC have adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile. A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense, and reserve items. Regulators can then measure the adequacy of a company's statutory surplus by comparing it to RBC. We manage our capital consumption by using the ratio of our total adjusted capital, as defined by the insurance regulators, to our company action level RBC (known as the RBC ratio), also as defined by insurance regulators. As of December 31, 2017 (Successor Company), our total adjusted capital and company action level RBC were approximately \$4.7 billion and \$759.3 million, respectively, providing an RBC ratio of approximately 614%.

Statutory reserves established for VA contracts are sensitive to changes in the equity markets and are affected by the level of account values relative to the level of any guarantees and product design. As a result, the relationship between reserve changes and equity market performance may be non-linear during any given reporting period. Market conditions greatly influence the capital required due to their impact on the valuation of reserves and derivative investments mitigating the risk in these reserves. Risk mitigation activities may result in material and sometimes counterintuitive impacts on statutory surplus and RBC ratio. Notably, as changes in these market and non-market factors occur, both our potential obligation and the related statutory reserves and/or required capital can vary at a non-linear rate.

Our statutory surplus is impacted by credit spreads as a result of accounting for the assets and liabilities on our fixed MVA annuities. Statutory separate account assets supporting the fixed MVA annuities are recorded at fair value. In determining the statutory reserve for the fixed MVA annuities, we are required to use current crediting rates based on U.S. Treasuries. In many capital market scenarios, current crediting rates based on U.S. Treasuries are highly correlated with market rates implicit in the fair value of statutory separate account assets. As a result, the change in the statutory reserve from period to period will likely substantially offset the change in the fair value of the statutory separate account assets. However, in periods of volatile credit markets, actual credit spreads on investment assets may increase or decrease sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value gains or losses. As actual credit spreads are not fully reflected in current crediting rates based on U.S. Treasuries, the calculation of statutory reserves will not substantially offset the change in fair value of the statutory separate account assets resulting in a change in statutory surplus. The result of this mismatch had a positive impact to our statutory surplus of approximately \$12 million on a pre-tax basis for the year ended December 31, 2017 (Successor Company), as compared to a positive impact to our statutory surplus of approximately \$16.0 million on a pre-tax basis for the year ended December 31, 2016 (Successor Company).

We cede material amounts of insurance and transfer related assets to other insurance companies through reinsurance. However, notwithstanding the transfer of related assets, we remain liable with respect to ceded insurance should any reinsurer fail to meet the obligations that it assumed. We evaluate the financial condition of our reinsurers and monitor the associated concentration of credit risk. For the year ended December 31, 2017 (Successor Company), we ceded premiums to third party reinsurers amounting to \$1.4 billion. In addition, we had receivables from reinsurers amounting to \$5.1 billion as of December 31, 2017 (Successor Company). We review reinsurance receivable amounts for collectability and establish bad debt reserves if deemed appropriate. For additional information related to our reinsurance exposure, see Note 13, *Reinsurance*, to the consolidated financial statements included in this report.

Captive Reinsurance Companies

Our life insurance subsidiaries are subject to a regulation entitled "Valuation of Life Insurance Policies Model Regulation," commonly known as "Regulation XXX," and a supporting guideline entitled "The Application of the Valuation of Life Insurance Policies Model Regulation," commonly known as "Guideline AXXX." The regulation and supporting guideline require insurers to establish statutory reserves for term and universal life insurance policies with long-term premium guarantees that are consistent with the statutory reserves required for other individual life insurance policies with similar guarantees. Many market participants believe that these levels of reserves are non-economic. We use captive reinsurance companies to implement reinsurance and capital management actions to satisfy these reserve requirements by financing the non-economic reserves either through the issuance of non-recourse funding obligations by the captives or obtaining Letters of Credit from third-party financial institutions.

Our captive reinsurance companies assume business from affiliates only. Our captives are capitalized to a level we believe is sufficient to support the contractual risks and other general obligations of the respective captive entity. All of our captive reinsurance companies are wholly owned subsidiaries and are located domestically. The captive insurance companies are subject to regulations in the state of domicile.

The National Association of Insurance Commissioners ("NAIC"), through various committees, subgroups and dedicated task forces, is reviewing the use of captives and special purpose vehicles used to transfer insurance risk in relation to existing state laws and regulations, and several committees have adopted or exposed for comment white papers and reports that, if or when implemented, could impose additional requirements on the use of captives and other reinsurers. The Financial Condition

(E) Committee of the NAIC established a Variable Annuity Issues Working Group to examine company use of variable annuity captives. The Committee has proposed changes in the regulation of variable annuities and variable annuity captives could adversely affect our future financial condition and results of operations.

The NAIC has adopted Actuarial Guideline XLVIII ("AG48") and the substantially similar "Term and Universal Life Insurance Reserve Financing Model Regulation" (the "Reserve Model") which establish national standards for new reserve financing arrangements for term life insurance and universal life insurance with secondary guarantees. AG48 and the Reserve Model govern collateral requirements for captive reinsurance arrangements. In order to obtain reserve credit, AG48 and the Reserve Model require a minimum level of funds, consisting of primary and other securities, to be held by or on behalf of ceding insurers as security under each captive life reinsurance treaty. As a result of AG48 and the Reserve Model, the implementation of new captive structures in the future may be less capital efficient, lead to lower product returns and/or increased product pricing or result in reduced sales of certain products. In some circumstances, AG48 and the Reserve Model could impact the Company's ability to engage in certain reinsurance transactions with non-affiliates.

We also use a captive reinsurance company to reinsure risks associated with GLWB and GMDB riders which helps us to manage those risks on an economic basis. In an effort to mitigate the equity market risks relative to our RBC ratio, in the fourth quarter of 2012, we established an insurance subsidiary, Shades Creek Captive Insurance Company ("Shades Creek"), to which PLICO has reinsured GLWB and GMDB riders related to its VA contracts. The purpose of Shades Creek is to reduce the volatility in RBC due to non-economic variables included within the RBC calculation.

We maintain an intercompany capital support agreement with Shades Creek that provides through a guarantee that we will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. As of December 31, 2017 (Successor Company), Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior.

For additional information regarding risks, uncertainties, and other factors that could affect our use of captive reinsurers, please see Part I, Item 1A, *Risk Factors*, of this report.

Ratings

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including our insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. These ratings are important to maintaining public confidence in an insurer's products, its ability to market its products and its competitive position. The following table summarizes the current financial strength ratings of our significant member companies from the major independent rating organizations:

Ratings	A.M. Best	Fitch	Standard & Poor's	Moody's
Insurance company financial strength rating:				
Protective Life Insurance Company	A+	A+	AA-	A1
West Coast Life Insurance Company	A+	A+	AA-	A1
Protective Life and Annuity Insurance Company	A+	A+	AA-	—
Protective Property & Casualty Insurance Company	A-	—	—	—
MONY Life Insurance Company	A+	A+	A+	A1

Our ratings are subject to review and change by the rating organizations at any time and without notice. A downgrade or other negative action by a ratings organization with respect to the financial strength ratings of our insurance subsidiaries could adversely affect sales, relationships with distributors, the level of policy surrenders and withdrawals, competitive position in the marketplace, and the cost or availability of reinsurance. The rating agencies may take various actions, positive or negative, with respect to the financial strength ratings of our insurance subsidiaries, including as a result of our status as a subsidiary of Dai-ichi Life.

Rating organizations also publish credit ratings for the issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important in the debt issuer's overall ability to access credit markets and other types of liquidity. Ratings are not recommendations to buy our securities or products. A downgrade or other negative action by a ratings organization with respect to our credit rating could limit our access to capital markets, increase the cost of issuing debt, and a downgrade of sufficient magnitude, combined with other negative factors, could require us to post collateral. The rating agencies may take various actions, positive or negative, with respect to our debt ratings, including as a result of our status as a subsidiary of Dai-ichi Life.

LIABILITIES

Many of our products contain surrender charges and other features that are designed to reward persistency and penalize the early withdrawal of funds. Certain stable value and annuity contracts have market-value adjustments that protect us against investment losses if interest rates are higher at the time of surrender than at the time of issue.

As of December 31, 2017 (Successor Company), we had policy liabilities and accruals of approximately \$31.8 billion. Our interest-sensitive life insurance policies have a weighted average minimum credited interest rate of approximately 3.48%.

Contractual Obligations

We enter into various obligations to third parties in the ordinary course of our operations. However, we do not believe that our cash flow requirements can be assessed solely based upon an analysis of these obligations. The most significant factors affecting our future cash flows are our ability to earn and collect cash from our customers, and the cash flows arising from our investment program. Future cash outflows, whether they are contractual obligations or not, will also vary based upon our future needs. Although some outflows are fixed, others depend on future events. Examples of fixed obligations include our obligations to pay principal and interest on fixed-rate borrowings. Examples of obligations that will vary include obligations to pay interest on variable-rate borrowings and insurance liabilities that depend on future interest rates, market performance, or surrender provisions. Many of our obligations are linked to cash-generating contracts. In addition, our operations involve significant expenditures that are not based upon contractual obligations. These include expenditures for income taxes and payroll.

As of December 31, 2017 (Successor Company), we carried a \$11.5 million liability for uncertain tax positions, including interest on unrecognized tax benefits. These amounts are not included in the long-term contractual obligations table because of the difficulty in making reasonably reliable estimates of the occurrence or timing of cash settlements with the respective taxing authorities.

The table below sets forth future maturities of our contractual obligations.

	Total	Payments due by period			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
		(Dollars In Thousands)			
Debt ⁽¹⁾	\$ 1,265,095	\$ 199,582	\$ 462,719	\$ 39,365	\$ 563,429
Non-recourse funding obligations ⁽²⁾	4,597,851	268,269	626,830	660,970	3,041,782
Subordinated debt securities ⁽³⁾	1,425,847	26,750	53,500	53,500	1,292,097
Stable value products ⁽⁴⁾	4,955,737	966,975	2,612,675	1,236,295	139,792
Operating leases ⁽⁵⁾	29,169	4,562	8,364	7,298	8,945
Home office lease ⁽⁶⁾	77,219	77,219	—	—	—
Mortgage loan and investment commitments	703,313	624,628	78,685	—	—
Secured financing liabilities ⁽⁷⁾	1,017,854	1,017,854	—	—	—
Policyholder obligations ⁽⁸⁾	42,754,187	10,705,219	3,803,665	3,702,049	24,543,254
Total ⁽⁹⁾	\$ 56,826,272	\$ 13,891,058	\$ 7,646,438	\$ 5,699,477	\$ 29,589,299

(1) Debt includes all principal amounts owed on note agreements and expected interest payments due over the term of the notes.

(2) Non-recourse funding obligations include all undiscounted principal amounts owed and expected future interest payments due over the term of the notes. Of the total undiscounted cash flows, \$1.7 billion relates to the Golden Gate V transaction. These cash outflows are matched and predominantly offset by the cash inflows Golden Gate V receives from notes issued by a nonconsolidated variable interest entity. Additionally, \$2.7 billion relates to the Golden Gate transaction. These cash outflows are matched and predominantly offset by the cash inflows Golden Gate receives from notes issued by a nonconsolidated variable interest entity. The remaining amounts are associated with the Golden Gate II notes held by third parties as well as certain obligations assumed with the acquisition of MONY Life Insurance Company.

(3) Subordinated debt securities includes all principal amounts and interest payments due over the term of the obligations.

(4) Anticipated stable value product cash flows including interest.

(5) Includes all lease payments required under operating lease agreements.

(6) The lease payments shown assume we exercise our option to purchase the building at the end of the lease term.

(7) Represents secured borrowings and accrued interest as part of our repurchase program as well as liabilities associated with securities lending transactions.

(8) Estimated contractual policyholder obligations are based on mortality, morbidity, and lapse assumptions comparable to our historical experience, modified for recent observed trends. These obligations are based on current balance sheet values and include expected interest crediting, but do not incorporate an expectation of future market growth, or future deposits. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results. As variable separate account obligations are legally insulated from general account obligations, the variable separate account obligations will be fully funded by cash flows from variable separate account assets. We expect to fully fund the general account obligations from cash flows from general account investments.

(9) Excluded from this table are certain pension obligations.

Employee Benefit Plans

We sponsor a tax-qualified defined benefit pension plan ("Qualified Pension Plan") covering substantially all of our employees. In addition, we sponsor an unfunded, nonqualified excess benefit pension plan ("Nonqualified Excess Pension Plan") and provide other postretirement benefits to eligible employees.

We report the net funded status of our pension and other postretirement plans in the consolidated balance sheet. The net funded status represents the differences between the fair value of plan assets and the projected benefit obligation.

Our funding policy is to contribute amounts to the Qualified Pension Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA") plus such additional amounts as we may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. We 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.

We have not yet determined the total amount we will fund during 2018, but may contribute an amount that would eliminate the PBGC variable-rate premiums payable in 2018. The Company currently estimates that amount will be between \$10 million and \$20 million.

For a complete discussion of our benefit plans, additional information related to the funded status of our benefit plans, and our funding policy, see Note 16, *Employee Benefit Plans*, to the consolidated financial statements included in this report.

OFF-BALANCE SHEET ARRANGEMENTS

We have entered into indemnity agreements with each of our directors as well as operating leases that do not result in an obligation being recorded on the balance sheet. Refer to Note 15, *Commitments and Contingencies*, of the consolidated financial statements for more information.

MARKET RISK EXPOSURES

Our financial position and earnings are subject to various market risks including changes in interest rates, the yield curve, spreads between risk-adjusted and risk-free interest rates, foreign currency rates, used vehicle prices, and equity price risks and issuer defaults. We analyze and manage the risks arising from market exposures of financial instruments, as well as other risks, through an integrated asset/liability management process. Our asset/liability management programs and procedures involve the monitoring of asset and liability durations for various product lines; cash flow testing under various interest rate scenarios; and the continuous rebalancing of assets and liabilities with respect to yield, credit and market risk, and cash flow characteristics. These programs also incorporate the use of derivative financial instruments primarily to reduce our exposure to interest rate risk, inflation risk, currency exchange risk, volatility risk, and equity market risk. See Note 7, *Derivative Financial Instruments*, to the consolidated financial statements included in this report for additional information on our financial instruments.

The primary focus of our asset/liability program is the management of interest rate risk within the insurance operations. This includes monitoring the duration of both investments and insurance liabilities to maintain an appropriate balance between risk and profitability for each product category, and for us as a whole. It is our policy to maintain asset and liability durations within one year of one another, although, from time to time, a broader interval may be allowed.

We are exposed to credit risk within our investment portfolio and through derivative counterparties. Credit risk relates to the uncertainty of an obligor's continued ability to make timely payments in accordance with the contractual terms of the instrument or contract. We manage credit risk through established investment policies which attempt to address quality of obligors and counterparties, credit concentration limits, diversification requirements, and acceptable risk levels under expected and stressed scenarios. Derivative counterparty credit risk is measured as the amount owed to us, net of collateral held, based upon current market conditions. In addition, we periodically assess exposure related to potential payment obligations between us and our counterparties. We minimize the credit risk in derivative financial instruments by entering into transactions with high quality counterparties (A-rated or higher at the time we enter into the contract), and we maintain credit support annexes with certain of those counterparties.

We utilize 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, currency exchange risk, volatility risk, and equity market risk. These strategies are developed through our analysis of data from financial simulation models and other internal and industry sources, and are then incorporated into our risk management program.

Derivative instruments expose us to credit and market risk and could result in material changes from period to period. We attempt to minimize our credit risk by entering into transactions with highly rated counterparties. We manage the market risk by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. We monitor our use of derivatives in connection with our overall asset/liability management programs and risk management strategies. In addition, all derivative programs are monitored by our risk management department.

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

Derivative instruments that are used as part of the Company's foreign currency exchange risk management strategy include foreign currency swaps, foreign currency futures, foreign equity futures, and foreign equity options.

We may use the following types of derivative contracts to mitigate our exposure to certain guaranteed benefits related to VA contracts and fixed indexed annuities:

- Foreign Currency Futures

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

We believe that our asset/liability management programs and procedures and certain product features provide protection against the effects of changes in interest rates under various scenarios. Additionally, we believe our asset/liability management programs and procedures provide sufficient liquidity to enable us to fulfill our obligation to pay benefits under our various insurance and deposit contracts. However, our asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve), relationships between risk-adjusted and risk-free interest rates, market liquidity, spread movements, implied volatility, policyholder behavior, and other factors, and the effectiveness of our asset/liability management programs and procedures may be negatively affected whenever actual results differ from those assumptions.

The following table sets forth the estimated market values of our fixed maturity investments and mortgage loans resulting from a hypothetical immediate 100 basis point increase in interest rates from levels prevailing as of December 31, 2017 (Successor Company) and as of December 31, 2016 (Successor Company), and the percent change in fair value the following estimated fair values would represent:

<u>Successor Company</u>		
As of December 31,	Amount	Percent Change
(Dollars In Millions)		
2017		
Fixed maturities	\$ 40,286.8	(8.2)%
Mortgage loans	6,369.5	(5.5)
2016		
Fixed maturities	\$ 37,689.5	(8.0)%
Mortgage loans	5,621.4	(5.2)

Estimated fair values from the hypothetical increase in rates were derived from the durations of our fixed maturities and mortgage loans. Duration measures the change in fair value resulting from a change in interest rates. While these estimated fair values provide an indication of how sensitive the fair values of our fixed maturities and mortgage loans are to changes in interest rates, they do not represent management's view of future fair value changes or the potential impact of fluctuations in credit spreads. Actual results may differ from these estimates.

In the ordinary course of our commercial mortgage lending operations, we may commit to provide a mortgage loan before the property to be mortgaged has been built or acquired. The mortgage loan commitment is a contractual obligation to fund a mortgage loan when called upon by the borrower. The commitment is not recognized in our financial statements until the commitment is actually funded. The mortgage loan commitment contains terms, including the rate of interest, which may be different than prevailing interest rates.

As of December 31, 2017 (Successor Company) and as of December 31, 2016 (Successor Company), we had outstanding mortgage loan commitments of \$572.3 million at an average rate of 4.1% and \$855.3 million at an average rate of 4.2%, respectively, with estimated fair values of \$583.0 million and \$863.3 million, respectively (using discounted cash flows from the first call date). The following table sets forth the estimated fair value of our mortgage loan commitments resulting from a hypothetical immediate 100 basis point increase in interest rate levels prevailing as of December 31, 2017 (Successor Company) and as of December 31, 2016 (Successor Company), and the percent change in fair value that the following estimated fair values would represent:

<u>Successor Company</u>		
As of December 31,	Amount	Percent Change
(Dollars In Millions)		
2017	\$ 557.0	(4.5)%
2016	\$ 817.8	(5.3)%

The estimated fair values from the hypothetical increase in rates were derived from the durations of our outstanding mortgage loan commitments. While these estimated fair values provide an indication of how sensitive the fair value of our outstanding commitments are to changes in interest rates, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

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As previously discussed, we utilize a risk management strategy that involves the use of derivative financial instruments. Derivative instruments expose us to credit and market risk and could result in material changes from period to period. We minimize our credit risk by entering into transactions with highly rated counterparties. We manage the market risk by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. We monitor our use of derivatives in connection with our overall asset/liability management programs and procedures.

As of December 31, 2017 (Successor Company), total derivative contracts with a notional amount of \$26.3 billion were in a \$644.8 million net loss position. Included in the \$26.3 billion is a notional amount of \$2.5 billion in a \$214.2 million net loss position that relates to our Modco trading portfolio. Also included in the total, is \$9.6 billion in a \$111.8 million net loss position that relates to our GLWB embedded derivatives, and \$168.3 million in a \$80.2 million net loss position that relates to our IUL embedded derivatives.

As of December 31, 2016 (Successor Company), total derivative contracts with a notional amount of \$25.5 billion were in a \$444.6 million net loss position. Included in the \$25.5 billion is a notional amount of \$2.5 billion in a \$138.7 million net loss position that relates to our Modco trading portfolio. Also included in the total, is \$10.6 billion in a \$115.4 million net loss position that relates to our GLWB embedded derivatives, \$1.5 billion in a \$147.4 million net loss position that relates to our FIA embedded derivatives, and \$103.8 million in a \$46.1 million net loss position that relates to our IUL embedded derivatives.

We recognized losses of \$305.8 million, \$40.3 million, and gains of \$30.0 million related to derivative financial instruments for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company) and for the period of February 1, 2015 to December 31, 2015 (Successor Company), respectively.

The following table sets forth the notional amount and fair value of our interest rate risk related derivative financial instruments and the estimated fair value resulting from a hypothetical immediate plus and minus 100 basis points change in interest rates from levels prevailing as of December 31:

<u>Successor Company</u>				
			Fair Value Resulting From an Immediate +/- 100 bps Change in the Underlying Reference Interest Rates ⁽¹⁾⁽²⁾	
	Notional Amount	Fair Value as of December 31,	+100 bps	-100 bps
	(Dollars In Millions)			
2017				
Futures	\$ 1,302.3	\$ 2.3	\$ (41.2)	\$ 57.8
Interest Rate Swaptions	225.0	—	2.3	—
Floating to fixed Swaps	—	—	—	—
Fixed to floating Swaps	1,862.5	52.5	(145.9)	290.8
GLWB embedded derivative	9,615.4	(111.8)	175.1	(491.3)
Total	<u>\$ 13,005.2</u>	<u>\$ (57.0)</u>	<u>\$ (9.7)</u>	<u>\$ (142.7)</u>
2016				
Futures	\$ 1,096.4	\$ (5.7)	\$ (80.0)	\$ 84.3
Interest Rate Swaptions	225.0	2.5	12.3	—
Floating to fixed Swaps	70.0	0.5	3.2	(2.2)
Fixed to floating Swaps	1,640.0	60.9	(136.6)	301.8
GLWB embedded derivative	10,563.7	(115.4)	171.1	(498.3)
Total	<u>\$ 13,595.1</u>	<u>\$ (57.2)</u>	<u>\$ (30.0)</u>	<u>\$ (114.4)</u>

(1) Interest rate change scenario subject to floor, based on treasury rates as of December 31, 2017 and 2016.

(2) Includes an effect for inflation.

The following table sets forth the notional amount and fair value of our equity risk related derivative financial instruments and the estimated fair value resulting from a hypothetical immediate plus and minus ten percentage point change in equity level from levels prevailing as of December 31:

Successor Company				Fair Value Resulting From an Immediate +/- 10% Change in the Underlying Reference Index Equity Level	
	Notional Amount	Fair Value as of December 31,		+10%	-10%
(Dollars In Millions)					
2017					
Futures	\$ 381.1	\$ (2.4)	\$ (32.2)	\$ 27.3	
Options	7,549.4	166.4	157.7	177.0	
Total return swaps	434.3	(0.2)	(43.6)	43.2	
GLWB embedded derivative	9,615.4	(111.8)	(12.4)	(234.6)	
FIA embedded derivative	1,951.7	(218.7)	(232.9)	(186.7)	
IUL embedded derivative	168.3	(80.2)	82.7	70.4	
Total	\$ 20,100.2	\$ (246.9)	\$ (80.7)	\$ (103.4)	
2016					
Futures	\$ 756.8	\$ 2.9	\$ (70.2)	\$ 75.9	
Options	6,534.8	171.8	155.0	196.4	
GLWB embedded derivative	10,563.7	(115.4)	(11.7)	(238.3)	
FIA embedded derivative	1,496.3	(147.4)	(159.0)	(124.6)	
IUL embedded derivative	103.8	(46.1)	(48.2)	(41.2)	
Total	\$ 19,455.4	\$ (134.2)	\$ (134.1)	\$ (131.8)	

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The following table sets forth the notional amount and fair value of our currency risk related derivative financial instruments and the estimated fair value resulting from a hypothetical immediate plus and minus ten percentage point change in currency level from levels prevailing as of December 31:

	<u>Successor Company</u>			
	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 10% Change in the Underlying Reference in Currency Level	
			+10%	−10%
	(Dollars In Millions)			
2017				
Currency futures	\$ 256.4	\$ (2.1)	\$ (27.9)	\$ 23.7
Swaps Fixed to Fixed	117.2	6.0	19.7	(7.7)
	<u>\$ 373.6</u>	<u>\$ 3.9</u>	<u>\$ (8.2)</u>	<u>\$ 16.0</u>
2016				
Currency futures	\$ 340.1	\$ 7.9	\$ (25.3)	\$ 41.1
Swaps Fixed to Fixed	117.2	0.1	13.3	(13.0)
	<u>\$ 457.3</u>	<u>\$ 8.0</u>	<u>\$ (12.0)</u>	<u>\$ 28.1</u>

Estimated gains and losses were derived using pricing models specific to derivative financial instruments. While these estimated gains and losses provide an indication of how sensitive our derivative financial instruments are to changes in interest rates, volatility, equity levels, and credit spreads, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

Our stable value contract and annuity products tend to be more sensitive to market risks than our other products. As such, many of these products contain surrender charges and other features that reward persistency and penalize the early withdrawal of funds. Certain stable value and annuity contracts have market-value adjustments that protect us against investment losses if interest rates are higher at the time of surrender than at the time of issue. Additionally, approximately \$0.6 billion of our stable value contracts have no early termination rights.

As of December 31, 2017 (Successor Company), we had \$4.7 billion of stable value product account balances with an estimated fair value of \$4.7 billion (using discounted cash flows) and \$10.9 billion of annuity account balances with an estimated fair value of \$10.5 billion (using discounted cash flows). As of December 31, 2016 (Successor Company), we had \$3.5 billion of stable value product account balances with an estimated fair value of \$3.5 billion (using discounted cash flows) and \$10.6 billion of annuity account balances with an estimated fair value of \$10.3 billion (using discounted cash flows).

The following table sets forth the estimated fair values of our stable value and annuity account balances resulting from a hypothetical immediate plus and minus 100 basis points change in interest rates from levels prevailing and the percent change in fair value that the following estimated fair values would represent:

	<u>Successor Company</u>					
	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 100 bps Change in the Underlying Reference Interest Rates				
		+100 bps	-100 bps			
(Dollars In Millions)						
2017						
Stable value product account balances	\$	4,698.9	\$	4,592.7	\$	4,805.1
Annuity account balances		10,497.1		10,341.3		10,612.7
2016						
Stable value product account balances	\$	3,488.9	\$	3,403.7	\$	3,574.0
Annuity account balances		10,314.8		10,164.0		10,424.5

Estimated fair values from the hypothetical changes in interest rates were derived from the durations of our stable value and annuity account balances. While these estimated fair values provide an indication of how sensitive the fair values of our stable

value and annuity account balances are to changes in interest rates, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

Certain of our liabilities relate to products whose profitability could be significantly affected by changes in interest rates. In addition to traditional whole life and term insurance, many universal life policies with secondary guarantees that insurance coverage will remain in force (subject to the payment of specified premiums) have such characteristics. These products do not allow us to adjust policyholder premiums after a policy is issued, and most of these products do not have significant account values upon which we credit interest. If interest rates fall, these products could have both decreased interest earnings and increased amortization of deferred acquisition costs and VOBA, and the converse could occur if interest rates rise.

Impact of Continued Low Interest Rate Environment

Significant changes in interest rates expose us to the risk of not realizing anticipated spreads between the interest rate earned on investments and the interest rate credited to in-force policies and contracts. In addition, certain of our insurance and investment products guarantee a minimum guaranteed interest rate ("MGIR"). In periods of prolonged low interest rates, the interest spread earned may be negatively impacted to the extent our ability to reduce policyholder crediting rates is limited by the guaranteed minimum credited interest rates. Additionally, those policies without account values may exhibit lower profitability in periods of prolonged low interest rates due to reduced investment income.

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The tables below present account values by range of current minimum guaranteed interest rates and current crediting rates for our universal life and deferred fixed annuity products as of December 31, 2017 (Successor Company) and as of December 31, 2016 (Successor Company):

Credited Rate Summary
As of December 31, 2017 (Successor Company)

Minimum Guaranteed Interest Rate Account Value	At MGIR	1 - 50 bps above MGIR	More than 50 bps above MGIR	Total
(Dollars In Millions)				
Universal Life Insurance				
>2% - 3%	\$ 206	\$ 1,252	\$ 2,006	\$ 3,464
>3% - 4%	4,146	993	8	5,147
>4% - 5%	1,987	13	1	2,001
>5% - 6%	199	—	—	199
Subtotal	6,538	2,258	2,015	10,811
Fixed Annuities				
1%	\$ 571	\$ 239	\$ 540	\$ 1,350
>1% - 2%	473	331	70	874
>2% - 3%	1,897	63	4	1,964
>3% - 4%	254	—	—	254
>4% - 5%	271	—	—	271
>5% - 6%	2	—	—	2
Subtotal	3,468	633	614	4,715
Total	\$ 10,006	\$ 2,891	\$ 2,629	\$ 15,526
Percentage of Total	64%	19%	17%	100%

Credited Rate Summary
As of December 31, 2016 (Successor Company)

Minimum Guaranteed Interest Rate Account Value	At MGIR	1 - 50 bps above MGIR	More than 50 bps above MGIR	Total
(Dollars In Millions)				
Universal Life Insurance				
>2% - 3%	\$ 202	\$ 1,133	\$ 2,023	\$ 3,358
>3% - 4%	4,001	1,191	11	5,203
>4% - 5%	1,928	14	—	1,942
>5% - 6%	208	—	—	208
Subtotal	6,339	2,338	2,034	10,711
Fixed Annuities				
1%	\$ 670	\$ 153	\$ 114	\$ 937
>1% - 2%	535	463	103	1,101
>2% - 3%	2,056	68	7	2,131
>3% - 4%	267	—	—	267
>4% - 5%	281	—	—	281
>5% - 6%	3	—	—	3
Subtotal	3,812	684	224	4,720
Total	\$ 10,151	\$ 3,022	\$ 2,258	\$ 15,431
Percentage of Total	66%	19%	15%	100%

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We are active in mitigating the impact of a continued low interest rate environment through product design, as well as adjusting crediting rates on current in-force policies and contracts. We also manage interest rate and reinvestment risks through our asset/liability management process. Our asset/liability management programs and procedures involve the monitoring of asset and liability durations; cash flow testing under various interest rate scenarios; and the regular rebalancing of assets and liabilities with respect to yield, credit and market risk, and cash flow characteristics. These programs also incorporate the use of derivative financial instruments primarily to reduce our exposure to interest rate risk, inflation risk, currency exchange risk, volatility risk, and equity market risk.

Employee Benefit Plans

Pursuant to the accounting guidance related to our obligations to employees under our pension plan and other postretirement benefit plans, we are required to make a number of assumptions to estimate related liabilities and expenses. Our most significant assumptions are those for the discount rate and expected long-term rate of return.

Discount Rate Assumption

The assumed discount rates used to determine the benefit obligations were based on an analysis of future benefits expected to be paid under the plans. The assumed discount rate reflects the interest rate at which an amount that is invested in a portfolio of high-quality debt instruments on the measurement date would provide the future cash flows necessary to pay benefits when they come due.

The following presents our estimates of the hypothetical impact to the December 31, 2017 (Successor Company) benefit obligation and to the 2017 benefit cost, associated with sensitivities related to the discount rate assumption:

	Defined Benefit Pension Plan	Other Postretirement Benefit Plans ⁽¹⁾
(Dollars in Thousands)		
Increase (Decrease) in Benefit Obligation:		
100 basis point increase	\$ (28,252)	\$ (4,834)
100 basis point decrease	34,139	5,712
Increase (Decrease) in Benefit Cost:		
100 basis point increase	\$ 406	\$ (57)
100 basis point decrease	1,081	196

(1) Includes excess pension plan, retiree medical plan, and postretirement life insurance plan.

Long-Term Rate of Return Assumption

To determine an appropriate long-term rate of return assumption for our defined benefit pension plan, we obtained 25 year annualized returns for each of the represented asset classes. In addition, we received evaluations of market performance based on the Company's asset allocation as provided by external consultants. A combination of these statistical analytics provided results that the Company utilized to determine an appropriate long-term rate of return assumption.

For our postretirement life insurance plan, we utilized 25 year average and annualized return results on the Barclay's short treasury index to determine an appropriate long-term rate of return assumption.

The following presents our estimates of the hypothetical impact to the 2017 benefit cost, associated with sensitivities related to the long-term rate of return assumption:

	Defined Benefit Pension Plan	Postretirement Life Insurance Plan
(Dollars in Thousands)		
Increase (Decrease) in Benefit Cost:		
100 basis point increase	\$ (2,397)	\$ (51)
100 basis point decrease	2,397	51

IMPACT OF INFLATION

Inflation increases the need for life insurance. Many policyholders who once had adequate insurance programs may increase their life insurance coverage to provide the same relative financial benefit and protection. Higher interest rates may result in higher sales of certain of our investment products.

The higher interest rates that have traditionally accompanied inflation could also affect our operations. Policy loans increase as policy loan interest rates become relatively more attractive. As interest rates increase, disintermediation of stable value

and annuity account balances and individual life policy cash values may increase. The market value of our fixed-rate, long-term investments may decrease, we may be unable to implement fully the interest rate reset and call provisions of our mortgage loans, and our ability to make attractive mortgage loans, including participating mortgage loans, may decrease. In addition, participating mortgage loan income may decrease. The difference between the interest rate earned on investments and the interest rate credited to life insurance and investment products may also be adversely affected by rising interest rates. During the periods covered by this report, we believe inflation has not had a material impact on our business.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included in this report for information regarding recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

The following financial statements are located in this report on the pages indicated.

	Page
Consolidated Statements of Income For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Periods of February 1, 2015 to December 31, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company)	102
Consolidated Statements of Comprehensive Income (Loss) For The Year Ended Decmebe 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Periods of February 1, 2015 to December 31, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company)	103
Consolidated Balance Sheets as of December 31, 2017 (Successor Company) and as of December 31, 2016 (Successor Company)	104
Consolidated Statements of Shareowner's Equity For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Periods of February 1, 2015 to December 31, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company)	106
Consolidated Statements of Cash Flows For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Periods of February 1, 2015 to December 31, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company)	107
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Predecessor and Successor Company information is not comparable.

For supplemental quarterly financial information, please see Note 23, *Consolidated Quarterly Results—Unaudited* of the notes to consolidated financial statements included herein.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For the Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands, Except Per Share Amounts)
Revenues				
Premiums and policy fees	\$ 3,477,419	\$ 3,407,931	\$ 3,008,050	\$ 261,866
Reinsurance ceded	(1,360,735)	(1,314,716)	(1,154,978)	(89,956)
Net of reinsurance ceded	2,116,684	2,093,215	1,853,072	171,910
Net investment income	2,051,588	1,942,456	1,632,948	175,180
Realized investment gains (losses):				
Derivative financial instruments	(305,828)	(40,288)	29,997	(123,274)
All other investments	121,428	90,659	(166,886)	81,153
Other-than-temporary impairment losses	(3,962)	(32,075)	(28,659)	(636)
Portion recognized in other comprehensive income (before taxes)	(7,780)	14,327	1,666	155
Net impairment losses recognized in earnings	(11,742)	(17,748)	(26,993)	(481)
Other income	446,662	415,653	388,531	36,421
Total revenues	4,418,792	4,483,947	3,710,669	340,909
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (Successor 2017 - \$1,242,797; Successor 2016 - \$1,181,960; 2015 - \$1,025,596); (Predecessor 2015 - \$87,674)	2,957,270	2,880,435	2,539,943	267,287
Amortization of deferred policy acquisition costs and value of business acquired	78,221	149,064	94,056	4,072
Other operating expenses, net of reinsurance ceded: (Successor 2017 - \$222,963; Successor 2016 - \$207,197; 2015 - \$191,346); (Predecessor 2015 - \$35,036)	948,244	860,451	676,828	68,368
Total benefits and expenses	3,983,735	3,889,950	3,310,827	339,727
Income before income tax	435,057	593,997	399,842	1,182
Income tax (benefit) expense				
Current	26,252	(46,719)	1,471	(31,118)
Deferred	(697,727)	247,687	130,072	30,791
Total income tax (benefit) expense	(671,475)	200,968	131,543	(327)
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Net income—basic				\$ 0.02
Net income—diluted				\$ 0.02
Cash dividends paid per share				\$ —
Average shares outstanding—basic				80,452,848
Average shares outstanding—diluted				81,759,287

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Other comprehensive income (loss):				
Change in net unrealized gains (losses) on investments, net of income tax: (Successor 2017 - \$329,801; 2016 - \$326,838; 2015 - \$(680,634)); (Predecessor 2015 - \$259,738)	700,536	606,985	(1,264,034)	482,370
Reclassification adjustment for investment amounts included in net income, net of income tax: (Successor 2017 - \$489; 2016 - \$(5,094); 2015 - \$9,349); (Predecessor 2015 - \$(2,244))	642	(9,460)	17,362	(4,166)
Change in net unrealized (losses) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (Successor 2017 - \$3,858; 2016 - \$(3,652); 2015 - \$(212)); (Predecessor 2015 - \$(131))	7,153	(6,782)	(393)	(243)
Change in accumulated (loss) gain—derivatives, net of income tax: (Successor 2017 - \$(303); 2016 - \$370; 2015 - \$(45)); (Predecessor 2015 - \$5)	(563)	688	(86)	9
Reclassification adjustment for derivative amounts included in net income, net of income tax: (Successor 2017 - \$243; 2016 - \$21; 2015 - \$45); (Predecessor 2015 - \$13)	451	39	86	23
Change in postretirement benefits liability adjustment, net of income tax: (Successor 2017 - \$(4,047); 2016 - \$(2,616); 2015 - \$3,194); (Predecessor 2015 - \$(6,475))	(15,225)	(4,859)	5,931	(12,025)
Total other comprehensive income (loss)	692,994	586,611	(1,241,134)	465,968
Total comprehensive income (loss)	\$ 1,799,526	\$ 979,640	\$ (972,835)	\$ 467,477

See Notes to Consolidated Financial Statements

**PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS**

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Assets		
Fixed maturities, at fair value (amortized cost: Successor 2017 - \$41,153,551; 2016 - \$39,832,724)	\$ 41,176,052	\$ 38,183,337
Fixed maturities, at amortized cost (fair value: Successor 2017 - \$2,776,327; 2016 - \$2,733,340)	2,718,904	2,770,177
Equity securities, at fair value (cost: Successor 2017 - \$740,813; 2016 - \$768,423)	754,360	754,489
Mortgage loans (related to securitizations: Successor 2017 - \$226,409; 2016 - \$277,964)	6,817,723	6,132,125
Investment real estate, net of accumulated depreciation (Successor 2017 - \$132; 2016 - \$252)	8,355	8,060
Policy loans	1,615,615	1,650,240
Other long-term investments	915,595	865,304
Short-term investments	615,210	332,431
Total investments	54,621,814	50,696,163
Cash	252,310	348,182
Accrued investment income	491,802	482,388
Accounts and premiums receivable	124,934	118,303
Reinsurance receivables	5,075,698	5,323,846
Deferred policy acquisition costs and value of business acquired	2,199,577	2,019,829
Goodwill	793,470	793,470
Other intangibles, net of accumulated amortization (Successor 2017 - \$140,368; 2016 - \$79,226)	663,572	688,083
Property and equipment, net of accumulated depreciation (Successor 2017 - \$22,926; 2016 - \$17,450)	111,417	106,111
Other assets	227,357	170,004
Income tax receivable	76,543	116,823
Assets related to separate accounts		
Variable annuity	13,956,071	13,244,252
Variable universal life	1,035,202	895,925
Total assets	\$ 79,629,767	\$ 75,003,379

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS
(continued)

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Liabilities		
Future policy benefits and claims	\$ 30,957,592	\$ 30,511,085
Unearned premiums	875,405	848,495
Total policy liabilities and accruals	31,832,997	31,359,580
Stable value product account balances	4,698,371	3,501,636
Annuity account balances	10,921,190	10,642,115
Other policyholders' funds	1,267,198	1,165,749
Other liabilities	2,353,565	1,924,155
Deferred income taxes	1,232,407	1,599,764
Non-recourse funding obligations	2,747,477	2,796,474
Secured financing liabilities	1,017,749	797,721
Debt	945,052	1,163,285
Subordinated debt securities	495,289	441,202
Liabilities related to separate accounts		
Variable annuity	13,956,071	13,244,252
Variable universal life	1,035,202	895,925
Total liabilities	72,502,568	69,531,858
Commitments and contingencies—Note 15		
Shareowner's equity		
Common Stock, Successor 2017 and 2016 - \$.01 par value; shares authorized: 5,000; shares issued: 1,000	—	—
Additional paid-in-capital	5,554,059	5,554,059
Retained earnings	1,560,444	571,985
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (Successor 2017 - \$6,883; 2016 - \$(349,541))	25,896	(649,147)
Net unrealized losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (Successor 2017 - \$(6); 2016 - \$(3,864))	(22)	(7,175)
Accumulated loss - derivatives, net of income tax: (Successor 2017 - \$198; 2016 - \$391)	747	727
Postretirement benefits liability adjustment, net of income tax: (Successor 2017 - \$(3,469); 2016 - \$578)	(13,925)	1,072
Total shareowner's equity	7,127,199	5,471,521
Total liabilities and shareowner's equity	\$ 79,629,767	\$ 75,003,379

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREOWNER'S EQUITY

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total shareowners' 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	<u>\$ 44,388</u>	<u>\$ 607,675</u>	<u>\$ (185,705)</u>	<u>\$ 3,083,509</u>	<u>\$ 1,884,044</u>	<u>\$ 5,433,911</u>

	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 December 31, 2015				268,299		268,299
Other comprehensive loss					(1,241,134)	(1,241,134)
Comprehensive loss for the period of February 1, 2015 to December 31, 2015						(972,835)
Balance, December 31, 2015	\$ —	\$ 5,554,059	\$ —	\$ 268,299	\$ (1,241,134)	\$ 4,581,224
Net income for 2016				393,029		393,029
Other comprehensive income					586,611	586,611
Comprehensive income for 2016						979,640
Dividends to parent				(89,343)		(89,343)
Balance, December 31, 2016	\$ —	\$ 5,554,059	\$ —	\$ 571,985	\$ (654,523)	\$ 5,471,521
Net income for 2017				1,106,532		1,106,532
Other comprehensive income					692,994	692,994
Comprehensive income for 2017						1,799,526
Cumulative effect adjustments				25,775	(25,775)	—
Dividends to parent				(143,848)		(143,848)
Balance, December 31, 2017	<u>\$ —</u>	<u>\$ 5,554,059</u>	<u>\$ —</u>	<u>\$ 1,560,444</u>	<u>\$ 12,696</u>	<u>\$ 7,127,199</u>

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Cash flows from operating activities				
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Adjustments to reconcile net income to net cash provided by operating activities:				
Realized investment (gains) losses	196,142	(32,623)	163,882	42,602
Amortization of deferred policy acquisition costs and value of business acquired	78,221	149,064	94,056	4,072
Capitalization of deferred policy acquisition costs	(333,252)	(327,938)	(296,795)	(22,489)
Depreciation and amortization expense	62,609	37,504	49,741	820
Deferred income tax	(697,727)	247,687	130,072	30,791
Accrued income tax	40,280	(162,619)	65,415	(32,803)
Interest credited to universal life and investment products	692,993	699,227	682,836	79,088
Policy fees assessed on universal life and investment products	(1,354,685)	(1,262,166)	(1,056,092)	(90,288)
Change in reinsurance receivables	248,148	222,302	187,269	(85,081)
Change in accrued investment income and other receivables	(6,643)	(36,360)	24,202	(5,789)
Change in policy liabilities and other policyholders' funds of traditional life and health products	(294,205)	(208,075)	(164,232)	176,980
Trading securities:				
Maturities and principal reductions of investments	165,575	154,633	114,501	17,946
Sale of investments	281,441	459,802	135,465	26,422
Cost of investments acquired	(355,410)	(532,429)	(220,094)	(27,289)
Other net change in trading securities	9,151	22,427	73,376	(26,901)
Amortization of premiums and accretion of discounts on investments and mortgage loans	319,582	375,044	373,636	12,930
Change in other liabilities	138,304	132,220	(206,765)	238,592
Other, net	(101,784)	(81,091)	(63,144)	(149,889)
Net cash provided by operating activities	195,272	249,638	355,628	191,223

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Cash flows from investing activities				
Maturities and principal reductions of investments, available-for-sale	696,574	1,299,753	1,052,198	59,028
Sale of investments, available-for-sale	1,802,215	1,956,302	1,336,350	191,062
Cost of investments acquired, available-for-sale	(4,029,233)	(4,982,907)	(3,546,474)	(149,887)
Change in investments, held-to-maturity	47,000	(2,181,000)	(65,000)	—
Mortgage loans:				
New lendings	(1,671,929)	(1,396,283)	(1,466,020)	(100,530)
Repayments	923,347	863,873	1,306,034	45,741
Change in investment real estate, net	(104)	2,851	(3,662)	7
Change in policy loans, net	34,625	49,268	52,364	6,365
Change in other long-term investments, net	(91,518)	(250,557)	(73,907)	(25,339)
Change in short-term investments, net	(279,191)	(72,810)	(11,221)	(40,314)
Net unsettled security transactions	(19,023)	28,853	(64,615)	37,510
Purchase of property and equipment	(37,533)	(5,295)	(8,862)	(649)
Cash received from or paid for acquisitions, net of cash acquired	—	320,967	—	—
Net cash (used in) provided by investing activities	(2,624,770)	(4,366,985)	(1,492,815)	22,994
Cash flows from financing activities				
Borrowings under line of credit arrangements and debt	1,035,000	265,000	330,000	—
Principal payments on line of credit arrangement and debt	(1,156,498)	(633,074)	(338,093)	(60,000)
Issuance (repayment) of non-recourse funding obligations	(47,000)	2,094,700	65,000	—
Secured financing liabilities	220,028	359,536	388,185	—
Dividends to shareowners	(143,848)	(89,343)	—	—
Investment product and universal life deposits	4,683,121	4,393,596	3,064,373	169,233
Investment product and universal life withdrawals	(2,256,981)	(2,320,958)	(2,438,916)	(240,147)
Other financing activities, net	(196)	—	—	(4)
Net cash provided by (used in) financing activities	2,333,626	4,069,457	1,070,549	(130,918)
Change in cash	(95,872)	(47,890)	(66,638)	83,299
Cash at beginning of period	348,182	396,072	462,710	379,411
Cash at end of period	\$ 252,310	\$ 348,182	\$ 396,072	\$ 462,710

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (now known as Dai-ichi Life Holdings, Inc., "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, 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.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities (see also Note 21, *Statutory Reporting Practices and Other Regulatory Matters*).

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.

Entities Included

The consolidated financial statements 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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include those used in determining deferred policy acquisition costs ("DAC") and related amortization periods, goodwill recoverability, value of business acquired ("VOBA"), investment and certain derivatives fair values, other-than-temporary impairments, future policy benefits, pension and other postretirement benefits, provisions for income taxes, reserves for contingent liabilities, reinsurance risk transfer assessments, and reserves for losses in connection with unresolved legal matters.

Earnings Per Share - Predecessor Company

As of February 1, 2015, the Company became a wholly owned subsidiary of Dai-ichi Life, and on that date the Company's outstanding common stock was delisted from public exchanges, and there was no market for the Company's common stock, which is held entirely by Dai-ichi Life. Therefore, the Company will no longer disclose earnings per share information subsequent to the presentation for the predecessor company period.

Significant Accounting Policies

Valuation of Investment Securities

The Company determines the appropriate classification of investment securities at the time of purchase and periodically re-evaluates such designations. Investment securities are classified as either trading, available-for-sale, or held-to-maturity securities. Investment securities classified as trading are recorded at fair value with changes in fair value recorded in realized gains (losses). Investment securities purchased for long term investment purposes are classified as available-for-sale and are recorded at fair value with changes in unrealized gains and losses, net of taxes, reported as a component of other comprehensive income (loss). Investment securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity and are reported at amortized cost. Interest income on available-for-sale and held-to-maturity securities includes the amortization of premiums and accretion of discounts and are recorded in investment income.

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. 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 as 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 the Company 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 service or an independent broker quotation. Included in the pricing of other asset-backed securities, collateralized mortgage obligations ("CMOs"), and mortgage-backed securities ("MBS") are estimates of the rate of future prepayments of principal and underlying collateral support over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. The basis for the cost of securities sold was determined at the Committee on Uniform Securities Identification Procedures ("CUSIP") level on a first in first out basis. The committee supplies a unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded.

Each quarter the Company reviews investments with unrealized losses and tests for other-than-temporary impairments. The Company analyzes various factors to determine if any specific other-than-temporary asset impairments exist. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of the Company's intent to sell the security (including a more likely than not assessment of whether the Company will be required to sell the security) before recovering the security's amortized cost, 5) the duration of the decline, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, and in some cases, an analysis regarding the Company's expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows is performed. Once a determination has been made that a specific other-than-temporary impairment exists, the security's basis is adjusted and an other-than-temporary impairment is recognized. Equity securities that are other-than-temporarily impaired are written down to fair value with a realized loss recognized in earnings. Other-than-temporary impairments to debt securities that the Company does not intend to sell and does not expect to be required to sell before recovering the security's amortized cost are written down to discounted expected future cash flows ("post impairment cost") and credit losses are recorded in earnings. The difference between the securities' discounted expected future cash flows and the fair value of the securities on the impairment date is recognized in other comprehensive income (loss) as a non-credit portion impairment. When calculating the post impairment cost for residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"), the Company considers all known market data related to cash flows to estimate future cash flows. When calculating the post impairment cost for corporate debt securities, the Company considers all contractual cash flows to estimate expected future cash flows. To calculate the post impairment cost, the expected future cash flows are discounted at the original purchase yield. Debt securities that the Company intends to sell or expects to be required to sell before recovery are written down to fair value with the change recognized in earnings.

Cash

Cash includes all demand deposits reduced by the amount of outstanding checks and drafts. As a result of the Company's cash management system, checks issued from a particular bank but not yet presented for payment may create negative book cash balances with the bank at certain reporting dates. Such negative balances are included in other liabilities and were \$132.7 million as of December 31, 2017 (Successor Company) and \$79.2 million as of December 31, 2016 (Successor Company), respectively. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of a material loss.

Deferred Policy Acquisition Costs

The incremental direct costs associated with successfully acquired insurance policies, are deferred to the extent such costs are deemed recoverable from future profits. Such costs include commissions and other costs of acquiring traditional life and health insurance, credit insurance, universal life insurance, and investment products. DAC are subject to recoverability testing at the end of each accounting period. Traditional life and health insurance acquisition costs are amortized over the premium-payment period of the related policies in proportion to the ratio of annual premium income to the present value of the total anticipated premium income. Credit insurance acquisition costs are being amortized in proportion to earned premium. Acquisition costs for universal life and investment products are amortized over the lives of the policies in relation to the present value of estimated gross profits before amortization.

The Company makes certain assumptions regarding the mortality, persistency, expenses, and interest rates (equal to the rate used to compute liabilities for future policy benefits, currently 1.0% to 7.8%) the Company expects to experience in future periods when determining the present value of estimated gross profits. These assumptions are best estimates and are periodically updated whenever actual experience and/or expectations for the future change from that assumed. Additionally, these costs have been adjusted by an amount equal to the amortization that would have been recorded if unrealized gains or losses on investments associated with our universal life and investment products had been realized. Acquisition costs for stable value contracts are amortized over the term of the contracts using the effective yield method.

Value of Businesses Acquired

In conjunction with the Merger and the acquisition of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flows and earnings of associated insurance policies and investment contracts. This intangible asset, called VOBA, is based on the actuarially estimated present value of future cash flows from associated insurance policies and investment contracts acquired. 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 Life Insurance Company ("MONY") block. For interest sensitive products, the Company uses various amortization bases including expected gross profits ("EGPs"), revenues, or insurance in-force. VOBA is subject to annual recoverability testing.

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, technology, and software. 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. Software is generally amortized over a three year useful life.

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

	Successor Company		
	As of December 31,		Estimated
	2017	2016	Useful Life
	(Dollars In Thousands)		(In Years)
Distribution relationships	\$ 402,975	\$ 428,499	14-22
Trade names	85,340	92,049	13-17
Technology	107,343	121,253	7-14
Other	35,914	14,282	
Total intangible assets subject to amortization	631,572	656,083	
Insurance licenses	32,000	32,000	Indefinite
Total intangible assets	\$ 663,572	\$ 688,083	

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)
2018	\$ 56,011
2019	52,898
2020	49,897
2021	48,105
2022	45,771

Property and Equipment

In conjunction with the Merger, property and equipment was recorded at fair value as of the Merger date 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.

The Company depreciates its assets using the straight-line method over the estimated useful lives of the assets. The Company's furniture is depreciated over a ten year useful life, office equipment and machines are depreciated over a five year useful life, and computers are depreciated over a three year useful life. Major repairs or improvements are capitalized and depreciated over the estimated useful lives of the assets. Other repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or retired are removed from the accounts, and resulting gains or losses are included in income.

Property and equipment consisted of the following:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Home office building	\$ 68,123	\$ 67,279
Data processing equipment	24,102	21,750
Other, principally furniture and equipment	17,198	9,612
Total property and equipment subject to depreciation	109,423	98,641
Accumulated depreciation	(22,926)	(17,450)
Land	24,920	24,920
Total property and equipment	\$ 111,417	\$ 106,111

Separate Accounts

The separate account assets represent funds for which the Company does not bear the investment risk. These assets are carried at fair value and are equal to the separate account liabilities, which represent the policyholder's equity in those assets. The investment income and investment gains and losses on the separate account assets accrue directly to the policyholder. These amounts are reported separately as assets and liabilities related to separate accounts in the accompanying consolidated financial statements. Amounts assessed against policy account balances for the costs of insurance, policy administration, and other services are included in premiums and policy fees in the accompanying consolidated statements of income.

Stable Value Product Account Balances

The Stable Value Products segment sells fixed and floating rate funding agreements directly to qualified 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. GICs are contracts which specify a return on deposits for a specified period and often provide flexibility for withdrawals at book value in keeping with the benefits provided by the plan.

The Company records its stable value contract liabilities in the consolidated balance sheets in "stable value product account balances" at the deposit amount plus accrued interest, adjusted for any unamortized premium or discount. Interest on the contracts is accrued based upon contract terms. Any premium or discount is amortized using the effective yield method.

The segment's products complement the Company's overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts. Stable value product account balances include GICs and funding agreements the Company has issued. As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company had \$3,337.9 million and \$1,872.5 million, respectively, of stable value product account balances marketed through structured programs. Most GICs and funding agreements the Company has written have maturities of one to twelve years.

As of December 31, 2017 (Successor Company), future maturities of stable value products were as follows:

Year of Maturity	Amount
	(Dollars In Millions)
2018	\$ 888.0
2019 - 2020	2,479.5
2021 - 2022	1,201.0
Thereafter	124.8

Derivative Financial Instruments

The Company records its derivative financial instruments in the consolidated 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 the statement of other comprehensive income (loss), depending upon whether the derivative instrument 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 cash flow hedges, the effective portion of their gain or loss is reported as a component of other comprehensive income (loss) and reclassified into earnings in the 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 on the hedged item attributable to the hedged risk are 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 in earnings. Changes in the fair value of derivatives that are recognized in current earnings are

reported in "Realized investment gains (losses)—Derivative financial instruments". For additional information, see Note 7, *Derivative Financial Instruments*.

Insurance Liabilities and Reserves

Establishing an adequate liability for the Company's obligations to policyholders requires the use of certain assumptions. 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.

Guaranteed Living Withdrawal Benefits

The Company also establishes reserves for guaranteed living withdrawal benefits ("GLWB") on its variable annuity ("VA") products. The GLWB 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 GLWB is impacted by equity market conditions and can result in the GLWB 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 GLWB 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 GLWB 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 Ruark 2015 ALB adjusted table for company experience. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. As of December 31, 2017 (Successor Company), our net GLWB liability held was \$111.8 million.

Goodwill

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. Accounting for goodwill requires an estimate of the future profitability of the associated lines of business within the Company's operating segments to assess the recoverability of the capitalized acquisition goodwill. The Company's material goodwill balances are attributable to certain of its operating segments (which are each considered to be reporting units). 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 testing date. If the qualitative analysis does not indicate that an impairment of segment goodwill is more likely than not then no other specific quantitative impairment testing is required.

If it is determined that it is more likely than not that impairment exists, the Company performs a quantitative assessment and 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 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.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return that includes both life insurance companies and non-life insurance companies. The Company has one life insurance subsidiary that is not eligible to be included in the consolidated federal income tax return and files a separate corporate tax return.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). Further information on the tax impacts of the Tax Reform Act is included in Note 18, *Income Taxes*.

The Company uses the asset and liability method of accounting for income taxes. Generally, most items in pretax book income are also included in taxable income in the same year. However, some items are recognized for book purposes and for tax purposes in different years or are never recognized for either book or tax purposes. Those differences that will never be recognized

for either book or tax purposes are permanent differences (e.g., the dividends-received deduction). As a result, the effective tax rate reflected in the financial statements may differ from the statutory rate reflected in the tax return. Those differences that are reported in different years for book and tax purposes are temporary and will reverse over time (e.g., the valuation of future policy benefits). These temporary differences are accounted for in the intervening periods as deferred tax assets and liabilities. Deferred tax assets generally represent revenue that is taxable before it is recognized in financial income and expenses that are deductible after they are recognized in financial income. Deferred tax liabilities generally represent revenues that are taxable after they are recognized in financial income or expenses or losses that are deductible before they are recognized in financial income. Components of accumulated other comprehensive income (loss) ("AOCI") are presented net of tax, and it is the Company's policy to use the aggregate portfolio approach to clear the disproportionate tax effects that remain in AOCI as a result of tax rate changes and certain other events. Under the aggregate portfolio approach, disproportionate tax effects are cleared only when the portfolio of investments that gave rise to the deferred tax item is sold or otherwise disposed of in its entirety.

The application of GAAP requires the Company to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance, if necessary, to reduce the Company's deferred tax assets to an amount that is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company may consider many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on tax returns. The application of this guidance is a two-step process, the first step being recognition. The Company determines whether it is more likely than not, based on the technical merits, that the tax position will be sustained upon examination. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. The Company measures the tax position as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate resolution with a taxing authority that has full knowledge of all relevant information. This measurement considers the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date.

The Company's liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service ("IRS") or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations expires. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards, the statute of limitations does not close until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. The Company classifies all interest and penalties related to tax uncertainties as income tax expense. See Note 18, *Income Taxes*, for additional information regarding income taxes.

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 FASB ASC (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. For more information on the Company's investment in a VIE refer to Note 5, *Investment Operations*, to the consolidated financial statements.

Policyholder Liabilities, Revenues, and Benefits Expense

Future Policy Benefits and Claims

Future policy benefit liabilities for the year indicated are as follows:

	Successor Company			
	As of December 31,		As of December 31,	
	2017	2016	2017	2016
	Total Policy Liabilities and Accruals		Reinsurance Receivable	
	(Dollars In Thousands)		(Dollars In Thousands)	
Life and annuity benefit reserves	\$ 29,972,938	\$ 29,574,479	\$ 3,898,079	\$ 4,191,845
Unpaid life claim liabilities	595,188	517,257	362,827	323,630
Life and annuity future policy benefits	30,568,126	30,091,736	4,260,906	4,515,475
Other policy benefits reserves	157,101	170,519	92,330	103,746
Other policy benefits unpaid claim liabilities	232,365	248,830	185,826	200,655
Future policy benefits and claims and associated reinsurance receivable	\$ 30,957,592	\$ 30,511,085	\$ 4,539,062	\$ 4,819,876
Unearned premiums	875,405	848,495	536,636	503,970
Total policy liabilities and accruals and associated reinsurance receivable	\$ 31,832,997	\$ 31,359,580	\$ 5,075,698	\$ 5,323,846

Liabilities for life and annuity benefit reserves consist of liabilities for traditional life insurance, cash values associated with universal life insurance, immediate annuity benefit reserves, and other benefits associated with life and annuity benefits. The unpaid life claim liabilities consist of current pending claims as well as an estimate of incurred but not reported life insurance claims.

Other policy benefit reserves consist of certain health insurance policies that are in runoff. The unpaid claim liabilities associated with other policy benefits includes current pending claims, the present value of estimated future claim payments for policies currently receiving benefits and an estimate of claims incurred but not yet reported.

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 on the date of the Merger. These values were computed using assumptions that include interest rates, mortality, lapse rates, expense 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.

Liabilities for future policy benefits on traditional life insurance products have been computed using a net level method including assumptions as to investment yields, mortality, persistency, and other assumptions based on the Company's experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Reserve investment yield assumptions on December 31, 2017 (Successor Company), range from approximately 2.75% to 4.50%. 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. Policy claims are charged to expense in the period in which the claims are incurred.

Traditional life insurance premiums are recognized as revenue when due. Health and credit insurance premiums are recognized as revenue over the terms of the policies. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the contracts. This is accomplished by means of the provision for liabilities for future policy benefits and the amortization of DAC and VOBA. Gross premiums in excess of premiums related to immediate annuities are deferred and recognized over the life of the policy.

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. Premiums and policy fees for universal life and investment products consist of fees that have been assessed against policy account balances for the costs of insurance, policy administration, and surrenders. Such fees are recognized when assessed and earned. 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.

Interest rates credited to universal life products ranged from 1.0% to 8.75% and investment products ranged from 0.5% to 11.3% in 2017.

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 are 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 6, *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. 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 FIA embedded derivative refer to Note 6, *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 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 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 indexed universal life ("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 6, *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 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 Ruark 2015 ALB table adjusted 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 December 31, 2017 (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 December 31, 2017 (Successor Company), the GMDB reserve was \$34.0 million.

Property and Casualty Insurance Products

Property and casualty insurance products include service contract business, surety bonds, and guaranteed asset protection ("GAP"). Premiums for service contracts and GAP products are recognized based on expected claim patterns. For all other products, premiums are generally recognized over the terms of the contract on a pro-rata basis. Fee income from providing administrative services is recognized as earned when the related services are performed. 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 Accounting Methodology—Ceded premiums of the Company's traditional life insurance products are treated as an offset to direct premium and policy fee revenue and are recognized when due to the assuming company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the

applicable financial reporting period. Expense allowances paid by the assuming companies which are allocable to the current period are treated as an offset to other operating expenses. Since reinsurance treaties typically provide for allowance percentages that decrease over the lifetime of a policy, allowances in excess of the "ultimate" or final level allowance are capitalized. Amortization of capitalized reinsurance expense allowances representing recovery of acquisition costs is treated as an offset to direct amortization of DAC or VOBA. Amortization of deferred expense allowances is calculated as a level percentage of expected premiums in all durations given expected future lapses and mortality and accretion due to interest.

The Company utilizes reinsurance on certain short duration insurance contracts (primarily issued through the Asset Protection segment). As part of these reinsurance transactions the Company receives reinsurance allowances which reimburse the Company for acquisition costs such as commissions and premium taxes. A ceding fee is also collected to cover other administrative costs and profits for the Company. As a component of reinsurance costs, reinsurance allowances are accounted for in accordance with the relevant provisions of ASC Financial Services—Insurance Topic, which state that reinsurance costs should be amortized over the contract period of the reinsurance if the contract is short-duration. Accordingly, reinsurance allowances received related to short-duration contracts are capitalized and charged to expense in proportion to premiums earned. Ceded unamortized acquisition costs are netted with direct unamortized acquisition costs in the balance sheet.

Ceded premiums and policy fees on the Company's fixed universal life ("UL"), VUL, bank-owned life insurance ("BOLI"), and annuity products reduce premiums and policy fees recognized by the Company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the applicable valuation period.

Since reinsurance treaties typically provide for allowance percentages that decrease over the lifetime of a policy, allowances in excess of the "ultimate" or final level allowance are capitalized. Amortization of capitalized reinsurance expense allowances are amortized based on future expected gross profits. Assumptions regarding mortality, lapses, and interest rates are continuously reviewed and may be periodically changed. These changes will result in "unlocking" that changes the balance in the ceded deferred acquisition cost and can affect the amortization of DAC and VOBA. Ceded unearned revenue liabilities are also amortized based on expected gross profits. Assumptions are based on the best current estimate of expected mortality, lapses and interest spread.

The Company has also assumed certain policy risks written by other insurance companies through reinsurance agreements. *Premiums and policy fees* as well as *Benefits and settlement expenses* include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Assumed reinsurance is accounted for in accordance with ASC Financial Services—Insurance Topic.

Reinsurance Allowances—Long-Duration Contracts—Reinsurance allowances are intended to reimburse the ceding company for some portion of the ceding company's commissions, expenses, and taxes. The amount and timing of reinsurance allowances (both first year and renewal allowances) are contractually determined by the applicable reinsurance contract and do not necessarily bear a relationship to the amount and incidence of expenses actually paid by the ceding company in any given year.

Ultimate reinsurance allowances are defined as the lowest allowance percentage paid by the reinsurer in any policy duration over the lifetime of a universal life policy (or through the end of the level term period for a traditional life policy). Ultimate reinsurance allowances are determined during the negotiation of each reinsurance agreement and will differ between agreements.

The Company determines its "cost of reinsurance" to include amounts paid to the reinsurer (ceded premiums) net of amounts reimbursed by the reinsurer (in the form of allowances). As noted within ASC Financial Services—Insurance Topic, "The difference, if any, between amounts paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts is part of the estimated cost to be amortized." The Company's policy is to amortize the cost of reinsurance over the life of the underlying reinsured contracts (for long-duration policies) in a manner consistent with the way in which benefits and expenses on the underlying contracts are recognized. For the Company's long-duration contracts, it is the Company's practice to defer reinsurance allowances as a component of the cost of reinsurance and recognize the portion related to the recovery of acquisition costs as a reduction of applicable unamortized acquisition costs in such a manner that net acquisition costs are capitalized and charged to expense in proportion to net revenue recognized. The remaining balance of reinsurance allowances are included as a component of the cost of reinsurance and those allowances which are allocable to the current period are recorded as an offset to operating expenses in the current period consistent with the recognition of benefits and expenses on the underlying reinsured contracts. This practice is consistent with the Company's practice of capitalizing direct expenses (e.g. commissions), and results in the recognition of reinsurance allowances on a systematic basis over the life of the reinsured policies on a basis consistent with the way in which acquisition costs on the underlying reinsured contracts would be recognized. In some cases reinsurance allowances allocable to the current period may exceed non-deferred direct costs, which may cause net other operating expenses (related to specific contracts) to be negative.

Amortization of Reinsurance Allowances—Reinsurance allowances do not affect the methodology used to amortize DAC and VOBA, or the period over which such DAC and VOBA are amortized. Reinsurance allowances offset the direct expenses capitalized, reducing the net amount that is capitalized. DAC and VOBA on traditional life policies are amortized based on the pattern of estimated gross premiums of the policies in force. Reinsurance allowances do not affect the gross premiums, so therefore they do not impact traditional life amortization patterns. DAC and VOBA on universal life products are amortized based on the pattern of estimated gross profits of the policies in force. Reinsurance allowances are considered in the determination of estimated gross profits, and therefore do impact amortization patterns.

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 as of the Merger date, were recorded in the balance sheet using current accounting policies and the most current assumptions. 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 as of the Merger date.

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 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.

Components of Reinsurance Cost—The following income statement lines are affected by reinsurance cost:

Premiums and policy fees ("reinsurance ceded" on the Company's financial statements) represent consideration paid to the assuming company for accepting the ceding company's risks. Ceded premiums and policy fees increase reinsurance cost.

Benefits and settlement expenses include incurred claim amounts ceded and changes in ceded policy reserves. Ceded benefits and settlement expenses decrease reinsurance cost.

Amortization of deferred policy acquisition cost and VOBA reflects the amortization of capitalized reinsurance allowances representing recovery of acquisition costs. Ceded amortization decreases reinsurance cost.

Other expenses include reinsurance allowances paid by assuming companies to the Company less amounts representing recovery of acquisition costs. Reinsurance allowances decrease reinsurance cost.

The Company's reinsurance programs do not materially impact the other income line of the Company's income statement. In addition, net investment income generally has no direct impact on the Company's reinsurance cost. However, it should be noted that by ceding business to the assuming companies, the Company forgoes investment income on the reserves ceded to the assuming companies. Conversely, the assuming companies will receive investment income on the reserves assumed which will increase the assuming companies' profitability on business assumed from the Company.

Accounting Pronouncements Recently Adopted

Accounting Standards Update ("ASU") 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This Update addresses an accounting issue in which previously recorded tax effects are stranded in accumulated other comprehensive income as a result of the change in the federal corporate income tax rate in the Tax Cuts and Jobs Act ("Tax Reform Act"). The Update allows reclassification from accumulated other comprehensive income to retained earnings of such stranded tax effects. The amount of the reclassification is equal to the difference between the historical corporate income tax rate and the newly enacted corporate income tax rate. The Update is effective for annual and interim periods beginning after December 15, 2018, and early adoption is permitted. The Company elected to adopt the amendments in this Update on a retrospective basis, upon issuance, and recorded an entry as of December 31, 2017 to reclassify stranded tax effects from accumulated other comprehensive income to retained earnings in the amount of \$25.8 million.

ASU No. 2017-04-Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This Update simplifies the goodwill impairment test by re-defining the concept of goodwill impairment as the condition that exists when the carrying amount of a reporting unit exceeds its fair value. The Update eliminates "Step 2" of the current goodwill impairment test, which requires entities to determine goodwill impairment by calculating the implied fair value of goodwill by remeasuring to fair value the assets and liabilities of a reporting unit as if that reporting unit had been acquired in a business combination. The Company elected to adopt the amendments in the Update in the first quarter of 2017, and applied the revised guidance to impairment tests conducted after January 1, 2017. Application of the revised guidance did not impact the Company's financial position or results of operations. For more details regarding the Company's goodwill assessment process, please refer to Note 11, *Goodwill*.

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 additional disclosures introduced in this Update have not been provided, as the short-duration lines of business to which they apply are not material to the Company's financial statements.

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. The Company will adopt this Update using the modified retrospective approach via a cumulative effect adjustment to retained earnings as of January 1, 2018. The amendments in the Update, along with clarifying updates issued subsequent to ASU 2014-09, will impact some of the Company's smaller lines of business, specifically revenues at the Company's affiliated broker dealers and insurance agency, and certain revenues associated with the Company's Asset Protection products. However, the cumulative effect adjustment related to the Company's adoption of the revised guidance is limited to the Company's Asset Protection segment. Specifically, the Company will revise its pattern of recognition of administrative fees associated with certain vehicle service and GAP products. Previously, these fees were recognized based on the work effort involved in satisfying the Company's contract obligations. In consideration of the amendments in ASU 2014-09, the Company will recognize these fees based on expected claim patterns. The cumulative effect adjustment as of January 1, 2018 will result in a decrease in retained earnings of \$92.5 million. The pre-tax cumulative effect adjustment was consistent with the Company's previous estimates, as disclosed in its Form 10-Q for the period ended September 30, 2017. However, the reduction in the federal corporate income tax rate due to the enactment of the Tax Reform Act resulted in an increase in the net impact to retained earnings. The Company will also implement minor changes to its accounting and disclosures with respect to the lines of business referenced above to ensure compliance with the revised guidance.

ASU No. 2016-01 - Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most notably, the Update requires that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) be measured at fair value with changes in fair value recognized in net income. The Update also introduces a single-step impairment model for equity investments without a readily determinable fair value. Additionally, the Update requires changes in instrument-specific credit risk for fair value option liabilities to be recorded in other comprehensive income. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2017 and will be applied on a modified retrospective basis. The Company recorded a cumulative-effect adjustment as of the date of adoption, January 1, 2018, transferring unrealized gains and losses on available-for-sale equity securities to retained earnings from accumulated other comprehensive income. The impact of this adjustment, net of income tax, resulted in a \$10.7 million increase to retained earnings. The Company will make updates to its disclosures in the first quarter in order to comply with the new guidance.

ASU No. 2016-02 - Leases. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of leases. The most significant change will relate to the accounting model used by lessees. The Update will require all leases with terms greater than 12 months to be recorded on the balance sheet in the form of a lease asset and liability. The lease asset and liability will be measured at the present value of the minimum lease payments less any upfront payments or fees. The Update also requires numerous disclosure changes for which the Company is assessing the impact. The amendments in the Update are effective for annual and interim periods beginning after December 15, 2018 on a modified retrospective basis. The Company has completed an inventory of all leases in the organization and is currently assessing the impact of the Update and updating internal processes to ensure compliance with the revised guidance.

ASU No. 2016-13 - Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. The amendments in this Update introduce a new current expected credit loss ("CECL") model for certain financial assets, including mortgage loans and reinsurance receivables. The new model will not apply to debt securities classified as available-for-sale. For assets within the scope of the new model, an entity will recognize as an allowance against earnings its estimate of the contractual cash flows not expected to be collected on day one of the asset's acquisition. The allowance may be reversed through earnings if a security recovers in value. This differs from the current impairment model, which requires recognition of credit losses when they have been incurred and recognizes a security's subsequent recovery in value in other comprehensive income. The Update also makes targeted changes to the current impairment model for available-for-sale debt securities, which comprise the majority of the Company's invested assets. Similar to the CECL model, credit loss impairments will be recorded in an allowance against earnings that may be reversed for subsequent recoveries in value. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2019 on a modified retrospective basis. The Company is reviewing its policies and processes to ensure compliance with the requirements in this Update, upon adoption, and assessing the impact this standard will have on its operations and financial results.

ASU No. 2016-15 - Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The amendments in this Update are intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Specific transactions addressed in the new guidance include: Debt prepayment/extinguishment costs, contingent consideration payments, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investments. The Update does not introduce any new accounting or financial reporting requirements, and is effective for annual and interim periods beginning after December 15, 2017 using the retrospective method. There will be no financial impact on adoption while the Company expects a minor operational impact to cash flow statement reporting.

ASU No. 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Task Force). The amendments in this update provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing diversity in practice related to the presentation of these amounts. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Update is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. There will be no impact to the Company on adoption.

ASU No. 2017-01 - Business Combinations (Topic 805): Clarifying the Definition of a Business. The purpose of this update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in the Update provide a specific test by which an entity may determine whether an acquisition involves a set of assets or a business. The amendments in the Update are to be applied prospectively for periods beginning after December 15, 2017. The Company has reviewed the revised requirements, and does not anticipate that the changes will impact its policies or recent conclusions related to its acquisition activities.

ASU No. 2017-07 - Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this update require entities to disaggregate the current-service-cost component from other components of net benefit cost and present it with other current compensation costs in the income statement. The other components of net benefit cost must be presented outside of income from operations if that subtotal is presented. In addition, the Update requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The amendments in this update are effective for interim and annual periods beginning after December 15, 2017. As provided for in the ASU, the Company expects to apply the provisions of the statement retrospectively for components of net periodic pension costs and prospectively for capitalization of the service costs component of net periodic costs and net periodic postretirement benefits. The Update will not impact the Company's financial position, results of operations, or current disclosures.

ASU No. 2017-08 - Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this update require that premiums on callable debt securities be amortized to the first call date. This is a change from current guidance, under which premiums are amortized to the maturity date of the security. The amendments are effective for annual and interim periods beginning after December 31, 2018, and early adoption is permitted. Transition will be through a modified retrospective approach in which the cumulative effect of application is recorded to retained earnings at the beginning of the annual period in which an entity adopts the revised guidance. The Company is currently reviewing its systems and processes to determine the financial and operational impact of implementing the Update, as well as to determine whether early adoption of the revised guidance is practicable.

ASU No. 2017-12 - Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments in this update are designed to permit hedge accounting to be applied to a broader range of hedging strategies as well as to more closely align hedge accounting and risk management objectives. Specific provisions include requiring changes in the fair value of a hedging instrument be recorded in the same income statement line as the hedged item when it affects earnings. In addition, after a hedge has initially qualified as an effective hedge the Update permits the use of a qualitative hedge effectiveness test in subsequent periods. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. The Company is currently assessing the impact this standard will have on its operations and financial results.

3. SIGNIFICANT TRANSACTIONS

Reinsurance and Financing Transaction

On January 15, 2016, PLICO completed the transaction contemplated by the Master Agreement, dated September 30, 2015 (the "Master Agreement"), with Genworth Life and Annuity Insurance Company ("GLAIC"). Pursuant to the Master Agreement, effective January 1, 2016, PLICO entered into a reinsurance agreement (the "Reinsurance Agreement") under the terms of which PLICO coinsures certain term life insurance business of GLAIC (the "GLAIC Block"). In connection with the reinsurance transaction, on January 15, 2016, Golden Gate Captive Insurance Company ("Golden Gate"), a wholly owned subsidiary of PLICO, and Steel City, LLC ("Steel City"), a newly formed wholly owned subsidiary of the Company, entered into an 18-year transaction to finance \$2.188 billion of "XXX" reserves related to the acquired GLAIC Block and the other term life insurance business reinsured to Golden Gate by PLICO and West Coast Life Insurance Company ("WCL"), a direct wholly owned subsidiary of PLICO. Steel City issued notes with an aggregate initial principal amount of \$2.188 billion to Golden Gate in exchange for a surplus note issued by Golden Gate with an initial principal amount of \$2.188 billion. Through the structure, Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and Nomura Americas Re Ltd. (collectively, the "Risk-Takers") provide credit enhancement to the Steel City notes for the 18-year term in exchange for credit enhancement fees. The transaction is "non-recourse" to PLICO, WCL and the Company, meaning that none of these companies are liable to reimburse the Risk-Takers for any credit enhancement payments required to be made. 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 or Steel City, including a guarantee of the fees to the Risk-Takers. As a result of the financing transaction described above, the \$800 million of Golden Gate Series A Surplus Notes held by the Company were contributed to PLICO and then subsequently contributed to Golden Gate, which resulted in the extinguishment of these notes. Also on January 15, 2016, Golden Gate paid an extraordinary dividend of \$300 million to PLICO as approved by the Vermont Department of Financial Regulation.

The transactions described above resulted in an increase to total assets and total liabilities of approximately \$2.8 billion. Of the approximate \$2.8 billion increase in total assets, \$0.6 billion was the result of the reinsurance transaction with GLAIC which included a \$280 million increase in VOBA. The remaining \$2.2 billion increase to total assets and liabilities is associated with the financing transaction between Golden Gate and Steel City.

The Company considered whether the Reinsurance Agreement constituted the purchase of a business for accounting and reporting purposes pursuant to ASC 805, *Business Combinations*. While the transaction included a continuation of the certain

revenue-producing activities associated with the reinsured policies, it did not result in the acquisition of a market distribution system, sales force or production techniques. Based on Management's decision not to pursue distribution opportunities or future sales related to the reinsured policies, the Company accounted for the transaction as a reinsurance agreement under ASC 944, Insurance Contracts and asset acquisition under ASC 805. Accordingly, the Company recorded the assets and liabilities acquired under the reinsurance agreement at fair value and recognized an intangible asset, VOBA, equal to the excess of the fair value of assets acquired over liabilities assumed, measured in accordance with the Company's accounting policies for insurance and reinsurance contracts that it issues or holds pursuant to ASC 944.

USWC Holding Company Acquisition

On December 1, 2016, PLICO completed the acquisition of the Pompano Beach, Florida-based USWC Holding Company ("US Warranty") pursuant to a Stock Purchase Agreement. US Warranty's primary operating subsidiary is United States Warranty Corp., which currently markets vehicle service contracts, GAP coverage, and a suite of ancillary automotive maintenance and protection products nationwide. This acquisition has provided the Company's Asset Protection segment and USWC with expanded market reach, enhanced product and operational capabilities, and higher collective growth potential.

The transaction 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. On the acquisition date, goodwill of \$61.0 million represented the cost in excess of the fair value of net assets acquired (including identifiable intangibles), and reflected the US Warranty's assembled workforce, future growth potential and other sources of value not associated with identifiable assets. The Company acquired 100% of voting equity interests. The aggregate purchase price for US Warranty was \$136.1 million.

The amount recorded as the value of business acquired at December 1, 2016, represents the actuarially estimated present value of after-tax future cash flows, adjusted for statutory reserve differences and cost of capital, from the policies acquired through the US Warranty acquisition. This amount will be amortized in proportion with the gross premiums or estimated net profits of the acquired insurance contracts.

The following table summarizes the fair values of the net assets acquired as of the acquisition date:

	Fair Value As of December 1, 2016
	(Dollars in Thousands)
Assets	
Fixed maturities	\$ 10,592
Other long-term investments	2,340
Cash	122,167
Accrued investment income	52
Accounts and premiums receivables	18,536
Reinsurance receivable	9,397
Value of businesses acquired	5,079
Goodwill	61,027
Other intangibles	70,400
Property and equipment	390
Accrued income taxes	4,161
Other assets	40
Total assets	304,181
Liabilities	
Unearned premiums	\$ 82,757
Other policyholders' funds	21,483
Other liabilities	24,951
Deferred income taxes	38,929
Total liabilities	168,120
Net assets acquired	\$ 136,061

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

	Estimated Fair Value on Acquisition Date	Estimated Useful Life
	(Dollars In Thousands)	(In Years)
Distribution relationships	\$ 65,000	13-21
Trade names	1,400	5-6
Technology	4,000	8-11
Total intangible assets	<u>\$ 70,400</u>	

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)
2017	\$ 4,843
2018	4,843
2019	4,843
2020	4,843
2021	4,843

The following (unaudited) pro forma condensed consolidated results of operations assumes that the acquisition of US Warranty was completed as of January 1, 2015:

	Successor Company	
	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015
	(Dollars In Thousands)	
Revenue ⁽¹⁾	\$ 4,532,292	\$ 3,753,700
Net income ⁽²⁾	393,277	268,479

(1) Includes \$4.7 million of revenue recognized in the Company's net income for year ended December 31, 2016 (Successor Company).

(2) Includes \$0.2 million of net income recognized in the Company's net income for the year ended December 31, 2016 (Successor Company).

The pro forma information above is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, not is it intended to be a projection of future results.

4. 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 Department of Financial Services (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 AOCI) at the acquisition date of October 1, 2013, 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

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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 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 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 December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company) and is as follows:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	\$ 5,791,867	\$ 5,896,355
Policyholder dividend obligation	160,712	31,932
Other liabilities	30,764	40,007
Total closed block liabilities	5,983,343	5,968,294
Closed block assets		
Fixed maturities, available-for-sale, at fair value	4,669,856	4,440,105
Mortgage loans on real estate	108,934	201,088
Policy loans	700,769	712,959
Cash and other invested assets	31,182	108,270
Other assets	122,637	135,794
Total closed block assets	5,633,378	5,598,216
Excess of reported closed block liabilities over closed block assets	349,965	370,078
Portion of above representing accumulated other comprehensive income:		
Net unrealized investments gains (losses) net of policyholder dividend obligation: \$(13,429) and \$(197,450); and net of income tax: \$2,820 and \$69,107	—	—
Future earnings to be recognized from closed block assets and closed block liabilities	\$ 349,965	\$ 370,078

Reconciliation of the policyholder dividend obligation is as follows:

	Successor Company	
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016
	(Dollars In Thousands)	
Policyholder dividend obligation, beginning balance	\$ 31,932	\$ —
Applicable to net revenue (losses)	(55,241)	(46,557)
Change in net unrealized investment gains (losses) allocated to policyholder dividend obligation	184,021	78,489
Policyholder dividend obligation, ending balance	\$ 160,712	\$ 31,932

Closed Block revenues and expenses were as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Revenues				
Premiums and other income	\$ 180,097	\$ 189,700	\$ 185,562	\$ 15,065
Net investment income	203,964	211,175	193,203	19,107
Net investment gains	910	1,524	3,333	568
Total revenues	384,971	402,399	382,098	34,740
Benefits and other deductions				
Benefits and settlement expenses	335,200	353,488	336,629	31,152
Other operating expenses	1,940	2,804	1,001	—
Total benefits and other deductions	337,140	356,292	337,630	31,152
Net revenues before income taxes	47,831	46,107	44,468	3,588
Income tax expense	27,718	16,137	14,920	1,256
Net revenues	<u>\$ 20,113</u>	<u>\$ 29,970</u>	<u>\$ 29,548</u>	<u>\$ 2,332</u>

5. INVESTMENT OPERATIONS

Major categories of net investment income are summarized as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Fixed maturities	\$ 1,631,565	\$ 1,552,999	\$ 1,267,900	\$ 140,104
Equity securities	39,806	38,838	40,907	2,572
Mortgage loans	298,387	270,749	252,577	24,977
Investment real estate	2,481	2,153	2,528	112
Short-term investments	108,476	106,828	93,982	9,713
	2,080,715	1,971,567	1,657,894	177,478
Other investment expenses	29,127	29,111	24,946	2,298
Net investment income	<u>\$ 2,051,588</u>	<u>\$ 1,942,456</u>	<u>\$ 1,632,948</u>	<u>\$ 175,180</u>

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

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Fixed maturities	\$ 12,941	\$ 32,210	\$ 1,282	\$ 6,891
Equity securities	(2,330)	92	(1,001)	—
Impairments on securities	(11,742)	(17,748)	(26,993)	(481)
Modco trading portfolio	119,206	67,583	(167,359)	73,062
Other investments	(8,389)	(9,226)	192	1,200
Total realized gains (losses)—investments	\$ 109,686	\$ 72,911	\$ (193,879)	\$ 80,672

Gross realized gains and gross realized losses on investments available-for-sale (fixed maturities, equity securities, and short-term investments) are as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Gross realized gains	\$ 18,868	\$ 42,085	\$ 8,745	\$ 6,920
Gross realized losses:				
Impairments losses	\$ (11,742)	\$ (17,748)	\$ (26,993)	\$ (481)
Other realized losses	\$ (8,257)	\$ (9,783)	\$ (8,463)	\$ 12

The chart below summarizes the fair value (proceeds) and the gains/losses realized on securities the Company sold that were in an unrealized gain position and an unrealized loss position.

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Securities in an unrealized gain position:				
Fair value (proceeds)	\$ 879,181	\$ 1,198,333	\$ 950,874	\$ 172,551
Gains realized	\$ 18,868	\$ 42,085	\$ 8,745	\$ 6,920
Securities in an unrealized loss position⁽¹⁾:				
Fair value (proceeds)	\$ 185,157	\$ 85,835	\$ 178,415	\$ 435
Losses realized	\$ (8,257)	\$ (9,783)	\$ (8,463)	\$ (29)

⁽¹⁾ The Company made the decision to exit these holdings in conjunction with its overall asset liability management process.

The amortized cost and fair value of the Company's investments classified as available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Total OTTI Recognized in OCI ⁽¹⁾
(Dollars In Thousands)					
Successor Company					
As of December 31, 2017					
Fixed maturities:					
Residential mortgage-backed securities	\$ 2,330,832	\$ 19,413	\$ (23,033)	\$ 2,327,212	\$ 10
Commercial mortgage-backed securities	1,914,998	5,010	(30,186)	1,889,822	—
Other asset-backed securities	1,234,376	20,936	(5,763)	1,249,549	—
U.S. government-related securities	1,255,244	185	(32,177)	1,223,252	—
Other government-related securities	282,767	9,463	(4,948)	287,282	—
States, municipals, and political subdivisions	1,770,299	16,959	(45,613)	1,741,645	(37)
Corporate securities	29,606,484	623,713	(528,187)	29,702,010	(1)
Redeemable preferred stock	94,362	232	(3,503)	91,091	—
	<u>38,489,362</u>	<u>695,911</u>	<u>(673,410)</u>	<u>38,511,863</u>	<u>(28)</u>
Equity securities	735,569	22,318	(8,771)	749,116	—
Short-term investments	558,949	—	—	558,949	—
	<u>\$ 39,783,880</u>	<u>\$ 718,229</u>	<u>\$ (682,181)</u>	<u>\$ 39,819,928</u>	<u>\$ (28)</u>
As of December 31, 2016					
Fixed maturities:					
Residential mortgage-backed securities	\$ 1,913,413	\$ 10,737	\$ (25,667)	\$ 1,898,483	\$ (9)
Commercial mortgage-backed securities	1,850,620	2,528	(41,678)	1,811,470	—
Other asset-backed securities	1,210,490	21,741	(20,698)	1,211,533	—
U.S. government-related securities	1,308,192	422	(40,455)	1,268,159	—
Other government-related securities	253,182	1,536	(14,797)	239,921	—
States, municipals, and political subdivisions	1,760,837	1,224	(105,558)	1,656,503	—
Corporate securities	28,801,768	153,715	(1,583,918)	27,371,565	(11,030)
Redeemable preferred stock	94,362	—	(8,519)	85,843	—
	<u>37,192,864</u>	<u>191,903</u>	<u>(1,841,290)</u>	<u>35,543,477</u>	<u>(11,039)</u>
Equity securities	761,340	7,751	(21,685)	747,406	—
Short-term investments	279,782	—	—	279,782	—
	<u>\$ 38,233,986</u>	<u>\$ 199,654</u>	<u>\$ (1,862,975)</u>	<u>\$ 36,570,665</u>	<u>\$ (11,039)</u>

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

The fair value of the Company's investments classified as trading are as follows:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Fixed maturities - trading:		
Residential mortgage-backed securities	\$ 259,694	\$ 255,027
Commercial mortgage-backed securities	146,804	149,683
Other asset-backed securities	138,097	200,084
U.S. government-related securities	27,234	26,961
Other government-related securities	63,925	63,012
States, municipals, and political subdivisions	326,925	316,519
Corporate securities	1,698,183	1,624,589
Redeemable preferred stock	3,327	3,985
	2,664,189	2,639,860
Equity securities	5,244	7,083
Short-term investments	56,261	52,648
	\$ 2,725,694	\$ 2,699,591

The amortized cost and fair value of available-for-sale and held-to-maturity fixed maturities as of December 31, 2017 (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.

	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	\$ 723,923	\$ 723,435	\$ —	\$ —
Due after one year through five years	6,657,059	6,639,380	—	—
Due after five years through ten years	7,475,095	7,481,482	—	—
Due after ten years	23,633,285	23,667,566	2,718,904	2,776,327
	\$ 38,489,362	\$ 38,511,863	\$ 2,718,904	\$ 2,776,327

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The chart below summarizes the Company's other-than-temporary impairments of investments. All of the impairments were related to fixed maturities or equity securities.

	Fixed Maturities	Equity Securities	Total Securities
(Dollars In Thousands)			
For The Year Ended December 31, 2017 (Successor Company)			
Other-than-temporary impairments	\$ (1,332)	\$ (2,630)	\$ (3,962)
Non-credit impairment losses recorded in other comprehensive income	(7,780)	—	(7,780)
Net impairment losses recognized in earnings	<u>\$ (9,112)</u>	<u>\$ (2,630)</u>	<u>\$ (11,742)</u>
For The Year Ended December 31, 2016 (Successor Company)			
Other-than-temporary impairments	\$ (32,075)	\$ —	\$ (32,075)
Non-credit impairment losses recorded in other comprehensive income	14,327	—	14,327
Net impairment losses recognized in earnings	<u>\$ (17,748)</u>	<u>\$ —</u>	<u>\$ (17,748)</u>
For The Period of February 1, 2015 to December 31, 2015 (Successor Company)			
Other-than-temporary impairments	\$ (28,659)	\$ —	\$ (28,659)
Non-credit impairment losses recorded in other comprehensive income	1,666	—	1,666
Net impairment losses recognized in earnings	<u>\$ (26,993)</u>	<u>\$ —</u>	<u>\$ (26,993)</u>
For The Period of January 1, 2015 to January 31, 2015 (Predecessor Company)			
Other-than-temporary impairments	\$ (636)	\$ —	\$ (636)
Non-credit impairment losses recorded in other comprehensive income	155	—	155
Net impairment losses recognized in earnings	<u>\$ (481)</u>	<u>\$ —</u>	<u>\$ (481)</u>

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 year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), for the period of February 1, 2015 to December 31, 2015 (Successor Company), and for the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

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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 Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Beginning balance	\$ 12,685	\$ 22,761	\$ —	\$ 15,478
Additions for newly impaired securities	734	14,876	22,761	—
Additions for previously impaired securities	3,175	2,063	—	221
Reductions for previously impaired securities due to a change in expected cash flows	(12,726)	(24,396)	—	—
Reductions for previously impaired securities that were sold in the current period	(600)	(2,619)	—	—
Other	—	—	—	—
Ending balance	\$ 3,268	\$ 12,685	\$ 22,761	\$ 15,699

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, 2017 (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	\$ 766,599	\$ (9,671)	\$ 416,221	\$ (13,362)	\$ 1,182,820	\$ (23,033)
Commercial mortgage-backed securities	757,471	(8,592)	796,456	(21,594)	1,553,927	(30,186)
Other asset-backed securities	86,506	(322)	134,316	(5,441)	220,822	(5,763)
U.S. government-related securities	94,110	(688)	1,072,232	(31,489)	1,166,342	(32,177)
Other government-related securities	24,830	(169)	115,294	(4,778)	140,124	(4,947)
States, municipalities, and political subdivisions	170,268	(1,738)	1,027,747	(43,874)	1,198,015	(45,612)
Corporate securities	5,054,316	(55,795)	10,962,689	(472,394)	16,017,005	(528,189)
Redeemable preferred stock	22,048	(1,120)	23,197	(2,383)	45,245	(3,503)
Equities	86,586	(1,401)	91,195	(7,370)	177,781	(8,771)
	\$ 7,062,734	\$ (79,496)	\$ 14,639,347	\$ (602,685)	\$ 21,702,081	\$ (682,181)

RMBS and CMBS had gross unrealized losses greater than twelve months of \$13.4 million and \$21.6 million as of December 31, 2017 (Successor Company), respectively. 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 have a gross unrealized loss greater than twelve months of \$5.4 million as of December 31, 2017 (Successor 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"). 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 securities and the other government-related securities had gross unrealized losses greater than twelve months of \$31.5 million and \$4.8 million as of December 31, 2017 (Successor Company), respectively. These declines were related to changes in interest rates.

The states, municipalities, and political subdivisions categories had gross unrealized losses greater than twelve months of \$43.9 million as of December 31, 2017 (Successor Company). These declines were related to changes in interest rates.

The corporate securities category has gross unrealized losses greater than twelve months of \$472.4 million as of December 31, 2017 (Successor 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.

As of December 31, 2017 (Successor Company), the Company had a total of 1,845 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 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, 2016 (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	\$ 1,060,569	\$ (21,550)	\$ 170,826	\$ (4,117)	\$ 1,231,395	\$ (25,667)
Commercial mortgage-backed securities	1,452,146	(37,665)	100,475	(4,013)	1,552,621	(41,678)
Other asset-backed securities	323,706	(9,291)	176,792	(11,407)	500,498	(20,698)
U.S. government-related securities	1,237,942	(40,454)	3	(1)	1,237,945	(40,455)
Other government-related securities	98,412	(2,907)	79,393	(11,890)	177,805	(14,797)
States, municipalities, and political subdivisions	1,062,368	(63,809)	548,254	(41,749)	1,610,622	(105,558)
Corporate securities	12,553,514	(469,189)	9,793,579	(1,114,729)	22,347,093	(1,583,918)
Redeemable preferred Stock	66,781	(6,642)	19,062	(1,877)	85,843	(8,519)
Equities	411,845	(15,273)	69,497	(6,412)	481,342	(21,685)
	<u>\$ 18,267,283</u>	<u>\$ (666,780)</u>	<u>\$ 10,957,881</u>	<u>\$ (1,196,195)</u>	<u>\$ 29,225,164</u>	<u>\$ (1,862,975)</u>

RMBS and CMBS had gross unrealized losses greater than twelve months of \$4.1 million and \$4.0 million, respectively, as of December 31, 2016 (Successor 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 have a gross unrealized loss greater than twelve months of \$11.4 million as of December 31, 2016 (Successor 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"). 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 other government-related securities had gross unrealized losses greater than twelve months of \$11.9 million as of December 31, 2016 (Successor Company). These declines were related to changes in interest rates.

The states, municipalities, and political subdivisions categories had gross unrealized losses greater than twelve months of \$41.7 million as of December 31, 2016 (Successor Company). These declines were related to changes in interest rates.

The corporate securities category has gross unrealized losses greater than twelve months of \$1.1 billion as of December 31, 2016 (Successor 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.

As of December 31, 2017 (Successor Company), the Company had securities in its available-for-sale portfolio which were rated below investment grade with a fair value of \$1.9 billion and had an amortized cost of \$1.9 billion. In addition, included in the Company's trading portfolio, the Company held \$229.0 million of securities which were rated below investment grade. Approximately \$311.8 million of the below investment grade securities held by the Company 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 Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Fixed maturities	\$ 1,086,727	\$ 802,368	\$ (1,874,469)	\$ 670,229
Equity securities	17,863	(13,463)	4,406	10,226

The amortized cost and fair value of the Company's investments classified as held-to-maturity as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), are as follows:

Successor Company	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Fair Value	Total OTTI Recognized in OCI
As of December 31, 2017					
	(Dollars In Thousands)				
Fixed maturities:					
Securities issued by affiliates:					
Red Mountain LLC	\$ 704,904	\$ —	\$ (19,163)	\$ 685,741	\$ —
Steel City LLC	2,014,000	76,586	—	2,090,586	—
	<u>\$ 2,718,904</u>	<u>\$ 76,586</u>	<u>\$ (19,163)</u>	<u>\$ 2,776,327</u>	<u>\$ —</u>

Successor Company	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Fair Value	Total OTTI Recognized in OCI
As of December 31, 2016					
	(Dollars In Thousands)				
Fixed maturities:					
Securities issued by affiliates:					
Red Mountain LLC	\$ 654,177	\$ —	\$ (67,222)	\$ 586,955	\$ —
Steel City LLC	2,116,000	30,385	—	2,146,385	—
	<u>\$ 2,770,177</u>	<u>\$ 30,385</u>	<u>\$ (67,222)</u>	<u>\$ 2,733,340</u>	<u>\$ —</u>

During the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (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 \$76.6 million of gross unrecognized holding gains and \$19.2 million of gross unrecognized holding losses by maturity as of December 31, 2017 (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 of the guarantor, financial health of the issuer and guarantor, continued access of the issuer to capital markets and other pertinent information. These held-to-maturity securities are issued by affiliates of the Company which are considered VIE's. The Company is not the primary beneficiary of these entities and thus the securities are not eliminated in consolidation. These securities are collateralized by non-recourse funding obligations issued by captive insurance companies that are affiliates of the Company.

The Company's held-to-maturity securities had \$30.4 million of gross unrecognized holding gains and \$67.2 million of gross unrecognized holding losses by maturity as of December 31, 2016 (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 of the guarantor, financial health of the issuer and guarantor, continued access of the issuer to capital markets and other pertinent information.

The Company held \$17.5 million of non-income producing securities for the year ended December 31, 2017 (Successor Company).

Included in the Company's invested assets are \$1.6 billion of policy loans as of December 31, 2017 (Successor Company). The interest rates on standard policy loans range from 3.0% to 8.0%. The collateral loans on life insurance policies have an interest rate of 13.64%.

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 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 two subsidiaries as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), Red Mountain LLC ("Red Mountain") and Steel City LLC ("Steel City"), that were determined to be VIEs.

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") in which Golden Gate V issued non-recourse funding obligations to Red Mountain and Red Mountain issued a note (the "Red Mountain Note") to Golden Gate V. For details of this transaction, see Note 14, *Debt and Other Obligations*. The Company has 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, through an affiliate, of \$10,000. Additionally, the Company has guaranteed Red Mountain's payment obligation for the credit enhancement fee to the unrelated third party provider. As of December 31, 2017 (Successor Company), no payments have been made or required related to this guarantee.

Steel City, a newly formed wholly owned subsidiary of the Company, entered into a financing agreement on January 15, 2016 involving Golden Gate Captive Insurance Company, in which Golden Gate issued non-recourse funding obligations to Steel City and Steel City issued three notes (the "Steel City Notes") to Golden Gate. Credit enhancement on the Steel City Notes is provided by unrelated third parties. For details of the financing transaction, see Note 14, *Debt and Other Obligations*. The activity most significant to Steel City is the issuance of the Steel City Notes. The Company had the power, via its 100% ownership, 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 parties in their function as providers of credit enhancement on the Steel City Notes. 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 Steel City's payment obligation for the credit enhancement fee to the unrelated third party providers. As of December 31, 2017 (Successor Company), no payments have been made or required related to this guarantee.

6. 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.

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- **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.

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, 2017 (Successor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Assets:				
Fixed maturity securities—available-for-sale				
Residential mortgage-backed securities	\$ —	\$ 2,327,212	\$ —	\$ 2,327,212
Commercial mortgage-backed securities	—	1,889,822	—	1,889,822
Other asset-backed securities	—	745,184	504,365	1,249,549
U.S. government-related securities	958,775	264,477	—	1,223,252
State, municipalities, and political subdivisions	—	1,741,645	—	1,741,645
Other government-related securities	—	287,282	—	287,282
Corporate securities	—	29,075,109	626,901	29,702,010
Redeemable preferred stock	72,471	18,620	—	91,091
Total fixed maturity securities—available-for-sale	1,031,246	36,349,351	1,131,266	38,511,863
Fixed maturity securities—trading				
Residential mortgage-backed securities	—	259,694	—	259,694
Commercial mortgage-backed securities	—	146,804	—	146,804
Other asset-backed securities	—	102,875	35,222	138,097
U.S. government-related securities	21,183	6,051	—	27,234
State, municipalities, and political subdivisions	—	326,925	—	326,925
Other government-related securities	—	63,925	—	63,925
Corporate securities	—	1,692,741	5,442	1,698,183
Redeemable preferred stock	3,327	—	—	3,327
Total fixed maturity securities—trading	24,510	2,599,015	40,664	2,664,189
Total fixed maturity securities	1,055,756	38,948,366	1,171,930	41,176,052
Equity securities	688,214	36	66,110	754,360
Other long-term investments ⁽¹⁾	51,102	417,969	136,004	605,075
Short-term investments	482,461	132,749	—	615,210
Total investments	2,277,533	39,499,120	1,374,044	43,150,697
Cash	252,310	—	—	252,310
Other assets	28,771	—	—	28,771
Assets related to separate accounts				
Variable annuity	13,956,071	—	—	13,956,071
Variable universal life	1,035,202	—	—	1,035,202
Total assets measured at fair value on a recurring basis	\$ 17,549,887	\$ 39,499,120	\$ 1,374,044	\$ 58,423,051
Liabilities:				
Annuity account balances ⁽²⁾	\$ —	\$ —	\$ 83,472	\$ 83,472
Other liabilities ⁽¹⁾	5,755	240,927	760,890	1,007,572
Total liabilities measured at fair value on a recurring basis	\$ 5,755	\$ 240,927	\$ 844,362	\$ 1,091,044

(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, 2016 (Predecessor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Assets:				
Fixed maturity securities—available-for-sale				
Residential mortgage-backed securities	\$ —	\$ 1,898,480	\$ 3	\$ 1,898,483
Commercial mortgage-backed securities	—	1,811,470	—	1,811,470
Other asset-backed securities	—	648,929	562,604	1,211,533
U.S. government-related securities	1,002,020	266,139	—	1,268,159
State, municipalities, and political subdivisions	—	1,656,503	—	1,656,503
Other government-related securities	—	239,921	—	239,921
Corporate securities	—	26,707,519	664,046	27,371,565
Redeemable preferred stock	66,781	19,062	—	85,843
Total fixed maturity securities—available-for-sale	1,068,801	33,248,023	1,226,653	35,543,477
Fixed maturity securities—trading				
Residential mortgage-backed securities	—	255,027	—	255,027
Commercial mortgage-backed securities	—	149,683	—	149,683
Other asset-backed securities	—	115,521	84,563	200,084
U.S. government-related securities	22,424	4,537	—	26,961
State, municipalities, and political subdivisions	—	316,519	—	316,519
Other government-related securities	—	63,012	—	63,012
Corporate securities	—	1,619,097	5,492	1,624,589
Redeemable preferred stock	3,985	—	—	3,985
Total fixed maturity securities—trading	26,409	2,523,396	90,055	2,639,860
Total fixed maturity securities	1,095,210	35,771,419	1,316,708	38,183,337
Equity securities	685,443	36	69,010	754,489
Other long-term investments ⁽¹⁾	82,420	335,498	124,325	542,243
Short-term investments	328,829	3,602	—	332,431
Total investments	2,191,902	36,110,555	1,510,043	39,812,500
Cash	348,182	—	—	348,182
Other assets	23,830	—	—	23,830
Assets related to separate accounts				
Variable annuity	13,244,252	—	—	13,244,252
Variable universal life	895,925	—	—	895,925
Total assets measured at fair value on a recurring basis	\$ 16,704,091	\$ 36,110,555	\$ 1,510,043	\$ 54,324,689
Liabilities:				
Annuity account balances ⁽²⁾	\$ —	\$ —	\$ 87,616	\$ 87,616
Other liabilities ⁽¹⁾	13,004	163,974	571,843	748,821
Total liabilities measured at fair value on a recurring basis	\$ 13,004	\$ 163,974	\$ 659,459	\$ 836,437

(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 92.7% 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 year ended December 31, 2017 (Successor 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 December 31, 2017 (Successor Company), the Company held \$5.5 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 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 December 31, 2017 (Successor Company), the Company held \$539.6 million of Level 3 ABS, which included \$504.4 million of other asset-backed securities classified as available-for-sale and \$35.2 million of other asset-backed securities classified as trading. These securities within the available-for-sale portfolio 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. In periods where market activity increases and there are transactions at a price that is not the result of a distressed or forced sale we

consider those prices as part of our valuation. If the market activity during a period is solely the result of the issuer redeeming positions we consider those transactions in our valuation, but still consider them to be level three measurements due to the nature of the transaction.

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

As of December 31, 2017 (Successor Company), the Company classified approximately \$33.5 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 December 31, 2017 (Successor Company), the Company classified approximately \$632.3 million 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 December 31, 2017 (Successor Company), the Company held approximately \$66.1 million of equity securities classified as Level 2 and Level 3. Of this total, \$65.5 million represents FHLB stock. The Company believes that the cost of the FHLB stock approximates fair value.

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 7, *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 December 31, 2017 (Successor Company), 100% of derivatives based upon notional values were priced using exchange prices or independent broker quotations. 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 swaps, options, and swaptions, which are traded over-the-counter. Level 2 also includes certain centrally cleared derivatives. These derivative valuations are determined using independent broker quotations, which are corroborated with observable market inputs.

Derivative instruments classified as Level 3 were 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 balance sheet. The changes in fair value are recorded in earnings as "Realized investment gains (losses)—Derivative financial instruments". Refer to Note 7, *Derivative Financial Instruments* for more information related to each embedded derivatives gains and losses.

The fair value of the GLWB 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 Ruark

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2015 ALB table with attained age factors varying from 91.1% - 106.6%. 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 GLWB 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 with company experience, with attained age factors varying from 46% - 113%. 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 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 with company experience, with attained age factors varying from 34% - 152%. 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 December 31, 2017 (Successor Company), the fair value of the embedded derivative is based upon the relationship between the statutory policy liabilities (net of policy loans) of \$2.4 billion and the statutory unrealized gain (loss) of the securities of \$226.6 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 a certain legacy block of FIA reserves at fair value. Based on the characteristics of these reserves, the Company believes that the fund value approximates fair value. The fair value measurement of these reserves is considered a Level 3 valuation due to the unobservable nature of the fund values. The Level 3 fair value as of December 31, 2017 (Successor Company) is \$83.5 million.

Separate Accounts

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

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:

	Successor Company			
	Fair Value			
	As of			
	December 31, 2017	Valuation	Unobservable	Range
	(Dollars In Thousands)	Technique	Input	(Weighted Average)
Assets:				
Other asset-backed securities	\$ 504,228	Liquidation	Liquidation value	\$90 - \$97 (\$94.91)
		Discounted cash flow	Liquidity premium	0.06% - 1.17% (0.75%)
			Paydown rate	11.31% - 11.97% (11.54%)
Corporate securities	617,770	Discounted cash flow	Spread over treasury	0.81% - 3.95% (1.06%)
Liabilities:⁽¹⁾				
Embedded derivatives—GLWB ⁽²⁾	\$ 111,760	Actuarial cash flow model	Mortality	91.1% to 106.6% of Ruark 2015 ALB table
			Lapse	1.0% - 30.0%, depending on product/duration/funded status of guarantee
			Utilization	99%. 10% of policies have a one-time over-utilization of 400%
			Nonperformance risk	0.11% - 0.79%
Embedded derivative—FIA	218,676	Actuarial cash flow model	Expenses	\$146 per policy
			Withdrawal rate	1.5% prior to age 70, 100% of the RMD for ages 70+
			Mortality	1994 MGDB table with company experience
			Lapse	1.0% - 30.0%, depending on duration/surrender charge period
			Nonperformance risk	0.11% - 0.79%
Embedded derivative—IUL	80,212	Actuarial cash flow model	Mortality	34% - 152% of 2015 VBT Primary Tables
			Lapse	0.5% - 10.0%, depending on duration/distribution channel and smoking class
			Nonperformance risk	0.11% - 0.79%

(1) Excludes modified coinsurance arrangements.

(2) The fair value for the GLWB embedded derivative is presented as a net liability.

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, 2017 (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 \$50.4 million of financial instruments being classified as Level 3 as of December 31, 2017 (Successor Company). Of the \$50.4 million, \$35.4 million are other asset-backed securities, \$14.6 million are corporate securities, and \$0.4 million are equity securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2017 (Successor Company), the Company held \$65.7 million of financial instruments where book value approximates fair value which was predominantly FHLB stock.

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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:

	Successor Company			
	Fair Value As of December 31, 2016	Valuation Technique	Unobservable Input	Range (Weighted Average)
(Dollars In Thousands)				
Assets:				
Other asset-backed securities	\$ 553,308	Discounted cash flow	Liquidation value	\$88 - \$97.25 (\$95.04)
Corporate securities	638,279	Discounted cash flow	Spread over treasury	0.31% - 4.50% (2.04%)
Liabilities:⁽¹⁾				
Embedded derivatives—GLWB ⁽²⁾	\$ 115,370	Actuarial cash flow model	Mortality	91.1% to 106.6% of Ruark 2015 ALB table
			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	0.18% - 1.09%
Embedded derivative—FIA	147,368	Actuarial cash flow model	Expenses	\$126 per policy
			Asset Earned Rate	4.08% - 4.66%
			Withdrawal rate	1% prior to age 70, 100% of the RMD for ages 70+
			Mortality	1994 MGDB table with company experience
			Lapse	2.0% - 40.0%, depending on duration/surrender charge period
			Nonperformance risk	0.18% - 1.09%
Embedded derivative - IUL	46,051	Actuarial cash flow model	Mortality	38% - 153% of 2015 VBT Primary Tables
			Lapse	0.5% - 10.0%, depending on duration/distribution channel and smoking class
			Nonperformance risk	0.18% - 1.09%

(1) Excludes modified coinsurance arrangements.

(2) The fair value for the GLWB embedded derivative is presented as a net liability.

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, 2016 (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 \$128.2 million of financial instruments being classified as Level 3 as of December 31, 2016 (Successor Company). Of the \$128.2 million, \$93.9 million are other asset-backed securities, \$31.3 million are corporate securities, and \$3.1 million are equity securities.

In certain cases the Company determined that book value materially approximates fair value. As of December 31, 2016 (Successor Company), the Company held \$65.9 million of financial instruments where book value approximates fair value, which was predominantly FHLB stock.

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 liquidation value for these securities are sensitive to the issuer's available cash flows and ability to redeem the securities, as well as the current holders' willingness to liquidate at the specified price.

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 GLWB 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 GLWB 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 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 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 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 year ended December 31, 2017 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

	Total Realized and Unrealized Gains			Total Realized and Unrealized Losses			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
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income									
(Dollars In Thousands)														
Assets:														
Fixed maturity securities available-for-sale														
Residential mortgage-backed securities	\$ 3	\$ —	\$ 83	\$ —	\$ —	\$ 11,862	\$ (3)	\$ —	\$ —	\$ —	\$ (11,944)	\$ (1)	\$ —	\$ —
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	562,604	1,409	15,136	—	(10,931)	100	(59,175)	—	—	—	(6,643)	1,865	504,365	—
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals, and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate securities	664,046	—	27,637	—	(13,089)	131,822	(169,002)	—	—	—	(10,353)	(4,160)	626,901	—
Total fixed maturity securities—available-for-sale	1,226,653	1,409	42,856	—	(24,020)	143,784	(228,180)	—	—	—	(28,940)	(2,296)	1,131,266	—
Fixed maturity securities—trading														
Residential mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	84,563	3,768	—	(1,157)	—	—	(52,835)	—	—	—	—	883	35,222	3,483
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate securities	5,492	101	—	(58)	—	—	—	—	—	—	—	(93)	5,442	44
Total fixed maturity securities—trading	90,055	3,869	—	(1,215)	—	—	(52,835)	—	—	—	—	790	40,664	3,527
Total fixed maturity securities	1,316,708	5,278	42,856	(1,215)	(24,020)	143,784	(281,015)	—	—	—	(28,940)	(1,506)	1,171,930	3,527
Equity securities	69,010	2	52	(2,630)	(53)	—	(274)	—	—	—	3	—	66,110	3
Other long-term investments ⁽¹⁾	124,325	27,158	—	(15,479)	—	—	—	—	—	—	—	—	136,004	11,679
Short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total investments	1,510,043	32,438	42,908	(19,324)	(24,073)	143,784	(281,289)	—	—	—	(28,937)	(1,506)	1,374,044	15,209
Total assets measured at fair value on a recurring basis	\$ 1,510,043	\$ 32,438	\$ 42,908	\$ (19,324)	\$ (24,073)	\$ 143,784	\$ (281,289)	\$ —	\$ —	\$ —	\$ (28,937)	\$ (1,506)	\$ 1,374,044	\$ 15,209
Liabilities:														
Annuity account balances ⁽²⁾	\$ 87,616	\$ —	\$ —	\$ (4,001)	\$ —	\$ —	\$ —	\$ 623	\$ 8,768	\$ —	\$ —	\$ —	\$ 83,472	\$ —
Other liabilities ⁽¹⁾	571,843	93,071	—	(282,118)	—	—	—	—	—	—	—	—	760,890	(189,047)
Total liabilities measured at fair value on a recurring basis	\$ 659,459	\$ 93,071	\$ —	\$ (286,119)	\$ —	\$ —	\$ —	\$ 623	\$ 8,768	\$ —	\$ —	\$ —	\$ 844,362	\$ (189,047)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2017 (Successor Company), there was an immaterial amount of transfers of securities into Level 3.

For the year ended December 31, 2017 (Successor Company), \$28.9 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 December 31, 2017 (Successor Company).

For the year ended December 31, 2017 (Successor Company), there were no transfers from Level 2 to Level 1.

For the year ended December 31, 2017 (Successor Company), there were no transfers from Level 1 into Level 2.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2016 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

	Total Realized and Unrealized Gains						Total Realized and Unrealized Losses						Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date				
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements											
(Dollars In Thousands)																				
Assets:																				
Fixed maturity securities available-for-sale																				
Residential mortgage-backed securities	\$	3	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	3	\$	—
Commercial mortgage-backed securities		—		—		7		—		(1,750)		25,607		—		—		(23,844)		(20)
Other asset-backed securities		587,031		6,859		42,865		—		(29,673)		30,441		(79,314)		—		7,457		(3,062)
U.S. government-related securities		—		—		—		—		—		—		—		—		—		—
States, municipals, and political subdivisions		—		—		—		—		—		—		—		—		—		—
Other government-related securities		—		—		—		—		—		—		—		—		—		—
Corporate securities		902,119		925		40,574		(4,135)		(33,151)		102,426		(225,557)		—		(109,792)		(9,363)
Total fixed maturity securities—available-for-sale		1,489,153		7,784		83,446		(4,135)		(64,574)		158,474		(304,871)		—		(126,179)		(12,445)
Fixed maturity securities—trading																				
Residential mortgage-backed securities																				
		—		—		—		—		—		—		—		—		—		—
Commercial mortgage-backed securities																				
		—		—		—		—		—		—		—		—		—		—
Other asset-backed securities		152,912		5,386		—		(4,790)		—		—		(70,270)		—		172		1,153
U.S. government-related securities		—		—		—		—		—		—		—		—		—		—
States, municipals and political subdivisions		—		—		—		—		—		—		—		—		—		—
Other government-related securities		—		—		—		—		—		—		—		—		—		—
Corporate securities		18,225		713		—		(442)		—		10,906		(4,071)		—		(19,722)		(117)
Total fixed maturity securities—trading		171,137		6,099		—		(5,232)		—		10,906		(74,341)		—		(19,550)		1,036
Total fixed maturity securities		1,660,290		13,883		83,446		(9,367)		(64,574)		169,380		(379,212)		—		(145,729)		(11,409)
Equity securities		69,763		—		—		(740)		—		23		—		—		(36)		—
Other long-term investments ⁽¹⁾		96,830		77,108		—		(49,613)		—		—		—		—		—		—
Short-term investments		—		—		—		—		—		—		—		—		—		—
Total investments		1,826,883		90,991		83,446		(59,720)		(64,574)		169,403		(379,212)		—		(145,765)		(11,409)
Total assets measured at fair value on a recurring basis	\$	1,826,883	\$	90,991	\$	83,446	\$	(59,720)	\$	(64,574)	\$	169,403	\$	(379,212)	\$	—	\$	(145,765)	\$	(11,409)
Liabilities:																				
Annuity account balances ⁽²⁾																				
	\$	92,512	\$	—	\$	—	\$	(3,144)	\$	—	\$	—	\$	555	\$	9,844	\$	—	\$	1,249
Other liabilities ⁽¹⁾		585,556		499,894		—		(486,181)		—		—		—		—		—		—
Total liabilities measured at fair value on a recurring basis	\$	678,068	\$	499,894	\$	—	\$	(489,325)	\$	—	\$	—	\$	555	\$	9,844	\$	—	\$	1,249

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2016 (Successor Company), there were \$75.7 million transfers of securities into Level 3.

For the year ended December 31, 2016 (Successor Company), \$221.5 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 December 31, 2016 (Successor Company).

For the year ended December 31, 2016 (Successor Company), there were \$12.2 million transfers from Level 2 to Level 1.

For the year ended December 31, 2016 (Successor Company), there were \$0.1 million transfers from Level 1 into Level 2. In addition, there were transfers of \$169.4 million in other long-term investments and \$120.0 million in other liabilities from Level 1 to Level 2.

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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:

	Fair Value Level	Successor Company							
		As of December 31,							
		2017		2016					
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values				
		(Dollars In Thousands)		(Dollars In Thousands)					
Assets:									
Mortgage loans on real estate	3	\$	6,817,723	\$	6,740,177	\$	6,132,125	\$	5,930,992
Policy loans	3		1,615,615		1,615,615		1,650,240		1,650,240
Fixed maturities, held-to-maturity ⁽¹⁾	3		2,718,904		2,776,327		2,770,177		2,733,340
Liabilities:									
Stable value product account balances	3	\$	4,698,371	\$	4,698,868	\$	3,501,636	\$	3,488,877
Future policy benefits and claims ⁽²⁾	3		220,498		220,498		221,634		221,658
Other policyholders' funds ⁽³⁾	3		133,508		134,253		135,367		136,127
Debt:⁽⁴⁾									
Bank borrowings	3	\$	—	\$	—	\$	170,000	\$	170,000
Senior Notes	2		943,370		933,926		993,285		937,074
Subordinated debt securities	2		495,289		501,215		441,202		443,355
Non-recourse funding obligations ⁽⁵⁾	3		2,747,477		2,804,983		2,796,474		2,765,558

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

(1) Securities purchased from unconsolidated subsidiaries, Red Mountain LLC and Steel City LLC.

(2) Single premium immediate annuity without life contingencies.

(3) Supplementary contracts without life contingencies.

(4) Excludes capital lease obligations of \$1.7 million.

(5) As of December 31, 2017 (Successor Company), carrying amount of \$2.7 billion and a fair value of \$2.8 billion related to non-recourse funding obligations issued by Golden Gate and Golden Gate V. As of December 31, 2016 (Successor Company), \$2.7 billion in carrying amount and fair value related to non-recourse funding obligations issued by Golden Gate and Golden Gate V.

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 other investment contract balances

The Company estimates the fair value of stable value product account balances and other investment contract balances (included in *Future policy benefits and claims* as well as *Other policyholder funds* line items on our balance sheet) 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.

7. 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, 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 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.

Derivatives Related to Foreign Currency Exchange Risk Management

Derivative instruments that are used as part of the Company's foreign currency exchange risk management strategy include foreign currency swaps, foreign currency futures, foreign equity futures, and foreign equity options.

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 contracts and fixed indexed annuities:

- 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 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

- To hedge a fixed rate note denominated in a foreign currency, the Company entered into a fixed-to-fixed foreign currency swap in order to hedge the foreign currency exchange risk associated with the note. The cash flows received on the swap are identical to the cash flow paid on the note.

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 futures, equity options, total return swaps, interest rate futures, interest rate swaps, interest rate swaptions, currency futures, volatility futures, volatility options, and variance swaps to mitigate the risk related to certain guaranteed minimum benefits, including GLWB, 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 markets certain VA products with a GLWB rider. The GLWB 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 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 various swaps and other types of derivatives to manage risk related to other exposures.
- The Company is involved in various modified coinsurance 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 had fair value changes which substantially offset the gains or losses on these embedded derivatives.

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

Realized investment gains (losses)—derivative financial instruments

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Derivatives related to VA contracts:				
Interest rate futures - VA	\$ 26,015	\$ (3,450)	\$ (14,818)	\$ 1,413
Equity futures - VA	(91,776)	(106,431)	(5,033)	9,221
Currency futures - VA	(23,176)	33,836	7,169	7,778
Equity options - VA	(94,791)	(60,962)	(27,733)	3,047
Interest rate swaptions - VA	(2,490)	(1,161)	(13,354)	9,268
Interest rate swaps - VA	27,981	20,420	(85,942)	122,710
Total return swaps - VA	(32,240)	—	—	—
Embedded derivative - GLWB	3,614	68,056	4,412	(207,018)
Total derivatives related to VA contracts	(186,863)	(49,692)	(135,299)	(53,581)
Derivatives related to FIA contracts:				
Embedded derivative - FIA	(55,878)	(16,494)	(738)	1,769
Equity futures - FIA	642	4,248	(355)	(184)
Volatility futures - FIA	—	—	5	—
Equity options - FIA	44,585	8,149	1,211	(2,617)
Total derivatives related to FIA contracts	(10,651)	(4,097)	123	(1,032)
Derivatives related to IUL contracts:				
Embedded derivative - IUL	(14,117)	9,529	(614)	(486)
Equity futures - IUL	(818)	129	144	3
Equity options - IUL	9,580	3,477	(540)	(115)
Total derivatives related to IUL contracts	(5,355)	13,135	(1,010)	(598)
Embedded derivative - Modco reinsurance treaties	(103,009)	390	166,092	(68,026)
Other derivatives	50	(24)	91	(37)
Total realized gains (losses)—derivatives	\$ (305,828)	\$ (40,288)	\$ 29,997	\$ (123,274)

The following tables present the components of the gain or loss on derivatives that qualify as a cash flow hedging relationship:

Gain (Loss) on Derivatives in Cash Flow Relationship

	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Amount and Location of (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)	(Ineffective Portion)
		Benefits and settlement expenses	Realized investment gains (losses)
		(Dollars In Thousands)	
Successor Company			
For The Year Ended December 31, 2017			
Foreign currency swaps	\$ (867)	\$ (694)	\$ —
Total	\$ (867)	\$ (694)	\$ —
Successor Company			
For The Year Ended December 31, 2016			
Foreign currency swaps	\$ 1,058	\$ (60)	\$ —
Total	\$ 1,058	\$ (60)	\$ —
February 1, 2015 to December 31, 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)

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify \$0.6 million out of accumulated other comprehensive income into earnings during the next twelve months.

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The tables 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 financial statements for the periods presented below:

	Successor Company			
	As of December 31,			
	2017		2016	
	Notional Amount	Fair Value	Notional Amount	Fair Value
(Dollars In Thousands)				
Other long-term investments				
Cash flow hedges:				
Foreign currency swaps	\$ 117,178	\$ 6,016	\$ 117,178	\$ 132
Derivatives not designated as hedging instruments:				
Interest rate swaps	1,265,000	55,411	1,135,000	71,644
Total return swaps	190,938	135	—	—
Embedded derivative - Modco reinsurance treaties	64,472	1,009	64,123	2,573
Embedded derivative - GLWB	4,897,069	134,995	4,601,633	121,752
Interest rate futures	1,071,870	3,178	102,587	894
Equity futures	62,266	154	654,113	5,805
Currency futures	1,117	2	340,058	7,883
Equity options	4,436,467	403,961	3,944,444	328,908
Interest rate swaptions	225,000	14	225,000	2,503
Other	157	200	212	149
	<u>\$ 12,331,534</u>	<u>\$ 605,075</u>	<u>\$ 11,184,348</u>	<u>\$ 542,243</u>
Other liabilities				
Derivatives not designated as hedging instruments:				
Interest rate swaps	\$ 597,500	\$ 2,960	\$ 575,000	\$ 10,208
Total return swaps	243,388	318	—	—
Embedded derivative - Modco reinsurance treaties	2,390,539	215,247	2,450,692	141,301
Embedded derivative - GLWB	4,718,311	246,755	5,962,044	237,122
Embedded derivative - FIA	1,951,650	218,676	1,496,346	147,368
Embedded derivative - IUL	168,349	80,212	103,838	46,051
Interest rate futures	230,404	917	993,842	6,611
Equity futures	318,795	2,593	102,667	2,907
Currency futures	255,248	2,087	—	—
Equity options	3,112,812	237,807	2,590,160	157,253
	<u>\$ 13,986,996</u>	<u>\$ 1,007,572</u>	<u>\$ 14,274,589</u>	<u>\$ 748,821</u>

8. 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 14, *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 December 31, 2017 (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	Collateral Received	
(Dollars In Thousands)						
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	\$ 468,871	\$ —	\$ 468,871	\$ 242,105	\$ 108,830	\$ 117,936
Total derivatives, subject to a master netting arrangement or similar arrangement	468,871	—	468,871	242,105	108,830	117,936
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	1,009	—	1,009	—	—	1,009
Embedded derivative - GLWB	134,995	—	134,995	—	—	134,995
Other	200	—	200	—	—	200
Total derivatives, not subject to a master netting arrangement or similar arrangement	136,204	—	136,204	—	—	136,204
Total derivatives	605,075	—	605,075	242,105	108,830	254,140
Total Assets	\$ 605,075	\$ —	\$ 605,075	\$ 242,105	\$ 108,830	\$ 254,140

	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	Collateral Posted	
(Dollars In Thousands)						
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	\$ 246,682	\$ —	\$ 246,682	\$ 242,105	\$ 4,577	\$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	246,682	—	246,682	242,105	4,577	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	215,247	—	215,247	—	—	215,247
Embedded derivative - GLWB	246,755	—	246,755	—	—	246,755
Embedded derivative - FIA	218,676	—	218,676	—	—	218,676
Embedded derivative - IUL	80,212	—	80,212	—	—	80,212
Total derivatives, not subject to a master netting arrangement or similar arrangement	760,890	—	760,890	—	—	760,890
Total derivatives	1,007,572	—	1,007,572	242,105	4,577	760,890
Repurchase agreements ⁽¹⁾	885,000	—	885,000	—	—	885,000
Total Liabilities	\$ 1,892,572	\$ —	\$ 1,892,572	\$ 242,105	\$ 4,577	\$ 1,645,890

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

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2016 (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	Collateral Received	
(Dollars In Thousands)						
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	\$ 417,769	\$ —	\$ 417,769	\$ 171,384	\$ 100,890	\$ 145,495
Total derivatives, subject to a master netting arrangement or similar arrangement	417,769	—	417,769	171,384	100,890	145,495
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	2,573	—	2,573	—	—	2,573
Embedded derivative - GLWB	121,752	—	121,752	—	—	121,752
Other	149	—	149	—	—	149
Total derivatives, not subject to a master netting arrangement or similar arrangement	124,474	—	124,474	—	—	124,474
Total derivatives	542,243	—	542,243	171,384	100,890	269,969
Total Assets	\$ 542,243	\$ —	\$ 542,243	\$ 171,384	\$ 100,890	\$ 269,969

	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	Collateral Posted	
(Dollars In Thousands)						
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	\$ 176,979	\$ —	\$ 176,979	\$ 171,384	\$ 5,595	\$ —
Total derivatives, subject to a master netting arrangement or similar arrangement	176,979	—	176,979	171,384	5,595	—
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	141,301	—	141,301	—	—	141,301
Embedded derivative - GLWB	237,122	—	237,122	—	—	237,122
Embedded derivative - FIA	147,368	—	147,368	—	—	147,368
Embedded derivative - IUL	46,051	—	46,051	—	—	46,051
Total derivatives, not subject to a master netting arrangement or similar arrangement	571,842	—	571,842	—	—	571,842
Total derivatives	748,821	—	748,821	171,384	5,595	571,842
Repurchase agreements ⁽¹⁾	797,721	—	797,721	—	—	797,721
Total Liabilities	\$ 1,546,542	\$ —	\$ 1,546,542	\$ 171,384	\$ 5,595	\$ 1,369,563

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

9. MORTGAGE LOANS

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of December 31, 2017 (Successor Company), the Company's mortgage loan holdings were approximately \$6.8 billion. The Company has specialized in making loans on credit-oriented commercial properties, credit-anchored strip shopping centers, senior living facilities, and apartments. The Company's underwriting procedures relative to its commercial loan portfolio are based, in the Company's view,

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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. The majority of the Company's mortgage loans portfolio was underwritten 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.

The following table includes a breakdown of the Company's commercial mortgage loan portfolio by property type as of December 31, 2017 (Successor Company):

<u>Type</u>	<u>Percentage of Mortgage Loans on Real Estate</u>
Retail	52.1%
Office Buildings	10.9
Apartments	8.8
Warehouses	10.4
Senior housing	13.7
Other	4.1
	100.0%

The Company specializes in originating mortgage loans on either credit-oriented or credit-anchored commercial properties. No single tenant's exposure represents more than 1.5% of mortgage loans. Approximately 64.4% of the mortgage loans are on properties located in the following states:

<u>State</u>	<u>Percentage of Mortgage Loans on Real Estate</u>
Alabama	9.6%
Florida	9.4
Texas	8.4
Georgia	7.9
Ohio	5.5
Tennessee	5.3
California	5.2
South Carolina	3.3
North Carolina	4.9
Utah	4.9
	64.4%

During the year ended December 31, 2017 (Successor Company), the Company funded approximately \$1.6 billion of new loans, with an average loan size of \$8.8 million. The average size mortgage loan in the portfolio as of December 31, 2017 (Successor Company), was \$4.0 million and the weighted-average interest rate was 4.8%. The largest single mortgage loan at December 31, 2017 (Successor Company) was \$61.1 million.

Certain of the mortgage loans have call options that occur within the next 11 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. Assuming the loans are called at their next call dates, approximately \$161.2 million would become due in 2018, \$858.6 million in 2019 through 2023, \$105.8 million in 2024 through 2028, and \$2.0 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 December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), approximately \$669.3 million and \$595.2 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 when received. During the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015, (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), the Company recognized \$37.2 million, \$16.7 million, \$29.8 million, and \$0.1 million of participating mortgage loan income, respectively.

As of December 31, 2017 (Successor Company), approximately \$6.5 million of invested assets consisted of nonperforming mortgage loans, restructured mortgage loans, or mortgage loans that were foreclosed and were converted to real estate properties. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. During the year ended December 31, 2017 (Successor Company), certain mortgage loan transactions occurred that were accounted for as troubled debt restructurings. For all mortgage loans, the impact of troubled debt restructurings is generally reflected in our investment balance and in the allowance for mortgage loan credit losses. During the year ended December 31, 2017 (Successor Company), the Company recognized two troubled debt restructuring transactions as a result of the Company granting a concession to a borrower which included loans terms unavailable from other lenders. These concessions were the result of agreements between the creditor and the debtor. The Company did not identify any loans whose principal was permanently impaired during the year ended December 31, 2017 (Successor Company).

As of December 31, 2016 (Successor Company), approximately \$1.5 million of invested assets consisted of nonperforming, restructured, or mortgage loans that were foreclosed and were converted to real estate properties. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities. During the year ended December 31, 2016 (Successor Company), certain mortgage loan transactions occurred that were accounted for as troubled debt restructurings. For all mortgage loans, the impact of troubled debt restructurings is generally reflected in our investment balance and in the allowance for mortgage loan credit losses. During the year ended December 31, 2016 (Successor Company), the Company recognized a troubled debt restructuring as a result of the Company granting a concession to a borrower which included loans terms unavailable from other lenders and reduced the expected cash flows on the loan. This concession was the result of agreements between the creditor and the debtor. The Company did not identify any loans whose principal was permanently impaired during the year ended December 31, 2016 (Successor Company).

As of December 31, 2015 (Successor Company), approximately \$4.7 million of invested assets consisted of non performing, restructured, or mortgage loans that were foreclosed and were converted to real estate properties 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 February 1, 2015 to December 31, 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. 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 December 31, 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 December 31, 2015 (Successor Company), the Company accepted or agreed to accept assets of \$15.8 million in satisfaction of \$21.1 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. Of the amounts accepted or agreed to accept in satisfaction of principal during the period of February 1, 2015 to December 31, 2015 (Successor Company), \$3.7 million related to foreclosures. These transactions resulted in no material realized losses in the Company's investment in mortgage loans net of existing discounts for mortgage loan losses for the period of February 1, 2015 to December 31, 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 December 31, 2017 (Successor Company), \$6.5 million of mortgage loans not subject to a pooling and servicing agreement were nonperforming, restructured, or mortgage loans that were foreclosed and were converted to real estate. None of the restructured loans were nonperforming during the year ended December 31, 2017 (Successor Company). The Company foreclosed on \$6.1 million nonperforming loans during the year ended December 31, 2017 (Successor Company).

As of December 31, 2017 (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 a pooling and servicing agreement during the year ended December 31, 2017 (Successor Company).

As of December 31, 2017 (Successor Company), there were no allowances for mortgage loan credit losses and as of December 31, 2016 (Successor Company), there was a \$0.7 million allowance for mortgage loan credit losses. 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

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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	
	As of December 31, 2017	As of December 31, 2016
	(Dollars In Thousands)	
Beginning balance	\$ 724	\$ —
Charge offs	(6,708)	(4,682)
Recoveries	(731)	—
Provision	6,715	5,406
Ending balance	\$ —	\$ 724

It is the Company's policy to cease accruing 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:

	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Greater than 90 Days Delinquent	Total Delinquent
	(Dollars In Thousands)			
Successor Company				
As of December 31, 2017				
Commercial mortgage loans	\$ 1,817	\$ —	\$ —	\$ 1,817
Number of delinquent commercial mortgage loans	2	—	—	2
As of December 31, 2016				
Commercial mortgage loans	\$ 3,669	\$ —	\$ —	\$ 3,669
Number of delinquent commercial mortgage loans	4	—	—	4

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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 ninety 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:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income
(Dollars In Thousands)						
Successor Company						
As of December 31, 2017						
Commercial mortgage loans:						
With no related allowance recorded	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
With an allowance recorded	—	—	—	—	—	—
As of December 31, 2016						
Commercial mortgage loans:						
With no related allowance recorded	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
With an allowance recorded	1,819	1,819	724	1,819	96	96

As of December 31, 2016 (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 as of December 31, 2017 (Successor Company) were as follows:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
(Dollars In Thousands)			
Successor Company			
As of December 31, 2017			
Troubled debt restructuring:			
Commercial mortgage loans	1	\$ 418	\$ 418

10. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

Deferred Policy Acquisition Costs

The balances and changes in DAC are as follows:

	Successor Company	
	As of December 31, 2017	As of December 31, 2016
	(Dollars In Thousands)	
Balance, beginning of period	\$ 572,328	\$ 288,611
Capitalization of commissions, sales, and issue expenses	333,250	327,938
Amortization	(52,559)	(48,286)
Change due to unrealized investment gains and losses	(15,234)	4,065
Balance, end of period	<u>\$ 837,785</u>	<u>\$ 572,328</u>

Value of Business Acquired

The balances and changes in VOBA are as follows:

	Successor Company	
	As of December 31, 2017	As of December 31, 2016
	(Dollars In Thousands)	
Balance, beginning of period	\$ 1,447,501	\$ 1,270,197
Acquisitions	—	285,092
Amortization	(25,662)	(100,778)
Change due to unrealized investment gains and losses	(60,047)	(7,010)
Balance, end of period	<u>\$ 1,361,792</u>	<u>\$ 1,447,501</u>

Based on the balance recorded as of December 31, 2017 (Successor Company), the expected amortization of VOBA for the next five years is as follows:

Years	Expected Amortization
	(Dollars In Thousands)
2018	\$ 122,802
2019	118,196
2020	103,120
2021	90,544
2022	83,333

11. GOODWILL

During the fourth quarter of 2017, the Company performed its annual qualitative evaluation of goodwill based on the circumstances that existed as of October 1, 2017 (Successor Company) and determined that there was no indication that its segment goodwill was more likely than not impaired, thus no quantitative assessment was performed and no adjustment to impair goodwill was necessary. The Company has assessed whether events have occurred subsequent to October 1, 2017 that would impact the Company's conclusion and no such events were identified. As part of the Company's ongoing assessment of goodwill recoverability, the impact of The Tax Reform Act and the impact that the lower corporate tax rate would have on the carrying value of the reporting units and their associated fair values was assessed in response to potential considerations as outlined under ASC 350-20-35-3C. After consideration of applicable factors and circumstances noted as part of a qualitative assessment, the Company determined that it was more likely than not that the increase in the fair value of the reporting unit would exceed the increase in the carrying value of the reporting units and thus did not consider this to be a triggering event that would require a quantitative assessment of impairment.

As of December 31, 2016 (Successor Company), the Company increased its goodwill balance by approximately \$61.0 million in the Asset Protection segment, which was attributed to the US Warranty acquisition. Refer to Note 3, *Significant Transactions*. The balance of goodwill for the Company as of December 31, 2017 (Successor Company) was \$793.5 million.

12. CERTAIN NONTRADITIONAL LONG-DURATION CONTRACTS

The Company issues variable universal life and VA products through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder. The Company also offers, for our VA products, certain GMDB. The most significant of these guarantees involve 1) return of the highest anniversary date account value, or 2) return of the greater of the highest anniversary date account value or the last anniversary date account value compounded at 5% interest or 3) return of premium. The GLWB rider provides the contract holder with protection against certain adverse market impacts on the amount they can withdraw and is classified as an embedded derivative and is carried at fair value on the Company's balance sheet. The VA separate account balances subject to GLWB were \$9.7 billion as of December 31, 2017 (Successor Company). For more information regarding the valuation of and income impact of GLWB, please refer to Note 2, *Summary of Significant Accounting Policies*, Note 6, *Fair Value of Financial Instruments*, and Note 7, *Derivative Financial Instruments*.

The GMDB reserve is calculated by applying a benefit ratio, equal to the present value of total expected GMDB claims divided by the present value of total expected contract assessments, to cumulative contract assessments. This amount is then adjusted by the amount of cumulative GMDB claims paid and accrued interest. Assumptions used in the calculation of the GMDB reserve were as follows: mean investment performance of 7.01%, age-based mortality from the Ruark 2015 ALB table adjusted for company and industry experience, lapse rates determined by a dynamic formula, and an average discount rate of 4.9%. Changes in the GMDB reserve are included in benefits and settlement expenses in the accompanying consolidated statements of income.

The VA separate account balances subject to GMDB were \$13.1 billion as of December 31, 2017 (Successor Company). The total GMDB amount payable based on VA account balances as of December 31, 2017 (Successor Company), was \$90.5 million (including \$72.8 million in the Annuities segment and \$17.7 million in the Acquisitions segment) with a GMDB reserve of \$30.9 million and \$3.1 million in the Annuities and Acquisitions segment, respectively. The average attained age of contract holders as of December 31, 2017 (Successor Company) for the Company was 73 years.

These amounts exclude certain VA business which has been 100% reinsured to Commonwealth Annuity and Life Insurance Company (formerly known as Allmerica Financial Life Insurance and Annuity Company) ("CALIC"), under a Modco agreement. The guaranteed amount payable associated with the annuities reinsured to CALIC was \$8.4 million and is included in the Acquisitions segment. The average attained age of contract holders as of December 31, 2017, was 67 years.

Activity relating to GMDB reserves (excluding those 100% reinsured under the Modco agreement) is as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Beginning balance	\$ 34,796	\$ 36,427	\$ 29,010	\$ 26,251
Incurred guarantee benefits	849	678	10,175	3,073
Less: Paid guarantee benefits	1,615	2,309	2,758	449
Ending balance	\$ 34,030	\$ 34,796	\$ 36,427	\$ 28,875

Account balances of variable annuities with guarantees invested in VA separate accounts are as follows:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Equity mutual funds	\$ 8,798,847	\$ 8,071,204
Fixed income mutual funds	5,005,663	5,085,864
Total	\$ 13,804,510	\$ 13,157,068

Certain of the Company's fixed annuities and universal life products have a sales inducement in the form of a retroactive interest credit ("RIC"). In addition, certain annuity contracts provide a sales inducement in the form of a bonus interest credit. The Company maintains a reserve for all interest credits earned to date. The Company defers the expense associated with the RIC and bonus interest credits each period and amortizes these costs in a manner similar to that used for DAC.

Activity in the Company's deferred sales inducement asset was as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Deferred asset, beginning of period	\$ 22,497	\$ 11,756	\$ —	\$ 155,150
Amounts deferred	14,246	16,212	14,557	82
Amortization	(5,787)	(5,471)	(2,801)	(1,139)
Deferred asset, end of period	\$ 30,956	\$ 22,497	\$ 11,756	\$ 154,093

13. REINSURANCE

The Company reinsures certain of its risks with (cedes), and assumes risks from, other insurers under yearly renewable term, coinsurance, and modified coinsurance agreements. Under yearly renewable term agreements, the Company reinsures only the mortality risk, while under coinsurance the Company reinsures a proportionate share of all risks arising under the reinsured policy. Under coinsurance, the reinsurer receives a proportionate share of the premiums less commissions and is liable for a corresponding share of all benefit payments. Modified coinsurance is accounted for in a manner similar to coinsurance except that the liability for future policy benefits is held by the ceding company, and settlements are made on a net basis between the companies.

Reinsurance ceded arrangements do not discharge the Company as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to us under the terms of the reinsurance agreements. The Company monitors the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers. As of December 31, 2017 (Successor Company), the Company had reinsured approximately 38% of the face value of its life insurance in-force. The Company has reinsured approximately 16% of the face value of its life insurance in-force with the following three reinsurers:

- Security Life of Denver Insurance Co. (currently administered by Hannover Re)
- Swiss Re Life & Health America Inc.
- The Lincoln National Life Insurance Co. (currently administered by Swiss Re Life & Health America Inc.)

The Company has not experienced any credit losses for the years ended December 31, 2017 (Successor Company), December 31, 2016 (Successor Company), or December 31, 2015 (Successor Company) related to these reinsurers. The Company has set limits on the amount of insurance retained on the life of any one person. The amount of insurance retained by the Company on any one life on traditional life insurance was \$500,000 in years prior to mid-2005. In 2005, this retention amount was increased to \$1,000,000 for certain policies, and during 2008 it was increased to \$2,000,000 for certain policies. During 2016, the retention amount was increased to \$5,000,000.

Reinsurance premiums, commissions, expense reimbursements, benefits, and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts recoverable from reinsurers, for both short- and long-duration reinsurance arrangements, are estimated in a manner consistent with the claim liabilities and policy benefits associated with reinsured policies.

The following table presents the net life insurance in-force:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Millions)	
Direct life insurance in-force	\$ 751,512	\$ 739,249
Amounts assumed from other companies	110,205	116,265
Amounts ceded to other companies	(328,377)	(348,995)
Net life insurance in-force	\$ 533,340	\$ 506,519
Percentage of amount assumed to net	21%	23%

The following table reflects the effect of reinsurance on life, accident/health, and property and liability insurance premiums written and earned:

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount
(Dollars In Thousands)				
Successor Company				
For The Year Ended				
December 31, 2017:				
Premiums and policy fees:				
Life insurance	\$ 2,655,846	\$ (1,151,175)	\$ 435,113	\$ 1,939,784 ⁽¹⁾
Accident/health insurance	51,991	(33,051)	14,945	33,885
Property and liability insurance	309,848	(176,509)	9,676	143,015
Total	<u>\$ 3,017,685</u>	<u>\$ (1,360,735)</u>	<u>\$ 459,734</u>	<u>\$ 2,116,684</u>
December 31, 2016:				
Premiums and policy fees:				
Life insurance	\$ 2,610,682	\$ (1,126,915)	\$ 454,999	\$ 1,938,766 ⁽¹⁾
Accident/health insurance	58,076	(36,935)	17,439	38,580
Property and liability insurance	261,009	(150,866)	5,726	115,869
Total	<u>\$ 2,929,767</u>	<u>\$ (1,314,716)</u>	<u>\$ 478,164</u>	<u>\$ 2,093,215</u>
February 1, 2015 to December 31, 2015				
Premiums and policy fees:				
Life insurance	\$ 2,360,643	\$ (983,143)	\$ 308,280	\$ 1,685,780 ⁽¹⁾
Accident/health insurance	70,243	(36,871)	18,252	51,624
Property and liability insurance	243,728	(134,964)	6,904	115,668
Total	<u>\$ 2,674,614</u>	<u>\$ (1,154,978)</u>	<u>\$ 333,436</u>	<u>\$ 1,853,072</u>
Predecessor Company				
January 1, 2015 to January 31, 2015:				
Premiums and policy fees:				
Life insurance	\$ 204,185	\$ (74,539)	\$ 28,601	\$ 158,247 ⁽¹⁾
Accident/health insurance	6,846	(4,621)	1,809	4,034
Property and liability insurance	19,759	(10,796)	666	9,629
Total	<u>\$ 230,790</u>	<u>\$ (89,956)</u>	<u>\$ 31,076</u>	<u>\$ 171,910</u>

(1) Includes annuity policy fees of \$173.5 million, \$160.4 million, \$152.8 million, and \$13.9 million for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), for the periods of February 1, 2015 to December 31, 2015 (Successor Company) and January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), policy and claim reserves relating to insurance ceded of \$5.1 billion and \$5.3 billion, respectively, are included in reinsurance receivables. Should any of the reinsurers be unable to meet its obligation at the time of the claim, the Company would be obligated to pay such claims. As of December 31, 2017 (Successor Company) and December 31, 2016 (Predecessor Company), the Company had paid \$96.6 million and \$87.9 million, respectively, of ceded benefits which are recoverable from reinsurers. In addition, as of December 31, 2017 (Successor Company) and December 31, 2016 (Predecessor Company), the Company had receivables of \$65.1 million and \$64.5 million, respectively, related to insurance assumed.

The Company's third party reinsurance receivables amounted to \$5.1 billion and \$5.3 billion as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively. These amounts include ceded reserve balances and ceded benefit payments. The ceded benefit payments are recoverable from reinsurers. The following table sets forth the receivables attributable to our more significant reinsurance partners:

	Successor Company			
	As of December 31,			
	2017		2016	
	Reinsurance Receivable	A.M. Best Rating	Reinsurance Receivable	A.M. Best Rating
	(Dollars In Millions)			
Security Life of Denver Insurance Company	\$ 740.8	A	\$ 762.2	A
Swiss Re Life & Health America, Inc.	614.8	A+	682.6	A+
Lincoln National Life Insurance Co.	489.1	A+	530.9	A+
Transamerica Life Insurance Co.	335.6	A+	367.8	A+
SCOR Global Life ⁽¹⁾	331.8	A+	354.8	A
RGA Reinsurance Company	278.3	A+	269.0	A+
American United Life Insurance Company	266.7	A+	285.6	A+
Scottish Re (U.S.) Inc.	249.5	NR	232.8	NR
Centre Reinsurance (Bermuda) Ltd	212.2	NR	243.6	NR
Employers Reassurance Corporation	193.9	A-	201.7	A-

(1) Includes SCOR Global Life Americas Reinsurance Company, SCOR Global Life USA Reinsurance Co, and SCOR Global Life Reinsurance Co of Delaware

The Company's reinsurance contracts typically do not have a fixed term. In general, the reinsurers' ability to terminate coverage for existing cessions is limited to such circumstances as material breach of contract or non-payment of premiums by the ceding company. The reinsurance contracts generally contain provisions intended to provide the ceding company with the ability to cede future business on a basis consistent with historical terms. However, either party may terminate any of the contracts with respect to future business upon appropriate notice to the other party.

Generally, the reinsurance contracts do not limit the overall amount of the loss that can be incurred by the reinsurer. The amount of liabilities ceded under contracts that provide for the payment of experience refunds is immaterial.

14. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

Debt and subordinated debt securities are summarized as follows:

	Successor Company			
	As of December 31,			
	2017		2016	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
	(Dollars In Thousands)			
Debt (year of issue):				
Credit Facility	\$ —	\$ —	\$ 170,000	\$ 170,000
Capital lease obligation	1,682	1,682	—	—
6.40% Senior Notes (2007), due 2018	150,000	150,518	150,000	156,663
7.375% Senior Notes (2009), due 2019	400,000	435,806	400,000	454,688
8.45% Senior Notes (2009), due 2039	232,928	357,046	246,926	381,934
	<u>\$ 784,610</u>	<u>\$ 945,052</u>	<u>\$ 966,926</u>	<u>\$ 1,163,285</u>
Subordinated debt securities (year of issue):				
6.25% Subordinated Debentures (2012), due 2042, callable 2017	\$ —	\$ —	\$ 287,500	\$ 290,002
6.00% Subordinated Debentures (2012), due 2042, callable 2017	—	—	150,000	151,200
5.35% Subordinated Debentures (2017), due 2052	500,000	495,289	—	—
	<u>\$ 500,000</u>	<u>\$ 495,289</u>	<u>\$ 437,500</u>	<u>\$ 441,202</u>

The Company's future maturities of debt, excluding notes payable to banks and subordinated debt securities, are \$150.5 million in 2018, \$435.8 million in 2019, and \$357.0 million thereafter.

During the year ended December 31, 2017 (Successor Company), the Company repurchased and subsequently extinguished \$21.6 million (par value - \$14.0 million) of the Company's 8.45% Senior Notes due 2039. These repurchases resulted in a \$2.0 million pre-tax gain for the Company. The gain is recorded in other income in the consolidated statements of income.

During 2017, the Company issued \$500.0 million of its Subordinated Debentures due 2052. These Subordinated Debentures are carried on the Company's balance sheet net of the associated deferred issuance expenses of \$4.8 million. The Company used the net proceeds from the offering to call and redeem, at par, the entire \$150.0 million of 6.00% Subordinated Debentures due 2042 and \$287.5 million of 6.25% Subordinated Debentures due 2042.

During the year ended December 31, 2016 (Successor Company), the Company repurchased and subsequently extinguished \$82.7 million (par value - \$53.1 million) of the Company's 8.45% Senior Notes due 2039. These repurchases resulted in a \$9.8 million pre-tax gain for the Company. The gain is recorded in other income in the consolidated statements of income.

The Company has the ability to borrow on an unsecured basis up to an aggregate principal amount of \$1.0 billion under a Credit Facility. The Company has the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of \$1.25 billion. Balances outstanding under the 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 Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt. The 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 Credit Facility, whether used or unused. The annual facility fee rate is 0.125% of the aggregate principal amount. The 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 Credit Facility. The maturity date of the 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 December 31, 2017 (Successor Company). The Company did not have an outstanding balance on the Credit Facility as of December 31, 2017 (Successor Company).

The following is a summary of the Company's estimated debt covenant calculations as of December 31, 2017 (Successor Company):

	Requirement	Actual Results
Consolidated net worth margin	greater than or equal to \$0	greater than \$1 billion
Debt to total capital ratio	less than 40%	less than 22%

On August 10, 2017, the Company called for redemption \$287.5 million of its 6.25% Subordinated Debentures due in 2042 and \$150.0 million of its 6.00% Subordinated Debentures due in 2042.

Non-Recourse Funding Obligations

Golden Gate Captive Insurance Company

On January 15, 2016, Golden Gate Captive Insurance Company ("Golden Gate"), a Vermont special purpose financial insurance company and a wholly owned subsidiary of PLICO, and Steel City, LLC ("Steel City"), a newly formed wholly owned subsidiary of the Company, entered into an 18-year transaction to finance \$2.188 billion of "XXX" reserves related to the acquired GLAIC Block and the other term life insurance business reinsured to Golden Gate by PLICO and WCL, a direct wholly owned subsidiary of PLICO. Steel City issued notes with an aggregate initial principal amount of \$2.188 billion to Golden Gate in exchange for a surplus note issued by Golden Gate with an initial principal amount of \$2.188 billion. Through the structure, Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and Nomura Americas Re Ltd. (collectively, the "Risk-Takers") provide credit enhancement to the Steel City Notes for the 18-year term in exchange for credit enhancement fees. The transaction is "non-recourse" to PLICO, WCL and the Company, meaning that none of these companies, other than Golden Gate, are liable to reimburse the Risk-Takers for any credit enhancement payments required to be made. As of December 31, 2017 (Successor Company), the aggregate principal balance of the Steel City Notes was \$2.014 billion. In connection with this transaction, the Company has entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate or Steel City, including a guarantee of the fees to the Risk-Takers. The support agreements provide that amounts would become payable by the Company if Golden Gate's annual general corporate expenses were higher than modeled amounts, certain reinsurance rates applicable to the subject business increase beyond 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 a separate agreement to guarantee payment of certain fee amounts in connection with the credit enhancement of the Steel City Notes. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate had a \$2.014 billion outstanding non-recourse funding obligation as of December 31, 2017 (Successor Company). This non-recourse funding obligation matures in 2039 and accrues interest at a fixed annual rate of 4.75%.

Golden Gate II Captive Insurance Company

Golden Gate II Captive Insurance Company ("Golden Gate II"), a South Carolina special purpose financial captive insurance company and a wholly owned by PLICO, had \$575 million of outstanding non-recourse funding obligations as of December 31, 2017 (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 December 31, 2017 (Successor Company), securities related to \$58.6 million of the outstanding balance of the non-recourse funding obligations were held by external parties and securities related to \$516.4 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 December 31, 2017 (Successor Company), no payments have been made under these agreements, however, certain support agreement obligations to Golden Gate II of approximately \$2.8 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.

During the year ended December 31, 2017 (Successor Company), the Company and its affiliates did not repurchase any of its outstanding non-recourse funding obligations. During the year ended December 31, 2016 the Company and its affiliates repurchased \$86.3 million of its outstanding non-recourse funding obligations, at a discount.

Golden Gate V Vermont Captive Insurance Company

On October 10, 2012, Golden Gate V Vermont Captive Insurance Company ("Golden Gate V"), a Vermont special purpose financial insurance company, and Red Mountain, LLC ("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

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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 December 31, 2017 (Successor Company), the principal balance of the Red Mountain note was \$620 million. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately \$121.8 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 December 31, 2017 (Successor Company), no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate V had a \$620 million outstanding non-recourse funding obligation as of December 31, 2017 (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 December 31, 2017 (Successor Company), on a consolidated basis, are shown in the following table:

Issuer	Outstanding Principal	Carrying Value ⁽¹⁾	Maturity Year	Year-to-Date Weighted-Avg Interest Rate
(Dollars In Thousands)				
Golden Gate Captive Insurance Company ⁽²⁾⁽³⁾	\$ 2,014,000	\$ 2,014,000	2039	4.75%
Golden Gate II Captive Insurance Company	58,600	49,787	2052	3.88%
Golden Gate V Vermont Captive Insurance Company ⁽²⁾⁽³⁾	620,000	681,285	2037	5.12%
MONEY Life Insurance Company ⁽³⁾	1,091	2,405	2024	6.19%
Total	<u>\$ 2,693,691</u>	<u>\$ 2,747,477</u>		

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

(2) Obligations are issued to non-consolidated subsidiaries of the Company. These obligations collateralize certain held-to-maturity securities issued by wholly owned subsidiaries of PLICO.

(3) Fixed rate obligations

Non-recourse funding obligations outstanding as of December 31, 2016 (Successor Company), on a consolidated basis, are shown in the following table:

Issuer	Outstanding Principal	Carrying Value ⁽¹⁾	Maturity Year	Year-to-Date Weighted-Avg Interest Rate
Golden Gate Captive Insurance Company ⁽²⁾⁽³⁾	\$ 2,116,000	\$ 2,116,000	2039	4.75%
Golden Gate II Captive Insurance Company	58,600	49,983	2052	2.52%
Golden Gate V Vermont Captive Insurance Company ⁽²⁾⁽³⁾	565,000	628,025	2037	5.12%
MONEY Life Insurance Company ⁽³⁾	1,091	2,466	2024	6.19%
Total	<u>\$ 2,740,691</u>	<u>\$ 2,796,474</u>		

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

(2) Obligations are issued to non-consolidated subsidiaries of the Company. These obligations collateralize certain held-to-maturity securities issued by wholly owned subsidiaries of PLICO.

(3) Fixed rate obligations

Letters of Credit

Golden Gate III Vermont Captive Insurance Company

On April 23, 2010, Golden Gate III Vermont Captive Insurance Company ("Golden Gate III"), a Vermont special purpose financial insurance company and wholly owned subsidiary of PLICO, entered into a Reimbursement Agreement (the "Reimbursement Agreement") with UBS AG, Stamford Branch ("UBS"), as issuing lender. Under the Reimbursement Agreement, UBS issued a letter of credit (the "LOC") to a trust for the benefit of WCL. The Reimbursement Agreement has undergone three separate amendments and restatements. The Reimbursement Agreement's current effective date is June 25, 2014. The LOC balance reached its scheduled peak of \$935 million in 2015. As of December 31, 2017 (Successor Company), the LOC balance was \$885 million. 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 \$70.0 million and will be paid in two installments with the last payment occurring in 2021. These contributions may be subject to potential offset against dividend payments as permitted under the terms of the 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 Reimbursement Agreement. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

Golden Gate IV Vermont Captive Insurance Company

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. Pursuant to the terms of the Reimbursement Agreement, the LOC reached its scheduled peak amount of \$790 million in 2016. As of December 31, 2017 (Successor Company), the LOC balance was \$785 million. 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 agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

Secured Financing Transactions

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 December 31, 2017 (Successor Company), the fair value of securities pledged under the repurchase program was \$1,006.6 million and the repurchase obligation of \$885.0 million was included in the Company's consolidated balance sheets (at an average borrowing rate of 142 basis points). During the year ended December 31, 2017 (Successor Company), the maximum balance outstanding at any one point in time related to these programs was \$988.5 million. The average daily balance was \$624.7 million (at an average borrowing rate of 101 basis points, respectively) during the year ended December 31, 2017 (Successor Company). During the year ended December 31, 2016 (Successor Company), the maximum balance outstanding at any one point in time related to these programs was \$1,065.8 million. The average daily balance was \$505.4 million (at an average borrowing rate of 44 basis points) during the year ended December 31, 2016 (Successor Company).

Securities Lending

The Company participates in securities lending, primarily as an investment yield enhancement, whereby securities that are held as investments are loaned out to third parties for short periods of time. The Company requires initial collateral of 102% of the market value of the loaned securities to be separately maintained. The loaned securities' market value is monitored on a daily basis. As of December 31, 2017 (Successor Company), securities with a market value of \$125.3 million were loaned under this program. As collateral for the loaned securities, the Company receives short-term investments, which are recorded in "short-

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term investments” with a corresponding liability recorded in “secured financing liabilities” to account for its obligation to return the collateral. As of December 31, 2017 (Successor Company), the fair value of the collateral related to this program was \$132.7 million and the Company has an obligation to return \$132.7 million of collateral to the securities borrowers.

The following table provides the fair value of collateral pledged for repurchase agreements, grouped by asset class, as of December 31, 2017 (Successor Company) and December 31, 2016 (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 December 31, 2017 (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	\$ 307,633	\$ —	\$ —	\$ —	\$ 307,633
Mortgage loans	698,974	—	—	—	698,974
Total repurchase agreements and repurchase-to-maturity transactions	1,006,607	—	—	—	1,006,607
Securities lending transactions					
Corporate securities	118,817	—	—	—	118,817
Equity securities	5,699	—	—	—	5,699
Redeemable preferred stock	755	—	—	—	755
Total securities lending transactions	125,271	—	—	—	125,271
Total securities	\$ 1,131,878	\$ —	\$ —	\$ —	\$ 1,131,878

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions Accounted for as Secured Borrowings

	Remaining Contractual Maturity of the Agreements				
	As of December 31, 2016 (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	\$ 357,705	\$ 23,758	\$ —	\$ —	\$ 381,463
Mortgage loans	480,269	—	—	—	480,269
Total securities	\$ 837,974	\$ 23,758	\$ —	\$ —	\$ 861,732

Interest Expense

Interest expense is summarized as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Millions)			(Dollars In Millions)
Debt and subordinated debt securities	\$ 61.3	\$ 62.1	\$ 58.6	\$ 8.9
Non-recourse funding obligations, other obligations, and repurchase agreements	171.9	163.7	54.1	4.9
Total interest expense	\$ 233.2	\$ 225.8	\$ 112.7	\$ 13.8

15. 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.

The Company leases administrative and marketing office space in approximately 16 cities (excluding the home office building), with most leases being for periods of three to ten years. The Company had rental expense of \$7.8 million, \$6.7 million, \$6.3 million, and \$0.6 million for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), for the period of February 1, 2015 to December 31, 2015 (Successor Company), and for the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively. The aggregate annualized rent was approximately \$7.8 million for the year ended December 31, 2017 (Successor Company). The following is a schedule by year of future minimum rental payments required under these leases:

<u>Year</u>	<u>Amount</u>
	<u>(Dollars In Thousands)</u>
2018	\$ 4,562
2019	4,320
2020	4,044
2021	3,778
2022	3,520
Thereafter	8,945

Additionally, the Company leases a building contiguous to its home office. The lease was renewed in December 2013 and was extended to December 2018. At the end of the lease term the Company may purchase the building for approximately \$75 million. Monthly rental payments are based on the current LIBOR rate plus a spread. The following is a schedule by year of future minimum rental payments required under this lease:

<u>Year</u>	<u>Amount</u>
	<u>(Dollars In Thousands)</u>
2018	\$ 77,219

The following is a summary of the Company's estimated synthetic lease covenant calculations as of December 31, 2017 (Successor Company):

	<u>Requirement</u>	<u>Actual Results</u>
Consolidated net worth margin	greater than or equal to \$0	greater than \$4 billion
Debt to total capital ratio	less than 40%	less than 19%
Total adjusted capital ratio	greater than or equal to \$0	greater than \$3 billion
Interest cash inflow available compared to adjusted consolidated interest expense	greater than 2.0 to 1	greater than 9.0 to 1

As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company had outstanding mortgage loan commitments of \$572.3 million at an average rate of 4.14% and \$855.3 million at an average rate of 4.17%, respectively.

Under the 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. From time to time, companies may be asked to contribute amounts beyond prescribed limits. It is possible that the Company could be assessed with respect to product lines not offered by the Company. In addition, legislation may be introduced in various states with respect to guaranty fund assessment laws related to insurance products, including long term care insurance and other specialty products, that increases the cost of future assessments or alters future premium tax offsets received in connection with guaranty fund assessments. The Company cannot predict the amount, nature or timing of any future assessments or legislation, any of which could have a material and adverse impact on the Company's financial condition or results of operations.

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

and 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. 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.

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 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 uncertainty as to whether the Company or other companies are responsible for the liabilities, if any, arising in connection with certain co-insured policies. The Company will continue to monitor the matter for any developments that would make the loss contingency associated with the audits 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, escheating the benefits and interest to the state if the beneficiary could not be found, and paying penalties to the state, if required. 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 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 does not believe such fees, if assessed, would have a material effect on its financial statements.

16. EMPLOYEE BENEFIT PLANS

Beginning with the December 31, 2015 measurement, the Company changed its method used to estimate the service and interest cost components of net periodic benefit cost for pension and other postretirement benefits by applying a spot rate approach. Historically, the Company utilized a single weighted average discount rate derived from a selected yield curve used to measure the benefit obligation as of the measurement date. Under the new spot rate approach, the actual calculation of service and interest cost will reflect an array of spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The Company made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot rates from the selected yield curve. This new approach does not affect the measurement of the total benefit obligation.

Qualified Pension Plan and Nonqualified Excess Pension Plan

The Company sponsors a the Qualified Pension Plan covering substantially all of its employees. Benefits are based on years of service and the employee's compensation.

Effective January 1, 2008, the Company made the following changes to its Qualified Pension Plan. These changes have been reflected in the computations within this note.

- Employees hired after December 31, 2007 and any former employee hired after that date, will receive a cash balance benefit.
- Employees active on December 31, 2007, with age plus years of vesting service less than 55 years will receive a final pay-based pension benefit for service through December 31, 2007, plus a cash balance benefit for service after December 31, 2007.
- Employees active on December 31, 2007, with age plus years of vesting service equaling or exceeding 55 years, will receive a final pay-based pension benefit for service both before and after December 31, 2007, with a modest reduction in the formula for benefits earned after December 31, 2007.
- All participants terminating employment on or after December of 2007 may elect to receive a lump sum benefit.

In 2016, the Company amended its Qualified Pension Plan to offer a limited-time opportunity of benefit payouts to eligible, terminated-vested participants ("lump sum window"). The lump sum window provided eligible, terminated-vested participants with an option to elect to receive a lump sum settlement of his or her pension benefit in December 2016 or to elect receipt of monthly pension benefits commencing in December 2016. This event triggered settlement accounting for the Company and resulted in the recognition of \$0.9 million of settlement income for the twelve months ended December 31, 2016.

The Company also sponsors the Nonqualified Excess Pension Plan, which is an unfunded nonqualified plan that provides defined pension benefits in excess of limits imposed on the Qualified Pension Plan by federal tax law.

In 2016, the Board of Directors of Protective Life Corporation approved the conversion of the accrued benefit payable under the Nonqualified Excess Pension Plan as of March 31, 2016 to John D. Johns, the Company's Chairman and Chief Executive Officer at the time, into a lump sum amount. The lump sum amount is allocated to a book entry that will be treated as though it were a pay deferral account under the Company's deferred compensation plan for officers. Mr. Johns will continue to accrue benefits as though he were accruing benefits under the Nonqualified Excess Pension Plan with respect to this continued service as an employee of the Company after March 31, 2016. The conversion event required the Company to re-measure the Nonqualified Excess Pension Plan as of May 31, 2016 and resulted in the recognition of \$2.1 million in settlement expense during the twelve months ended December 31, 2016.

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The following table presents the benefit obligation, fair value of plan assets, funded status, and amounts not yet recognized as components of net periodic pension costs for the Company's defined benefit pension plan and unfunded excess benefit plan as of December 31, 2017 and 2016 (Successor Company):

	Successor Company			
	December 31, 2017		December 31, 2016	
	Qualified Pension Plan	Nonqualified Excess Pension Plan	Qualified Pension Plan	Nonqualified Excess Benefit Plan
	(Dollars In Thousands)			
Accumulated benefit obligation, end of year	\$ 278,084	\$ 50,149	\$ 247,595	\$ 45,594
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ 265,848	\$ 47,802	\$ 268,221	\$ 56,985
Service cost	12,011	1,350	12,791	1,413
Interest cost	9,846	1,480	9,751	1,353
Amendments	—	—	—	—
Actuarial (gain)/loss	26,539	7,861	5,988	4,124
Benefits paid	(13,821)	(3,903)	(30,903)	(16,073)
Projected benefit obligation at end of year	300,423	54,590	265,848	47,802
Change in plan assets:				
Fair value of plan assets at beginning of year	201,843	—	196,042	—
Actual return on plan assets	29,404	—	15,815	—
Employer contributions ⁽¹⁾	43,500	3,903	20,889	16,073
Benefits paid ⁽²⁾	(13,821)	(3,903)	(30,903)	(16,073)
Fair value of plan assets at end of year	260,926	—	201,843	—
After reflecting FASB guidance:				
Funded status	(39,497)	(54,590)	(64,005)	(47,802)
Amounts recognized in the balance sheet:				
Other liabilities	(39,497)	(54,590)	(64,005)	(47,802)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial (gain)/loss	2,850	13,521	(7,855)	6,294
Prior service cost/(credit)	—	—	—	—
Total amounts recognized in AOCI	\$ 2,850	\$ 13,521	\$ (7,855)	\$ 6,294

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

(2) Includes amount related to Mr. Johns' conversion of his benefit under the Nonqualified Excess Pension Plan to a Retirement Pay Deferral Account as discussed above in Nonqualified Excess Pension Plan.

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	Successor Company			
	Qualified Pension Plan		Nonqualified Excess Pension Plan	
	2017	2016	2017	2016
Discount rate	3.55%	4.04%	3.26%	3.60%
	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above
Rate of compensation increase				

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Weighted-average assumptions used to determine the net periodic benefit cost for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), and for the period of February 1, 2015 to December 31, 2015 (Successor Company) are as follows:

	Successor Company					
	For The Year Ended December 31,					
	2017	2016	2015	2017	2016	2015
	Qualified Pension Plan			Nonqualified Excess Pension Plan		
Discount rate	4.04%	4.29%	3.95%	3.60%	3.63%	3.65%
	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above	4.75% prior to age 40/ 3.75% for age 40 and above
Rate of compensation increase						
Expected long-term return on plan assets	7.00%	7.25%	7.50%	N/A	N/A	N/A

The assumed discount rates used to determine the benefit obligations were based on an analysis of future benefits expected to be paid under the plans. The assumed discount rate reflects the interest rate at which an amount that is invested in a portfolio of high-quality debt instruments on the measurement date would provide the future cash flows necessary to pay benefits when they come due.

To determine an appropriate long-term rate of return assumption, the Company obtained a 25 year annualized return for each of the represented asset classes. In addition, the Company received evaluations of market performance based on the Company's asset allocation as provided by external consultants. A combination of these statistical analytics provided results that the Company utilized to determine an appropriate long-term rate of return assumption.

Components of the net periodic benefit cost for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016, for the period of February 1, 2015 to December 31, 2015 (Successor Company), and for the period of January 1, 2015 to January 31, 2015 (Predecessor Company) are as follows:

	Successor Company						Predecessor Company	
	For The Year Ended December 31,				February 1, 2015 to December 31, 2015		January 1, 2015 to January 31, 2015	
	2017	2017	2016	2016	2017	2016	2017	2016
	Qualified Pension Plan	Nonqualified Excess Pension Plan	Qualified Pension Plan	Nonqualified Excess Pension Plan	Qualified Pension Plan	Nonqualified Excess Pension Plan	Qualified Pension Plan	Nonqualified Excess Pension Plan
	(Dollars In Thousands)						(Dollars In Thousands)	
Service cost—benefits earned during the period	\$ 12,011	\$ 1,350	\$ 12,791	\$ 1,413	\$ 11,220	\$ 1,229	\$ 974	\$ 95
Interest cost on projected benefit obligation	9,846	1,480	9,751	1,353	9,072	1,499	1,002	140
Expected return on plan assets	(13,570)	—	(13,780)	—	(13,214)	—	(1,293)	—
Amortization of prior service cost/(credit)	—	—	—	—	—	—	(33)	1
Amortization of actuarial loss/(gain) ⁽¹⁾	—	634	—	178	—	—	668	138
Preliminary net periodic benefit cost	8,287	3,464	8,762	2,944	7,078	2,728	1,318	374
Settlement/curtailment expense ⁽²⁾	—	—	(964)	2,135	—	—	—	—
Total net periodic benefit cost	\$ 8,287	\$ 3,464	\$ 7,798	\$ 5,079	\$ 7,078	\$ 2,728	\$ 1,318	\$ 374

(1) 2017 average remaining service period used is 9.24 years and 8.23 years for the Qualified Pension Plan and Nonqualified Excess Pension Plan, respectively.

(2) The Nonqualified Excess Pension Plan triggered settlement accounting for the year ended December 31, 2016 since the total lump sum payments exceeded the settlement threshold of service cost plus interest cost.

For the Qualified Pension Plan, the Company does not expect to amortize any net actuarial loss/(gain) from other comprehensive income into net periodic benefit cost during 2018 since the net actuarial loss/(gain) subject to amortization is less than 10% of the greater of the smooth value of assets or the projected benefit obligation. For the unfunded excess benefit plan, the Company expects to amortize approximately \$1.0 million of net actuarial loss from other comprehensive income into net periodic benefit cost during 2018.

Estimated future benefit payments under the Qualified Pension Plan and Nonqualified Excess Pension Plan are as follows:

<u>Years</u>	Qualified Pension Plan	Nonqualified Excess Pension Plan
	(Dollars In Thousands)	
2018	\$ 19,479	\$ 3,542
2019	20,719	7,242
2020	21,062	6,087
2021	21,351	5,709
2022	23,537	6,267
2023 - 2027	116,400	23,324

Qualified Pension Plan Assets

Allocation of plan assets of the Qualified Pension Plan by category as of December 31 are as follows:

<u>Asset Category</u>	Successor Company		
	Target Allocation for 2018	2017 ⁽¹⁾	2016
Cash and cash equivalents	2%	15%	2%
Equity securities	60	55	61
Fixed income	38	30	37
Total	100%	100%	100%

(1) During 2017, the Company made a \$43.5 million contribution to the defined benefit pension plan and allocated the contribution to cash and cash equivalents pending further analysis of its investment strategy. The plan's investment policy was amended to allow for an actual asset allocation outside of the current target allocation until the investment strategy analysis is complete. The Company anticipates completing this analysis during the first quarter of 2018.

The Company's target asset allocation is designed to provide an acceptable level of risk and balance between equity assets and fixed income assets. The weighting towards equity securities is designed to help provide for an increased level of asset growth potential and liquidity.

Prior to the amendment for the \$43.5 million contribution made in 2017, the defined benefit pension plan had a target asset allocation of 60% domestic equities, 38% fixed income, and 2% cash. The Company's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies. The Company is currently performing an asset and liability study of its defined benefit pension plan and the associated investment portfolio to ensure that the current investment policy is appropriate for the plan. We anticipate this analysis being complete in the first quarter of 2018.

The Qualified Pension Plan's equity assets are in a Russell 3000 index fund that invests in a domestic equity index collective trust managed by Northern Trust Corporation and in a Spartan 500 index fund managed by Fidelity. The Plan's cash is invested in a collective trust managed by Northern Trust Corporation. The plan's fixed income assets are invested in a group deposit administration annuity contract with PLICO.

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Plan assets of the Qualified Pension Plan by category as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), are as follows:

Asset Category	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Cash and cash equivalents	\$ 39,897	\$ 4,175
Equity securities:		
Collective Russell 3000 equity index fund	74,511	67,627
Fidelity Spartan 500 index fund	71,632	58,815
Fixed income	74,886	71,226
Total investments	260,926	201,843
Employer contribution receivable	—	—
Total	\$ 260,926	\$ 201,843

The valuation methodologies used to determine the fair values reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. The Qualified Pension Plan's group deposit administration annuity contract with PLICO is recorded at contract value, which the Company believes approximates fair value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities (the plan has not purchased annuities on behalf of participants under this contract during the periods presented). Units in collective short-term and collective investment funds are valued at the unit value, which approximates fair value, as reported by the trustee of the collective short-term and collective investment funds on each valuation date. These methods of valuation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Qualified Pension Plan's assets at fair value as of December 31, 2017 (Successor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Collective short-term investment fund	\$ 39,897	\$ —	\$ —	\$ 39,897
Collective investment funds:				
Equity index funds	71,632	74,511	—	146,143
Group deposit administration annuity contract	—	—	74,886	74,886
Total investments	\$ 111,529	\$ 74,511	\$ 74,886	\$ 260,926

The following table sets forth by level, within the fair value hierarchy, the Qualified Pension Plan's assets at fair value as of December 31, 2016 (Successor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Collective short-term investment fund	\$ 4,175	\$ —	\$ —	\$ 4,175
Collective investment funds:				
Equity index funds	58,815	67,627	—	126,442
Group deposit administration annuity contract	—	—	71,226	71,226
Total investments	\$ 62,990	\$ 67,627	\$ 71,226	\$ 201,843

For the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), there were no transfers between levels.

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The following table summarizes the Qualified Pension Plan investments measured at fair value based on NAV per share as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively:

<u>Name</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
(Dollars In Thousands)				
Successor Company				
As of December 31, 2017:				
Collective short-term investment fund	\$ 39,897	Not Applicable	Daily	1 day
Collective Russell 3000 index fund ⁽¹⁾	74,511	Not Applicable	Daily	1 day
Fidelity Spartan 500 index fund	71,632	Not Applicable	Daily	1 day
As of December 31, 2016:				
Collective short-term investment fund	\$ 4,175	Not Applicable	Daily	1 day
Collective Russell 3000 index fund ⁽¹⁾	67,627	Not Applicable	Daily	1 day
Fidelity Spartan 500 index fund	58,815	Not Applicable	Daily	1 day

(1) Non-lending collective trust that does not publish a daily NAV but tracks the Russell 3000 index and provides a daily NAV to the Plan.

The following table presents a reconciliation of the beginning and ending balances for the fair value measurements for the year ended December 31, 2017 (Successor Company) and for the year ended December 31, 2016 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

	<u>Successor Company</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(Dollars In Thousands)	
Balance, beginning of year	\$ 71,226	\$ 67,707
Interest income	3,660	3,519
Transfers from collective short-term investments fund	—	—
Transfers to collective short-term investments fund	—	—
Balance, end of year	\$ 74,886	\$ 71,226

The following table represents the Plan's Level 3 financial instrument, the valuation technique used, and the significant unobservable input and the ranges of values for that input as of December 31, 2017 (Successor Company):

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
(Dollars In Thousands)				
Group deposit administration annuity contract	\$ 74,886	Contract Value	Contract Rate	5.10% - 5.19%

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported.

Qualified Pension Plan Funding Policy

The Company's funding policy is to contribute amounts to the Qualified Pension Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA") plus such additional amounts as the Company may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Under the Pension Protection Act of 2006 ("PPA"), a plan could be subject to certain benefit restrictions if the plan's adjusted funding target attainment percentage ("AFTAP") drops below 80%. Therefore, the Company may make additional contributions in future periods to maintain an AFTAP of at least 80%. In general, the AFTAP is a measure of how well a plan is funded and is obtained by dividing a plan's assets by its funding liabilities. AFTAP is based on participant data, plan provisions, plan methods and assumptions, funding credit balances, and plan assets as of the plan valuation date. Some of the assumptions and methods used to determine a plan's AFTAP may be different from the assumptions and methods used to measure a plan's funded status on a GAAP basis.

In July of 2012, the Moving Ahead for Progress in the 21st Century Act ("MAP-21"), which includes pension funding stabilization provisions, was signed into law. These provisions establish an interest rate corridor which is designed to stabilize the

segment rates used to determine funding requirements from the effects of interest rate volatility. In August of 2014, the Highway and Transportation Funding Act of 2014 ("HATFA") was signed into law. HATFA extends the funding relief provided by MAP-21 by delaying the interest rate corridor expansion. The funding stabilization provisions of MAP-21 and HATFA reduced the Company's minimum required Qualified Pension Plan contributions for the 2013 and 2014 plan years. Since the funding stabilization provisions of MAP-21 and HATFA do not apply for Pension Benefit Guaranty Corporation ("PBGC") reporting purposes, the Company may also make additional contributions in future periods to avoid certain PBGC reporting triggers.

During the twelve months ended December 31, 2017 (Successor Company), the Company contributed \$43.5 million to the Qualified pension plan for the 2016 plan year. The Company has not yet determined what amount it will fund during 2018, but may contribute an amount that would eliminate the PGBC variable-rate premiums payable in 2018. The Company currently estimates that amount will be between \$10 million and \$20 million.

Other Postretirement Benefits

In addition to pension benefits, the Company provides limited healthcare benefits to eligible retired employees until age 65. This postretirement benefit is provided by an unfunded plan. As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the accumulated postretirement benefit obligation and projected benefit obligation were immaterial.

For a closed group of retirees over age 65, the Company provides a prescription drug benefit. As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company's liability related to this benefit was immaterial.

The Company also offers life insurance benefits for retirees from \$10,000 up to a maximum of \$75,000 which are provided through the payment of premiums under a group life insurance policy. This plan is partially funded at a maximum of \$50,000 face amount of insurance. The benefit obligation associated with these benefits is as follows:

Postretirement Life Insurance Plan	Successor Company	
	As of December 31, 2017	As of December 31, 2016
	(Dollars In Thousands)	
Change in Benefit Obligation		
Benefit obligation, beginning of year	\$ 9,634	\$ 9,063
Service cost	122	102
Interest cost	354	338
Actuarial (gain)/loss	1,347	604
Benefits paid	(479)	(473)
Benefit obligation, end of year	\$ 10,978	\$ 9,634

For the postretirement life insurance plan, the Company's discount rate assumption used to determine the benefit obligation and the net periodic benefit cost as of December 31, 2017 (Successor Company), is 3.74% and 4.35%, respectively.

The Company's expected long-term rate of return assumption used to determine the net periodic benefit cost as of December 31, 2017 (Successor Company), is 2.75%. To determine an appropriate long-term rate of return assumption, the Company utilized 25 year average and annualized return results on the Barclay's short treasury index.

Investments of the Company's group life insurance plan are held by Wells Fargo Bank, N.A. Plan assets held by the Custodian are invested in a money market fund.

The fair value of each major category of plan assets for the Company's postretirement life insurance plan is as follows:

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Category of Investment		
Money market fund	\$ 5,104	\$ 5,362

Investments are stated at fair value and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The money market funds are valued based on historical cost, which represents fair value, at year end. This method of valuation may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

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The following table sets forth by level, within the fair value hierarchy, the life insurance plan's assets at fair value as of December 31, 2017 (Successor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Money market fund	\$ 5,104	\$ —	\$ —	\$ 5,104

The following table sets forth by level, within the fair value hierarchy, the life insurance plan's assets at fair value as of December 31, 2016 (Successor Company):

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Money market fund	\$ 5,362	\$ —	\$ —	\$ 5,362

For the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), there were no transfers between levels.

Investments are exposed to various risks, such as interest rate and credit risks. Due to the level of risk associated with investments and the level of uncertainty related to credit risks, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported.

401(k) Plan

The Company sponsors a tax-qualified 401(k) Plan ("401 (k) Plan") which covers substantially all employees. Employee contributions are made on a before-tax basis as provided by Section 401(k) of the Internal Revenue Code or as after-tax "Roth" contributions. Employees may contribute up to 25% of their eligible annual compensation to the 401(k) Plan, limited to a maximum annual contribution amount as set periodically by the Internal Revenue Service (\$18,000 for 2017). The Plan also provides a "catch-up" contribution provision which permits eligible participants (age 50 or over at the end of the calendar year), to make additional contributions that exceed the regular annual contribution limits up to a limit periodically set by the Internal Revenue Service (\$6,000 for 2017). The Company matches the sum of all employee contributions dollar for dollar up to a maximum of 4% of an employee's pay per year per person. All matching contributions vest immediately. For the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company recorded an expense of \$8.2 million and \$7.5 million associated with 401(k) Plan matching contributions, respectively.

The Company also has a supplemental matching contribution program, which is a nonqualified plan that provides supplemental matching contributions in excess of the limits imposed on qualified defined contribution plans by federal tax law. The expense recorded by the Company for this employee benefit was \$1.1 million, \$0.6 million, and \$0.5 million, respectively, in 2017, 2016, and 2015.

Deferred Compensation Plan

On February 1, 2015, the Company became a wholly owned subsidiary of Dai-ichi Life and the Company stock ceased to be publicly traded. Thus, any common stock equivalents within the plans converted into rights to receive the merger consideration of \$70.00 per common stock equivalent.

As of February 1, 2015, the Company has continued the deferred compensation plans for officers and others. Compensation deferred was credited to the participants in cash, mutual funds, or a combination thereof. As of December 31, 2017 (Successor Company), the Company's obligations related to its deferred compensation plans are reported in other liabilities.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in the accumulated balances for each component of AOCI as of December 31, 2017 (Successor Company), December 31, 2016 (Successor Company), December 31, 2015 (Successor Company), and January 31, 2015 (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	Minimum Pension Benefits Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
(Dollars In Thousands, Net of Tax)				
Beginning Balance, December 31, 2016	\$ (656,322)	\$ 727	\$ 1,072	\$ (654,523)
Other comprehensive income (loss) before reclassifications	700,536	(563)	(15,726)	684,247
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	7,153	—	—	7,153
Amounts reclassified from accumulated other comprehensive income (loss) ⁽¹⁾	642	451	501	1,594
Net current-period other comprehensive income (loss)	708,331	(112)	(15,225)	692,994
Cumulative effect adjustments	(26,135)	132	228	(25,775)
Ending Balance, December 31, 2017	\$ 25,874	\$ 747	\$ (13,925)	\$ 12,696

(1) See Reclassification table below for details.

(2) As of December 31, 2016 (Successor Company) and December 31, 2017 (Successor Company), net unrealized losses reported in AOCI were offset by \$424.1 million and \$(6.3) 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.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

Successor 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, 2015	\$ (1,247,065)	\$ —	\$ 5,931	\$ (1,241,134)
Other comprehensive income (loss) before reclassifications	606,985	688	(5,659)	602,014
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	(6,782)	—	—	(6,782)
Amounts reclassified from accumulated other comprehensive income (loss) ⁽¹⁾	(9,460)	39	800	(8,621)
Net current-period other comprehensive income (loss)	590,743	727	(4,859)	586,611
Ending Balance, December 31, 2016	\$ (656,322)	\$ 727	\$ 1,072	\$ (654,523)

(1) See Reclassification table below for details.

(2) As of December 31, 2015 (Successor Company) and December 31, 2016 (Successor Company), net unrealized losses reported in AOCI were offset by \$623.0 million and \$424.1 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.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

Successor Company	Unrealized Gains and Losses on Investments(2)	Accumulated Gain and Loss Derivatives	Minimum Postretirement Benefits Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
(Dollars In Thousands, Net of Tax)				
Beginning Balance, February 1, 2015	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss) before reclassifications	(1,264,034)	(86)	5,931	(1,258,189)
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	(393)	—	—	(393)
Amounts reclassified from accumulated other comprehensive income (loss)(1)	17,362	86	—	17,448
Net current-period other comprehensive income (loss)	(1,247,065)	—	5,931	(1,241,134)
Ending Balance, December 31, 2015	\$ (1,247,065)	\$ —	\$ 5,931	\$ (1,241,134)

(1) See Reclassification table below for details.

(2) As of December 31, 2015, net unrealized losses reported in AOCI were offset by \$623.0 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 Postretirement Benefits 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.

The following tables summarize the reclassifications amounts out of AOCI for the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
	(Dollars In Thousands)	
Successor Company		
For The Year Ended December 31, 2017		
Gains and losses on derivative instruments		
Net settlement (expense)/benefit ⁽¹⁾	\$ (694)	Benefits and settlement expenses, net of reinsurance ceded
	(694)	Total before tax
	243	Tax (expense) or benefit
	<u>\$ (451)</u>	Net of tax
Unrealized gains and losses on available-for-sale securities		
Net investment gains/losses	\$ 10,611	Realized investment gains (losses): All other investments
Impairments recognized in earnings	(11,742)	Net impairment losses recognized in earnings
	(1,131)	Total before tax
	489	Tax (expense) or benefit
	<u>\$ (642)</u>	Net of tax
Pension benefits liability adjustment		
Amortization of net actuarial gain/(loss)	\$ (634)	Other operating expenses
Amortization of prior service credit/(cost)	—	Other operating expenses
Amortization of transition asset/(obligation)	—	Other operating expenses
	(634)	Total before tax
	133	Tax (expense) or benefit
	<u>\$ (501)</u>	Net of tax

(1) See Note 7, *Derivative Financial Instruments* for additional information.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
(Dollars In Thousands)		
Successor Company		
For The Year ended December 31, 2016		
Gains and losses on derivative instruments		
Net settlement (expense)/benefit ⁽¹⁾	\$ (60)	Benefits and settlement expenses, net of reinsurance ceded
	(60)	Total before tax
	21	Tax (expense) or benefit
	<u>\$ (39)</u>	Net of tax
Unrealized gains and losses on available-for-sale securities		
Net investment gains/losses	\$ 32,302	Realized investment gains (losses): All other investments
Impairments recognized in earnings	(17,748)	Net impairment losses recognized in earnings
	14,554	Total before tax
	(5,094)	Tax (expense) or benefit
	<u>\$ 9,460</u>	Net of tax
Postretirement benefits liability adjustment		
Amortization of net actuarial gain/(loss)	\$ (1,231)	Other operating expenses
Amortization of prior service credit/(cost)	—	Other operating expenses
Amortization of transition asset/(obligation)	—	Other operating expenses
	(1,231)	Total before tax
	431	Tax (expense) or benefit
	<u>\$ (800)</u>	Net of tax

(1) See Note 7, *Derivative Financial Instruments* for additional information.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
(Dollars In Thousands)		
Successor Company		
February 1, 2015 to December 31, 2015		
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
	<u>\$ (86)</u>	Net of tax
Unrealized gains and losses on available-for-sale securities		
Net investment gains/losses	\$ 281	Realized investment gains (losses): All other investments
Impairments recognized in earnings	(26,992)	Net impairment losses recognized in earnings
	(26,711)	Total before tax
	9,349	Tax (expense) or benefit
	<u>\$ (17,362)</u>	Net of tax

(1) See Note 7, *Derivative Financial Instruments* for additional information.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
	(Dollars In Thousands)	
Predecessor Company		
January 1, 2015 to January 31, 2015		
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
	<u>\$ (23)</u>	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
	<u>\$ 4,166</u>	Net of tax
Pension 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
	<u>\$ (502)</u>	Net of tax

(1) See Note 7, *Derivative Financial Instruments* for additional information.

18. INCOME TAXES

The Company's effective income tax rate related to continuing operations varied from the maximum federal income tax rate as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
Statutory federal income tax rate applied to pre-tax income	35.0 %	35.0 %	35.0 %	35.0 %
State income taxes	0.6	0.8	2.0	0.8
Investment income not subject to tax	(5.0)	(2.7)	(4.3)	(3.2)
Uncertain tax positions	(0.2)	(0.3)	0.2	(0.1)
Federal Tax law changes	(183.3)	—	—	—
Other	(1.4)	1.0	—	(0.1)
	<u>(154.3)%</u>	<u>33.8 %</u>	<u>32.9 %</u>	<u>32.4 %</u>

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The annual provision for federal income tax in these financial statements differs from the annual amounts of income tax expense reported in the Company's income tax returns. Certain significant revenues and expenses are appropriately reported in different years with respect to the financial statements and the tax returns.

The components of the Company's income tax are as follows:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Current income tax expense:				
Federal	\$ 21,853	\$ (50,638)	\$ 5,715	\$ (32,803)
State	4,399	3,919	(4,244)	1,685
Total current	\$ 26,252	\$ (46,719)	\$ 1,471	\$ (31,118)
Deferred income tax expense:				
Federal	\$ (693,860)	\$ 240,127	\$ 118,338	\$ 30,858
State	(3,867)	7,560	11,734	(67)
Total deferred	\$ (697,727)	\$ 247,687	\$ 130,072	\$ 30,791

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

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Deferred income tax assets:		
Loss and credit carryforwards	\$ 209,401	\$ 453,880
Deferred compensation	138,945	209,979
Deferred policy acquisition costs	23,876	156,012
Premium on corporate debt	57,402	104,839
Net unrealized loss on investments	—	353,448
Other	28,179	44,956
Valuation allowance	(3,951)	(6,007)
	453,852	1,317,107
Deferred income tax liabilities:		
Premium receivables and policy liabilities	573,469	884,255
VOBA and other intangibles	433,321	720,750
Invested assets (other than unrealized gains (losses))	672,549	1,311,866
Net unrealized gains on investments	6,920	—
	1,686,259	2,916,871
Net deferred income tax liability	\$ (1,232,407)	\$ (1,599,764)

The deferred tax assets reported above include certain deferred tax assets related to nonqualified deferred compensation and other employee benefit liabilities that were assumed by AXA and they were not acquired by the Company in connection with the acquisition of MONY. The future tax deductions stemming from these liabilities will be claimed by the Company on MONY's tax returns in its post-acquisition periods. These deferred tax assets have been estimated as of the MONY Acquisition date (and through the December 31, 2017 reporting date) based on all available information. However, it is possible that these estimates may be adjusted in future reporting periods based on actuarial changes to the projected future payments associated with these liabilities. Any such adjustments will be recognized by the Company as an adjustment to income tax expense during the period in which they are realized.

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. The legislation significantly changes U.S. tax law by, among other things, lowering the corporate income tax rate. The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% and changes to tax law related to the deductibility of certain deferred tax assets under the Tax Reform Act, we revalued our ending net deferred tax liabilities at December 31, 2017, and recognized a provisional \$797.6 million tax benefit in our consolidated statement of income for the year ended December 31, 2017.

Also on December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company has recognized the provisional tax impacts based on reasonable estimates made by the Company as to the effects of tax reform on deferred assets as discussed below and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional regulatory guidance that may be issued, additional analysis, and resulting changes in interpretations and assumptions the Company has made. Any adjustments to these provisional amounts will be reported as a component of income tax expense (benefit) in the reporting period in which any such adjustments are determined. The Company will not extend the measurement period beyond December 22, 2018.

As a result of the Tax Reform Act, compensation paid to our covered employees in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain written binding arrangements that were in place as of November 2, 2017 and that have not been materially modified after such date. Because of ambiguities and uncertainties as to the application and interpretation of Section 162(m), including the uncertain application of transition relief to companies that had not been subject to Section 162(m) prior to the effectiveness of the Tax Reform Act, it is unclear whether or to what extent the deferred tax assets related to amounts paid or payable by the Company to covered employees after January 1, 2018 pursuant to written binding arrangements that were in place on November 2, 2017 will be subject to the \$1 million dollar deduction limit of Section 162(m).

In management's judgment, the gross deferred income tax asset as of December 31, 2017 (Successor Company) will more likely than not be fully realized. The Company has recognized a valuation allowance of \$5.0 million and \$9.2 million as of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively, related to state-based loss carryforwards that it has determined are more likely than not to expire unutilized. This resulting favorable change of \$4.2 million, before federal income taxes, decreased state income tax expense in 2017 by the same amount.

At December 31, 2017 (Successor Company), the Company has non-life net operating loss carryforwards for federal income tax purposes of \$259.6 million, which are available to offset future non-life group federal taxable income (and life group taxable income with limitations) and begin to expire in 2035. The Company also has life net operating loss carryforwards for federal income tax purposes of \$578.3 million which are available to offset both future life group taxable income and non-life group taxable income through 2031. Alternative minimum tax credits of \$8.9 million are available to offset regular tax beginning in 2018, as a result of The Tax Reform Act, with any remaining credits being fully refundable beginning in 2021. Foreign tax credits of \$7.2 million are available to offset both future life group income tax and non-life group income tax and will begin to expire in 2024. Research and Development credits of \$1.2 million are available to offset both future life group income tax and non-life group income tax and will begin to expire in 2036. In addition, included in the deferred income tax assets above are approximately \$22.8 million in state net operating loss carryforwards attributable to certain jurisdictions, which are available to offset future tax in the respective state jurisdictions, expiring between 2018 and 2036.

As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), some of the Company's fixed maturities were reported at an unrealized loss, although the net amount is an unrealized gain at December 31, 2017 (Successor Company). If the Company were to realize a tax-basis net capital loss for a year, then such loss could not be deducted against that year's other taxable income. However, such a loss could be carried back and forward against any prior year or future year tax-basis net capital gains. Therefore, the Company has relied upon a prudent and feasible tax-planning strategy regarding its fixed maturities that were reported at an unrealized loss. The Company has the ability and the intent to either hold such fixed maturities to maturity, thereby avoiding a realized loss, or to generate an offsetting realized gain from unrealized gain fixed maturities if such unrealized loss fixed maturities are sold at a loss prior to maturity.

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

	Successor Company			Predecessor Company
	As of December 31, 2017	As of December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Balance, beginning of period	\$ 9,856	\$ 13,138	\$ 137,593	\$ 193,244
Additions for tax positions of the current year	1,857	2,122	2,213	(5,010)
Additions for tax positions of prior years	70	1,318	1,811	7,724
Reductions of tax positions of prior years:				
Changes in judgment	(430)	(975)	(16,416)	(58,365)
Settlements during the period	—	(5,747)	(112,063)	—
Lapses of applicable statute of limitations	—	—	—	—
Balance, end of period	\$ 11,353	\$ 9,856	\$ 13,138	\$ 137,593

Included in the end of period balance above, as of December 31, 2017 (Successor Company), December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), are approximately \$0.7 million, \$0.7 million, \$5.6 million, and \$126.0 million of unrecognized tax benefits, respectively, for which the ultimate deductibility is certain but for which there is uncertainty about the timing of such deductions. Other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective income tax rate but would accelerate to an earlier period the payment of cash to the taxing authority. The total amount of unrecognized tax benefits, if recognized, that would affect the effective income tax rate is approximately \$10.7 million, \$9.2 million, \$7.5 million, and \$11.5 million for the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

Any accrued interest related to the unrecognized tax benefits and other accrued income taxes have been included in income tax expense. These amounts were a \$2.4 million benefit, a \$3.1 million benefit, a \$1.6 million detriment, and a \$0.9 million benefit for the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively. The Company has approximately \$1.1 million, \$2.8 million, \$15.4 million, and \$12.7 million of accrued interest associated with unrecognized tax benefits as of December 31, 2017 (Successor Company), as of December 31, 2016 (Successor Company), as of December 31, 2015 (Successor company), and as of January 31, 2015 (Predecessor Company), respectively (before taking into consideration the related income tax benefit that is associated with such an expense).

In June 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 sought resolution at the IRS' Appeals Division. In October 2015, Appeals accepted the Company's earlier proposed settlement offer. In September 2015, the IRS proposed favorable and unfavorable adjustments to the Company's 2008 through 2011 reported taxable income. The Company agreed to these adjustments. In April 2017, a routine review by Congress' Joint Committee on Taxation was finalized without change and the Company received an approximate \$6.2 million net refund in the fourth quarter of 2017.

The resulting net adjustment to the Company's current income taxes for the years 2003 through 2011 did not materially affect the Company or its effective tax rate.

In July 2016, the IRS proposed favorable and unfavorable adjustments to the Company's 2012 and 2013 reported taxable income. The Company agreed to these adjustments. The resulting settlement paid in September 2016 did not materially impact the Company or its effective tax rate.

These agreements with the IRS are the primary cause for the reductions of unrecognized tax benefits shown in the above chart. The Company believes that in the next 12 months, \$0.7 million of the unrecognized tax benefits will be reduced due to recent changes in tax law. In general, the Company is no longer subject to income tax examinations by taxing authorities for tax years that began before 2014. Due to the aforementioned IRS adjustments to the Company's pre-2014 taxable income, the Company is amending certain of its 2003 through 2013 state income tax returns. Such amendments will cause such years to remain open, pending the states' acceptances of the returns.

During the year ended December 31, 2016 (Successor Company), the Company filed a non-automatic tax accounting method change related to income recognition for unearned premium reserve and discounted loss reserve for claims incurred. The IRS accepted the Company's request for the non-automatic tax accounting method. This change did not materially impact the Company or its effective tax rate.

19. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow information:

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Cash paid / (received) during the year:				
Interest on debt	\$ 253,708	\$ 234,928	\$ 124,829	\$ 22,802
Income taxes	(14,163)	112,886	(53,486)	(1)
Noncash investing and financing activities:				
Stock-based compensation	—	—	—	1,550

Total cash interest paid on debt for the year ended December 31, 2017 (Successor Company), was \$253.7 million. Of this amount, \$58.7 million related to interest on debt, \$20.2 million related to interest on subordinated debt, \$6.3 million on repurchase agreements, and \$168.5 million related to non-recourse funding obligations and other obligations.

20. RELATED PARTY TRANSACTIONS

Certain corporations with which the Company's directors were affiliated paid us premiums and policy fees or other amounts for various types of insurance and investment products, interest on bonds we own and commissions on securities underwriting in which our affiliates participated. Such amounts totaled \$6.8 million, \$7.2 million, \$45.3 million, and \$2.6 million, for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively. The Company paid commissions, interest on debt and investment products, and fees to these same corporations totaling \$6.5 million, \$8.6 million, \$10 million, and \$0.8 million for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and for the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

Prior to the Merger, the Company had no related party transactions with Dai-ichi Life. During the periods ending December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company paid a management fee to Dai-ichi Life of \$10.9 million and \$6.4 million for certain services provided to the Company, respectively.

The Company paid \$143.8 million and \$89.3 million of dividends during the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), respectively, to its parent, Dai-ichi Life.

The Company has guaranteed PLICO's obligations for borrowings or letters of credit under the revolving line of credit arrangement to which the Company is also a party. The Company has also issued guarantees, entered into support agreements and/or assumed a duty to indemnify its indirect wholly owned captive insurance companies in certain respects.

The Company guarantees the obligations of PLICO under a synthetic lease entered into by PLICO, as lessee, with a non-affiliated third party, as lessor. Under the terms of the synthetic lease, financing of \$75 million was available to PLICO for construction of an office building and parking deck which was completed on February 1, 2000. The synthetic lease was amended and restated as of December 19, 2013, wherein as of December 31, 2017, the Company continues to guarantee the obligations of PLICO thereunder.

The Company has agreements with certain of its subsidiaries under which it supplies investment, legal and data processing services on a fee basis and provides other managerial and administrative services on a shared cost basis. Such other managerial and administrative services include but are not limited to accounting, financial reporting, compliance services, reinsurance administration, tax reporting, reserve computation, and projections.

The Company has an intercompany capital support agreement with Shades Creek Captive Insurance Company ("Shades Creek"), a direct wholly owned subsidiary. The agreement provides through a guarantee that the Company will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. As of December 31, 2017 (Successor Company), Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior.

21. STATUTORY REPORTING PRACTICES AND OTHER REGULATORY MATTERS

The Company's insurance subsidiaries prepare statutory financial statements for regulatory purposes in accordance with accounting practices prescribed by the NAIC and the applicable state insurance department laws and regulations. These financial statements vary materially from GAAP. Statutory accounting practices include publications of the NAIC, state laws, regulations, general administrative rules as well as certain permitted accounting practices granted by the respective state insurance department. Generally, the most significant differences are that statutory financial statements do not reflect 1) deferred acquisition costs and VOBA, 2) benefit liabilities that are calculated using Company estimates of expected mortality, interest, and withdrawals,

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3) deferred income taxes that are not subject to statutory limits, 4) recognition of realized gains and losses on the sale of securities in the period they are sold, and 5) fixed maturities recorded at fair values, but instead at amortized cost.

Statutory net income (loss) for PLICO was \$731.2 million, \$(391.6) million, and \$440 million for the year ended December 31, 2017, 2016 and 2015, respectively. Statutory capital and surplus for PLICO was \$4.3 billion and \$4.2 billion as of December 31, 2017 and 2016, respectively. The Statutory net loss incurred by PLICO for the year ended December 31, 2016 was caused by the required Statutory accounting treatment of the initial gain recognized on the retrocession of the term business assumed from Genworth Life and Annuity Insurance Company to Golden Gate Captive Insurance Company, which resulted in approximately a \$1.2 billion gain being included as a component of surplus, rather than reflected in Statutory net income as of the January 15, 2016 session date.

The Company's insurance subsidiaries are subject to various state statutory and regulatory restrictions on the insurance subsidiaries' ability to pay dividends to Protective Life Corporation. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval of the insurance commissions of the state of domicile. Dividends in larger amounts are considered extraordinary and are subject to prior approval by such commissioner. The maximum amount that would qualify as ordinary dividends to the Company from our insurance subsidiaries, and which would consequently be free from restriction and available for the payment of dividends to the Company's shareowner in 2018 is approximately \$853.2 million. This results in approximately \$6.3 billion of the Company's net assets being restricted from transfer to PLC without prior approval from the respective state insurance department.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") have adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile.

A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense and reserve items. Regulators can then measure the adequacy of a company's statutory surplus by comparing it to the RBC. Under specific RBC requirements, regulatory compliance is determined by the ratio of a company's total adjusted capital, as defined by the insurance regulators, to its company action level of RBC (known as the RBC ratio), also as defined by insurance regulators. As of December 31, 2017, the Company's total adjusted capital and company action level RBC were approximately \$4.7 billion and \$759.3 million, respectively, providing an RBC ratio of approximately 614%.

Additionally, the Company has certain assets that are on deposit with state regulatory authorities and restricted from use. As of December 31, 2017, the Company's insurance subsidiaries had on deposit with regulatory authorities, fixed maturity and short-term investments with a fair value of approximately \$42.4 million.

The states of domicile of the Company's insurance subsidiaries have adopted prescribed accounting practices that differ from the required accounting outlined in NAIC Statutory Accounting Principles ("SAP"). The insurance subsidiaries also have certain accounting practices permitted by the states of domicile that differ from those found in NAIC SAP.

Certain prescribed practices impact the statutory surplus of PLICO, the Company's primary operating subsidiary. These practices include the non-admission of goodwill as an asset for statutory reporting.

The favorable (unfavorable) effects of PLICO's statutory surplus, compared to NAIC statutory surplus, from the use of this prescribed practices was as follows:

	As of December 31,	
	2017	2016
	(Dollars In Millions)	
Non-admission of goodwill	\$ (219)	\$ (257)
Total (net)	\$ (219)	\$ (257)

The Company also has certain prescribed and permitted practices which are applied at the subsidiary level and do not have a direct impact on the statutory surplus of PLICO. These practices include permission to follow the actuarial guidelines of the domiciliary state of the ceding insurer for certain captive reinsurers, accounting for the face amount of all issued, and outstanding letters of credit and a note issued by an affiliate as assets in the statutory financial statements of certain wholly owned subsidiaries that are considered "Special Purpose Financial Captives", and a reserve difference related to a captive insurance company.

The favorable (unfavorable) effects on the statutory surplus of the Company's insurance subsidiaries, compared to NAIC statutory surplus, from the use of these prescribed and permitted practices were as follows:

	As of December 31,	
	2017	2016
	(Dollars In Millions)	
Accounting for Letters of Credit as admitted assets	\$ 1,670	\$ 1,720
Accounting for certain notes as admitted assets	\$ 2,634	\$ 2,681
Reserving based on state specific actuarial practices	\$ 122	\$ 120
Reserving difference related to a captive insurance company	\$ (37)	\$ (109)

22. 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 and makes adjustments to its segment reporting as needed. A brief description of each segment follows.

- The Life Marketing segment markets fixed UL, IUL, VUL, 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, independent distribution organizations, and affinity groups.
- The Acquisitions segment focuses on acquiring, converting, and servicing policies and contracts 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. This segment also issues funding agreements to the FHLB, and markets GICs to 401(k) and other qualified retirement savings plans. The Company also has an unregistered funding agreement-backed notes program which provides for offers of notes to both domestic and international institutional investors.
- The Asset Protection segment markets extended service contracts, GAP products, credit life and disability insurance, and other specialized ancillary products to protect consumers' investments in automobiles, recreational vehicles, watercraft, and powersports. GAP covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss. Each type of specialized ancillary product protects against damage or other loss to a particular aspect of the underlying asset.
- The Corporate and Other segment primarily consists of net investment income on assets supporting our equity capital, unallocated corporate overhead and expenses not attributable to the segments above (including interest on corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, various financing and investment related transactions, and the operations of several small subsidiaries.

The Company's management and Board of Directors analyzes and assesses the operating performance of each segment using "pre-tax adjusted operating income (loss)" and "after-tax adjusted operating income (loss)". Consistent with GAAP accounting guidance for segment reporting, pre-tax adjusted operating income (loss) is the Company's measure of segment performance. Pre-tax adjusted operating income (loss) is calculated by adjusting "income (loss) before income tax," by excluding the following items:

- realized gains and losses on investments and derivatives,
- changes in the GLWB embedded derivatives exclusive of the portion attributable to the economic cost of the GLWB,
- actual GLWB incurred claims, and
- the amortization of DAC, VOBA, and certain policy liabilities that is impacted by the exclusion of these items.

The items excluded from adjusted operating income (loss) are important to understanding the overall results of operations. Pre-tax adjusted operating income (loss) and after-tax adjusted operating income (loss) are not substitutes for income before income taxes or net income (loss), respectively. These measures may not be comparable to similarly titled measures reported by other companies. The Company believes that pre-tax and after-tax adjusted operating income (loss) enhances management's and the Board of Directors' understanding of the ongoing operations, the underlying profitability of each segment, and helps facilitate the allocation of resources.

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After-tax adjusted operating income (loss) is derived from pre-tax adjusted operating income (loss) with the inclusion of income tax expense or benefits associated with pre-tax adjusted operating income. Income tax expense or benefits is allocated to the items excluded from pre-tax adjusted operating income (loss) at the statutory federal income tax rate for the associated period. For periods ending on and prior to December 31, 2017, a rate of 35% was used. Beginning in 2018, a statutory federal income tax rate of 21% will be used to allocate income tax expense or benefits to items excluded from pre-tax adjusted operating income (loss). Income tax expense or benefits allocated to after-tax adjusted operating income (loss) can vary period to period based on changes in the Company's effective income tax rate.

In determining the components of the pre-tax adjusted operating income (loss) for each segment, premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC and 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.

During 2016, the Company modified its labeling of its non-GAAP measures presented herein as "Adjusted operating income (loss)" or "Pre-tax adjusted operating income (loss)". In previous filings, the Company referred to "Pre-tax adjusted operating income (loss)" as "Pre-tax operating income, "Operating income before tax", or "Segment operating income". In addition, the Company referred to "After-tax adjusted operating income (loss)" as "After-tax operating income" or "Operating earnings". The definition of these labels remains unchanged, but the Company has modified the labels to provide further clarity that these measures are non-GAAP.

There were no significant intersegment transactions during the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company).

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The following tables presents a summary of results and reconciles pre-tax adjusted operating income (loss) to consolidated income before income tax and net income (Predecessor and Successor periods are not comparable):

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Revenues				
Life Marketing	\$ 1,667,118	\$ 1,627,848	\$ 1,426,090	\$ 145,595
Acquisitions	1,569,083	1,676,017	1,333,430	139,761
Annuities	450,306	574,934	443,419	7,884
Stable Value Products	190,006	114,580	79,670	8,181
Asset Protection	327,573	269,145	261,693	21,953
Corporate and Other	214,706	221,423	166,367	17,535
Total revenues	<u>\$ 4,418,792</u>	<u>\$ 4,483,947</u>	<u>\$ 3,710,669</u>	<u>\$ 340,909</u>
Pre-tax Adjusted Operating Income (Loss)				
Life Marketing	\$ 50,778	\$ 39,745	\$ 57,414	\$ (1,618)
Acquisitions	249,749	260,511	194,654	20,134
Annuities	213,080	213,293	180,231	13,164
Stable Value Products	105,261	61,294	56,581	4,529
Asset Protection	24,356	16,487	20,627	2,420
Corporate and Other	<u>(136,332)</u>	<u>(87,961)</u>	<u>(25,067)</u>	<u>(10,144)</u>
Pre-tax adjusted operating income	506,892	503,369	484,440	28,485
Realized gains (losses) on investments and derivatives	<u>(71,835)</u>	<u>90,628</u>	<u>(84,598)</u>	<u>(27,303)</u>
Income before income tax	435,057	593,997	399,842	1,182
Income tax (benefit) expense	<u>(671,475)</u>	<u>200,968</u>	<u>131,543</u>	<u>(327)</u>
Net income	<u>\$ 1,106,532</u>	<u>\$ 393,029</u>	<u>\$ 268,299</u>	<u>\$ 1,509</u>
Pre-tax adjusted operating income	\$ 506,892	\$ 503,369	\$ 484,440	\$ 28,485
Adjusted operating income tax benefit (expense)	<u>646,333</u>	<u>(169,247)</u>	<u>(161,153)</u>	<u>(9,228)</u>
After-tax adjusted operating income	1,153,225	334,122	323,287	19,257
Realized gains (losses) on investments and derivatives	<u>(71,835)</u>	<u>90,628</u>	<u>(84,598)</u>	<u>(27,303)</u>
Income tax (expense) benefit on adjustments	<u>25,142</u>	<u>(31,721)</u>	<u>29,610</u>	<u>9,555</u>
Net income	<u>\$ 1,106,532</u>	<u>\$ 393,029</u>	<u>\$ 268,299</u>	<u>\$ 1,509</u>
Realized investment (losses) gains:				
Derivative financial instruments	\$ (305,828)	\$ (40,288)	\$ 29,997	\$ (123,274)
All other investments	121,428	90,659	(166,886)	81,153
Net impairment losses recognized in earnings	(11,742)	(17,748)	(26,993)	(481)
Less: related amortization ⁽¹⁾	(39,480)	24,360	(8,726)	(9,143)
Less: VA GLWB economic cost	<u>(84,827)</u>	<u>(82,365)</u>	<u>(70,558)</u>	<u>(6,156)</u>
Realized (losses) gains on investments and derivatives	<u>\$ (71,835)</u>	<u>\$ 90,628</u>	<u>\$ (84,598)</u>	<u>\$ (27,303)</u>

(1) Includes amortization of DAC/VOBA and benefits and settlement expenses that are impacted by realized gains (losses).

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Net investment income				
Life Marketing	\$ 553,999	\$ 525,495	\$ 446,439	\$ 47,460
Acquisitions	752,520	764,571	639,422	71,088
Annuities	321,844	322,608	297,114	37,189
Stable Value Products	186,576	107,010	78,459	6,888
Asset Protection	27,325	22,082	17,459	1,878
Corporate and Other	209,324	200,690	154,055	10,677
Total net investment income	\$ 2,051,588	\$ 1,942,456	\$ 1,632,948	\$ 175,180
Amortization of DAC and VOBA				
Life Marketing	\$ 120,753	\$ 130,708	\$ 107,811	\$ 4,813
Acquisitions	(6,939)	8,178	2,035	5,033
Annuities	(54,471)	(11,031)	(41,071)	(7,706)
Stable Value Products	2,354	1,176	43	25
Asset Protection	16,524	20,033	25,211	1,820
Corporate and Other	—	—	27	87
Total amortization of DAC and VOBA	\$ 78,221	\$ 149,064	\$ 94,056	\$ 4,072

	Successor Company			
	Operating Segment Assets As of December 31, 2017			
	(Dollars In Thousands)			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	\$ 14,914,418	\$ 19,588,133	\$ 20,938,409	\$ 4,569,639
DAC and VOBA	1,320,776	74,862	772,634	6,864
Other intangibles	282,361	34,548	170,117	8,056
Goodwill	200,274	14,524	336,677	113,813
Total assets	\$ 16,717,829	\$ 19,712,067	\$ 22,217,837	\$ 4,698,372
	Asset Protection	Corporate and Other	Total Consolidated	
Investments and other assets	\$ 918,952	\$ 15,043,597	\$ 75,973,148	
DAC and VOBA	24,441	—	2,199,577	
Other intangibles	133,234	35,256	663,572	
Goodwill	128,182	—	793,470	
Total assets	\$ 1,204,809	\$ 15,078,853	\$ 79,629,767	

Successor Company

	Operating Segment Assets As of December 31, 2016			
	(Dollars In Thousands)			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	\$ 14,050,170	\$ 19,679,690	\$ 20,243,333	\$ 3,373,646
DAC and VOBA	1,218,944	106,532	655,618	5,455
Other intangibles	301,399	37,103	183,449	8,722
Goodwill	200,274	14,524	336,677	113,813
Total assets	<u>\$ 15,770,787</u>	<u>\$ 19,837,849</u>	<u>\$ 21,419,077</u>	<u>\$ 3,501,636</u>

	Asset Protection	Corporate and Other	Total Consolidated
Investments and other assets	\$ 1,013,399	\$ 13,141,759	\$ 71,501,997
DAC and VOBA	33,280	—	2,019,829
Other intangibles	143,865	13,545	688,083
Goodwill	128,182	—	793,470
Total assets	<u>\$ 1,318,726</u>	<u>\$ 13,155,304</u>	<u>\$ 75,003,379</u>

23. CONSOLIDATED QUARTERLY RESULTS—UNAUDITED

The Company's unaudited consolidated quarterly operating data for the year ended December 31, 2017 (Successor Company) and for the year ended December 31, 2016 (Successor Company) is presented below. In the opinion of management, all adjustments (consisting only of normal recurring items) necessary for a fair statement of quarterly results have been reflected in the following data. It is also management's opinion, however, that quarterly operating data for insurance enterprises are not necessarily indicative of results that may be expected in succeeding quarters or years. In order to obtain a more accurate indication of performance, there should be a review of operating results, changes in shareowner's equity, and cash flows for a period of several quarters.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Dollars In Thousands)				
Successor Company				
For The Year Ended December 31, 2017				
Premiums and policy fees	\$ 860,586	\$ 868,139	\$ 855,088	\$ 893,606
Reinsurance ceded	(316,076)	(342,898)	(325,120)	(376,641)
Net of reinsurance ceded	544,510	525,241	529,968	516,965
Net investment income	506,413	507,771	507,914	529,490
Realized investment gains (losses)	(47,037)	(54,471)	(64,191)	(18,701)
Net impairment losses recognized in earnings	(7,831)	(2,785)	(273)	(853)
Other income	109,242	111,311	110,970	115,139
Total revenues	1,105,297	1,087,067	1,084,388	1,142,040
Total benefits and expenses	992,948	961,299	973,538	1,055,950
Income before income tax	112,349	125,768	110,850	86,090
Income tax expense (benefit)	36,935	41,500	28,308	(778,218)
Net income	\$ 75,414	\$ 84,268	\$ 82,542	\$ 864,308

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Dollars In Thousands)				
Successor Company				
For The Year Ended December 31, 2016				
Premiums and policy fees	\$ 852,795	\$ 857,948	\$ 834,544	\$ 862,644
Reinsurance ceded	(310,327)	(336,605)	(322,229)	(345,555)
Net of reinsurance ceded	542,468	521,343	512,315	517,089
Net investment income	475,117	488,460	482,729	496,150
Realized investment gains (losses)	8,229	5,417	24,268	12,457
Net impairment losses recognized in earnings	(2,617)	(967)	(3,308)	(10,856)
Other income	103,716	102,148	107,642	102,147
Total revenues	1,126,913	1,116,401	1,123,646	1,116,987
Total benefits and expenses	955,071	947,740	990,567	996,572
Income before income tax	171,842	168,661	133,079	120,415
Income tax expense	56,494	56,541	39,785	48,148
Net income	\$ 115,348	\$ 112,120	\$ 93,294	\$ 72,267

24. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to December 31, 2017 (Successor Company), and through the date we filed our consolidated financial statements with the United States Securities and Exchange Commission. All accounting and disclosure requirements related to subsequent events are included in our consolidated financial statements.

On January 18, 2018, PLICO and for the limited purposes set forth therein, the Company, entered into a Master Transaction Agreement (the "Master Transaction Agreement") with Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, for the limited purposes set forth therein, Liberty Mutual Group Inc. ("Liberty Mutual"), The Lincoln National Life Insurance Company ("Lincoln Life"), and for the limited purposes set forth therein, Lincoln National Corporation, pursuant to which Lincoln Life will acquire Liberty Mutual's Group Benefits Business and Individual Life and Annuity Business (the "Life Business") through the acquisition of all of the issued and outstanding capital stock of Liberty Life Assurance Company of Boston ("Liberty") (the "Transaction"). Pursuant to the Master Transaction Agreement, the Company, PLICO and Protective Life and Annuity Insurance Company ("PLAIC"), a wholly owned subsidiary of PLICO, agreed to enter into reinsurance agreements and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the reinsurance agreements, Liberty will cede to PLICO and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance

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policies relating to the Life Business. The aggregate statutory reserves of Liberty to be ceded to PLICO and PLAIC as of the closing of the Transaction are expected to be approximately \$13.0 billion. To support its obligations under the reinsurance agreements, PLICO and PLAIC will each establish a trust account for the benefit of Lincoln Life. Entry into the reinsurance agreements represents an estimated capital investment by PLICO of approximately \$1.17 billion. The transaction is expected to be completed in the second quarter of 2018, pending regulatory approvals and other customary closing conditions.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowner of Protective Life Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Protective Life Corporation and its subsidiaries (the “Company” or “Successor Company”) as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income (loss), shareowner’s equity and cash flows for the years ended December 31, 2017 and 2016, and for the period from February 1, 2015 to December 31, 2015, including the related notes and financial statement schedules listed in the index appearing under Item 15(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years ended December 31, 2017 and 2016 and for the period from February 1, 2015 to December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in “Management’s Report on Internal Controls over Financial Reporting” appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Basis of Accounting

As discussed in Note 1 to the consolidated financial statements, the Company was acquired on February 1, 2015 by The Dai-ichi Life Insurance Company, Limited. The Company elected to apply “pushdown” accounting as of the acquisition date.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Primmittichow Cooper LLP

Birmingham, Alabama
March 2, 2018

We have served as the Company's auditor since 1974.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowner of
Protective Life Corporation

In our opinion, the consolidated statements of income, comprehensive income (loss), shareowner's equity and cash flows for the period from January 1, 2015 to January 31, 2015 present fairly, in all material respects, the results of operations and cash flows of Protective Life Corporation and its subsidiaries (the "Predecessor Company") for the period from January 1, 2015 to January 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules for the period from January 1, 2015 to January 31, 2015 listed in the index appearing under Item 15(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company was acquired on February 1, 2015 by The Dai-ichi Life Insurance Company, Limited. The Company elected to apply the "pushdown" basis of accounting as of the acquisition date.

Primmeterhouse Coopers LLP

Birmingham, Alabama
February 25, 2016

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Disclosure Controls and Procedures

In order to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized, and reported on a timely basis, the Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), except as otherwise noted below. Based on their evaluation as of the end of the period covered by this Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective. It should be noted that any system of controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of any control system is based in part upon certain judgments, including the costs and benefits of controls and the likelihood of future events. Because of these and other inherent limitations of control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the Company have been detected.

(b) Management's Report on Internal Controls Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)*.

Based on the Company's assessment of internal control over financial reporting, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in Item 8.

March 2, 2018

(c) Changes in Internal Control Over Financial Reporting

During the third quarter of 2017, the Company implemented components of SAP's enterprise resource planning ("ERP") solution, which includes a new general ledger, a new consolidation system, and new financial reporting tools. The upgraded ERP system represents a systems improvement initiative designed to provide more effective management of our business operations as we continue to grow in size and scale. This initiative was not undertaken in response to any identified deficiency in the Company's internal control over financial reporting. The Company's internal controls exist within a dynamic environment, and the Company continually strives to improve its internal controls and procedures to enhance the quality of its financial reporting.

There were no other changes in the Company's internal control over financial reporting during the annual period ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The current executive officers and directors of the Company are as follows:

<u>Name</u>	<u>Age</u> <u>(as of 2/1/2018)</u>	<u>Title</u>
John D. Johns	65	Executive Chairman of the Company and a Director
Richard J. Bielen	57	President, Chief Executive Officer and a Director
D. Scott Adams	53	Executive Vice President and Chief Administrative Officer
Mark L. Drew	56	Executive Vice President and General Counsel
Deborah J. Long	64	Executive Vice President, Chief Legal Officer, and Secretary
Michael G. Temple	55	Executive Vice President, Finance and Risk
Carl S. Thigpen	61	Executive Vice President and Chief Investment Officer
Steven G. Walker	58	Executive Vice President and Chief Financial Officer
Shinichi Aizawa	57	Director
Tomohiko Asano	50	Director
Vanessa Leonard	57	Director
John J. McMahon, Jr.	75	Director
Ungyong Shu	55	Director
Jesse J. Spikes	67	Director
William A. Terry	60	Director
W. Michael Warren, Jr.	70	Director

All executive officers are elected annually and serve at the pleasure of the Board of Directors. None of the executive officers are related to any director of the Company or to any other executive officer.

Mr. Johns has been Executive Chairman of the Company since July 2017. He previously served as Chairman of the Board of the Company from January 2003 to July 2017 and Chief Executive Officer of the Company from December 2001 to July 2017. He has been a director of the Company since May 1997. From August 1996 to January 2016, Mr. Johns also served as President of the Company. Mr. Johns has been employed by the Company and its subsidiaries since 1993.

Mr. Bielen has been Chief Executive Officer of the Company since July 2017 and President of the Company since January 2016. From January 2016 to July 2017, Mr. Bielen also served as Chief Operating Officer of the Company. From June 2007 to January 2016, Mr. Bielen served as Vice Chairman and Chief Financial Officer of the Company. From August 2006 to June 2007, Mr. Bielen served as Executive Vice President, Chief Investment Officer, and Treasurer of the Company. Mr. Bielen became a director of the Company on February 1, 2015. Mr. Bielen has been employed by the Company and its subsidiaries since 1991.

Mr. Adams has been Executive Vice President and Chief Administrative Officer of the Company since January 2016. From April 2006 to January 2016, Mr. Adams served as Senior Vice President and Chief Human Resources Officer of the Company.

Mr. Drew has been Executive Vice President and General Counsel of the Company since August 2016. From 2006 to August 2016, Mr. Drew served as Managing Shareholder of Maynard Cooper & Gale, P.C., a Birmingham, Alabama based law firm, where Mr. Drew worked from 1988 until July 2016.

Ms. Long has been Executive Vice President, Chief Legal Officer, and Secretary of the Company since August 2016. From March 2007 to August 2016, Ms. Long served as Executive Vice President, General Counsel, and Secretary of the Company, and from January 2016 to August 2016, Ms. Long also served as Chief Legal Officer of the Company. Ms. Long has been employed by the Company and its subsidiaries since 1994.

Mr. Temple has been Executive Vice President, Finance and Risk of the Company since November 2016. From January 2016 to November 2016, Mr. Temple served as Executive Vice President, Finance and Risk, and Chief Risk Officer of the Company. From December 2012 to January 2016, Mr. Temple served as Executive Vice President and Chief Risk Officer of the Company. Prior to joining the Company, Mr. Temple served as Senior Vice President and Chief Risk Officer at Unum Group, an insurance company in Chattanooga, Tennessee.

Mr. Thigpen has been Executive Vice President and Chief Investment Officer of the Company since June 2007. From January 2002 to June 2007, Mr. Thigpen served as Senior Vice President and Chief Mortgage and Real Estate Officer of the Company. Mr. Thigpen has been employed by the Company and its subsidiaries since 1984.

Mr. Walker has been Executive Vice President and Chief Financial Officer of the Company since January 2016. From January 2016 to March 2017, Mr. Walker also served as Controller of the Company. From March 2004 to January 2016, Mr. Walker

served as Senior Vice President, Chief Accounting Officer, and Controller of the Company. Mr. Walker has been employed by the Company and its subsidiaries since 2002.

Certain of these executive officers also serve as executive officers and/or directors of various of the Company's subsidiaries.

Qualification of Directors

The Company's Board consists of 10 directors. The following summarizes some of the key experiences, qualifications, education, and other attributes of the current directors:

Shinichi Aizawa. From April 2017, Mr. Aizawa has served as the Senior Managing Executive Officer and General Manager of Dai-ichi Life Holdings, Inc. ("Dai-ichi Life") and, as of January 2018, also serves as the Director, President, and Chief Executive Officer of DLI North America Inc. Mr. Aizawa joined Dai-ichi Mutual Life Insurance Company (now Dai-ichi Life) in 1983 and has had various roles at Dai-ichi Life, including General Manager of the Investment Affiliated Enterprise Department, Staff General Manager of the Investment Planning Department, General Manager of the Investment Planning Department, Staff General Manager of the International Business Management Department, and Executive Vice President of Asset Management One Co., Ltd (formerly named DIAM Co., Ltd.). Mr. Aizawa has been an executive officer of Dai-ichi Life since April 2010. Mr. Aizawa served as the General Manager of the International Business Management Department. Mr. Aizawa has served as the Non-Executive Director of TAL (Australia). Mr. Aizawa also served as a Commissioner of Panin Dai-ichi Life (Indonesia) and was a member of the Members' Council of Dai-ichi Life Vietnam. Mr. Aizawa received a Bachelor of Laws degree from Waseda University in Tokyo, Japan. Mr. Aizawa became a Director for the Company in 2015. We believe that Mr. Aizawa's background in business, including his experience and service in investment and overseas business areas and investment planning knowledge, are valuable to us and our Board of Directors.

Tomohiko Asano. Mr. Asano joined Dai-ichi Mutual Life Insurance Company (now Dai-ichi Life) in 1990 and has had various roles at Dai-ichi Life, including General Manager of DIAM Co., Ltd. (now Asset Management One Co., Ltd), General Manager of the International Business Management Department, and Chief of the International Life Insurance Business Unit. Mr. Asano currently serves as Executive Officer and Chief of International Life Insurance Business Unit. Mr. Asano serves as a Director of TAL Dai-ichi Life Australia Pty Limited, TAL Life Limited, DLI North America Inc., and DLI Asia Pacific Pte. Ltd. Mr. Asano also serves as a Commissioner for PT Panin Dai-ichi Life and as a Vice-President Commissioner for PT Panin International. Mr. Asano earned a Bachelor of Arts in Economics from Keio University in Tokyo, Japan. Mr. Asano became a Director for the Company in April 2017. We believe that Mr. Asano's background in business, including his experience and service in international life insurance business and identifying and evaluating business opportunities, is valuable to us and our Board of Directors.

Richard J. Bielen. Mr. Bielen joined the Company in July 1991 as Vice President. In June 1996, Mr. Bielen became Senior Vice President of the Company; in January 2002, he became Chief Investment Officer and Treasurer of the Company; in August 2006, he became Executive Vice President of the Company; in June 2007 he became Vice Chairman and Chief Financial Officer of the Company; in January 2016, he became President and Chief Operating Officer of the Company; and in July 2017, he became Chief Executive Officer and President of the Company. Before joining Protective, Mr. Bielen was Senior Vice President of Oppenheimer & Company. Prior to joining Oppenheimer, Mr. Bielen was a Senior Accountant with Arthur Andersen and Company. Mr. Bielen is on the Board of Directors of Infinity Property and Casualty Corporation. Mr. Bielen serves on the Board of Directors of the United Way of Central Alabama and Children's of Alabama. Mr. Bielen is a former Director of the McWane Science Center. Mr. Bielen received his undergraduate degree and Masters of Business Administration from New York University. Mr. Bielen became a Director for the Company in 2015. We believe that Mr. Bielen's background in business; his skills and experience as a senior executive of the Company and Oppenheimer and as a leader in other business, civic, educational and charitable organizations; his knowledge and experience as a leader in the life insurance industry, along with his long-standing knowledge of the Company and his seasoned business judgment, are valuable to us and our Board of Directors.

John D. Johns. Mr. Johns joined Protective in October 1993 as Executive Vice President and Chief Financial Officer. In August 1996, Mr. Johns became President and Chief Operating Officer; in January 2002, he became President and Chief Executive Officer; in January 2003, he became Chairman, President and Chief Executive Officer; in January 2016, he became the Chairman and Chief Executive Officer; and as of July 2017, he became Executive Chairman of the Company. Before joining Protective, Mr. Johns was Executive Vice President and General Counsel of Sonat Inc. Prior to joining Sonat, Mr. Johns was an attorney in private practice, focusing on commercial and financing transactions and the financial services industry. Mr. Johns is on the Boards of Directors of Regions Financial Corporation, Genuine Parts Company and The Southern Company. He is a Trustee of the Altamont School. He is on the executive committee of the American Council of Life Insurers and served as Chairman from 2013-2014. He is a member of the Financial Services Roundtable. He is a director of the Economic Development Partnership of Alabama and the Coalition for Regional Transportation. He has previously served on the Board of Trustees of The University of Alabama System and in a leadership role for the Birmingham Civil Rights Institute, other financial services industry associations, and civic and educational organizations. He was inducted into the Alabama Academy of Honor in 2013. Mr. Johns received an undergraduate degree from the University of Alabama and a Master of Business Administration and a Juris Doctorate from Harvard University. Mr. Johns became a Director for the Company in 1997. We believe that Mr. Johns' background in the practice of law; his skills and experience as a senior executive of the Company and Sonat; his experience as a leader in other business, civic, educational and charitable organizations; his knowledge and experience as a leader in the life insurance industry; his long-standing knowledge of the Company; and his seasoned business judgment are valuable to our Board of Directors.

Vanessa Leonard. Ms. Leonard is a practicing attorney and is a Principal at Leonard Mitchell Consulting. She provides consulting services for not-for-profit organizations, primarily in the areas of management, legal, and organizational behavior. She was previously a senior consultant and manager with KPMG, Higher Education Consulting, Southeast Market in Washington, D.C. and Atlanta, Georgia and a financial analyst for Emory University in Atlanta, Georgia. In her consulting and analyst roles, Ms. Leonard focused on management accounting matters (primarily governmental compliance and indirect cost accounting) for

higher education institutions. Ms. Leonard is a member of the Board of Trustees of the University of Alabama, where she is Chairman of its Audit Committee and serves on its Physical Properties, Compensation, Finance, Nominating, Legal Affairs and Public Review Committees. Ms. Leonard is also a member of the Health Care Authority for Baptist Health Board and UAB Education Foundation Board. Ms. Leonard previously served on the Governor's Task Force to Strengthen Alabama's Families and the Board of the United Way for the Lake Martin Area in Alabama. Ms. Leonard received an undergraduate degree in Health Care Management from the University of Alabama, a Master of Business Administration from the University of Mississippi, and a Juris Doctorate from the University of Alabama School of Law. Ms. Leonard became a Director for the Company in 2004. We believe that Ms. Leonard's experience as an attorney; her management accounting experience and skills in the field of accounting and compliance with complicated regulations for large, complex organizations; and her leadership roles in civic and not-for-profit organizations are valuable to our Board of Directors.

John J. McMahon, Jr. Mr. McMahon is Chairman of Ligon Industries, LLC. Previously, Mr. McMahon was a lawyer in private practice in Birmingham, Alabama, before spending twenty-five years with McWane, Inc., a privately held manufacturing company with international operations having over twenty plants and over one billion dollars in sales. During his career at McWane, Inc., Mr. McMahon held numerous management positions, including President and Chairman of the Board, and negotiated over twenty-five acquisitions ranging from publicly held companies to small privately held companies. Mr. McMahon serves on the Board of Directors of ProAssurance Corporation, and he serves or has served on the Boards of Directors of other publicly and privately held companies, including National Bank of Commerce, Alabama National Bancorporation, John H. Harland Company, and Cooper/T. Smith Company. He was on the Board of Trustees of Birmingham-Southern College. He has also been a Director or Trustee of the Birmingham Airport Authority and the University of Alabama System. Mr. McMahon received his undergraduate degree from Birmingham-Southern College and a Juris Doctorate from the University of Alabama School of Law. Mr. McMahon became a Director for the Company in 1987. We believe that Mr. McMahon's background as a lawyer in private practice; his skills and his long experience as a senior executive of McWane and Ligon Industries; his experience as a leader in other business, civic, educational, and not-for-profit organizations; his long-standing knowledge of the financial services industry; and his seasoned business judgment are valuable to our Board of Directors.

Ungyong Shu. Mr. Shu is the President and Chief Executive Officer of Core Value Management Company, Limited, an advisory firm that he established in 2013. Mr. Shu worked in various positions for J.P. Morgan Securities Japan, Limited from 1986 to 2007. These positions included Mergers and Acquisitions Analyst, Corporate Finance Associate, Vice President of Investment Banking, head of Japan Financial Institutions Group, Managing Director, Co-Chief Operating Officer of Japan Investment Banking, and Senior Investor Client Management. Mr. Shu worked in various positions for Merrill Lynch Japan Securities Limited from 2007 to 2013. These positions included Chairman of Japan Financial Institutions Group, Co-Head of Asia Financial Institutions Group, Co-Head of Japan Investment Banking, and Vice Chairman. Mr. Shu serves as a director Dai-ichi Life and DESCENTE, LTD. Mr. Shu graduated from Hitotsubashi University in Japan, where he majored in laws. Mr. Shu became a Director for the Company in 2015, and he served as a director of Dai-ichi Life Insurance Company, Limited from 2015 to 2016. We believe that Mr. Shu's background in business, including his experience and service in investment banking, his legal training, and strategic and financial planning knowledge, are valuable to us and our Board of Directors.

Jesse J. Spikes. Mr. Spikes is President of Ribs on the Run, Inc., an Atlanta-based company that develops recipes for, and then prepares and sells, rubs, sauces and smoked-meat products. Until May 31, 2017, Mr. Spikes was Senior Counsel with the Atlanta based law firm, Dentons US, LLP, specializing in corporate law. During his legal career, Mr. Spikes also worked with businesses in the areas of advertising, marketing, and sports law, including the negotiation of endorsements and the preparation of chance promotions and licensing agreements. Mr. Spikes practiced law for almost forty years. He joined one of Dentons' legacy firms in 1986, became a partner in 1989, and became senior counsel in 2010. Mr. Spikes serves on the Board of Trustees for HSOC, Inc., an affiliate of Children's Healthcare of Atlanta. Mr. Spikes also served previously as General Counsel of Atlanta Life Insurance Company, legal advisor for Al Bahrain Arab African Bank, and as a director of publicly and privately held companies. He has also served in leadership roles with Boy Scouts of America. Mr. Spikes received his undergraduate degree in English from Dartmouth College, his undergraduate degree in Philosophy and Politics from University College at Oxford University, and his Juris Doctorate from Harvard University. Mr. Spikes became a Director for the Company in 2011. We believe that Mr. Spikes' skills and experience as an attorney whose practice concentrated in areas of corporate and insurance law, with particular emphasis on corporate governance and compliance, internal investigations and audits, special board committee representations, corporate finance and mergers and acquisitions, and his experience as an entrepreneur and as a leader in other business and civic organizations are valuable to our Board of Directors.

William A. Terry. Mr. Terry is Chairman and one of the founders of Highland Associates, Inc., an investment advisory firm that has advised on approximately twenty billion dollars of assets (as of December 2016) for not-for-profit health care organizations, foundations, endowments, and select individuals. He is also a managing member and director of Highland Strategies, LLC. He serves as a member and director of Alabama Capital Network, LLC. Before starting Highland Associates in 1987, Mr. Terry worked in the Investment Management Consulting Group of Interstate/Johnson Lane Corporation. Mr. Terry previously served as a member of the Executive Committee and President for the Mountain Brook City Schools Foundation and Chairman of the Executive Board of the Greater Alabama Council of Boy Scouts of America. Mr. Terry received an undergraduate degree from Davidson College and is a CFA charter holder. Mr. Terry became a Director for the Company in 2004. We believe that Mr. Terry's skills and experience at Highland Associates in the field of investments and as a leader of the firm; his experience as a leader in civic, educational, and not-for-profit organizations; and his seasoned business judgment are valuable to our Board of Directors.

W. Michael Warren, Jr. Mr. Warren is President and Chief Executive Officer of Children's of Alabama, an independent, not-for-profit, free-standing pediatric healthcare center. Prior to joining Children's in January 2008, Mr. Warren was Chairman and Chief Executive Officer of Energen Corporation and its two primary subsidiaries, Alagasco and Energen Resources. Mr. Warren became President of Alagasco in 1984 and held a number of increasingly important positions with Energen before being named President and Chief Executive Officer in February 1997 and Chairman in January 1998. Mr. Warren was a lawyer in private

practice in Birmingham, Alabama, before joining Alabama Gas in 1983. Mr. Warren served on the Board of Directors of Energen Corporation until his term expired in April 2010. Mr. Warren has served as Chairman of the Board of Directors of the Business Council of Alabama, the United Way, and Children's of Alabama. He also has been Chairman of the Metropolitan Development Board, the Alabama Symphony Board of Directors, and the American Heart Association Board of Directors. He has chaired the general campaign of the United Way for Central Alabama and the United Negro College Fund. Mr. Warren received an undergraduate degree from Auburn University and a Juris Doctorate from Duke University. Mr. Warren became a Director for the Company in 2001. We believe that Mr. Warren's background as an attorney; his skills and long experience as Chairman and CEO of a highly-regulated publicly-held utility; his continuing experience as President and CEO of Children's of Alabama; his experience as a leader in other business, civic, and not-for-profit organizations; and his seasoned business judgment are valuable to our Board of Directors.

Audit Committee

The Board has a separately designated standing audit committee. Its members are Vanessa Leonard, Chairperson, William A. Terry and W. Michael Warren, Jr.

Our Board has determined that William A. Terry, a member of our Audit Committee, is an audit committee financial expert under the rules of the SEC and is independent under applicable SEC standards. While Mr. Terry possesses the attributes of an audit committee financial expert (as defined under the SEC rules), he is not and has never been an accountant or auditor, and this financial expert designation does not impose any duties, obligations or liabilities that are greater than the duties, obligations, and liabilities imposed by being a member of the Audit Committee or the Board.

Code of Ethics

The Company has adopted a Code of Business Conduct, which applies to all directors, officers, and employees of the Company. The Code of Business Conduct incorporates a code of ethics that applies to the principal executive officer and all financial officers (including the Chief Financial Officer and the Chief Accounting Officer) of the Company. The Code of Business Conduct is available on the Company's website at <http://investor.protective.com/corporate-governance/code-of-conduct>.

In the event the Company amends or waives any of the provisions of the Code of Business Conduct applicable to our principal executive officer or principal financial officer that relate to any element of the definition of "code of ethics" enumerated in Item 406(b) of Regulation S-K under the 1934 Act, the Company intends to disclose these actions on the Company's website.

Item 11. Executive Compensation

Unless the context otherwise requires, the “Company,” “we,” “us,” or “our” refers to Protective Life Corporation.

Compensation Discussion and Analysis

In this section, we describe the material components of our executive compensation program in 2017 for our named executive officers, whose compensation is set forth in the Summary Compensation Table and other compensation tables contained herein:

Named Executive Officers for 2017

- **John D. Johns**, our Executive Chairman of the Company;
- **Richard J. Bielen**, our President and Chief Executive Officer;
- **Steven G. Walker**, our Executive Vice President and Chief Financial Officer;
- **Deborah J. Long**, our Executive Vice President, Chief Legal Officer and Secretary;
- **Michael G. Temple**, our Executive Vice President, Finance and Risk; and
- **Carl S. Thigpen**, our Executive Vice President and Chief Investment Officer.

Our Compensation Philosophy

The objectives of our executive compensation program are to: 1) attract and retain the most qualified executives; 2) reward them for achieving high levels of performance; and 3) align executive and Dai-ichi Life interests.

Background of Compensation Program

In 2015, the Company consummated an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the Company became a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaisha* organized under the laws of Japan (now known as Dai-ichi Life Holdings, Inc., “Dai-ichi Life”), and the Company’s stock ceased to be publicly traded. The Compensation Discussion and Analysis and the related tables and disclosures that follow provide details regarding our 2017 compensation programs, which were originally restructured upon the Merger in 2015 to reflect the fact that we no longer have a publicly traded class of stock to use in our compensation programs.

As a result of the Merger in 2015, we adopted new long-term incentive and annual incentive programs. In addition, in anticipation of the Merger, the named executive officers, as well as many other of the Company’s key officers, entered into Employment Agreements with the Company in 2014 (the “Employment Agreements”), which provided for, among other things, minimum compensation and benefits that each named executive officer would be entitled to receive for his or her continuing services to the Company. Many of the Employment Agreements between the Company and our officers were amended to reflect new minimum annual incentive amounts to account for annual incentives paid in March 2015 due to the occurrence of the Merger earlier in 2015. The Employment Agreements for Mr. Bielen and Mr. Thigpen were amended in March 2015 to reflect increases in their guaranteed minimum annual incentive amounts. There were no guaranteed annual incentive payments in 2017 as there were in 2016 under the Employment Agreements due to the expiration of the minimum guaranteed annual incentive payments under such agreements for all of the named executive officers.

The employment period and the term of the Employment Agreements expired upon the second anniversary of the effective date of the Merger (February 2017) for Mr. Walker and upon the third anniversary of the effective date of the Merger (February 2018) for Mr. Johns, Mr. Bielen, Ms. Long and Mr. Thigpen. In December 2016, Ms. Long entered into a transition letter agreement (the “Transition Letter Agreement”) that sets forth her compensation arrangements related to the period from December 2016 to July 31, 2018, when she plans to retire. In November 2017, Mr. Johns entered into a letter agreement (the “Letter Agreement”) with the Company that established his compensation arrangements during the period he is serving as Executive Chairman of the Company. For more information about the Employment Agreements, the Transition Letter Agreement, and the Letter Agreement, please see “Potential Payments upon Termination or Change of Control” in this Item 11.

In November 2017, the Board adopted the Protective Life Corporation Annual Incentive Plan (“AIP”) and the Protective Life Corporation Long-Term Incentive Plan (“LTIP”), which became effective January 1, 2018, under which annual and long-term incentives are expected to be made available to our named executive officers and certain other employees beginning in 2018. For more information about these plans, please see “Adoption of Annual Incentive Plan and Long-Term Incentive Plan” in this Item 11.

Principles of Our Compensation Program

To meet our executive compensation objectives, we design our program to: 1) align compensation with business goals and results; 2) compete for executive talent; 3) support risk management practices; 4) take into account market and industry pay and practices; and 5) be communicated effectively, so our officers understand how compensation is linked to performance.

Compensation Committee

The Compensation and Management Succession Committee of our Board of Directors (“Compensation Committee”), which consists of three independent directors, oversees the compensation program for our officers. During 2017, the members of the Compensation Committee were John J. McMahon, Jr., Chairperson, Jesse J. Spikes, and William A. Terry. In 2017, the Compensation Committee met three times.

Among its duties, the Compensation Committee is responsible for formulating compensation and related recommendations for approval by the Board, including: policies and programs applicable to the Company's officers and key employees; the Company's annual incentive plan, including the total amount of bonuses to be paid each year under the annual incentive plan and the methodology used to determine individual bonuses; the administration of the Company's long-term incentive plan and the achievement of any applicable performance objectives; corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO") and evaluation of the CEO's performance in light of these goals and objectives; base salary, annual incentive plan bonus, long-term incentive compensation, and other compensation of the CEO and the other senior officers of the Company; and the performance of senior officers and senior management succession plans. The Compensation Committee's charter, which sets out its duties and responsibilities, can be found on our website at <http://investor.protective.com/corporate-governance/compensation>.

The Compensation Committee has retained Willis Towers Watson ("Willis"), an independent compensation consultant, to review, assess and provide input with respect to certain aspects of our compensation program for executive officers. The consultant reports directly to the Compensation Committee with respect to these services, and the Compensation Committee may replace the consultant at any time. The consultant gives the Compensation Committee advice about: 1) the compensation provided to officers at other companies, using proxy statement data, published survey sources, and the consultant's proprietary data; 2) the amount and type of compensation to provide to our officers and key employees; 3) the value of long-term incentive grants; 4) the allocation of total compensation between cash and stock-based incentives; and 5) internal pay equity among key executives. Representatives of the compensation consultant attend regular Compensation Committee meetings and consult with the Chairperson of the Compensation Committee (with or without management present) upon request. The consultant also advises the Corporate Governance and Nominating Committee on director compensation.

Compensation Committee Interlocks and Insider Participation

During 2017, the members of our Compensation Committee were Mr. McMahon (Chairperson), Mr. Spikes, and Mr. Terry. No interlocking relationship (as defined in the SEC rules) existed during 2017 between any of these individuals and any of our executive officers.

Compensation Peer Group

For 2017, the compensation consultant focused on the pay practices of a peer group of 14 life insurance and financial services companies that are similar to us in size and business mix and that represent a possible source of officer and key employee talent. The Compensation Committee selects the companies in this compensation peer group taking into account the recommendations of the consultant and our management. The consultant also provides a summary of compensation survey data for other companies to give the Compensation Committee additional information for comparison purposes.

The compensation peer group for the 2017 compensation cycle included:

- Lincoln National Corporation
- Principal Financial Group, Inc.
- Ameriprise Financial, Inc.
- Aflac Incorporated
- Genworth Financial, Inc.
- Unum Group
- Reinsurance Group of America, Inc.
- CNO Financial Group, Inc.
- Assurant, Inc.
- Torchmark Corporation
- Primerica, Inc.
- FBL Financial Group, Inc.
- XL Group Ltd.
- StanCorp Financial Group, Inc.

Our compensation consultant, along with our Compensation Committee and our management, consider the composition of the peer group annually. We believe that the peer group has the appropriate mix of companies and that it provides the appropriate means of comparing our compensation programs and performance to that of key competitors.

Pay for Performance

The Compensation Committee is committed to tying executive compensation to Company performance. To evaluate its implementation of this pay for performance philosophy, the Compensation Committee members consider a wide range of information (including information they receive both as Compensation Committee members and as Board members), including: 1) our deployment of capital for acquisitions and products; 2) our adjusted operating earnings, the rate of growth of our adjusted

operating earnings, and the degree of difficulty in achieving our earnings goals; 3) our financial strength (as measured by our statutory capital, risk-based capital ("RBC"), and rating agency ratings); 4) our budgets, expense management, and budget variances; and 5) pay for performance analyses prepared by the compensation consultant.

The Compensation Committee does not place a particular weighting on any of these factors, but instead considers the information as a whole. Based on this ongoing review, the Compensation Committee believes that our compensation program provides a strong link between Company performance and the compensation of our officers.

Components of Our 2017 Compensation Program

The key components of our executive compensation program are: 1) base salaries; 2) annual cash incentive awards; 3) long-term incentives; and 4) retirement and deferred compensation plans.

The Compensation Committee considers each component (separately and with the others) for our senior officers. The Compensation Committee targets the total annual compensation package to be at the median of the compensation peer group. As part of this review, the Compensation Committee considers the total "mix" of the base salary, annual cash incentive and long-term compensation delivered to our senior officers, and compares that compensation mix to the compensation mix of comparable officers at other companies. The annual incentive and long-term incentive components of the program are designed so above-average company performance will result in above-median total compensation, and below-average company performance will result in below-median total compensation. The Compensation Committee does not have formal policies regarding these factors, but tries to make our practices generally consistent with the practices of the peer group.

The compensation consultant recommends a compensation package for our CEO. Our Human Resources Department provides the Compensation Committee with additional information about our officers and our compensation arrangements. Our CEO, with advice from the compensation consultant, recommends compensation packages for our senior officers; however, he does not provide recommendations about his own compensation.

As previously disclosed, effective upon the Merger, the named executive officers, as well as many other key officers, entered into Employment Agreements with the Company. The Employment Agreements prescribed, for the two-year (for Mr. Walker) or three-year (for Mr. Johns, Mr. Bielen, Ms. Long, and Mr. Thigpen) employment period commencing on February 1, 2015, among other things, the minimum compensation and benefits that each named executive officer would be entitled to receive for his or her continuing services (including minimum base salaries; minimum annual bonus amounts; target long-term incentive compensation opportunities and the terms and conditions thereof (including normal and early retirement provisions); and retention payments). As noted above, the employment periods under these Employment Agreements have all now expired. The Employment Agreement with Mr. Johns was generally superseded by the terms of the Letter Agreement entered into with him in November 2017. Under the terms of the Letter Agreement, there was no change in Mr. Johns' compensation arrangements through December 31, 2017. On and after January 1, 2018, for so long as Mr. Johns serves as the Company's Executive Chairman, unless otherwise agreed, Mr. Johns will be working on a part-time basis and will be entitled to an annual base salary of \$1.2 million, payable semi-monthly consistent with the Company's normal payroll policy, and to the same perquisites and benefits as were currently in effect on the date of the Letter Agreement, but he will not be entitled to any new or additional annual incentive bonuses or long-term incentive grants. The Letter Agreement further provides that any amounts that had accrued to Mr. Johns under his Employment Agreement but that remained unpaid as of the date on which Mr. Johns executed the Letter Agreement, including any accrued but unpaid portion of his base salary and annual bonus with respect to 2017 performance, are to be paid to Mr. Johns no later than March 15, 2018. Any current or future amounts payable under outstanding long-term incentive awards are to be paid in accordance with the terms of such awards and his Employment Agreement. For more information about the Employment Agreements, the Transition Letter Agreement and the Letter Agreement, see "Potential Payments upon Termination or Change of Control" in this Item 11.

Base Salaries

Base salary is the primary fixed portion of executive pay. It compensates individuals for performing their day-to-day duties and responsibilities and provides them with a level of income certainty. Salary adjustments have historically been made in late February/early March and have been effective March 1 of that year. In making its base salary recommendations to the Board, the Compensation Committee considers the responsibilities of the job, individual performance, the relative value of a position, experience, comparisons to salaries for similar positions in other companies, and internal pay equity. For the CEO, the Compensation Committee also considers Company performance. No particular weighting is given to any of these factors. For 2017, minimum base salaries for Mr. Johns, Mr. Bielen, Ms. Long, and Mr. Thigpen were established by their Employment Agreements with the Company. The 2017 salaries, as determined by the Committee, for Mr. Johns, Mr. Bielen, Ms. Long, and Mr. Thigpen were greater than the minimum base salaries established by their Employment Agreements.

The Compensation Committee reviewed the performance and base salaries of the named executive officers at its February 2017 meeting. At the recommendation of the Compensation Committee, the Board approved the following annual base salaries (and the related percentage increases from the previously-effective base salaries), effective March 1, 2017: 1) Johns, \$1,000,000 (0.0%); 2) Bielen, \$620,000 (3.3%); 3) Walker, \$415,000 (7.8%); 4) Long, \$490,000 (2.1%); 5) Temple, \$475,000 (11.8%); and 6) Thigpen, \$515,000 (2.0%). In connection with Mr. Bielen's promotion to CEO effective July 2017, the Board approved, at the recommendation of the Compensation Committee, an increase in his base salary to \$750,000. At the recommendation of the Compensation Committee, there were no changes to Mr. Johns' base salary in connection with his election to Executive Chairman of the Company through December 31, 2017; commencing January 1, 2018, his base salary became \$1,200,000 per the terms of his Letter Agreement.

Annual Cash Incentive Awards

Officers and key employees are eligible for annual cash incentive opportunities under our annual incentive plan. The annual incentive plan's purpose is to attract, retain, motivate and reward qualified officers and key employees by providing them with the opportunity to earn competitive compensation directly linked to the Company's performance. As previously disclosed, starting in 2017, none of the named executive officers were entitled to any guaranteed minimum amount of annual incentive payment. In February 2017, the Board approved the terms of the 2017 annual incentive opportunities for named executive officers.

The Compensation Committee recommends to the Board for its approval the target annual incentive opportunities and performance objectives for our named executive officers for the current year. Historically, in recommending these target opportunities, the Compensation Committee has considered the responsibilities of the job, individual performance, the relative value of a position, comparisons to annual incentive opportunities for similar positions in other companies, and internal pay equity. No particular weight is given to any of these factors.

Payment of annual incentives is based on achievement of one or more performance goals. For 2017, the Board of Directors established, at the recommendation of the Compensation Committee, these performance goals (weighted as shown in the table) for the named executive officers:

<u>Goal (in millions, except percentages)</u>	Threshold (50% payout)	Target (100% payout)	Maximum (200% payout)
After-tax Adjusted Operating Income (60%)	\$ 300	\$ 350	\$ 400
Value of New Business (30%)	\$ 52	\$ 62	\$ 72
Expense Management (10%)	\$ 501	\$ 486	\$ 471
RBC below 375% (Negative modifier (20%))	375%	375%	375%

After-tax adjusted operating income, measured from January 1 through December 31, 2017, is derived from pre-tax adjusted operating income with the inclusion of income tax expense or benefits associated with pre-tax adjusted operating income. Pre-tax adjusted operating income is calculated by adjusting "income before income tax" by excluding the following items:

- realized gains and losses on investments and derivatives,
- changes in the GLWB embedded derivatives exclusive of the portion attributable to the economic cost of the GLWB,
- actual GLWB incurred claims, and
- the amortization of DAC, VOBA, and certain policy liabilities that is impacted by the exclusion of these items.

Income tax expense or benefits is allocated to the items excluded from pre-tax adjusted operating income at the statutory federal income tax rate of thirty-five percent. Income tax expense or benefits allocated to after-tax adjusted operating income can vary period to period based on changes in the Company's effective income tax rate.

Value of new business is measured as the expected value of new policies written from January 1 through December 31, 2017. The value of new business includes income expected to be realized in both the current year and future years. For purposes of the value of new business goal, the variable annuity business measurement is based on a market consistent embedded value analysis. All other business is measured as present value of expected future earnings from new sales above the 6.5% assumed cost of capital.

The expense management performance goal provides management with an incentive to prudently manage operating expenses and to maintain efficient operations. The expense management performance goal is measured from January 1 through December 31, 2017 and is defined as other operating expenses before the effect of policy acquisition cost deferrals, excluding interest expense, the effects of reinsurance, certain performance incentives, agent commissions, certain non-deferred selling costs, certain expenses associated with acquisition-related activity, expenses incurred as part of long-term expense reduction initiatives, certain legal costs, certain regulatory fees or other expenses imposed on the Company, and management fees paid to Dai-ichi Life. In addition, certain expense items are considered variable and are therefore adjusted based on variations in new business volumes.

RBC is the company action level "risk based capital" percentage of Protective Life Insurance Company ("PLICO") as of December 31, 2017, determined as set forth in the applicable instructions established by the National Association of Insurance Commissioners ("NAIC") and filed with the state of Tennessee, and based on statutory accounting principles. RBC is intended to be a limit on the amount of risk the Company can take, and it requires a company with a higher amount of risk to hold a higher amount of capital. The Board determined that the overall results achieved in adjusted operating earnings, expense management, and capital deployment goals would be reduced by 20% if RBC was less than 375% on December 31, 2017. For a further discussion of RBC, see Note 21, *Statutory Reporting Practices and Other Regulatory Matters*, to the audited financial statements included in this Annual Report on Form 10-K.

The amount payable based on each of the above-described performance objectives can range from 50% (for performance at threshold levels) to 200% (for performance at or above maximum) of the portion of target award related to such performance objective. At the threshold level of performance, fifty percent (50%) of the allocable portion of the target award will be payable, with 100% payable for performance at target. For achievement between the stated performance levels (i.e., between threshold and target, and between target and maximum), the amount payable will be determined by mathematical interpolation. The Compensation Committee recommends to the Board of Directors for its determination the achievement of the performance objectives for the

incentive opportunities granted to the named executive officers in the previous year. For other officers and managers, the Compensation Committee reviews the total incentive opportunities and the methods used to determine individual payments.

At its February 21, 2018 meeting, the Board determined that, in respect to 2017 performance: 1) our after-tax adjusted operating income was \$1,153 million; 2) our value of new business was \$71 million; 3) our expense management amount was \$480 million; and 4) our RBC was above 600%.

Long-Term Incentive Awards

In connection with the Merger in 2015, the Board approved a new long-term incentive program that established a formula equity value for the Company under which our named executive officers receive awards, payable in cash, that will increase or decrease in value as the value determined under this formula changes based on the operation of our business. In 2015 and 2016, the Compensation Committee granted three forms of long-term incentive awards (Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards, as defined below) to the named executive officers under the new program, the details of which were disclosed in the Company's Annual Reports on Forms 10-K for the years ended December 31, 2015 and 2016. Those awards have the potential to vest and be earned beginning in 2017 and 2018.

In February 2017, the Compensation Committee and the Board determined a total target value of the long-term incentive awards to be granted to each executive officer in 2017. Such awards again consisted of Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards, which will vest or be earned on various dates in 2019 or 2020. In determining the total target value of long-term incentive awards in a given year, the Compensation Committee considers a named executive officer's responsibilities, performance, previous long-term incentive awards, the amount of long-term incentives provided to officers in similar positions at our peer companies, and internal compensation equity. No particular weight is given to any of these factors. As previously disclosed, beginning with the awards made in 2015 and extending through the awards made in 2016 (for Mr. Walker) and in 2017 (for Mr. Johns, Mr. Bielen, Ms. Long, and Mr. Thigpen), the Employment Agreements provide for a minimum target amount for awards that are made under our long-term incentive program. Additionally, under Ms. Long's Transition Letter Agreement, her long-term incentive award had a minimum guaranteed value for 2017. Pursuant to the Employment Agreements, the performance metrics and weightings under the long-term incentive program are established by the Board, Dai-ichi Life, and the Company's CEO.

The Compensation Committee considered a number of factors when it granted long-term incentive awards in 2017, including the desire to maintain the appropriate balance between performance-based and retention-based incentives and information provided by the compensation consultant comparing the value of our long-term incentive awards granted to named executive officers to the value provided by our compensation peer group.

The 2017 long-term incentive opportunities for the named executive officers are comprised of three separate awards:

1. Performance units are generally designed to vest based on the achievement of two objectives - cumulative after-tax adjusted operating income ("Operating Income Objective") and average return on equity ("ROE Objective") - over the period from January 1, 2017 to December 31, 2019 and generally subject to the named executive officer's continued employment until the applicable payment date of the earned award (the "Performance Unit Awards");
2. Restricted units are generally designed to vest in two equal installments on each of December 31, 2019 and December 31, 2020, are valued based on the tangible book value of the Company on the applicable vesting date and are generally subject to the named executive officer's continued employment until such respective dates (the "Restricted Unit Awards"); and
3. A dollar denominated award that is generally designed to vest in December 2019 based on the named executive officer's continued employment, the value of which will be adjusted to reflect the change in the value of Dai-ichi Life's common stock over the measurement period stated below (the "Parent Based Awards").

The number of units subject to each Performance Unit Award is determined by dividing 60% of each named executive officer's target long-term incentive opportunity by an amount equal to 90% of the Company's applicable tangible book value per unit as of January 1, 2017. One-half of the units subject to each Performance Unit Award will be subject to achieving the ROE Objective and one-half will be subject to achieving the Operating Income Objective. The amount payable in respect of each unit can range from 0% (for performance against the applicable objective below the threshold level) to 200% (for performance at or above maximum). One hundred percent (100%) of the award will be payable for performance at target. For achievement between the stated performance levels (i.e., between threshold and target, and between target and maximum), the amount will be determined by mathematical interpolation.

Specifically, payment with respect to the ROE Objective will be based on the following schedule:

Average Return on Equity	Percentage of Performance Units Earned
Less than 5.2%	—%
5.6%	100%
6.1% or more	200%

There will be straight-line interpolation between average return on equity between 5.2% and 5.6% to determine the exact percentage to be paid between 0% and 100%; and between 5.6% and 6.1% to determine the exact percentage to be paid between 100% and 200%.

Payment with respect to the Operating Income Objective will be based on the following schedule:

Cumulative After-tax Adjusted Operating Income (Dollars In Millions)	Percentage of Performance Units Earned
Less than \$985	—%
\$1,075	100%
\$1,165 or more	200%

There will be straight-line interpolation between cumulative after-tax adjusted operating income between \$985,000,000 and \$1,075,000,000 to determine the exact percentage to be paid between 0% and 100%; and between \$1,075,000,000 and \$1,165,000,000 to determine the exact percentage to be paid between 100% and 200%.

The Performance Unit Awards generally will be forfeited if the named executive officer's employment terminates prior to the date of payment. However, a named executive officer whose employment terminates earlier due to death, disability or retirement on or after early retirement or normal retirement eligibility under the terms of the Qualified Pension Plan will receive a payment with respect to a pro-rata portion, based on service through the date of termination, of the Performance Unit Awards that would otherwise be payable (or such greater amount as the Compensation Committee may determine in its discretion), and the remaining portion will be forfeited.

The number of restricted units subject to each Restricted Unit Award is determined by dividing 30% of each named executive officer's target long-term incentive opportunity by an amount equal to the Company's applicable tangible book value per unit as of January 1, 2017. The initial cash value of the Parent Based Awards is equal to 10% of the target long-term incentive award opportunity for each named executive officer. At vesting, the amount payable in respect of such Parent Based Awards shall be such initial value multiplied by the percentage change in the value of the common stock of Dai-ichi Life, whether such value has increased or decreased, over the period from February 1, 2017 to December 31, 2019, as measured based on the average value of such common stock in February 2017 and December 2019, respectively.

Payment of the Restricted Unit Awards and Parent Based Awards will generally be contingent upon the officer's being employed on the date of vesting, except that a named executive officer whose employment terminates due to death, disability, or retirement on or after normal retirement age under the terms of the Qualified Pension Plan will fully vest in such award. A named executive officer whose employment terminates on or after early retirement eligibility but before normal retirement age under the terms of the Qualified Pension Plan will receive a pro-rated portion of the Parent Based Award, which will immediately vest, based on a fraction, the numerator of which is the number of complete and partial calendar months between January 1, 2017 and the retirement date, and the denominator of which is 36. A named executive officer whose employment terminates on or after early retirement eligibility but before normal retirement age under the terms of the Qualified Pension Plan will receive a pro-rated portion of the restricted units, which will immediately vest, based on multiplying 1) the number of unvested restricted units that would become vested at the applicable date by 2) a fraction, the numerator of which is the number of complete and partial calendar months between January 1, 2017 and the retirement date, and the denominator of which is (x) 36, in the case of the portion of the restricted units that would become vested at December 31, 2019, and (y) 48, in the case of the portion of the restricted units that would become vested at December 31, 2020.

In the case of a special termination of the named executive officer, which consists of a termination of employment due to (i) a divestiture of a business segment or a significant portion of the assets of the Company or (ii) a significant reduction by the Company of its work force, the determination of whether, to what extent, and on what conditions any payment shall be made with respect to any unvested portion of your long-term incentive awards shall be at the discretion of the Compensation Committee. In the case of any other termination, the named executive officer's Restricted Unit Awards and Parent Based Awards will be forfeited.

The Grants of Plan-Based Awards Table has more information about these awards.

Retirement and Deferred Compensation Plans

We believe it is important to provide our employees, including our named executive officers, with the opportunity to accumulate retirement savings. All similarly-situated employees earn benefits under our tax-qualified pension plan ("Qualified Pension Plan") using the same formula. Benefits under our Qualified Pension Plan are limited by the Internal Revenue Code. We believe that we should provide retirement savings without imposing the restrictions on benefits contained in the Internal Revenue Code that would otherwise limit our employees' retirement security. Therefore, like many large companies, we have implemented a nonqualified excess benefit pension plan ("Nonqualified Excess Pension Plan") that makes up the difference between: 1) the benefit determined under the Qualified Pension Plan formula, without applying these limits; and 2) the benefit actually payable under the Qualified Pension Plan, taking these limits into account. All of the named executive officers, except for Mr. Johns, participate in the Nonqualified Excess Pension Plan.

In addition, we provide a nonqualified deferred compensation plan ("DCP") for named executive officers and other key officers. Eligible officers may defer: 1) up to 75% of their base salary; 2) up to 85% of any annual incentive award; and/or 3) up to 94% of the amounts payable when Performance Unit Awards, Restricted Unit Awards, or Parent Based Awards are earned (for the Restricted Unit Awards and Parent Based Awards, percentages are subject to reduction if the employee is eligible for early

retirement). Officers were also entitled to defer up to 85% of their retention bonus installments payable under their Employment Agreements.

Employees that contribute a portion of their salary, overtime and cash incentives to our tax-qualified 401(k) plan (“401(k) Plan”) receive a dollar-for-dollar company matching contribution, which may be at the maximum 4% of the employee's eligible pay (which is subject to limits imposed by the Internal Revenue Code).

For more information about these plans, see the “All Other Compensation Table”, “Post-Employment Benefits”, and “Nonqualified Deferred Compensation” in this Item 11.

Perquisites and Other Benefits

The Company has other programs that help us attract and retain key talent and enhance their productivity. In 2017, we provided modest perquisites to our named executive officers, including a financial and tax planning program for certain senior officers and dining club memberships for Mr. Johns. We reimburse the officers for business-related meals in accordance with our regular policies. They pay for all personal meals.

Company Aircraft Policy

We do business in every state in the United States and have offices in ten states. Our employees and officers routinely use commercial air service for business travel, and we generally reimburse them only for the coach fare for domestic air travel. We also maintain a company aircraft program in order to provide for timely and cost-effective travel to these wide-spread locations.

Under this program, we do not operate any aircraft, own a hangar, or employ pilots. Instead, we have purchased a fractional interest in each of four aircraft. We pay a fixed fee per aircraft, plus a variable charge for hours actually flown, in exchange for the right to use the four aircraft for an aggregate of approximately 400 hours per year. Our directors, officers, and employees use these aircraft for selected business trips, and, in certain circumstances, a spouse or guest of a director or officer may accompany him or her on business-related travel. All travel under the program must be approved by the Executive Chairman. Whether a particular trip will be made on a Company aircraft or on a commercial flight depends, in general, upon the availability of commercial air service at the destination, the schedule and cost of the commercial air travel, the number of employees who are making the trip, the expected travel time, and the need for flexible travel arrangements.

Based on information provided by the compensation consultant, the Compensation Committee has adopted a policy that allows each of the Executive Chairman and the CEO (and their respective guests) to use the Company aircraft for personal trips for up to 25 hours per year to reduce their personal travel time and thereby increase the time they can effectively conduct Company business. The Company does not provide tax reimbursement payments with respect to this air travel.

Spousal Travel Policy

If an employee's spouse travels with the employee on Company business, we reimburse the employee for the associated travel expenses if the spouse's presence on the trip is deemed necessary or appropriate for the purpose of the trip. Beginning in 2017, the Company provides the named executive officers with tax reimbursement payments with respect to these reimbursed expenses.

For more information about perquisites and other benefits, see the “All Other Compensation Table” in this Item 11.

Accounting and Tax Issues

Prior to the enactment of the Tax Cuts and Jobs Act (the “Tax Reform Act”), which was signed into law on December 22, 2017, and generally became effective for the Company on January 1, 2018, we were not subject to the executive compensation deduction limitations of Section 162(m) of the Internal Revenue Code since the date of the Merger because the Company has not had any publicly traded equity securities. However, as a result of the enactment of the Tax Reform Act, Section 162(m) now applies to all companies that file reports pursuant to Section 15(d) of the Securities Exchange Act of 1934, including companies that have issued publicly traded debt securities. Accordingly, effective January 1, 2018, the Company became subject to Section 162(m). Section 162(m) generally imposes a \$1 million limit on the amount of compensation that a public company can deduct in any one year for any “covered employee”. Under Section 162(m), as amended by the Tax Reform Act, the following individuals will be considered our covered employees whose compensation by us is generally subject to Section 162(m)'s deduction limitations for the tax year beginning January 1, 2018:

- Any individual who served as the Company's principal executive officer or principal financial officer at any time during the taxable year;
- The three most highly compensated executive officers of the Company (as identified in the Summary Compensation Table of this Annual Report on Form 10-K) for the taxable year; and
- Any individual who has been a covered employee for any prior tax years, beginning January 1, 2018.

As a result of the Tax Reform Act, compensation paid to our covered employees in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain written binding arrangements that were in place as of November 2, 2017 and that have not been materially modified after such date. Because of ambiguities and uncertainties as to the application and interpretation of Section 162(m), including the uncertain application of transition relief to companies that had not been subject to Section 162(m) prior to the effectiveness of the Tax Reform Act, it is unclear whether or to what extent the deferred tax assets related to amounts paid or payable by the Company to covered employees after January 1, 2018 pursuant to written binding arrangements that were in place on November 2, 2017 will be subject to the \$1 million dollar deduction limit of Section

162(m). Further, the Compensation Committee reserves the right to modify compensation arrangements that were in effect as of November 2, 2017 if it determines that such modifications are consistent with the Company's business needs.

While the Compensation Committee may consider the deductibility of awards as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by Company for tax purposes.

Because our stock is not publicly traded, we are no longer using our stock as a currency for our long-term incentive awards, which limits our flexibility in structuring our compensation to avail ourselves of the benefit of fixed equity accounting.

We still structure our programs taking into account the provisions of Section 409A of the Internal Revenue Code, and the Employment Agreements entered into in anticipation of the Merger have provisions addressing the application of section 280G of the Internal Revenue Code.

Clawback Policy

Under the federal securities laws, if we have to prepare an accounting restatement due to our material noncompliance due to misconduct with the United States Securities and Exchange Commission (the "SEC") financial reporting requirements, then our CEO and Chief Financial Officer would have to reimburse us for: 1) any bonus or other incentive or equity-based compensation they received during the twelve-month period after we first issue or file the financial document that reflects the restatement; and 2) any profits they realized from the sale of our stock during the twelve-month period.

The Company's long-term incentive award agreements include a provision requiring the executive to repay, as liquidated damages, amounts received under the awards if the Compensation Committee reasonably determines in good faith that the executive violated certain provisions of the award agreement related to soliciting customers or employees, violating trade secret protections, or failing to cooperate with the Company in connection with claims, lawsuits, arbitrations, proceedings, examinations, inquiries or investigations involving the Company.

Risk Assessment

Based on its review of the Company's compensation policies as described in the Compensation Discussion and Analysis, the Compensation Committee concluded that our compensation program in 2017: 1) provided the appropriate level of compensation to our senior officers; 2) was properly designed to link compensation and performance; and 3) did not encourage our officers or employees to take unnecessary and excessive risks or to manipulate earnings or other financial measures.

COMPENSATION COMMITTEE REPORT

The Compensation and Management Succession Committee reviewed and discussed the Compensation Disclosure and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Disclosure and Analysis be included in this annual report.

COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE

*John J. McMahon, Jr., Chairperson
Jesse J. Spikes
William A. Terry*

Summary Compensation Table

The following table sets forth the total compensation earned by each of the Company's named executive officers for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015.

Summary Compensation Table							
Name and principal position with the Company (a)	Year (b)	Salary (\$)(c)	Bonus ⁽¹⁾ (\$)(d)	Non equity incentive plan compensation ⁽²⁾ (\$)(g)	Change in pension value & nonqualified deferred compensation earnings (\$)(h)	All other compensation (\$)(i)	Total Compensation (\$)(j)
John D. Johns <i>Executive Chairman of the Company</i> ⁽³⁾	2017	\$ 1,000,000	\$ —	\$ 11,148,951	\$ 82,343	\$ 896,109	\$ 13,127,403
	2016	\$ 1,000,000	\$ 2,223,000	\$ —	\$ 2,264,908	\$ 896,668	\$ 6,384,576
	2015	\$ 995,833	\$ 2,223,000	\$ 208,000	\$ 2,467,337	\$ 167,491	\$ 6,061,661
Richard J. Bielen <i>President and Chief Executive Officer</i> <i>(principal executive officer)</i> ⁽⁴⁾	2017	\$ 681,667	\$ 1,627,380	\$ 4,270,394	\$ 1,224,334	\$ 198,586	\$ 8,002,361
	2016	\$ 591,667	\$ 2,540,881	\$ —	\$ 868,418	\$ 179,510	\$ 4,180,476
	2015	\$ 545,833	\$ 2,540,881	\$ 115,000	\$ 1,186,527	\$ 60,815	\$ 4,449,056
Steven G. Walker <i>Executive Vice President and Chief Financial Officer (principal financial officer)</i> ⁽⁵⁾	2017	\$ 410,000	\$ —	\$ 1,477,680	\$ 119,931	\$ 57,913	\$ 2,065,524
	2016	\$ 379,167	\$ 919,725	\$ —	\$ 85,164	\$ 85,067	\$ 1,469,123
Deborah J. Long <i>Executive Vice President, Chief Legal Officer and Secretary</i>	2017	\$ 488,333	\$ 1,057,059	\$ 1,815,482	\$ 733,306	\$ 118,780	\$ 4,212,960
	2016	\$ 477,500	\$ 1,525,404	\$ —	\$ 633,972	\$ 136,441	\$ 2,773,317
	2015	\$ 462,500	\$ 1,525,404	\$ 56,200	\$ 577,628	\$ 55,343	\$ 2,677,075
Michael G. Temple <i>Executive Vice President, Finance and Risk</i>	2017	\$ 466,667	\$ 679,770	\$ 1,766,132	\$ 54,877	\$ 38,728	\$ 3,006,174
	2016	\$ 420,833	\$ 1,103,870	\$ —	\$ 34,542	\$ 39,116	\$ 1,598,361
	2015	\$ 395,833	\$ 1,103,870	\$ 62,100	\$ 33,628	\$ 958,945	\$ 2,554,376
Carl S. Thigpen <i>Executive Vice President and Chief Investment Officer</i>	2017	\$ 513,333	\$ 1,322,799	\$ 2,463,014	\$ 1,142,024	\$ 107,407	\$ 5,548,577
	2016	\$ 502,500	\$ 2,025,300	\$ —	\$ 1,126,676	\$ 146,125	\$ 3,800,601
	2015	\$ 487,500	\$ 2,025,300	\$ 76,400	\$ 1,217,685	\$ 50,018	\$ 3,856,903

- (1) For 2017, these numbers include: (i) the following amounts of retention bonuses under the terms of the named executive officer's Employment Agreement, which will be paid on or prior to March 15, 2018 for 2017 service: Mr. Bielen, \$1,627,380; Ms. Long, \$1,016,403; Mr. Temple, \$679,770; and Mr. Thigpen, \$1,322,799; and (ii) for Ms. Long, a payment of \$40,656, which represents the amount of the supplemental matching contribution that would have been paid by the Company under the DCP in respect of her final retention bonus payment but for her transition to part-time service effective January 1, 2018.
- (2) For 2017, these numbers include: (i) the following amounts of cash incentives payable on or prior to March 15, 2018 for 2017 performance under our annual incentive plan: Mr. Johns, \$2,496,000; Mr. Bielen, \$1,728,000; Mr. Walker, \$557,800; Ms. Long, \$611,500; Mr. Temple, \$684,000; and Mr. Thigpen, \$840,500; (ii) the following amounts of Performance Unit Awards earned with respect to the 2015-2017 performance period (granted in 2015), and that are payable in cash on or prior to March 15, 2018: Mr. Johns, \$7,291,811; Mr. Bielen, \$2,142,559; Mr. Walker, \$775,259; Ms. Long, \$994,027; Mr. Temple, \$911,989; and Mr. Thigpen, \$1,367,300; (iii) the following amounts paid with respect to the first installment of the Restricted Unit Awards that vested on December 31, 2017 (granted in 2015) and that will be paid in cash on or prior to March 15, 2018: Mr. Johns, \$820,380; Mr. Bielen, \$240,987; Mr. Walker, \$87,165; Ms. Long, \$111,777; Mr. Temple, \$102,548; and Mr. Thigpen, \$153,821; (iv) the following amounts of Parent Based Awards that vested on December 31, 2017 (granted in 2015), and that are payable in cash on or prior to March 15, 2018: Mr. Johns, \$540,760; Mr. Bielen, \$158,848; Mr. Walker, \$57,456; Ms. Long, \$73,679; Mr. Temple, \$67,595; and Mr. Thigpen, \$101,393; and (v) for Ms. Long, a payment of \$24,500, which represents the amount of the supplemental matching contribution that would have been paid by the Company under the DCP in respect of her annual incentive award payment for 2017 but for her transition to part-time service effective January 1, 2018.
- (3) From January 2017 to June 30, 2017, Mr. Johns served as Chairman and CEO.
- (4) From January 2017 to June 30, 2017, Mr. Bielen served as President and Chief Operating Officer.
- (5) Mr. Walker was not a named executive officer for 2015.

Discussion of Summary Compensation Table

Column (c)-Salary. These amounts include base salary for 2017 that the named executive officer contributed to our 401(k) Plan and to our DCP. The Nonqualified Deferred Compensation Table has more information about 2017 participation in the DCP.

Column (d)-Bonus. For 2017, these amounts include 1) for Mr. Bielen, Ms. Long, Mr. Temple and Mr. Thigpen, retention bonuses payable on or prior to March 15, 2018 under the terms of the Employment Agreements for 2017 service and 2) for Ms. Long, a payment of \$40,656, which represents the amount of the supplemental matching contribution that would have been paid by the Company under the DCP in respect of her final retention bonus payment but for her transition to part-time service effective January 1, 2018. For 2016, these amounts include 1) for all of the named executive officers, annual cash incentives guaranteed under the Employment Agreements payable in 2017 for 2016 performance and 2) for Mr. Bielen, Mr. Walker, Ms. Long, and Mr. Thigpen, retention bonuses payable in 2017 under the terms of the Employment Agreements for 2016 service. For 2015, these amounts include 1) for all of the named executive officers, annual cash incentives guaranteed under the Employment Agreements payable in 2016 for 2015 performance and 2) for Mr. Bielen, Mr. Walker, Ms. Long, and Mr. Thigpen, retention bonuses payable in 2016 under the terms of the Employment Agreements for 2015 service.

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Column (g)-Non-equity incentive plan compensation. For 2017, these amounts reflect 1) the cash incentives payable on or prior to March 15, 2018 for 2017 performance under our annual incentive plan, 2) the Performance Unit Awards earned with respect to the 2015-2017 performance period (granted in 2015), and that are payable on or prior to March 15, 2018, 3) for all of the named executive officers, the first installment of the Restricted Unit Awards that vested on December 31, 2017 (granted in 2015) and that are payable on or before March 15, 2018, 4) the Parent Based Awards that vested on December 31, 2017 (granted in 2015), and that are payable on or prior to March 15, 2018, and 5) for Ms. Long, a payment of \$24,500, which represents the amount of the supplemental matching contribution that would have been paid by the Company under the DCP in respect of her annual incentive award payment for 2017 but for her transition to part-time service effective January 1, 2018. For 2015, these amounts reflect the cash incentives payable in March 2016 for 2015 performance under our annual incentive plan in excess of the amounts guaranteed under the Employment Agreements. These amounts are based on the achievement of the Company's goals as determined by the Compensation Committee and the Board. All amounts reflected include any portion of the incentives that the named executive officer elected to contribute to our 401(k) Plan or to our DCP. The Grants of Plan-Based Awards Table and discussion following the table have more information about the 2017 annual incentive opportunity.

Column (h)-Change in pension value and nonqualified deferred compensation earnings. These amounts represent the increase or decrease in the actuarial present value of the named executive officer's benefits under our tax Qualified Pension Plan and our Nonqualified Excess Pension Plan. Changes in interest rates can significantly affect these numbers from year to year. For 2017, the total change in the present value of pension benefits for each named executive officer was divided between the plans as follows:

<u>Name</u>	<u>Qualified Pension Plan</u>	<u>Nonqualified Excess Pension Plan</u>
Johns	\$ 82,343	\$ —
Bielen	\$ 164,227	\$ 1,060,107
Walker	\$ 54,042	\$ 65,889
Long	\$ 168,995	\$ 564,311
Temple	\$ 17,384	\$ 37,493
Thigpen	\$ 214,888	\$ 927,136

The Pension Benefits Table has more information about each officer's participation in these plans.

All of the named executive officers have account balances in our DCP. The earnings on a named executive officer's balance reflect the earnings of notional investments selected by that named executive officer. These earnings are the same as for any other investor in these investments, and we do not provide any above-market or preferential earnings rates.

The grants of Performance Unit Awards, Restricted Unit Awards and Parent Based Awards, which are cash-based awards, are not reflected in the Summary Compensation Table. The awards will be reflected in the Summary Compensation Table in the year in which they are earned. The Grants of Plan-Based Awards Table provides information about the Performance Unit Awards, Restricted Unit Awards and Parent Based Awards that were granted in 2017.

Column (i)—All other compensation. For 2017, these amounts include the following:

<u>All Other Compensation Table</u>					
<u>Name</u>	<u>401(k) matching</u>	<u>Nonqualified deferred compensation plan contributions</u>	<u>Financial planning program</u>	<u>Other perquisites</u>	
Johns	\$ 10,800	\$ 747,745	\$ 14,782	\$ 122,782	
Bielen	\$ 10,800	\$ 120,994	\$ —	\$ 66,792	
Walker	\$ 10,800	\$ 32,358	\$ 14,755	\$ —	
Long	\$ 10,800	\$ 73,195	\$ 14,782	\$ 20,003	
Temple	\$ 10,800	\$ 13,400	\$ 14,528	\$ —	
Thigpen	\$ 10,800	\$ 95,076	\$ —	\$ 1,531	

401(k) Matching

Our employees can contribute a portion of their salary, overtime and cash incentives to our 401(k) Plan and receive a dollar-for-dollar company matching contribution. The maximum match is 4% of the employee's eligible pay (which is subject to limits imposed by the Internal Revenue Code). The table shows the matching received by the named executive officers.

Nonqualified Deferred Compensation Plan Contributions

The table includes, with respect to each of the executives, supplemental matching contributions that we made under our DCP to each named executive officer's account in 2017 with respect to the officer's participation in our DCP during 2016 ("DCP Supplemental Matching Contribution"). The Nonqualified Deferred Compensation Table provides more information about this plan. Additionally, the table includes, with respect to Mr. Johns, a lump sum amount that was determined as if he accrued a benefit in the Nonqualified Excess Pension Plan during 2017 and which is credited to his book-entry retirement pay deferral account (\$618,028). For more information on this retirement pay deferral account, see "Discussion of Nonqualified Deferred Compensation Table - Retirement Pay Deferral Account for John D. Johns" in this Item 11.

Financial Planning Program

These amounts include the amounts we pay for the fees and travel expenses of the third party provider of our financial and tax planning program.

Other Perquisites

These amounts include: 1) the amount we paid for club memberships for Mr. Johns (\$3,704) and Mr. Thigpen (\$600); 2) the amount of expense reimbursement that we paid to Mr. Johns (\$5,766) and Mr. Bielen (\$20,660) under our spousal travel policy; 3) the amount we paid for sporting events to Mr. Johns (\$2,332) and Mr. Bielen (\$3,492); 4) payments to Ms. Long for legal fees (\$19,800); 5) the amount we paid to Mr. Thigpen for a hunting trip (\$400); 6) the amount of gross-up payments we paid for spousal travel for Mr. Johns (\$5,103) and Mr. Bielen (\$18,284); 7) the amount of gross-up payments we paid for sporting events and travel to Mr. Johns (\$2,064) and Mr. Bielen (\$3,090); 8) the amount paid for spousal meals to Mr. Johns (\$441), Mr. Bielen (\$30) and Ms. Long (\$203); 9) the amount paid for gifts to Mr. Johns (\$241) and Mr. Bielen (\$241); and 10) the estimated incremental cost that we incurred in 2017 for Mr. Johns or his guests to use Company aircraft for personal trips (\$103,372) and Mr. Bielen and his guests to use Company aircraft for personal trips (\$20,995). The estimated incremental cost is based on incremental hourly charges and fuel allocable to the personal travel time on the aircraft. From time-to-time, family members of the named executive officers are accommodated as additional passengers on flights on Company aircraft. There is no incremental cost to the Company for this perquisite.

Grants of Plan-Based Awards During 2017

We adopted a long-term incentive program in 2015 that established a formula equity value for the Company under which our named executive officers will receive awards, payable in cash, that will increase or decrease in value as the value determined under this formula changes based on the operation of our business. The 2017 long-term incentive opportunities for the named executive officers are comprised of three separate awards: 1) Performance Unit Awards; 2) Restricted Unit Awards; and 3) Parent Based Awards.

This table has information about: 1) the long-term incentive awards granted in 2017 and 2) the annual incentive awards granted in 2017, which will be payable in March 2018. Because we no longer have publicly traded stock, none of the incentive awards granted in 2017 were equity incentive awards.

Grants of Plan-Based Awards Table

Name (a)	Grant Date (b)	Type of Award	Number of Units (c)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		
				Threshold (\$) (d)	Target (\$) (e)	Maximum (\$) (f)
Johns	3/15/17	Annual Incentive	(1) —	\$ 650,000	\$ 1,300,000	(1) \$ 2,600,000
	3/15/17	Performance Unit Awards	(2) 29,085	—	2,908,500	(2) 5,817,000
	3/15/17	Restricted Unit Awards	(3) 13,090	—	1,309,000	(3) —
	3/15/17	Parent Based Awards	(4) 4,363	—	436,300	(4) —
Bielen	3/15/17	Annual Incentive	(1) —	\$ 450,000	\$ 900,000	(1)(6) \$ 1,800,000
	3/15/17	Performance Unit Awards	(2) 10,400	—	1,040,000	(2) 2,080,000
	7/1/17	Performance Unit Awards	(2) 2,435	(2)(5) —	243,500	(2)(5) 487,500
	3/15/17	Restricted Unit Awards	(3) 4,680	—	468,000	(3) —
	7/1/17	Restricted Unit Awards	(3) 1,095	(3)(5) —	109,500	(3)(5) —
	3/15/17	Parent Based Awards	(4) 1,560	—	156,000	(4) —
	7/1/17	Parent Based Awards	(4) 365	(4)(5) —	36,500	(4)(5) —
Walker	3/15/17	Annual Incentive	(1) —	\$ 145,250	\$ 290,500	(1) \$ 581,000
	3/15/17	Performance Unit Awards	(2) 3,500	—	350,000	(2) 700,000
	3/15/17	Restricted Unit Awards	(3) 1,575	—	157,500	(3) —
	3/15/17	Parent Based Awards	(4) 525	—	52,500	(4) —
Long	3/15/17	Annual Incentive	(1) —	\$ 159,250	\$ 318,500	(1) \$ 637,000
	3/15/17	Performance Unit Awards	(2) 3,865	—	386,500	(2) 773,000
	3/15/17	Restricted Unit Awards	(3) 1,740	—	174,000	(3) —
	3/15/17	Parent Based Awards	(4) 580	—	58,000	(4) —
Temple	3/15/17	Annual Incentive	(1) —	\$ 178,150	\$ 356,300	(1) \$ 712,600
	3/15/17	Performance Unit Awards	(2) 4,665	—	466,500	(2) 933,000
	3/15/17	Restricted Unit Awards	(3) 2,100	—	210,000	(3) —
	3/15/17	Parent Based Awards	(4) 700	—	70,000	(4) —
Thigpen	3/15/17	Annual Incentive	(1) —	\$ 218,900	\$ 437,800	(1) \$ 875,600
	3/15/17	Performance Unit Awards	(2) 5,335	—	533,500	(2) 1,067,000
	3/15/17	Restricted Unit Awards	(3) 2,400	—	240,000	(3) —
	3/15/17	Parent Based Awards	(4) 800	—	80,000	(4) —

- (1) These numbers reflect the target and maximum payouts to the named executive officers under the annual incentive plan. The level of payout is tied to the Company's after-tax adjusted operating income, value of new business, expense management, and RBC.
- (2) These numbers reflect the Performance Unit Awards granted to each named executive officer along with the estimated payouts at the threshold, target, and maximum amounts. The number of Performance Unit Awards determined to be granted reflect a discount to the book value to reflect the risk of forfeiture associated with performance conditions. The level of payout is tied to the Company's ROE and cumulative after-tax adjusted operating income. These values reflect a reasonable estimate based on a value of each unit at \$100 at the date of grant using the grant-date tangible book value of the Company.
- (3) These numbers reflect the Restricted Unit Awards and target value of Restricted Unit Awards granted to each named executive officer.
- (4) These numbers reflect the Parent Based Awards and target value of the Parent Based Awards granted to each named executive officer.
- (5) These numbers reflect an off-cycle award based on Mr. Bielen's promotion to CEO on July 1, 2017.
- (6) Upon Mr. Bielen's promotion to CEO on July 1, 2017, his target was increased to 120% for the entirety of the 2017 plan year.

Discussion of Grants of Plan-Based Awards Table

Column (b) - Grant date.

At its February 21, 2017 meeting, the Board granted long-term incentive awards valued in the amounts reflected in the table with a grant date of March 15, 2017.

Column (c) - Number of units.

These amounts reflect the number of each of the Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards granted to the named executive officers in 2017. The target value of each award is reflected in column (e).

Columns (d), (e), and (f) - Estimated possible payouts under non-equity incentive plan awards.

For a discussion of the performance targets and the estimated possible payouts under non-equity incentive plan awards, see “Annual Cash Incentive Awards” and “Long Term Incentive Awards” in the Compensation Disclosure and Analysis above.

Termination of Employment; Change of Control

Special vesting and payment provisions apply to Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards if the officer's employment ends. See “Potential Payments upon Termination or Change of Control” in this Item 11 for more information.

Outstanding Equity Awards at December 31, 2017

The named executive officers had no outstanding equity awards as of December 31, 2017.

Option Exercises and Stock Vested During 2017

In 2017, none of the named executive officers held any awards that were exercisable for, convertible into or that may be settled for stock of the Company.

Adoption of Annual Incentive Plan and Long-Term Incentive Plan

On November 6, 2017, the Board adopted the Protective Life Corporation Annual Incentive Plan (“AIP”) and the Protective Life Corporation Long-Term Incentive Plan (“LTIP”). The Company intends to make grants of annual and long-term incentives under the AIP and the LTIP, respectively, to officers and key employees of the Company and its subsidiaries beginning in 2018. A summary of these plans follows.

Annual Incentive Plan

Under the AIP, officers and key employees of the Company and its subsidiaries are eligible for annual cash incentive opportunities based upon the achievement of key annual goals that will enhance Company performance and shareowner value. The Compensation Committee will designate the officers and key employees to participate in the AIP (“Participants”).

For each calendar year, the Compensation Committee will recommend for approval by the Board the performance objective or objectives that must be satisfied in order for Participants to be eligible to receive an incentive payment for that year. The performance objectives established under the AIP shall be related to one of the following criteria, which may be determined solely by reference to the performance of the Company or a subsidiary or a division or business unit or based on comparative performance relative to other companies: net income; operating income; book value; embedded value or economic value added; return on equity, assets or invested capital; assets, sales or revenues or growth in assets, sales or revenues; efficiency or expense management; capital adequacy (including risk-based capital); investment returns or asset quality; completion of acquisitions, financings, or similar transactions; customer service metrics; the value of new business or sales; or such other reasonable criteria as the Compensation Committee may recommend and the Board may approve. With respect to any Participant, the Compensation Committee may establish multiple performance objectives.

The AIP provides that the Compensation Committee will establish a target amount for each Participant and that Participants’ targeted amounts may be aggregated to create a pool to be allocated in the discretion of the Compensation Committee. The Compensation Committee may establish the pool in respect of any performance objective based on the extent to which the objective is met or exceeded, or the extent to which objectives are only partially achieved. The Compensation Committee may provide that amounts below or in excess of the aggregate of all Participant targets for such performance objective will be funded for performance in excess of, or at stated levels below, targeted performance. The Compensation Committee may also establish a threshold level of achievement for any performance objective below which no amount shall be funded in respect of such performance objective. Additionally, the Compensation Committee may, in its discretion, allocate the pool among divisions or business units, in which case the authorized manager of each division or business unit will then (i) make individual determinations regarding the contribution of each Participant in his or her respective division or business unit to the achievement of the overall stated performance objectives, and (ii) recommend, for approval by the Compensation Committee, the amount payable, if any, from such division or business unit allocation to each such Participant.

The Compensation Committee may delegate any and all of its duties and responsibilities (including the selection of Participants) in respect of any Participants (other than the Executive Chairman, President and Chief Executive Officer and all members of the Company’s Performance and Accountability Committee) to a committee of officers comprised of the President and Chief Executive Officer and any two or more of certain specified Company officers.

Unless the Compensation Committee otherwise determines to pay the Participant a greater amount, if a Participant’s employment terminates due to death, disability or normal or early retirement under the terms of the Qualified Pension Plan, the Participant shall receive an annual incentive payment equal to the amount the Participant would have received if the Participant had remained employed through the end of the year, pro-rated based on the number of days that elapsed during the year in which the termination occurs. Except as provided in the prior sentence, unless the Compensation Committee shall determine to authorize a payment, no amount shall be payable to a Participant as an annual incentive award unless the Participant is still an employee of

the Company or one of its subsidiaries on the date payment is made or such earlier date as the Compensation Committee may specify.

The AIP is effective with respect to the calendar year beginning January 1, 2018, and will continue in effect until otherwise amended or terminated by the Board.

Long Term Incentive Plan

Under the LTIP, employees of the Company and its subsidiaries are eligible to receive three types of incentive awards (collectively, “Awards”):

1. “Performance Unit,” an Award which becomes vested and non-forfeitable upon the attainment, in whole or in part, of performance objectives, determined by the Compensation Committee, during an award period, and which is payable in cash based amounts set by the Compensation Committee.
2. “Restricted Unit,” an Award which becomes vested and non-forfeitable, in whole or in part, upon the satisfaction of such conditions as shall be determined by the Compensation Committee, and which is payable in cash based on the Company’s “Tangible Book Value Per Unit,” as defined in the LTIP.
3. “Parent-Based Award,” a cash-denominated Award based on the value of the common stock of the Company’s sole stockholder, Dai-ichi Life or its successor over the life of the Award.

Under the LTIP, the Compensation Committee shall select the eligible participants (“LTIP Participants”), the number of Awards each LTIP Participant will be granted, and the performance criteria (if any) for each Award. In the case of Performance Units, the performance objectives shall be related to at least one of the following criteria, which may be determined solely by reference to the performance of the Company or a division or subsidiary or based on comparative performance relative to other companies: (i) pre-tax and/or after-tax adjusted operating income, operating earnings, net income, operating income, book value, embedded value or economic value added of the Company or a subsidiary, division or business unit (including measures on a per share basis) or the accumulated earnings of any of the foregoing, (ii) return on equity, assets or invested capital, (iii) assets, sales or revenues, or growth in assets, sales or revenues, of the Company or a subsidiary, division or business unit, (iv) efficiency or expense management (such as unit cost), (v) risk management or third-party ratings, (vi) capital adequacy (including risk-based capital), (vii) investment returns or asset quality, (viii) premium income or earned premium, (ix) value of new business or sales, (x) negotiation or completion of acquisitions, financings or similar transactions, (xi) customer service metrics, and (xii) such other reasonable criteria as the Compensation Committee may determine. The Compensation Committee may change the performance objectives applicable with respect to any Performance Units to reflect such factors, including changes in a LTIP Participant’s duties or responsibilities or changes in business objectives, as the Compensation Committee shall deem necessary or appropriate.

The Compensation Committee may delegate any and all of its authority (including the selection of LTIP Participants) with respect to any LTIP Participants (other than the Executive Chairman, President and Chief Executive Officer and Performance and Accountability Committee members) to a committee comprised of the President and Chief Executive Officer and any two or more of certain officers listed in the LTIP.

The LTIP provides for special payouts of Awards upon certain change of control transactions of the Company as defined in the LTIP. In addition, in the case of Parent-Based Units, the payouts will occur upon a change of control of Dai-ichi Life.

The LTIP provides that upon a termination of a LTIP Participant’s employment due to death, disability, or normal retirement, all Restricted Units and Parent-Based Awards will become fully vested and, unless the Compensation Committee determines to provide for treatment that is more favorable to a Participant, all Performance Units will vest pro rata based on the LTIP Participant’s period of employment during the award period relative to the total length of the award period. The LTIP has special vesting provisions for the Awards upon a termination of employment due to early retirement and special vesting and payment provisions for termination after a major divestiture or reduction in force by the Company. In the case of a termination “for cause” (as defined in the LTIP), all vested and unvested Awards are forfeited. Otherwise, unvested amounts generally are forfeited upon termination of employment.

Post-Employment Benefits

This table contains information about benefits payable to the named executive officers upon their retirement.

Pension Benefits Table				
Name (a)	Plan Name (b)	Number of years credited service (#) (c) ⁽¹⁾	Present value of accumulated benefit (\$) (d) ⁽²⁾	Payments during the last fiscal year (\$) (e)
Johns	Pension	24	\$ 1,230,743	\$ —
	Excess Pension		—	—
	Total		\$ 1,230,743	\$ —
Bielen	Pension	27	\$ 1,014,041	\$ —
	Excess Pension	27	5,809,431	—
	Total		\$ 6,823,472	\$ —
Walker	Pension	16	\$ 375,925	\$ —
	Excess Pension	16	439,443	—
	Total		\$ 815,368	\$ —
Long	Pension	24	\$ 1,216,748	\$ —
	Excess Pension	24	3,778,715	—
	Total		\$ 4,995,463	\$ —
Temple	Pension	5	\$ 57,178	\$ —
	Excess Pension	5	111,998	—
	Total		\$ 169,176	\$ —
Thigpen	Pension	34	\$ 1,535,826	\$ —
	Excess Pension	34	6,471,106	—
	Total		\$ 8,006,932	\$ —

(1) The number of years of service that are used to calculate the named executive officer's benefit under each plan, as of December 31, 2017.

(2) The actuarial present value of the named executive officer's benefit under each plan as of December 31, 2017. The valuation method and material assumptions that we used to calculate these amounts are set forth in Note 16, *Employee Benefit Plans*, of the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K.

Discussion of Pension Benefits Table

We have “defined benefit” pension plans, as further described below, to help provide our eligible employees with retirement security.

Qualified Pension Plan

Almost all of our full-time employees participate in our Qualified Pension Plan. The Qualified Pension Plan provides different benefit formulas for three different groups: 1) the “grandfathered group” (any employee employed on December 31, 2007 whose age plus years of vesting service total 55 or more as of that date); 2) the “non-grandfathered group” (any employee employed on December 31, 2007 whose age plus years of vesting service was less than 55 as of that date); and 3) the “post-2007 group” (any employee first hired after December 31, 2007 or any former employee who is rehired after that date).

Mr. Johns, Mr. Bielen, Ms. Long, and Mr. Thigpen are in the grandfathered group; and Mr. Walker is in the non-grandfathered group.

For employees in the grandfathered group and non-grandfathered group, the monthly life annuity benefit payable under the Qualified Pension Plan at normal retirement age (usually age 65) for service before 2008 equals:

- 1.1% of the employee's *final average pay* **times** years of service through 2007 (up to 35 years), plus
- 0.5% of the employee's final average pay over the employee's *Social Security covered pay* **times** years of service through 2007 (up to 35 years), plus
- 0.55% of the employee's final average pay **times** years of service through 2007 (in excess of 35 years).

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For service after 2007, employees in the grandfathered group continue to earn a monthly life annuity benefit payable at normal retirement age (usually age 65), calculated as follows:

- 1.0% of the employee's *final average pay* **times** years of service after 2007 (up to 35 years minus service before 2008), plus
- 0.45% of the employee's final average pay over the employee's *Social Security covered pay* **times** years of service after 2007 (up to 35 years minus service before 2008), plus
- 0.50% of the employee's final average pay **times** the lesser of years of service after 2007 and total years of service minus 35 years.

The total benefit payable to employees in the grandfathered group will not be less than the benefit the employee would have received had he been a non-grandfathered employee.

For service after 2007, employees in the non-grandfathered group and post-2007 group earn a hypothetical account balance that is credited with pay credits and interest credits. Interest is credited to a participant's account effective as of December 31 of each year, based on the value of the participant's account on January 1 of that year. The interest rate is based on the 30-year Treasuries' constant maturities rate published by the IRS. The rate for a calendar year is the rate published for October of the previous year. Pay credits for a year are based on a percentage of *eligible pay* for that year, as follows:

<u>Credited Service</u>	<u>% of Pay Credit</u>
1 - 4 years	4%
5 - 8 years	5%
9 - 12 years	6%
13 - 16 years	7%
17 or more years	8%

Final average pay for grandfathered employees is the average of the employee's eligible pay for the 60 consecutive months that produces the highest average. (However, if the employee's average eligible pay for any 36 consecutive months as of December 31, 2007 is greater than the 60-consecutive month average, the 36-month number will be used.) For non-grandfathered employees, final average pay is the average of the employee's eligible pay for the 36 consecutive months before January 1, 2008 that produces the highest average.

Eligible pay includes components of pay such as base salary, overtime and annual incentive awards. Pay does not include payment of certain commissions, performance shares, gains on SAR exercises, vesting of restricted stock units, severance pay, or other extraordinary items.

Social Security covered pay is one-twelfth of the average of the Social Security wage bases for the 35-year period ending when the employee reaches Social Security retirement age. For non-grandfathered participants, Social Security covered pay is determined as of December 31, 2007. The wage base is the maximum amount of pay for a year for which Social Security taxes are paid. Social Security retirement age is between age 65 and 67, depending on the employee's date of birth.

Unless special IRS rules apply, benefits are not paid before employment ends. An employee may elect to receive:

- a life annuity (monthly payments for the employee's life only), or
- a 50%, 75% or 100% joint and survivor annuity (the employee receives a smaller benefit for life, and the employee's designated survivor receives a benefit of 50%, 75% or 100% of the reduced amount for life), or
- a five, ten, or 15 year period certain and life annuity benefit (the employee receives a smaller benefit for life and, if the employee dies before the selected period, the employee's designated survivor receives the reduced amount until the end of the period), or
- a lump sum benefit.

If an employee chooses one of these benefit options, the benefit is adjusted using the interest rate assumptions and mortality tables specified in the Qualified Pension Plan, so it has the same actuarial value as the benefit determined by the Qualified Pension Plan formulas.

An employee whose employment ends before age 65 may begin benefit payments after termination of employment. The benefit for service before 2008 is reduced for commencement before age 65, so the benefit remains the actuarial equivalent of a benefit beginning at age 65.

If an employee retires on or after age 55 with at least 10 years of vesting service, the employee may take an "early retirement" benefit with respect to benefits earned through 2007, beginning immediately after employment ends. Mr. Johns, Mr. Bielen, Mr. Walker, Ms. Long, and Mr. Thigpen are eligible for early retirement. The early retirement benefit for pre-2008 service is based on the Qualified Pension Plan formula. The benefit is reduced below the level of the age 65 benefit; however, the reduction for an early retirement benefit is not as great as the reduction for early commencement of a vested benefit. (For example, the early

retirement reduction at age 55 is 50%; the actuarial reduction (using the Qualified Pension Plan interest rates and mortality tables) is 62%. At age 62, the early retirement reduction is 20%, and the actuarial reduction is 27%.

Nonqualified Excess Pension Plan

Benefits under our Qualified Pension Plan are limited by the Internal Revenue Code. We believe we should pay our employees the total pension benefit they have earned, without imposing these Code limits. Therefore, like many large companies, we have a Nonqualified Excess Pension Plan that makes up the difference between: 1) the benefit determined under the Qualified Pension Plan formula, without applying these limits; and 2) the benefit actually payable under the Qualified Pension Plan, taking these limits into account.

Pursuant to the Nonqualified Excess Pension Plan's change of control provision, an employee will receive a lump sum payment of his or her pre-2005 excess pension benefit in January immediately following the employee's date of termination. Prior to the Merger in 2015, benefits under the Nonqualified Excess Pension Plan with respect to service before 2005 were paid at the same time and in the same form as the related benefits under our Qualified Pension Plan. For an employee's post-2004 benefit, an employee will receive payment pursuant to the employee's original payment election (lump sum or annuity) three or six months after termination, as applicable based on whether the employee is a "specified employee" under Section 409A of the Internal Revenue Code. For any distributions to an employee employed on the date of the Merger in 2015, the more favorable lump sum factors will be used to calculate the benefit. These more favorable lump sum factors include the use of (a) the mortality table used for determining lump sum payment amounts under the Qualified Pension Plan as of the date on which the calculation is being made, and (b) an interest rate equal to the lesser of (i) the sum of 0.75% and the yield on U.S. 10-year treasury notes at constant maturity as most recently published by the Federal Reserve Bank of New York, and (ii) the interest rate used for determining lump sum payment amounts under the Qualified Pension Plan as of the date on which the calculation is being made. Payment is made from our general assets (and is therefore subject to the claims of our creditors), and not from the assets of the Qualified Pension Plan. Because she experienced a separation of service under Section 409A of the Internal Revenue Code as of January 1, 2018, Ms. Long is not entitled to defer or accrue any additional benefit under the Nonqualified Excess Pension Plan in 2018.

Nonqualified Deferred Compensation Arrangements

This table has information about the named executive officers' participation in nonqualified deferred compensation arrangements in 2017.

Nonqualified Deferred Compensation Table

Name (a)	Executive contributions in last FY (\$) (b)(1)	Registrant contributions in last FY (\$) (c)(2)	Aggregate earnings in last FY (\$) (d)	Aggregate withdrawals/ distributions (\$) (e)	Aggregate balance at last FYE (\$) (f)(3)
Johns	\$ 128,920	\$ 747,745	\$ 1,163,662	\$ 129,406	\$ 41,152,239
Bielen	\$ 243,237	\$ 120,994	\$ 512,206	\$ —	\$ 16,367,979
Walker	\$ 45,000	\$ 32,358	\$ 196,551	\$ 442,604	\$ 2,110,106
Long	\$ 369,270	\$ 73,195	\$ 55,830	\$ 99,463	\$ 918,157
Temple	\$ 69,360	\$ 13,400	\$ 1,071	\$ —	\$ 120,104
Thigpen	\$ 868,882	\$ 95,076	\$ 42,201	\$ 70,463	\$ 1,588,663

(1) These amounts include:

- the following amounts that are also included in column (c) (Salary) of the Summary Compensation Table as compensation earned and deferred by the officer in 2017 under the DCP: Johns, \$40,000; Bielen, \$24,667; Long, \$293,000; Temple, \$42,000; and Thigpen, \$20,533.
- the following amounts that are also included in column (g) (Non-equity incentive plan compensation) of the Summary Compensation Table for 2017 as compensation earned under the annual incentive plan with respect to 2017 performance and deferred by the officer in 2018 under the DCP: Bielen, \$51,840; Walker, \$15,000; Temple, \$27,360; and Thigpen, \$714,425.
- the following amounts that are also included in column (b) (Bonus) of the Summary Compensation Table as retention bonuses payable for 2017 service under the Employment Agreements and deferred by the officer in 2018 under the DCP: Bielen, \$65,095 and Thigpen, \$52,912.
- the following amounts that are also included in column (b) (Bonus) and column (g) (Non-equity incentive plan compensation) of the Summary Compensation Table for 2016 as retention bonuses payable for 2016 service and compensation earned under the 2016 annual incentive plan with respect to 2016 performance and, in each case, deferred by the officer in 2017 under the DCP: Johns, \$88,920; Bielen, \$101,635; Walker, \$30,000; Long, \$76,270; and Thigpen, \$81,012. We now report in the Nonqualified Deferred Compensation Table for a particular fiscal year the amount of executive contributions that are earned by the officer during such fiscal year even if those amounts are not deferred and credited to the officer's deferral account until the following fiscal year.

None of the officers elected to defer any portion of their long-term incentive awards that were earned in 2017 and reported in the Summary Compensation Table for 2017.

- (2) For Mr. Bielen, Mr. Walker, Ms. Long, Mr. Temple, and Mr. Thigpen, these amounts are the DCP Supplemental Matching Contributions allocated to the officer's account in 2017 with respect to the officer's participation during 2016 in our DCP, the terms of which provide that the officer will not receive the matching contribution unless the officer is employed on the date of the allocation, which is when the Company incurs the expense. For Mr. Johns, this amount includes 1) the DCP Supplemental Matching Contribution allocated to his account in 2017 with respect to his participation in our DCP during 2016 (\$129,717) and 2) the lump sum amount that was determined as if he accrued a benefit in the Nonqualified Excess Pension Plan and which is credited to his book-entry retirement pay deferral account in 2017 (\$618,028). For Mr. Johns, Mr. Bielen, Mr. Walker, Ms. Long, Mr. Temple, and Mr. Thigpen, these DCP Supplemental Matching Contributions and, for Mr. Johns, the amount of compensation credited to his retirement pay deferral account, are reported in the Summary Compensation Table as compensation for 2017.
- (3) These amounts reflect the following amounts that have been reported as compensation to the officer in previous proxy statements (with respect to periods prior to the Merger) and Annual Reports on Forms 10-K (for periods after the Merger): Johns, \$39,241,318; Bielen, \$15,491,542; Walker, \$2,278,800; Long, \$519,324; Temple, \$36,273; and Thigpen, \$652,967.

Discussion of Nonqualified Deferred Compensation Table

Deferrals by Our Officers

In general, the named executive officers and other key officers can elect to participate in our unfunded, unsecured DCP. An officer who defers compensation under the DCP does not pay income taxes on the compensation at that time. Instead, the officer pays income taxes on the compensation (and any earnings on the compensation) only when the officer receives the compensation and earnings from the DCP. Because she experienced a separation of service under Section 409A of the Internal Revenue Code as of January 1, 2018, Ms. Long is not entitled to defer or accrue any additional benefit under the DCP in 2018.

Eligible officers may defer: 1) up to 75% of their base salary; 2) up to 85% of any annual incentive award; and/or 3) up to 94% of the amounts payable when Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards are earned. Officers were entitled to defer up to 85% of their retention bonus installments payable under their Employment Agreements.

An election to defer base salary for a calendar year must be made by December 31 of the previous year. Generally, an election to defer any annual incentive payout for a calendar year must be made by June 30 of that year. Generally, an election to defer earned performance units must be made by June 30 of the last year in the award's performance period. An election to defer earned Restricted Unit Awards or Parent Based Awards must be made within 30 days after the date of the award. Deferred compensation accrues earnings based on the participant's election among notional investment choices available under the DCP. For 2017, the investment returns for each of the notional investment choices were:

<u>Investment Choice</u>	<u>Return</u>
Columbia Mid Cap Index Fund R5	16.00%
DFA Emerging Markets I	36.57%
DFA US Small Cap	11.52%
Dodge & Cox International Stock	23.94%
Dodge and Cox Stock	18.33%
Fidelity 500 Index Fund	21.72%
Wells Fargo Government Money Market Institutional	0.73%
JP Morgan Mid-Cap Growth R5	29.68%
Metropolitan West Low Duration Bond I	1.35%
T Rowe Price Growth Stock	33.63%
Pimco Real Return Institutional	3.93%
Templeton Foreign A	10.34%
Vanguard Total Bond Market Index - Admiral	3.56%
Protective Life LIBOR Fund	1.83%

An officer may elect to receive payments in a lump sum or in up to ten annual installments, which election can be changed under certain circumstances. An officer may elect to receive a deferred amount (and earnings) upon termination of employment and if such election is made, the officer may not change this election. An officer may instead elect to receive a deferred amount (and earnings) on a fixed date (which must be a February 15, and must begin no later than the officer's 70th birthday), which election can be changed under certain circumstances. An officer may also request a distribution if the officer has an extreme and unexpected financial hardship, as determined under IRS rules.

Supplemental Matching

We make supplemental matching contributions to the account of eligible officers under the DCP. These contributions provide matching that we would otherwise contribute to our 401(k) Plan, but which we cannot contribute because of Internal Revenue Code limits on 401(k) plan matching. For a calendar year, the supplemental match that an officer receives is:

- the lesser of
 - 4% of eligible compensation payable during the year, whether received in cash or deferred, and
 - the total amount the officer deferred during the year under the 401(k) Plan and deferrals of base salary and cash bonuses under the DCP; minus
- the actual matching contribution the officer received under the 401(k) Plan for that year, applying the Internal Revenue Code limits.

An officer's supplemental matching contributions may be allocated in one percent increments among the same notional investment funds available for deferrals under the DCP. Supplemental matching is paid only after termination of employment. The officer can elect payment in a lump sum or in up to ten annual installments, and such election cannot be changed.

Other Provisions

Notional investment choices under the DCP must be in one percent increments. An officer may transfer money between the notional investment choices on any business day. We do not provide any above-market or preferential earnings rates and do not guarantee that an officer's notional investments will make money.

Upon an officer's death or disability, the officer's plan balance is paid in a lump sum. Account balances are paid in cash.

Retirement Pay Deferral Account for John D. Johns

In 2016, the Board of Directors approved the conversion of the accrued benefit payable under the Nonqualified Excess Pension Plan as of March 31, 2016 to Mr. Johns into a lump sum amount. The lump sum amount is allocated to a book entry that will be treated as though it were a pay deferral account under the Company's DCP.

Mr. Johns will continue to accrue benefits as though he were accruing benefits under the Nonqualified Excess Pension Plan with respect to this continued service as an employee of Company after March 31, 2016. At the end of each calendar year (or the date Mr. Johns' employment terminates, if earlier), the additional benefit accrued during such year (or portion thereof) will be converted into its then present value, using the mortality tables and applicable interest rate on such date and credited to Mr. Johns' retirement pay deferral account. Treating the accrued benefit as a pay deferral account as though it were under the DCP will allow the amount of such benefit to be treated in the same manner as if it were payable currently to Mr. Johns and then deferred under the DCP. This will allow the accrued benefit to be deemed invested, at Mr. Johns' election, among the various notional investment opportunities available to participants (including Mr. Johns) for their deferred compensation under the DCP until it is payable to Mr. Johns.

Potential Payments upon Termination or Change of Control

The information below describes and quantifies the compensation that would have accrued to the named executive officers upon a termination of the executives' employment or a change-in-control of Company on December 31, 2017 under (i) the annual incentive plan awards and the long-term incentive program, (ii) the now-expired Employment Agreements, and (iii) the terms of Mr. Johns' Letter Agreement and Ms. Long's Transition Letter Agreement. However, the actual benefit to a named executive officer can only be determined at the time of the change-in-control event or such executive's separation from the Company. Additionally, the benefits described below are in addition to benefits available generally to salaried employees upon a termination of employment, such as distributions under the 401(k) Plan and the Company's disability benefits.

As described in the Compensation Discussion and Analysis, the employment periods under the Employment Agreements with our named executive officers have all expired, all retention payments set forth thereunder have been paid, and none of our named executive officers are entitled to any further payments under those agreements. With the exception of Mr. Johns and Ms. Long, none of named executive officers are party to any written employment arrangements that provide for payments in the event of a change in control or termination of employment.

Transition Letter Agreement with Deborah J. Long

In December 2016, Deborah J. Long, our Executive Vice President, Chief Legal Officer and Corporate Secretary, announced that she will retire on July 31, 2018 (the "Retirement Date"). Under the Transition Letter Agreement entered into with the Company on December 30, 2016, Ms. Long remained in her current position through December 31, 2017. In 2018 until her Retirement Date, she is working on a part-time basis, providing support with respect to government affairs and facilitating the transition of her duties to her successors.

During 2017, Ms. Long continued to be compensated in accordance with the Company's practices for its named executive officers. She received at least her current base salary, and was eligible for an annual incentive opportunity based on the provisions of the annual incentive plan. Ms. Long also received a 2017 long-term incentive award opportunity of \$580,000, allocated among Restricted Unit Awards, Performance Unit Awards, and Parent-Based Awards on the same basis as applies to the Company's named executive officers. For her services in 2018, Ms. Long will receive her base salary at the rate in effect at the end of 2017. Based on her continued employment, she also received the remaining two installments (paid in February 2017 and February 2018, respectively) of the retention award payable pursuant to her Employment Agreement.

If the Company terminates Ms. Long's employment without cause after the second anniversary of the Merger and prior to her Retirement Date, her agreement provides that she will be entitled to the same compensation and benefits that she would have received had she remained employed through her Retirement Date. In the event Ms. Long's employment terminates after such second anniversary and prior to the Retirement Date due to her death or disability, she will be entitled to receive at least the

benefits generally afforded under the Company's applicable plans and policies and her existing Employment Agreement. The Company has also agreed that the aggregate present value of the pension benefits Ms. Long will receive under the Qualified Pension Plan and Nonqualified Excess Pension Plan at her retirement at the Retirement Date will not be less than \$5,100,000.

Letter Agreement with John D. Johns

On November 28, 2017, Mr. Johns entered into the Letter Agreement with the Company dated November 6, 2017 that establishes his duties, commitments and compensation with respect to his role as Executive Chairman. Upon a termination of Mr. Johns' service as Executive Chairman, the only compensation payable to Mr. Johns are (i) accrued but unpaid compensation under the Letter Agreement for any reason; (ii) any vested amounts or benefits owing to him under the Company's otherwise applicable compensation programs or employee benefit plans and programs, including any compensation previously deferred by Mr. Johns (together with any accrued earnings thereon) and not yet paid by the Company; and (iii) any other amounts or benefits payable due to Mr. Johns' retirement, termination, death or disability under the Company's plans, policies, programs or arrangements.

Annual Incentive Payments

Except as provided in the following sentence, unless the Compensation Committee determines to authorize a payment, no amount will be payable to the named executive officers as an annual incentive award unless the named executive officer is still an employee of the Company or one of its subsidiaries on the date payment is made or such earlier date as the Compensation Committee may specify. Unless the Compensation Committee shall otherwise determine to pay the named executive officer a greater amount, if a named executive officer's employment terminates due to death, disability (as determined in accordance with generally applicable Company policies) or normal or early retirement under the terms of any retirement plan maintained by the Company or a subsidiary, such named executive officer shall receive an annual incentive payment equal to the amount the named executive officer would have received if the named executive officer had remained employed through the end of the year, multiplied by a fraction, the numerator of which is the number of days that elapsed during the year in which the termination occurs before and including the date of the named executive officer's termination of employment and the denominator of which is 365.

Long-Term Incentive Awards

The named executive officers receive annually three types of long-term incentive awards: Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards. These awards are described in more detail at Compensation Discussion and Analysis - Long-Term Incentive Awards and Grants of Plan-Based Awards. Upon a termination of employment, the awards provide for differing vesting and payment terms depending upon the type of termination.

In the case of a change in control of the Company,

- A named executive officer will be deemed to have earned the greater of (i) 100% of the performance units and (ii) the percentage of such performance units that would derive from applying the schedules at Compensation Discussion and Analysis - Long-Term Incentive Awards through the date of the change in control event, and will be settled in cash based upon the per-unit tangible book value of the Company as of the date of such change in control event;
- The restricted units will immediately vest in full and be settled in cash, based upon the per-unit tangible book value of the Company, within 60 days following the date of the change in control event; and
- The Parent Based Awards will vest immediately and be settled in cash based on the percentage change in the parent stock value, using the average closing stock prices during the calendar month preceding the grant date of the award and during the 30 days ended on the date of the change in control event.

In the case of an early retirement of the named executive officer under the terms of the Company's Qualified Pension Plan,

- A pro-rated portion of the performance units will be settled in cash based on a fraction, the numerator of which is the number of days the officer was employed during the award period, and the denominator of which is the total number of days in the award period;
- A pro-rated portion of the restricted units will immediately vest based on the product of the number of unvested restricted units that would become vested at the applicable date times a fraction, the numerator of which is the number of complete and partial calendar months between January 1, 2017 and the executive's retirement date, and the denominator of which is (i) 36 in the case of the units that are scheduled to vest at December 31, 2019, or (ii) 48 in the case of the units that are scheduled to vest at December 31, 2020; and
- A pro-rated portion of the Parent Based Awards will immediately vest based on a fraction, the numerator of which is the number of complete and partial calendar months between January 1, 2016 and the officer's retirement date, and the denominator of which is 36.

In the case of the death, disability, or retirement of the named executive officer on or after normal retirement age under the terms of the Qualified Pension Plan,

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- A pro-rated portion of the performance units will be settled in cash based on a fraction, the numerator of which is the number of days the officer was employed during the award period, and the denominator of which is the total number of days in the award period;
- The restricted units will vest in full; and
- The Parent Based Awards will vest in full.

In the case of a special termination of the named executive officer, which consists of a termination of employment due to (i) a divestiture of a business segment or a significant portion of the assets of the Company or (ii) a significant reduction by the Company of its work force, the Compensation Committee determines to what extent, and on what terms, the Performance Unit Awards, Restricted Unit Awards, and Parent Based Awards will be paid.

Termination of a named executive officer's employment for "cause", or any other termination not specified above, will result in a forfeiture of each type of award. "Cause" means any named executive officer's conviction or plea of *nolo contendere* to a felony, an act or acts of extreme dishonesty or gross misconduct, or violation of the Company's Code of Business Conduct.

Unless otherwise noted above, any Restricted Unit Awards or Parent Based Awards that become vested will be payable in accordance with the normal vesting schedule as if the named executive officer had remained employed through the last vesting date, and any Performance Unit Awards that are earned will be payable as if the named executive officer had remained employed for the duration of the award period.

In November 2017, the Compensation Committee approved that, upon Ms. Long's retirement as contemplated in the Transition Letter Agreement, all of Ms. Long's outstanding Restricted Unit Awards, Parent Based Awards and Performance Unit Awards will fully vest on the date of her retirement and will be payable at the same time and in the same manner as they would had Ms. Long remained employed through each of the applicable award vesting dates (in the case of the Restricted Unit Awards and Parent Based Awards) or through the end of the applicable award period (in the case of the Performance Unit Awards). Additionally, the Compensation Committee approved on such date that, upon Mr. Johns' retirement from the Company, all of Mr. Johns' outstanding Performance Unit Awards will fully vest on the date of his retirement and will be payable at the same time and in the same manner as they would had Mr. Johns remained employed through the end of each applicable award period.

Nonqualified Deferred Compensation

Each named executive officer is currently fully vested in the amounts reported in the "Aggregate Balance at FYE" column of the Nonqualified Deferred Compensation Table, and therefore these amounts would be payable to named executive officers upon termination of employment for any reason.

Pension Benefits

All of the Company's eligible employees participate in the Qualified Pension Plan. Benefits under the Qualified Pension Plan are fully vested after three years of service. Upon termination of employment for any reason, employees are entitled to receive their vested benefits. Each named executive officer would be entitled to receive the amounts designated as pension benefits represented in the "Present Value of Accumulated Benefit" column of the Pension Benefits Table. The Pension Benefits Table also shows the amounts payable to each named executive officer upon separation from service under Section 409A of the Internal Revenue Code under the Nonqualified Excess Pension Plan.

Termination Payments

The following tables and footnotes describe the potential payments to the named executive officers upon termination of employment as of December 31, 2017.

The tables do not include:

- compensation or benefits previously earned by the named executive officers or incentive awards that were already fully vested;
- the value of pension benefits that are disclosed in the 2017 Pension Benefits Table, except for any pension enhancement triggered by the event, if applicable;
- the amounts payable under the DCP that are disclosed in the 2017 Nonqualified Deferred Compensation Table; or
- the value of any benefits (such as retiree health coverage, life insurance and disability coverage) provided on the same basis to substantially all other employees.

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The table set forth below shows the cash payments and other benefits that would have been payable to each of the named executive officers had a change of control of the Company occurred on December 31, 2017.

<u>Name</u>	<u>Performance Units</u>	<u>Restricted Units</u>	<u>Parent-Based Awards</u>	<u>Total</u>
Johns	\$ 20,163,147	\$ 4,817,135	\$ 1,754,047	\$ 26,734,329
Bielen	\$ 7,200,954	\$ 1,743,557	\$ 630,567	\$ 9,575,078
Walker	\$ 2,266,756	\$ 543,707	\$ 197,618	\$ 3,008,081
Long	\$ 2,702,470	\$ 645,158	\$ 234,679	\$ 3,582,307
Temple	\$ 2,844,025	\$ 684,797	\$ 248,656	\$ 3,777,478
Thigpen	\$ 3,727,943	\$ 890,159	\$ 323,914	\$ 4,942,016

The table set forth below shows the cash payments and other benefits that would have been payable to each of the named executive officers had his or her employment been terminated due to death, disability or normal retirement (on or after normal retirement age) on December 31, 2017.

<u>Name</u>	<u>Employment Agreement⁽¹⁾</u>	<u>Performance Units</u>	<u>Restricted Units</u>	<u>Parent-Based Awards</u>	<u>Annual Incentive Payments</u>	<u>Total</u>
Johns	\$ —	\$ 14,817,301	\$ 5,125,651	\$ 1,754,047	\$ 2,496,000	\$ 24,192,999
Bielen	\$ —	\$ 5,029,348	\$ 1,864,588	\$ 630,567	\$ 1,728,000	\$ 9,252,503
Walker	\$ —	\$ 1,640,762	\$ 579,424	\$ 197,618	\$ 557,800	\$ 2,975,604
Long	\$ 5,100,000	\$ 1,992,680	\$ 686,255	\$ 234,679	\$ 611,500	\$ 8,625,114
Temple	\$ —	\$ 2,026,531	\$ 730,916	\$ 248,656	\$ 684,000	\$ 3,690,103
Thigpen	\$ —	\$ 2,747,462	\$ 946,895	\$ 323,914	\$ 840,500	\$ 4,858,771

(1) Pursuant to her Transition Letter Agreement, Ms. Long will receive a guaranteed minimum pension payout.

The table set forth below shows the cash payments and other benefits that would have been payable to each of the named executive officers had his or her employment been terminated due to early retirement on December 31, 2017.

<u>Name</u>	<u>Performance Units</u>	<u>Restricted Units</u>	<u>Parent-Based Awards</u>	<u>Annual Incentive Payments</u>	<u>Total</u>
Johns	\$ 14,817,301	\$ 2,529,977	\$ 1,191,169	\$ 2,496,000	\$ 21,034,447
Bielen	\$ 5,029,348	\$ 1,007,879	\$ 403,418	\$ 1,728,000	\$ 8,168,645
Walker	\$ 1,640,762	\$ 328,871	\$ 131,832	\$ 557,800	\$ 2,659,265
Long	\$ 1,992,680	\$ 399,363	\$ 159,948	\$ 611,500	\$ 3,163,491
Temple	\$ 2,026,531	\$ 406,134	\$ 162,880	\$ 684,000	\$ 3,279,545
Thigpen	\$ 2,747,462	\$ 550,830	\$ 220,688	\$ 840,500	\$ 4,359,480

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The table set forth below shows the cash payments and other benefits that would have been payable to each of the named executive officers had his or her employment been terminated (other than for “cause” or for one of the reasons specified in the tables above) on December 31, 2017.

Name	Retention Payments⁽¹⁾	Employment Agreement⁽²⁾	Restricted Units	Parent-Based Awards	Total
Johns	\$ —	\$ —	\$ 3,410,338	\$ 1,278,699	\$ 4,689,037
Bielen	\$ 1,627,380	\$ —	\$ 1,107,832	\$ 420,838	\$ 3,156,050
Walker	\$ —	\$ —	\$ 373,036	\$ 140,419	\$ 513,455
Long	\$ 1,016,403	\$ 6,600,861	\$ 458,246	\$ 171,488	\$ 8,246,998
Temple	\$ 679,770	\$ —	\$ 455,732	\$ 172,391	\$ 1,307,893
Thigpen	\$ 1,322,799	\$ —	\$ 632,399	\$ 236,754	\$ 2,191,952

(1) Represents the final installment of the retention bonus provided for under the Employment Agreements. Such amounts have been fully paid as of February 2018.

(2) This column includes the following items payable under Ms. Long's Termination Letter Agreement in the event of termination without cause: guaranteed minimum pension benefit of \$5,100,000; guaranteed amount under the long-term incentive arrangements of \$580,000; salary payable through July 31, 2018 of \$284,861; and annual incentive award payout for 2017 of \$636,000 (based on actual performance for 2017).

Compensation Policies and Practices as Related to Risk Management

The Compensation Committee meets at least once a year with the Company's Chief Risk Officer to review incentive compensation arrangements in order to identify any features that might encourage unnecessary or excessive risk taking. In conducting this review, we considered numerous factors pertaining to each such program, including the following: the purpose of the program; the design of the plan, including risk adjustments; the number of participants, as well as key employees or employee groups; the total amount that could be paid under the program; the ability of the participants to take actions that could influence the calculation of the compensation payable; the scope of the risks that could be created by actions taken; alignment with the Company's risk appetite; and the manner in which our risk management policies and practices serve to reduce these risks. Based on this review, we have concluded that none of our programs create risks that are reasonably likely to have a material adverse effect on the Company.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Bielen, our CEO and President.

During 2017, we had two CEOs: Mr. Johns from January 1 through June 30, 2017, and Mr. Bielen from July 1 through December 31, 2017. For purposes of this disclosure we considered the compensation of Mr. Bielen, as reported in the Summary Compensation Table included elsewhere in this Annual Report on Form 10-K, for the portion of 2017 in which he served as CEO, and annualized certain components of his compensation as described further in item 5 below.

For 2017:

- the median of the annual total compensation of all employees of the Company (other than our CEO) was \$63,724; and
- the annualized total compensation of our CEO was \$8,198,261.

Based on this information, for 2017 our estimate of the ratio of the total compensation of Mr. Bielen, our current CEO and President, to the median of the annual total compensation of all employees was 129 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee and our CEO, the Company took the following steps:

1. We identified our employee population, consisting of full-time, part-time, and temporary employees, as of December 29, 2017.
2. To identify the “median employee” from our employee population, we compared the amount of Box 5 earnings (Box 5 is Medicare taxable wages and includes all forms of compensation) of our employees as reflected in our payroll records as reported to the Internal Revenue Service on Form W-2 for 2017.
3. We identified our median using this compensation measure, which was consistently applied to all our employees included in the calculation.
4. Once we identified our median employee, we combined all of the elements of such employee's compensation for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$63,724.

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5. With respect to the annual total compensation of our CEO, we included and adjusted the amounts reported in the 2017 Summary Compensation Table included in this Annual Report on Form 10-K as follows:

- We annualized the amount of salary paid to Mr. Bielen during the months he served as CEO in 2017.
- We included the full amount of his 2017 annual bonus and non-equity incentive plan compensation, as reported in the Summary Compensation Table for 2017. (Mr. Bielen did not receive any equity awards during 2017.)
- For other annual compensation as reported in the Summary Compensation Table for 2017, we included all reported elements and annualized the items which represented only a partial year.
- We included the 2017 increase in value of pension benefits, but adjusted the benefit to reflect a full year of pension value increase when calculated at his new higher salary which he was paid upon becoming CEO.

Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

Director Compensation

This table contains information about the 2017 compensation of our non-employee directors.

Director Compensation Table				
Name (a)	Fees earned or paid in cash (\$) (b)	All other compensation (\$) (c)	Total (\$) (d)	
Shinichi Aizawa	\$ —	\$ 39,502	\$ 39,502	
Tomohiko Asano	\$ —	\$ —	\$ —	
Vanessa Leonard	\$ 110,000	\$ 23,236	\$ 133,236	
John J. McMahon, Jr.	\$ 106,000	\$ —	\$ 106,000	
Ungyong Shu	\$ 100,000	\$ 10,286	\$ 110,286	
Jesse J. Spikes	\$ 100,000	\$ 14,393	\$ 114,393	
William A. Terry	\$ 100,000	\$ 10,497	\$ 110,497	
Shigeo Tsuyuki	\$ —	\$ —	\$ —	
W. Michael Warren, Jr.	\$ 103,000	\$ 19,405	\$ 122,405	

Discussion of Director Compensation Table

Column (b) - Fees earned or paid in cash

The 2017 cash compensation components were -

- Board membership - \$25,000 per quarter
- Additional retainer for Audit Committee Chairperson - \$2,500 per quarter
- Additional retainer for Compensation and Management Succession Committee Chairperson - \$1,500 per quarter
- Additional retainer for Corporate Governance and Nominating Committee Chairperson - \$750 per quarter

Cash retainers are paid in February, May, August, and November.

Column (c)—All Other Compensation

If a director's spouse or appropriate guest travels with the director on Company business, we pay for or reimburse the director for the associated travel expenses if the spouse's or guest's presence on the trip is deemed necessary or appropriate for the purpose of the trip. In some circumstances, family members or guests of the directors are accommodated as additional passengers on flights on Company aircraft, and there is no incremental cost to the Company for this perquisite. When payment or reimbursement of these expenses results in taxable income to the director, the Company provides the director a payment to cover the taxes that the director is expected to incur with respect to the reimbursement (and the related payment). In some situations, these tax reimbursement payments are paid in the year after the spouse's or guest's trip. The amount in this column reflects:

- reimbursement of associated travel expenses for the director's spouse or guest to each of Mr. Aizawa (\$20,445); Ms. Leonard (\$12,996); Mr. Shu (\$9,599); Mr. Spikes (\$7,495); Mr. Terry (\$5,375); and Mr. Warren (\$10,774).
- hunting and golf trips with Company executives to each of Mr. Spikes (\$400) and Mr. Terry (\$400).

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- tax reimbursements to the director as a result of payment or reimbursement for spousal travel expenses incurred in 2017, tax reimbursements to the director for gifts given in 2017 and tax reimbursements related to non-business travel with Company executives to each of Mr. Aizawa (\$18,416); Ms. Leonard (\$9,759); Mr. Shu (\$206); Mr. Spikes (\$6,017); Mr. Terry (\$4,241); and Mr. Warren (\$8,150).
- gifts given to the director and the director's spouse or guest collectively valued at \$481 to each of Ms. Leonard, Mr. Shu, Mr. Spikes, Mr. Terry, and Mr. Warren and valued at \$641 to Mr. Aizawa.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

On February 1, 2015, the Company consummated an Agreement and Plan of Merger, pursuant to which the Company became a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Limited, a *kabushiki kaisha* organized under the laws of Japan (now known as Dai-ichi Life Holdings, Inc., "Dai-ichi Life"), and our stock ceased to be publicly traded. By reason of this transaction, our executive officers and directors no longer hold shares of common stock of the Company. Dai-ichi Life now owns 100% of the outstanding common stock of the Company.

Item 13. Certain Relationships and Related Transactions

Review and Approval of Related Party Transactions

We review all relationships and transactions in which we and "related parties" (our directors, director nominees, executive officers, and their immediate family members) participate to determine if any related party has a direct or indirect material interest. Our General Counsel's Office is primarily responsible for developing and implementing processes to obtain the necessary information and for determining, based on the facts and circumstances, whether a direct or indirect material interest exists.

If the General Counsel's Office determines that a transaction may require disclosure under SEC rules, the General Counsel's Office will notify:

- the Corporate Governance and Nominating Committee, if the transaction involves one of our directors or director nominees; otherwise
- the Audit Committee.

The relevant Board committee will approve or ratify the transaction only if it determines that the transaction is in our best interests. In considering the transaction, the committee will consider all relevant factors, including (as applicable):

- our business rationale for entering into the transaction;
- the alternatives to entering into the transactions;
- whether the terms of the transaction are comparable to those that could be obtained in arms-length dealings with an unrelated third party;
- the potential for the transaction to lead to an actual or apparent conflict of interest, and any safeguards imposed to prevent actual or apparent conflicts; and
- the overall fairness of the transaction to us.

Based on the information available to the Company's General Counsel's Office and to the Board, except as described below, there have been no transactions between the Company and any related party since January 1, 2017, nor are any currently proposed, for which disclosure is required under the SEC rules.

Related Party Transactions Entered into by the Company

Dai-ichi Life is the sole shareholder of the Company and provides certain services to the Company pursuant to a Global Services Agreement dated September 8, 2016. The services include planning, monitoring and advising with respect to the following matters regarding the Dai-ichi Life group as a whole: Development and administration of the management plan; development and administration of the capital management strategy; organization and company rules; budget control and settlement of accounts; public relations; human resources systems; IT strategy; risk management; compliance management; management of internal transactions and conflict of interest, and information management; internal audit, internal control, and legal risk control; sharing information on life insurance business; and provide advisory services to help increase the Company's profits. During the fiscal year ended December 31, 2017 the Company paid a fee to Dai-ichi Life of \$10.9 million for the services provided to the Company.

Director Independence

None of the Company's securities are listed on, and the Company is not subject to the listing standards or rules of, any national securities exchange or automated inter-dealer quotation system of a national securities association. However, for purposes of disclosing the independence of our directors under applicable SEC rules, we have chosen to apply the independence standards of the New York Stock Exchange ("NYSE"). The Corporate Governance and Nominating Committee and the Board evaluated the independence of our directors under such standards after a review and discussion of information regarding each director's relationship with us and our senior management and their affiliates. After such review and discussion, the Board affirmatively determined that the following non-employee directors are independent under NYSE independence standards: Ms. Leonard, Mr. McMahon, Mr. Shu, Mr. Spikes, Mr. Terry and Mr. Warren. The Board also determined that all members of the Audit Committee,

the Compensation and Management Succession Committee, and the Corporate Governance and Nominating Committee are independent under NYSE independence standards relating to membership on such committees.

Item 14. Principal Accountant Fees and Services

The following table shows the aggregate fees billed by PricewaterhouseCoopers LLP for 2017 and 2016 with respect to various services provided to the Company and its subsidiaries:

	For The Year Ended December 31,	
	2017	2016
	(Dollars In Millions)	
Audit fees	\$ 7.5	\$ 6.5
Audit related fees	0.6	0.5
Tax fees	0.7	0.6
All other fees	—	—
	<u>\$ 8.8</u>	<u>\$ 7.6</u>

Audit Fees were for professional services rendered for the audits of our consolidated financial statements, including integrated audits of our consolidated financial statements and the effectiveness of internal controls over financial reporting, audits (GAAP and statutory basis) of certain of our subsidiaries, issuance of comfort letters and consents, assistance with review of documents filed with the SEC and other regulatory authorities, and expenses related to the above services.

Audit-Related Fees were for assurance and related services related to employee benefit plan audits, due diligence and accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax Fees were for services related to tax compliance, including the preparation and review of tax returns and claims for refund and tax planning and tax advice, including assistance with tax audits and appeals, consultations on tax regulations and legislative changes, advice related to acquisitions, tax services for employee benefit plans, and requests for rulings or technical advice from tax authorities.

All Other Fees include fees that are appropriately not included in the Audit, Audit-Related, and Tax categories.

On February 21, 2018, the Audit Committee approved the engagement of PricewaterhouseCoopers LLP to render audit and non-audit services for the Company and its subsidiaries for the period ending February 2019, including the audit of the the Company's consolidated financial statements for the year ending December 31, 2018. The Audit Committee's policy is to pre-approve, generally for a twelve-month period, the audit, audit-related, tax and other services provided by the independent accountants to the Company and its subsidiaries. Under the pre-approval process, the Audit Committee reviews and approves specific services and categories of services and the maximum aggregate fee for each service or service category. Performance of any additional services or categories of services, or of services that would result in fees in excess of the established maximum, requires the separate pre-approval of the Audit Committee or one of its members who has been delegated pre-approval authority. The Audit Committee or its Chairperson pre-approved all Audit, Audit-Related, Tax and Other services performed for the Company by PricewaterhouseCoopers LLP with respect to fiscal year 2017.

In evaluating the selection of PricewaterhouseCoopers LLP as principal independent accountants for the Company and its subsidiaries, the Audit Committee considered whether the provision of the non-audit services described above is compatible with maintaining the independent accountants' independence. The Audit Committee determined that such services have not affected PricewaterhouseCoopers LLP's independence. The Audit Committee also reviewed the non-audit services performed in 2017 and determined that those services were consistent with our policy. In addition, the Audit Committee considered the non-audit professional services that PricewaterhouseCoopers LLP will likely be asked to provide for us during 2018, and the effect which performing such services might have on audit independence.

PART IV**Item 15. Exhibits, Financial Statement Schedules**

The following documents are filed as part of this report:

1. Financial Statements (See Item 8, *Financial Statements and Supplementary Data*)
2. Financial Statement Schedules:

The following schedules are located in this report on the pages indicated. All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

	Page
<u>Schedule II—Condensed Financial Information of Registrant For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Period of February 1, 2015 - December 31, 2015 (Successor Company), For The Period of January 1, 2015 - January 31, 2015 (Predecessor Company), and As of December 31, 2017 and 2016 (Successor Company)</u>	<u>229</u>
<u>Schedule III—Supplementary Insurance Information For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For the Period of February 1, 2015 - December 31, 2015 (Successor Company), and For The Period of January 1, 2015 - January 31, 2015 (Predecessor Company)</u>	<u>238</u>
<u>Schedule IV—Reinsurance For The Year Ended December 31, 2017 (Successor Company), For The Year Ended December 31, 2016 (Successor Company), For The Period of February 1, 2015 - December 31, 2015 (Successor Company), and For The Period of January 1, 2015 - January 31, 2015 (Predecessor Company)</u>	<u>240</u>
<u>Schedule V—Valuation and Qualifying Accounts As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company)</u>	<u>241</u>

The Report of Independent Registered Public Accounting Firm which covers the financial statement schedules appears on page 193 of this report.

3. Exhibits:

For a list of exhibits, refer to the "Exhibit Index" filed as part of this report beginning on page 242 below, and incorporated herein by this reference.

The exhibits to this report are included to provide you with information regarding the terms thereof and are not intended to provide any other factual or disclosure information about the Company or the other parties thereto or referenced therein. Such documents may contain representations and warranties by the parties to such documents that have been made solely for the benefit of the parties specified therein. These representations and warranties (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (ii) may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable document, which disclosures are not necessarily reflected in the documents, (iii) may apply standards of materiality in a way that is different from what may be viewed as material to you, and (iv) were made only as of the date or dates specified in the documents and are subject to more recent developments. Accordingly, the representations and warranties contained in the documents included as exhibits may not describe the actual state of affairs as of the date they were made or at any other time.

**SCHEDULE II—CONDENSED FINANCIAL INFORMATION
OF REGISTRANT
STATEMENTS OF INCOME
PROTECTIVE LIFE CORPORATION
(Parent Company)**

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Revenues				
Dividends from subsidiaries*	\$ 261,090	\$ 541,762	\$ 32,365	\$ 16
Service fees from subsidiaries*	276,325	250,668	220,105	19,530
Net investment income	9,457	8,607	49,925	4,809
Realized investment gains (losses)	(45,091)	(29,289)	3,817	(15,863)
Other income	2,049	9,828	44	—
Total revenues	503,830	781,576	306,256	8,492
Expenses				
Operating and administrative	172,871	143,941	121,433	8,549
Interest—subordinated debt	25,411	19,408	17,191	2,823
Interest—other	35,852	40,729	40,596	6,113
Total expenses	234,134	204,078	179,220	17,485
Income (loss) before income tax and other items below	269,696	577,498	127,036	(8,993)
Income tax (benefit) expense				
Current	(9,441)	334	(58,547)	6,376
Deferred	46,020	20,715	99,146	(11,123)
Total income tax expense (benefit)	36,579	21,049	40,599	(4,747)
Income (loss) before equity in undistributed income from subsidiaries*	233,117	556,449	86,437	(4,246)
Equity in undistributed income of subsidiaries	873,415	(163,420)	181,862	5,755
Net income	<u>\$ 1,106,532</u>	<u>\$ 393,029</u>	<u>\$ 268,299</u>	<u>\$ 1,509</u>

* Eliminated in Consolidation

See Notes to Consolidated Financial Statements

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PROTECTIVE LIFE CORPORATION
(Parent Company)

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Total other comprehensive income (loss)	\$ 692,994	\$ 586,611	\$ (1,241,134)	\$ 465,968
Total comprehensive income (loss)	\$ 1,799,526	\$ 979,640	\$ (972,835)	\$ 467,477

* Eliminated in Consolidation

See Notes to Consolidated Financial Statements

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
PROTECTIVE LIFE CORPORATION
(Parent Company)

	Successor Company	
	As of December 31,	
	2017	2016
	(Dollars In Thousands)	
Assets		
Fixed maturities	\$ 140,102	\$ 112,498
Equity securities	38,861	38,472
Other long-term investments	10	10
Short-term investments	79,818	—
Investments in subsidiaries (equity method)*	8,563,201	7,019,618
Total investments	8,821,992	7,170,598
Cash	3,760	78,936
Receivables from subsidiaries*	38,394	9,600
Property and equipment, net	1,692	2,331
Income tax receivable	513	11,061
Deferred income tax	103,716	142,531
Other assets	38,487	29,851
Total assets	\$ 9,008,554	\$ 7,444,908
Liabilities		
Accrued expenses and other liabilities	\$ 442,696	\$ 368,900
Debt	943,370	1,163,285
Subordinated debt securities	495,289	441,202
Total liabilities	1,881,355	1,973,387
Commitments and contingencies—Note 3		
Shareowner's equity		
Common stock	—	—
Additional paid-in-capital	5,554,059	5,554,059
Treasury stock	—	—
Retained earnings, including undistributed income of subsidiaries: (Successor 2017 - \$891,860; 2016 - \$18,442)	1,560,444	571,985
Accumulated other comprehensive income (loss):		
Net unrealized gains on investments, all from subsidiaries, net of income tax: (Successor 2017 - \$6,883; 2016 - \$(349,541))	25,896	(649,147)
Net unrealized losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (Successor 2017 - \$(6); 2016 - \$(3,864))	(22)	(7,175)
Accumulated gain (loss)—derivatives, net of income tax: (Successor 2017 - \$198; 2016 - \$391)	747	727
Postretirement benefits liability adjustment, net of income tax: (Successor 2017 - \$(3,469); 2016 - \$578)	(13,925)	1,072
Total shareowner's equity	7,127,199	5,471,521
Total liabilities and shareowner's equity	\$ 9,008,554	\$ 7,444,908

* Eliminated in Consolidation

See Notes to Consolidated Financial Statements

**SCHEDULE II—CONDENSED FINANCIAL INFORMATION
OF REGISTRANT
STATEMENTS OF CASH FLOWS
PROTECTIVE LIFE CORPORATION
(Parent Company)**

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Cash flows from operating activities				
Net income	\$ 1,106,532	\$ 393,029	\$ 268,299	\$ 1,509
Adjustments to reconcile net income to net cash provided by operating activities:				
Realized investment (gains) losses	45,091	29,289	(3,817)	15,863
Equity in undistributed net income of subsidiaries*	(873,415)	163,420	(181,862)	(5,755)
Depreciation expense	739	506	363	23
Receivables from subsidiaries*	(28,794)	15,181	(13,759)	(4,076)
Income tax receivable	10,548	2,109	(13,170)	—
Deferred income taxes	46,020	20,715	99,146	(11,123)
Accrued income taxes	—	—	(23,246)	5,875
Accrued expenses and other liabilities	(52,846)	(33,639)	(192,234)	18,329
Other, net	4,226	(16,426)	5,419	(2,334)
Net cash provided by (used in) operating activities	258,101	574,184	(54,861)	18,311
Cash flows from investing activities				
Maturities and principal reductions of investments, available-for-sale	—	—	—	—
Sale of investments, available-for-sale	—	—	—	—
Cost of investments acquired, available-for-sale	(26,423)	(59,025)	—	—
Return of and/or (additional) capital investments in subsidiaries	38,410	(45,762)	110,793	—
Change in other long-term investments	—	(10)	—	—
Change in short-term investments	(79,818)	—	—	—
Purchase of property and equipment	—	(1,649)	—	—
Sales of property and equipment	(100)	—	—	—
Net cash (used in) provided by investing activities	(67,931)	(106,446)	110,793	—
Cash flows from financing activities				
Borrowings under line of credit arrangements and debt	1,035,000	265,000	330,000	—
Principal payments on line of credit arrangements and debt	(1,156,498)	(633,074)	(338,093)	(60,000)
Dividends to shareowner	(143,848)	(89,343)	—	—
Net cash used in financing activities	(265,346)	(457,417)	(8,093)	(60,000)
Change in cash	(75,176)	10,321	47,839	(41,689)
Cash at beginning of year	78,936	68,615	20,776	62,465
Cash at end of year	\$ 3,760	\$ 78,936	\$ 68,615	\$ 20,776

*Eliminated in Consolidation

See Notes to Consolidated Financial Statements

**SCHEDULE II—CONDENSED FINANCIAL INFORMATION
OF REGISTRANT
PROTECTIVE LIFE CORPORATION
(Parent Company)
NOTES TO CONDENSED FINANCIAL INFORMATION**

The Company publishes consolidated financial statements that are its primary financial statements. Therefore, this parent company condensed financial information is not intended to be the primary financial statements of the Company, and should be read in conjunction with the consolidated financial statements and notes, including the discussion of significant accounting policies, thereto of Protective Life Corporation and subsidiaries.

1. BASIS OF PRESENTATION

Nature of Operations

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 (now known as Dai-ichi Life Holdings, Inc., "Dai-ichi Life"), when Dai-ichi Life purchased all outstanding shares of the Company's stock. Prior to February 1, 2015, and for the periods this report presents, the Company's stock was publicly traded on the New York Stock Exchange. 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 accompanying condensed financial statements of the Company should be read in conjunction with the consolidated financial statements and notes thereto of Protective Life Corporation and subsidiaries included in this Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

2. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

Debt and subordinated debt securities are summarized as follows:

	Successor Company			
	As of December 31,			
	2017		2016	
	Outstanding Principal	Carrying Amounts	Outstanding Principal	Carrying Amounts
(Dollars In Thousands)				
Debt (year of issue):				
Revolving Line Of Credit	\$ —	\$ —	\$ 170,000	\$ 170,000
6.40% Senior Notes (2007), due 2018	150,000	150,518	150,000	156,663
7.375% Senior Notes (2009), due 2019	400,000	435,806	400,000	454,688
8.45% Senior Notes (2009), due 2039	232,928	357,046	246,926	381,934
	<u>\$ 782,928</u>	<u>\$ 943,370</u>	<u>\$ 966,926</u>	<u>\$ 1,163,285</u>
Subordinated debt securities (year of issue):				
6.25% Subordinated Debentures (2012), due 2042, callable 2017	\$ —	\$ —	\$ 287,500	\$ 290,002
6.00% Subordinated Debentures (2012), due 2042, callable 2017	—	—	150,000	151,200
5.35% Subordinated Debentures (2017), due 2052	500,000	495,289	—	—
	<u>\$ 500,000</u>	<u>\$ 495,289</u>	<u>\$ 437,500</u>	<u>\$ 441,202</u>

The Company's future maturities of debt, excluding notes payable to banks and subordinated debt securities, are \$150.5 million in 2018, \$435.8 million in 2019, and \$357.0 million thereafter.

During the year ended December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company repurchased and subsequently extinguished \$21.6 million and \$82.7 million (par value - \$14.0 million and \$53.1 million) of the Company's 8.45% Senior Notes due 2039, respectively. These repurchases resulted in a \$2.0 million and \$9.8 million pre-tax gains for the Company, respectively. The gain is recorded in other income in the consolidated condensed statements of income.

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During 2017, the Company issued \$500.0 million of its Subordinated Debentures due 2052. These Subordinated Debentures are carried on the Company's balance sheet net of the associated deferred issuance expenses of \$4.8 million. The Company used the net proceeds from the offering to call and redeem, at par, the entire \$150.0 million of its 6.00% Subordinated Debentures due 2042 and \$287.5 million of its 6.25% Subordinated Debentures due 2042.

On August 10, 2017, the Company called for redemption \$287.5 million of its 6.25% Subordinated Debentures due in 2042 and \$150.0 million of its 6.00% Subordinated Debentures due in 2042.

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 Credit Facility be increased up to a maximum principal amount of \$1.25 billion. Balances outstanding under the 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 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 Credit Facility, whether used or unused. The annual facility fee rate is 0.125% of the aggregate principal amount. The 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 Credit Facility. The maturity date of the 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 December 31, 2017 (Successor Company). The Company did not have an outstanding balance on the Credit Facility as of December 31, 2017 (Successor Company).

Interest Expense

Interest expense on debt and subordinated debt securities totaled \$61.3 million, \$60.1 million, \$57.8 million, and \$8.9 million for the year ended December 31, 2017 (Successor Company), for the year ended December 31, 2016, the periods of February 1, 2015 to December 31, 2015 (Successor Company), and January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

3. COMMITMENTS AND CONTINGENCIES

The Company leases a building contiguous to its home office. The lease was renewed in December 2013 and was extended to December 2018. At the end of the lease term, the Company may purchase the building for approximately \$75 million. Monthly rental payments are based on the current LIBOR rate plus a spread. The following is a schedule by year of future minimum rental payments required under this lease:

Year	Amount	
	(Dollars In Thousands)	
2018	\$	77,219

Golden Gate Captive Insurance Company

On January 15, 2016, Golden Gate Captive Insurance Company ("Golden Gate"), a Vermont special purpose financial insurance company and a wholly owned subsidiary of Protective Life Insurance Company ("PLICO"), and Steel City, LLC ("Steel City"), a newly formed wholly owned subsidiary of the Company, entered into an 18-year transaction to finance \$2.188 billion of "XXX" reserves related to the acquired GLAIC Block and the other term life insurance business reinsured to Golden Gate by PLICO and West Coast Life ("WCL"), a direct wholly owned subsidiary of PLICO. Steel City issued notes with an aggregate initial principal amount of \$2.188 billion to Golden Gate in exchange for a surplus note issued by Golden Gate with an initial principal amount of \$2.188 billion. Through the structure, Hannover Life Reassurance Company of America (Bermuda) Ltd., The Canada Life Assurance Company (Barbados Branch) and Nomura Americas Re Ltd. (collectively, the "Risk-Takers") provide credit enhancement to the Steel City Notes for the 18-year term in exchange for credit enhancement fees. The transaction is "non-recourse" to PLICO, WCL and the Company, meaning that none of these companies, other than Golden Gate, are liable to reimburse the Risk-Takers for any credit enhancement payments required to be made. As of December 31, 2017 (Successor Company), the aggregate principal balance of the Steel City Notes was \$2.014 billion. In connection with this transaction, the Company has entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate or Steel City, including a guarantee of the fees to the Risk-Takers. The support agreements provide that amounts would become payable by the Company if Golden Gate's annual general corporate expenses were higher than modeled amounts, certain reinsurance rates applicable to the subject business increase beyond 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 a separate agreement to guarantee payment of certain fee amounts in connection with the credit enhancement of the Steel City Notes. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate had a \$2.014 billion outstanding non-recourse funding obligation as of December 31, 2017 (Successor Company). This non-recourse funding obligation matures in 2039 and accrues interest at a fixed annual rate of 4.75%.

Prior to this transaction, Golden Gate had three series of non-recourse funding obligations with a total outstanding balance of \$800 million. The Company held the entire outstanding balance of non-recourse funding obligations. Series A1 non-recourse funding obligations had a balance of \$400 million and accrued interest at 7.375%, the Series A2 non-recourse funding obligations had a balance of \$100 million and accrued interest at 8.00%, and the Series A3 non-recourse funding obligations had a balance of \$300 million and accrued interest at 8.45%. As a result of the transaction described above, the \$800 million of Golden Gate

Series A Surplus Notes held by the Company were contributed to PLICO and then subsequently contributed to Golden Gate, which resulted in the extinguishment of these notes.

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 December 31, 2017 (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 December 31, 2017 (Successor Company), securities related to \$58.6 million of the outstanding balance of the non-recourse funding obligations were held by external parties, and securities related to \$516.4 million of the non-recourse funding obligations were held by the Company and our 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 December 31, 2017 (Successor Company), no payments have been made under these agreements, however, certain support agreement obligations to Golden Gate II of approximately \$2.8 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.

During the year ended December 31, 2017 (Successor Company), the Company and its affiliates did not repurchase from unrelated third parties any of its outstanding non-recourse funding obligations, at a discount. PLC purchased \$26.4 million of non-recourse funding obligations from certain subsidiaries during the period ended December 31, 2017 that have been eliminated in consolidation. During the year ended December 31, 2016 (Successor Company), the Company and its affiliates repurchased \$86.3 million of its outstanding non-recourse funding obligations, at a discount. These repurchases did not result in a material gain or loss for the Company. The balance of the Company's fixed maturity investments are the result of market transactions in which the Company purchased securities issued by the special purpose trusts that are collateralized by non-recourse funding obligations of Golden Gate II.

Golden Gate III Vermont Captive Insurance Company

On April 23, 2010, Golden Gate III Vermont Captive Insurance Company ("Golden Gate III"), a Vermont special purpose financial insurance company and wholly owned subsidiary of PLICO, entered into a Reimbursement Agreement (the "Reimbursement Agreement") with UBS AG, Stamford Branch ("UBS"), as issuing lender. Under the Reimbursement Agreement, UBS issued a letter of credit (the "LOC") to a trust for the benefit of WCL. The Reimbursement Agreement has undergone three separate amendments and restatements. The Reimbursement Agreement's current effective date is June 25, 2014. The LOC balance reached its scheduled peak amount of \$935 million in 2015. As of December 31, 2017 (Successor Company), the LOC balance was \$885 million. 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 \$70 million and will be paid in two installments with the last payment occurring in 2021. These contributions may be subject to potential offset against dividend payments as permitted under the terms of the 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 Reimbursement Agreement. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

Golden Gate IV Vermont Captive Insurance Company

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. In accordance with the terms of the Reimbursement Agreement, the LOC balance reached its scheduled peak amount of \$790 million in 2016. As of December 31, 2017 (Successor Company), the LOC balance was \$785 million. 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 agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of December 31, 2017 (Successor Company), no payments have been made under these agreements.

Golden Gate V Vermont Captive Insurance Company

On October 10, 2012, Golden Gate V Vermont Captive Insurance Company ("Golden Gate V"), a Vermont special purpose financial insurance company, and Red Mountain, LLC ("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, 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 December 31, 2017 (Successor Company), the principal balance of the Red Mountain note was \$620 million. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately \$121.8 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 December 31, 2017 (Successor Company), no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate V had a \$620 million outstanding non-recourse funding obligation as of December 31, 2017 (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%.

The Company is party to an intercompany capital support agreement with Shades Creek Captive Insurance Company ("Shades Creek"), a direct wholly owned insurance subsidiary. The agreement provides through a guarantee that the Company will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. Under this support agreement, PLICO issued a \$55 million Letter of Credit. As of December 31, 2015 (Successor Company), the \$55.0 million Letter of Credit executed by PLICO was no longer issued and outstanding. Also in accordance with this agreement, \$120 million of additional capital was provided to Shades Creek by the Company through cash capital contributions during the period February 1, 2015 to December 31, 2015 (Successor Company). As of December 31, 2017 (Successor Company), Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior.

4. SHAREOWNER'S EQUITY

On February 1, 2015, Dai-ichi Life acquired 100% of the Company's outstanding shares of common stock through the Merger of DL Investment (Delaware), Inc., a wholly owned subsidiaries of Dai-ichi Life, with and into the Company, with the Company continuing as the surviving entity.

5. SUPPLEMENTAL CASH FLOW INFORMATION

	Successor Company			Predecessor Company
	For The Year Ended December 31, 2017	For The Year Ended December 31, 2016	February 1, 2015 to December 31, 2015	January 1, 2015 to January 31, 2015
	(Dollars In Thousands)			(Dollars In Thousands)
Cash paid (received) during the year for:				
Interest paid on debt	\$ 78,944	\$ 95,095	\$ 75,322	\$ 5,411
Income taxes (reduced by amounts received from affiliates under a tax sharing agreement)	(23,110)	(2,596)	(15,669)	(10)
Noncash investing and financing activities:				
Stock-based compensation	—	—	—	1,550

6. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with the issuance of non-recourse funding obligations by Golden Gate II, the Company has entered into certain support agreements with Golden Gate II obligating it to provide support payments to Golden Gate II under certain adverse

interest rate conditions and to the extent of any reduction in the reinsurance premiums received by Golden Gate II due to an increase in the premium rates charged to PLICO under its third party yearly renewable term reinsurance agreements. Each of these agreements expires on July 10, 2052.

In connection with the Golden Gate V financing transaction, the Company entered into separate Portfolio Maintenance Agreements with Golden Gate V and WCL. The agreements obligate the Company to reimburse Golden Gate V and West Coast Life for other-than-temporary impairment losses on certain asset portfolios above a specified amount. Each of these agreements expires on October 10, 2032.

In connection with the Golden Gate financing transaction, the Company entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate. The agreements obligate the Company to reimburse Golden Gate for other-than-temporary impairment losses on certain asset portfolios above a specified amount and to the extent of any reduction in the reinsurance premiums received by Golden Gate due to an increase in the premium rates charged to PLICO under its third party yearly renewable term reinsurance agreements. Each of these agreements expires on January 15, 2034.

As of December 31, 2017 (Successor Company) and December 31, 2016 (Successor Company), the Company included in its balance sheets a combined liability for these agreements of \$91.6 million and \$48.9 million, respectively. During the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016, the period of February 1, 2015 to December 31, 2015 (Successor Company), and January 1, 2015 to January 31, 2015 (Predecessor Company), the Company included in its statements of income unrealized losses of \$42.7 million, \$29.3 million, unrealized gains of \$3.8 million, and unrealized losses of \$15.9 million, respectively.

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

Segment	Deferred Policy Acquisition Costs and Value of Businesses Acquired	Future Policy Benefits and Claims	Unearned Premiums	Stable Value Products, Annuity Contracts and Other Policyholders' Funds	Net Premiums and Policy Fees	Net Investment Income ⁽¹⁾	Benefits and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs and Value of Businesses Acquired	Other Operating Expenses ⁽¹⁾	Premiums Written ⁽²⁾
(Dollars In Thousands)										
Successor Company										
For The Year Ended December 31, 2017:										
Life Marketing	\$ 1,320,776	\$ 15,438,739	\$ 107	\$ 424,204	\$ 1,011,911	\$ 553,999	\$ 1,319,138	\$ 120,753	\$ 178,792	\$ 111
Acquisitions	74,862	14,323,713	2,423	4,377,020	785,188	752,520	1,204,084	(6,939)	110,607	15,964
Annuities	772,633	1,080,629	—	7,308,354	152,701	321,844	216,629	(54,471)	149,181	—
Stable Value Products	6,864	—	—	4,698,371	—	186,576	74,578	2,354	4,407	—
Asset Protection	24,442	55,847	872,600	—	154,166	27,325	126,459	16,524	160,235	148,093
Corporate and Other	—	58,664	275	78,810	12,718	209,324	16,382	—	345,022	12,732
Total	\$ 2,199,577	\$ 30,957,592	\$ 875,405	\$ 16,886,759	\$ 2,116,684	\$ 2,051,588	\$ 2,957,270	\$ 78,221	\$ 948,244	\$ 176,900
For The Year Ended December 31, 2016:										
Life Marketing	\$ 1,218,944	\$ 14,595,370	\$ 119	\$ 426,422	\$ 972,247	\$ 525,495	\$ 1,267,844	\$ 130,708	\$ 177,498	\$ 122
Acquisitions	106,532	14,693,744	2,734	4,247,081	832,083	764,571	1,232,141	8,178	118,056	18,818
Annuities	655,618	1,097,973	—	7,059,060	146,458	322,608	214,100	(11,031)	140,409	—
Stable Value Products	5,455	—	—	3,501,636	—	107,010	41,736	1,176	3,033	—
Asset Protection	33,280	60,790	844,919	—	128,687	22,082	106,668	20,033	125,957	121,821
Corporate and Other	—	63,208	723	75,301	13,740	200,690	17,946	—	295,498	13,689
Total	\$ 2,019,829	\$ 30,511,085	\$ 848,495	\$ 15,309,500	\$ 2,093,215	\$ 1,942,456	\$ 2,880,435	\$ 149,064	\$ 860,451	\$ 154,450
February 1, 2015 to December 31, 2015										
Life Marketing	\$ 1,119,515	\$ 13,869,102	\$ 135	\$ 371,618	\$ 882,171	\$ 446,439	\$ 1,109,840	\$ 107,811	\$ 165,317	\$ 148
Acquisitions	(178,662)	14,508,877	3,082	4,254,579	690,741	639,422	1,067,482	2,035	89,960	32,134
Annuities	578,742	1,196,131	—	7,090,171	138,146	297,114	226,824	(41,071)	125,946	—
Stable Value Products	2,357	—	—	2,131,822	—	78,459	19,348	43	2,620	—
Asset Protection	36,856	61,291	719,516	—	128,338	17,459	101,881	25,211	113,974	121,427
Corporate and Other	—	68,496	803	73,066	13,676	154,055	14,568	27	179,011	13,583
Total	\$ 1,558,808	\$ 29,703,897	\$ 723,536	\$ 13,921,256	\$ 1,853,072	\$ 1,632,948	\$ 2,539,943	\$ 94,056	\$ 676,828	\$ 167,292

(1) Allocations of Net Investment Income and Other Operating Expenses are based on a number of assumptions and estimates and results would change if different methods were applied.

(2) Excludes Life Insurance

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES
(continued)

Segment	Net Premiums and Policy Fees	Net Investment Income(1)	Benefits and Settlement Expenses	Amortization of Deferred Policy Acquisitions Costs and Value of Businesses Acquired	Other Operating Expenses(1)	Premiums Written(2)
	(Dollars In Thousands)					
Predecessor Company						
January 1, 2015 to January 31, 2015						
Life Marketing	\$ 84,926	\$ 47,460	\$ 123,179	\$ 4,813	\$ 18,705	\$ 12
Acquisitions	62,343	71,088	101,926	5,033	9,041	2,133
Annuities	12,473	37,189	30,613	(7,706)	9,926	—
Stable Value Products	—	6,888	2,255	25	79	—
Asset Protection	10,825	1,878	7,592	1,820	10,121	10,172
Corporate and Other	1,343	10,677	1,722	87	20,496	1,346
Total	<u>\$ 171,910</u>	<u>\$ 175,180</u>	<u>\$ 267,287</u>	<u>\$ 4,072</u>	<u>\$ 68,368</u>	<u>\$ 13,663</u>

(1) Allocations of Net Investment Income and Other Operating Expenses are based on a number of assumptions and estimates and results would change if different methods were applied.

(2) Excludes Life Insurance

SCHEDULE IV—REINSURANCE

PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

Successor Company					
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
(Dollars In Thousands)					
For The Year Ended December 31, 2017:					
Life insurance in-force	\$ 751,512,468	\$ (328,377,398)	\$ 110,205,190	\$ 533,340,260	21.0%
Premiums and policy fees:					
Life insurance	2,655,846	(1,151,175)	435,113	1,939,784 ⁽¹⁾	22.5%
Accident/health insurance	51,991	(33,051)	14,945	33,885	44.1
Property and liability insurance	309,848	(176,509)	9,676	143,015	6.8
Total	\$ 3,017,685	\$ (1,360,735)	\$ 459,734	\$ 2,116,684	
For The Year Ended December 31, 2016:					
Life insurance in-force	\$ 739,248,680	\$ (348,994,650)	\$ 116,265,430	\$ 506,519,460	23.0%
Premiums and policy fees:					
Life insurance	2,610,682	(1,126,915)	454,999	1,938,766 ⁽¹⁾	23.5%
Accident/health insurance	58,076	(36,935)	17,439	38,580	45.2
Property and liability insurance	261,009	(150,866)	5,726	115,869	4.9
Total	\$ 2,929,767	\$ (1,314,716)	\$ 478,164	\$ 2,093,215	
February 1, 2015 to December 31, 2015:					
Life insurance in-force	\$ 727,705,256	\$ (368,142,294)	\$ 39,546,742	\$ 399,109,704	9.9%
Premiums and policy fees:					
Life insurance	2,360,643	(983,143)	308,280	1,685,780 ⁽¹⁾	18.3%
Accident/health insurance	70,243	(36,871)	18,252	51,624	35.4
Property and liability insurance	243,728	(134,964)	6,904	115,668	6.0
Total	\$ 2,674,614	\$ (1,154,978)	\$ 333,436	\$ 1,853,072	

Predecessor Company					
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
(Dollars In Thousands)					
January 1, 2015 to January 31, 2015 ⁽²⁾					
Life insurance in-force	\$ —	\$ —	\$ —	\$ —	—%
Premiums and policy fees:					
Life insurance	204,185	(74,539)	28,601	158,247 ⁽¹⁾	18.1%
Accident/health insurance	6,846	(4,621)	1,809	4,034	44.8
Property and liability insurance	19,759	(10,796)	666	9,629	6.9
Total	\$ 230,790	\$ (89,956)	\$ 31,076	\$ 171,910	

(1) Includes annuity policy fees of \$173.5 million, \$160.4 million \$152.8 million, and \$13.9 million for the year ended December 31, 2017 (Successor Company), the year ended December 31, 2016 (Successor Company), the period of February 1, 2015 to December 31, 2015 (Successor Company), and the period of January 1, 2015 to January 31, 2015 (Predecessor Company), respectively.

(2) January 31, 2015 (Predecessor Company) balance sheet information is not presented in our consolidated financial statements, therefore January 31, 2015 Life Insurance In-Force has been omitted from this schedule.

SCHEDULE V—VALUATION AND QUALIFYING ACCOUNTS
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

Successor Company					
Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charges to other accounts		
(Dollars In Thousands)					
As of December 31, 2017					
Allowance for losses on commercial mortgage loans	\$ 724	\$ (7,439)	\$ —	\$ 6,715	\$ —
As of December 31, 2016					
Allowance for losses on commercial mortgage loans	\$ —	\$ (4,682)	\$ —	\$ 5,406	\$ 724

EXHIBIT INDEX

Exhibit Number	
*2(a)	Master Agreement, dated as of April 10, 2013, by and among AXA Equitable Financial Services, LLC, AXA Financial, Inc. and Protective Life Insurance Company, filed as Exhibit 2(b) to the Company's Quarterly Report on Form 10-Q filed August 2, 2013 (No. 001-11339).
*2(b)	Agreement and Plan of Merger, dated as of June 3, 2014, by and among The Dai-ichi Life Insurance Company, Limited, DL Investment (Delaware), Inc. and Protective Life Corporation, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed February 3, 2015 (No. 001-11339).
*2(c)	Master Transaction Agreement, dated as of January 18, 2018, by and among Protective Life Insurance Company, Protective Life Corporation, The Lincoln National Life Insurance Company, Lincoln National Corporation, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company and Liberty Mutual Group, Inc., filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed January 22, 2018 (No. 001-11339).
*3(a)	Certificate of Incorporation of the Company, effective as of February 1, 2015, filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed February 26, 2015 (No. 001-11339).
*3(b)	Amended and Restated Bylaws of the Company effective as of January 4, 2016, filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed February 25, 2016 (No. 001-11339).
*4(a)	Reference is made to Exhibit 3(a) above (No. 001-11339).
*4(b)	Reference is made to Exhibit 3(b) above (No. 001-11339).
4(c)(1)	Senior Indenture, dated as of June 1, 1994, between the Company and The Bank of New York, as Trustee, filed herewith.
*4(c)(2)	Supplemental Indenture No. 11, dated as of December 11, 2007, between the Company and The Bank of New York Trust Company, N.A., as Trustee, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed December 7, 2007 (No. 001-11339).
*4(c)(3)	Supplemental Indenture No. 12, dated as of October 9, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 9, 2009 (No. 001-11339).
*4(c)(4)	Supplemental Indenture No. 13, dated as of October 9, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed October 9, 2009 (No. 001-11339).
4(d)(1)	Subordinated Indenture, dated as of June 1, 1994, between the Company and AmSouth Bank, as Trustee, filed herewith.
*4(d)(2)	Supplemental Indenture No. 11, dated as of August 10, 2017, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed August 10, 2017 (No. 001-11339).
*10(a)(1)†	The Company's Excess Benefit Plan, Amended and Restated as of December 31, 2008 and Reflecting the Terms of the December 31, 2010 Amendment, filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed February 28, 2013 (No. 001-11339).
*10(a)(2)†	Amendment to the Company's Excess Benefit Plan, dated as of April 17, 2014, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed May 8, 2014 (No. 001-11339).
*10(a)(3)†	2016 Amendment to the Company's Excess Benefit Plan, dated as of December 19, 2016, filed as Exhibit 10(a)(3) to the Company's Annual Report on Form 10-K filed February 24, 2017 (No. 001-11339).
*10(a)(4)†	Excess Benefit Plan Settlement Agreement, dated as of September 30, 2016, between the Company and John D. Johns, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 7, 2016 (No. 001-11339).

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Exhibit Number	
*10(b)(1)†	Protective Life Corporation Annual Incentive Plan, effective January 1, 2018, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 13, 2017 (No. 001-11339).
*10(b)(2)†	Protective Life Corporation 2017 Annual Incentive Plan, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed August 3, 2017 (No. 001-11339).
*10(b)(3)†	Protective Life Corporation 2016 Annual Incentive Plan, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed May 6, 2016 (No. 001-11339).
*10(b)(4)†	Protective Life Corporation 2015 Annual Incentive Plan, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed August 7, 2015 (No. 001-11339).
*10(c)(1)†	Protective Life Corporation Long-Term Incentive Plan, effective January 1, 2018, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed November 13, 2017 (No. 001-11339).
*10(d)(1)†	2017 Parent-Based Award Provisions of the Company, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed August 3, 2017 (No. 001-11339).
*10(d)(2)†	2016 Parent-Based Award Provisions of the Company, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed May 6, 2016 (No. 001-11339).
*10(d)(3)†	2015 Parent Stock-Based Award Provisions of the Company, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed August 7, 2015 (No. 001-11339).
*10(e)(1)†	2017 Performance Units Provisions (for key officers) of the Company, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed August 3, 2017 (No. 001-11339).
*10(e)(2)†	2016 Performance Units Provisions (for key officers) of the Company, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed May 6, 2016 (No. 001-11339).
*10(e)(3)†	2015 Performance Units Provisions (for key officers) of the Company, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed August 7, 2015 (No. 001-11339).
*10(f)(1)†	2017 Performance Units Provisions of the Company, filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q filed August 3, 2017 (No. 001-11339).
*10(f)(2)†	2016 Performance Units Provisions of the Company, filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q filed May 6, 2016 (No. 001-11339).
*10(f)(3)†	2015 Performance Units Provisions of the Company, filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q filed August 7, 2015 (No. 001-11339).
*10(g)(1)†	2017 Restricted Units Provisions of the Company, filed as Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q filed August 3, 2017 (No. 001-11339).
*10(g)(2)†	2016 Restricted Units Provisions of the Company, filed as Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q filed May 6, 2016 (No. 001-11339).
*10(g)(3)†	Amended 2015 Restricted Units Provisions of the Company, filed as Exhibit 10(e) to the Company's Quarterly Report on Form 10-Q filed August 7, 2015 (No. 001-11339).
10(h)†	Form of the Company's Indemnity Agreement for Officers, filed herewith.
*10(i)†	Form of the Company's Director Indemnity Agreement, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed August 5, 2010 (No. 001-11339).
*10(j)(1)†	Employment Agreement, dated as of June 3, 2014, between the Company and John D. Johns, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed August 8, 2014 (No. 001-11339).
*10(j)(2)†	Letter Agreement, dated as of November 6, 2017 and entered into on November 28, 2017, between the Company and John D. Johns, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 4, 2017 (No. 001-11339).
*10(j)(3)†	Confidentiality and Non-Competition Agreement, dated as of November 28, 2017, between the Company and John D. Johns, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 4, 2017 (No. 001-11339).

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Exhibit Number	
*10(k)†	Transition Letter Agreement, dated as of December 30, 2016, between the Company and Deborah J. Long, filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K filed February 24, 2017 (No. 001-11339).
*10(l)(1)†	Form of Employment Agreement between the Company and Executive Vice President, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed August 8, 2014 (No. 001-11339).
*10(l)(2)†	Form of Employment Agreement between the Company and Senior Vice President, filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q filed August 8, 2014 (No. 001-11339).
*10(m)†	The Company's Deferred Compensation Plan for Officers, as Amended and Restated as of August 1, 2016, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed August 5, 2016 (No.001-11339).
*10(n)	Amended and Restated Credit Agreement, dated as of February 2, 2015, among Protective Life Corporation and Protective Life Insurance Company, as borrowers, the several lenders from time to time a party thereto, Regions Bank, as Administrative Agent, and Wells Fargo Bank, National Association, as Syndication Agent, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 3, 2015 (No. 001-11339).
*10(o)	Second Amended and Restated Lease Agreement, dated as of December 19, 2013, between Protective Life Insurance Company and Wachovia Development Corporation, filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed February 28, 2014 (No. 001-11339).
*10(p)	Second Amended and Restated Investment and Participation Agreement, dated as of December 19, 2013, between Protective Life Insurance Company and Wachovia Development Corporation, filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed February 28, 2014 (No. 001-11339).
*10(q)	Second Amended and Restated Guaranty, dated as of December 19, 2013 by the Company in favor of Wachovia Development Corporation, filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed February 28, 2014 (No. 001-11339).
*10(r)	Amendment and Clarification of the Tax Allocation Agreement, dated as of January 1, 1988, by and among Protective Life Corporation and its subsidiaries, filed as Exhibit 10(h) to Protective Life Insurance Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 (No. 001-31901).
*10(s)	Third Amended and Restated Reimbursement Agreement, dated as of June 25, 2014 between Golden Gate III Vermont Captive Insurance Company and UBS AG, Stamford Branch, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed August 8, 2014 (No. 001-11339).±
*10(t)	Second Amended and Restated Guarantee Agreement, dated as of August 7, 2013, between the Company and UBS AG, Stamford Branch, filed as Exhibit 10(q) to the Company's Quarterly Report on Form 10-Q filed November 4, 2013 (No. 001-11339).
*10(u)	Stock Purchase Agreement, dated as of October 22, 2010, by and among RBC Insurance Holdings (USA) Inc., Athene Holding Ltd., Protective Life Insurance Company and RBC USA Holdco Corporation (solely for purposes of Sections 5.14-5.17 and Articles 7, 8 and 10), filed as Exhibit 10.01 to the Company's Current Report on Form 8-K filed October 28, 2010 (No. 001-11339).
*10(v)	Reimbursement Agreement, dated as of December 10, 2010, between Golden Gate IV Vermont Captive Insurance Company and UBS AG, Stamford Branch, filed as Exhibit 10(u) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed February 28, 2011 (No. 001-11339).±
*10(w)	Letter of Guaranty, dated as of December 10, 2010, between Protective Life Corporation and UBS AG, Stamford Branch, filed as Exhibit 10(v) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed February 28, 2011 (No. 001-11339).
*10(x)	Coinurance Agreement, dated as of September 30, 2015, by and between Liberty Life Insurance Company and Protective Life Insurance Company, filed as Exhibit 10 to the Company's Current Report on Form 8-K/A filed August 5, 2011 (No. 001-11339).

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Exhibit Number	
*10(y)	Master Agreement, dated as of September 30, 2015, by and among Protective Life Insurance Company and Genworth Life and Annuity Insurance Company, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 6, 2015 (No. 001-11339).
12	Computation of Ratios of Consolidated Earnings to Fixed Charges.
14(a)	Code of Business Conduct for Protective Life Corporation and all of its subsidiaries, revised June 12, 2017, filed herewith.
14(b)	Supplemental Policy on Conflict of Interest for the Company and all of its subsidiaries, revised June 12, 2017, filed herewith.
21	Principal Subsidiaries of the Registrant.
24	Powers of Attorney.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the annual report on Form 10-K of Protective Life Corporation for the year ended December 31, 2017, filed on March 1, 2018, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii), the Consolidated Balance Sheets, (iv) Consolidated Statements of Shareowner's Equity, (v) the Consolidated Statement of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
*	Incorporated by Reference
†	Management contract or compensatory plan or arrangement
±	Certain portions of this Exhibit have been omitted pursuant to a request for confidential treatment. The non-public information has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

The Company hereby agrees to furnish a copy of any instrument that defines the rights of holders of long-term debt to the Securities and Exchange Commission, upon request.

SIGNATURES

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

By:	PROTECTIVE LIFE CORPORATION <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> /s/ PAUL R. WELLS Paul R. Wells Senior Vice President, Chief Accounting Officer and Controller March 2, 2018
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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity in Which Signed</u>	<u>Date</u>
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> /s/ JOHN D. JOHNS <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> JOHN D. JOHNS	Executive Chairman of the Board and Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> /s/ RICHARD J. BIELEN <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> RICHARD J. BIELEN	President, Chief Executive Officer (Principal Executive Officer) and Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> /s/ STEVEN G. WALKER <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> STEVEN G. WALKER	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> /s/ PAUL R. WELLS <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> PAUL R. WELLS	Senior Vice President, Chief Accounting Officer and Controller (Chief Accounting Officer/Controller)	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> SHINICHI AIZAWA	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> TOMOHIKO ASANO	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> VANESSA LEONARD	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> JOHN J. MCMAHON, JR.	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> UNGYONG SHU	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> JESSE J. SPIKES	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> WILLIAM A. TERRY	Director	March 2, 2018
<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> * <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> W. MICHAEL WARREN, JR.	Director	March 2, 2018

*Richard J. Bielen, by signing his name hereto, does sign this document on behalf of each of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

By:	<hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> /s/ RICHARD J. BIELEN RICHARD J. BIELEN Attorney-in-fact
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PROTECTIVE LIFE CORPORATION

to

THE BANK OF NEW YORK, Trustee

SENIOR INDENTURE

Dated as of June 1, 1994

Providing for Issuance of
Senior Debt Securities in Series

Reconciliation and tie between Indenture, dated as of June 1, 1994, and the Trust Indenture Act of 1939, as amended.

Trust Indenture Act of 1939 Section	Indenture Section
310(a)(1).....	6.12
(a)(2).....	6.12
(a)(3).....	TIA
(a)(4).....	Not applicable
(a)(5).....	TIA
(b).....	6.10; 6.12; TIA
311(a).....	TIA
(b).....	TIA
312(a).....	6.8
(b).....	TIA
(c).....	TIA
313(a).....	6.7; TIA
(b).....	TIA
(c).....	6.7; TIA
(d).....	6.7; TIA
314(a).....	9.5; 9.6; TIA
(b).....	Not Applicable
(c)(1).....	1.2
(c)(2).....	1.2
(c)(3).....	Not Applicable
(d).....	Not Applicable
(e).....	1.2
(f).....	TIA
315(a).....	6.1
(b).....	6.6
(c).....	6.1
(d)(1).....	TIA
(d)(2).....	TIA
(d)(3).....	TIA
(e).....	TIA
316(a)(last sentence).....	1.1
(a)(1)(A).....	5.2; 5.8
(a)(1)(B).....	5.7
(b).....	5.9; 5.10

(c).....	1.4; TIA
317(a)(1).....	5.3
(a)(2).....	5.4
(b).....	9.3
318(a).....	1.11
(b).....	TIA
(c).....	1.11; TIA

This reconciliation and tie section does not constitute part of the Indenture.

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INDENTURE, dated as of June 1, 1994, from PROTECTIVE LIFE CORPORATION, a Delaware corporation (the "Company"), to THE BANK OF NEW YORK, Trustee, a New York banking corporation (the "Trustee").

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1. DEFINITIONS. (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
 - (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
 - (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and
 - (4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this
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Indenture as a whole and not to any particular Article, Section or other subdivision.

"AFFILIATE" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT" means any Paying Agent or Registrar.

"AUTHENTICATING AGENT" means any authenticating agent appointed by the Trustee pursuant to Section 6.14.

"AUTHORIZED NEWSPAPER" means a newspaper of general circulation, in the official language of the country of publication or in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or different Authorized Newspapers.

"BEARER SECURITY" means any Security issued hereunder which is payable to bearer.

"BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"BOARD RESOLUTION" means a copy of a resolution of the Board of Directors, certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of the certificate, and delivered to the Trustee.

"BUSINESS DAY", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday

and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"COMPANY" means the party named as the Company in the first paragraph of this Indenture until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successor.

"COMPANY ORDER" and "COMPANY REQUEST" mean, respectively, a written order or request signed in the name of the Company by two Officers, one of whom must be the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the Controller or a Vice-President of the Company.

"CONVERSION EVENT" means the cessation of use of (i) a Foreign Currency both by the issuer of such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the ECU both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (iii) any currency unit other than the ECU for the purposes for which it was established.

"CORPORATE TRUST OFFICE" means the office of the Trustee in New York, New York at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 101 Barclay Street, 21st Floor, New York, New York 10286, Attention: Corporate Trust Trustee Administration.

"CURRENCY UNIT" for all purposes of this Indenture shall include any composite currency.

"DEBT" means indebtedness for money borrowed.

"DEFAULT" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"DEPOSITORY", when used with respect to the Securities of or within any series issuable or issued in whole or in part in global form, means the Person designated as Depository by the Company pursuant to Section 3.1 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter shall mean or include each Person which is then a Depository hereunder, and if at any time there is more than one such Person, shall be a collective reference to such Persons.

"DOLLAR" means the currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"EUROPEAN COMMUNITIES" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"EUROPEAN MONETARY SYSTEM" means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Communities.

"EXCHANGE RATE AGENT", when used with respect to Securities of or within any series, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, a New York Clearing House bank designated pursuant to Section 3.1 or Section 3.13 (which may include any such bank acting as Trustee hereunder).

"EXCHANGE RATE OFFICER'S CERTIFICATE" means a certificate setting forth (i) the applicable Market Exchange Rate or the applicable bid quotation and (ii) the Dollar or Foreign Currency amounts of principal (and premium, if any) and interest, if any (on an aggregate basis and on the basis of a Security having the lowest denomination principal amount in the relevant currency or currency unit), payable with respect to a Security of any series on the basis of such Market Exchange Rate or the applicable bid quotation, signed by the Chief Financial Officer, the Treasurer, the

Controller, any Vice President or the Assistant Treasurer of the Company.

"FOREIGN CURRENCY" means any currency issued by the government of one or more countries other than the United States or by any recognized confederation or association of such governments.

"GOVERNMENT OBLIGATIONS" means securities which are (i) direct obligations of the United States or, if specified as contemplated by Section 3.1, the government which issued the currency in which the Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States or, if specified as contemplated by Section 3.1, such government which issued the foreign currency in which the Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depository receipt.

"HOLDER" means, with respect to a Bearer Security, a bearer thereof or of a coupon appertaining thereto and, with respect to a Registered Security, a person in whose name a Security is registered on the Register.

"INDENTURE" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms of particular series of Securities established as contemplated hereunder.

"INDEXED SECURITY" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"INTEREST", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"INTEREST PAYMENT DATE", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"MARKET EXCHANGE RATE" means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, (i) for any conversion involving a currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 3.1 for the Securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in New York City, London or any other principal market for Dollars or such purchased Foreign Currency, in each case determined by the Exchange Rate Agent. Unless otherwise specified with respect to any Securities pursuant to Section 3.1, in the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii), the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, London or other principal market for such currency or currency unit in question (which may include any such bank acting as Trustee under this Indenture), or such other quotations as the Exchange Rate Agent shall deem appropriate. If there is more than one market for dealing in any currency or currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency or currency unit shall be that upon which a nonresident issuer of securities designated in such currency or currency unit would purchase such currency or currency unit in order to make payments in respect of such securities.

"MATURITY", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"OFFICER" means the Chairman of the Board, the President, any Vice-President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of the Company.

"OFFICERS' CERTIFICATE", when used with respect to the Company, means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the Controller or a Vice-President of the Company.

"OPINION OF COUNSEL" means a written opinion from the general counsel of the Company or other legal counsel who is reasonably acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company.

"ORIGINAL ISSUE DISCOUNT SECURITY" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"OUTSTANDING", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, EXCEPT:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money or Government Obligations in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any coupons appertaining thereto, PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this

Indenture or provisions therefor satisfactory to the Trustee have been made;

(iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

(iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (w) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, (x) the principal amount of any Security denominated in a Foreign Currency that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the Dollar equivalent, determined as of the date such Security is originally issued by the Company as set forth in an Exchange Rate Officer's Certificate delivered to the Trustee, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent as of such date of original issuance of the amount determined as provided in clause (w) above) of such Security, (y) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such

Security pursuant to Section 3.1, and (z) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"PAYING AGENT" means any Person authorized by the Company to pay the principal of, premium, if any, or interest and any other payments on any Securities on behalf of the Company.

"PERIODIC OFFERING" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Maturity thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PLACE OF PAYMENT", when used with respect to the Securities of or within any series, means the place or places where the principal of, premium, if any, and interest and any other payments on such Securities are payable as specified as contemplated by Sections 3.1 and 9.2.

"PREDECESSOR SECURITY" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"PRINCIPAL AMOUNT", when used with respect to any Security, means the amount of principal, if any, payable in respect thereof at Maturity; PROVIDED, HOWEVER, that when used with respect to an Indexed Security in any context other than the making of payments at Maturity, "principal amount" means the principal face amount of such Indexed Security at original issuance.

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"REDEMPTION PRICE", when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"REGISTERED SECURITY" means any Security issued hereunder and registered as to principal and interest in the Register.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"RESPONSIBLE OFFICER", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"SECURITY" or "SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means a Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"SPECIAL RECORD DATE" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7.

"STATED MATURITY", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security or in a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"SUBSIDIARY" of any Person means any Person of which at least a majority of capital stock having ordinary voting power for the election of directors or other governing body of such Person is owned by such Person directly or through one or more Subsidiaries of such Person.

"TOTAL ASSETS" means, at any date, the total assets appearing on the most recently prepared consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of a fiscal quarter of the Company, prepared in accordance with generally accepted accounting principles.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, except as provided in Section 8.3.

"TRUSTEE" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"UNITED STATES" means, unless otherwise specified with respect to the Securities of any series as contemplated by Section 3.1, the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. PERSON" means, unless otherwise specified with respect to the Securities of any series as contemplated

by Section 3.1, a citizen, national or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust, the income of which is subject to United States federal income taxation regardless of its source.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

Term Section

"Act" 1.4(a)
"Bankruptcy Law" 5.1
"Component Currency" 3.12(d)
"Conversion Date" 3.12(d)
"Custodian" 5.1
"Defaulted Interest" 3.7(b)
"Election Date" 3.12(h)
"Event of Default" 5.1
"Notice of Default" 5.1(3)
"Register" 3.5
"Registrar" 3.5
"Valuation Date" 3.7(c)

Section 1.2. COMPLIANCE CERTIFICATES AND OPINIONS. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3 and 9.6) shall include:

(1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.3. FORM OF DOCUMENTS DELIVERED TO TRUSTEE. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Any certificate, statement or opinion of an officer of the Company or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion is based are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4. ACTS OF HOLDERS. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also

be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Bearer Securities may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, banker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (i) another such certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (ii) such Bearer Security is produced to the Trustee by some other Person, (iii) such Bearer Security is surrendered in exchange for a Registered Security or (iv) such Bearer Security is no longer Outstanding. The ownership of Bearer Securities may also be proved in any other manner which the Trustee deems sufficient.

(d) The ownership of Registered Securities shall be proved by the Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) If the Company shall solicit from the Holders of any series any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders of such series entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so, PROVIDED that the Company may not set a record date for, and the provisions of this paragraph shall not apply with

respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; PROVIDED that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(g) The Trustee may set any day as a record date for the purpose of determining the Holders of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any direction referred to in Section 5.8 or (iv) any request to institute proceedings referred to in Section 5.9(2), in each case with respect to Securities of such series. If such a record date is fixed pursuant to this paragraph, the relevant action may be taken or given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be holders of a series for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities of such series have authorized or agreed or consented to such action, and for that purpose the Outstanding Securities of such series shall be computed as of such record date; PROVIDED that no such action by Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set pursuant to this

paragraph, the Trustee, at the Company's expense, shall cause notice of such record date and the proposed action by Holders to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

Section 1.5. NOTICES, ETC., TO TRUSTEE AND COMPANY. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at Protective Life Corporation, 2801 Highway 280 South, Birmingham, Alabama 35223, Attention: General Counsel or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6. NOTICE TO HOLDERS; WAIVER. Where this Indenture provides for notice to Holders of any event, (i) if any of the Securities affected by such event are Registered Securities, such notice to the Holders thereof shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice and, (ii) if any of the Securities affected by such event are Bearer Securities, notice to the Holders thereof shall be sufficiently given (unless otherwise herein or in the terms of such Bearer Securities expressly provided) if published once in an Authorized Newspaper in New York, New York, and in such other city or cities, if any, as may be specified as contemplated by Section 3.1.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any

defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. In any case where notice is given to Holders by publication, neither the failure to publish such notice, nor any defect in any notice so published, shall affect the sufficiency of such notice with respect to other Holders of Bearer Securities or the sufficiency of any notice to Holders of Registered Securities given as provided herein. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. If it is impossible or, in the opinion of the Trustee, impracticable to give any notice by publication in the manner herein required, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.7. HEADINGS AND TABLE OF CONTENTS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.8. SUCCESSOR AND ASSIGNS. All covenants and agreements in this Indenture by the Company shall bind its successor and assigns, whether so expressed or not.

Section 1.9. SEPARABILITY. In case any provision of this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. BENEFITS OF INDENTURE. Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. GOVERNING LAW. THIS INDENTURE, THE SECURITIES AND ANY COUPONS APPERTAINING THERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act, which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be. Whether or not this Indenture is required to be qualified under the Trust Indenture Act, the provisions of the Trust Indenture Act required to be included in an indenture in order for such indenture to be so qualified shall be deemed to be included in this Indenture with the same effect as if such provisions were set forth herein and any provisions hereof which may not be included in an indenture which is so qualified shall be deemed to be deleted or modified to the extent such provisions would be required to be deleted or modified in an indenture so qualified.

Section 1.12. LEGAL HOLIDAYS. In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of any Security or coupon other than a provision in the

Securities of any series which specifically states that such provision shall apply in lieu of this Section), payment of principal, premium, if any, or interest need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; PROVIDED that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

ARTICLE 2

SECURITY FORMS

Section 2.1. FORMS GENERALLY. The Securities of each series and the coupons, if any, to be attached thereto shall be in substantially such form as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor or as may, consistently herewith, be determined by the officers executing such Securities and coupons, if any, as evidenced by their execution of the Securities and coupons, if any. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the forms of Securities and coupons, if any, of any series are established by, or by action taken pursuant to, a Board Resolution, a copy of the Board Resolution together with an appropriate record of any such action taken pursuant thereto, including a copy of the approved form of Securities or coupons, if any, shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 3.1, Bearer Securities shall have interest coupons attached.

The definitive Securities and coupons, if any, shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities and coupons, if any, as evidenced by their execution of such Securities and coupons, if any.

Section 2.2. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION. The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series described in the within-mentioned Indenture.

THE BANK OF NEW YORK,
as Trustee

By _____
Authorized Signatory

Section 2.3. SECURITIES IN GLOBAL FORM. If Securities of or within a series are issuable in whole or in part in global form, any such Security may provide that it shall represent the aggregate or specified amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced or increased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby, shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 3.3 or 3.4. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver any security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. Any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 1.2 hereof and need not be accompanied by an Opinion of Counsel.

The provisions of the last paragraph of Section 3.3 shall apply to any Security in global form if such

Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last paragraph of Section 3.3.

Notwithstanding the provisions of Section 2.1 and 3.7, unless otherwise specified as contemplated by Section 3.1, payment of principal of, premium, if any, and interest on any Security in permanent global form shall be made to the Person or Persons specified therein.

Section 2.4. FORM OF LEGEND FOR SECURITIES IN GLOBAL FORM. Any Registered Security in global form authenticated and delivered hereunder shall bear a legend in substantially the following form with such changes as may be required by the Depository:

THIS SECURITY IS IN GLOBAL FORM WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

ARTICLE 3

THE SECURITIES

Section 3.1. AMOUNT UNLIMITED; ISSUABLE IN SERIES. (a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established with respect to each series of Securities issued hereunder (i) by a Board Resolution, (ii) by action taken pursuant to

a Board Resolution and (subject to Section 3.3) set forth, or determined in the manner provided, in an Officers' Certificate or (iii) in one or more indentures supplemental hereto:

- (1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other series of Securities);
- (2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7);
- (3) the date or dates on which the principal of and premium, if any, on the Securities of the series is payable or the method of determination thereof;
- (4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which any such interest shall be payable and, with respect to Registered Securities, the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date;
- (5) the place or places where the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;
- (6) the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, if Registered Securities, and if other than the denomination of \$5,000 and any integral multiple thereof, if Bearer Securities, the denominations in which Securities of the series shall be issuable;

(9) if other than Dollars, the currency or currencies (including currency unit or units) in which the principal of, premium, if any, and interest, if any, on the Securities of the series shall be payable, or in which the Securities of the series shall be denominated, and the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.12;

(10) if the payments of principal of, premium, if any, or interest, if any, on the Securities of the series are to be made, at the election of the Company or a Holder, in a currency or currencies (including currency unit or units) other than that in which such Securities are denominated or designated to be payable, the currency or currencies (including currency unit or units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, and the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.12;

(11) if the amount of payments of principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on a currency or currencies (including currency unit or units) other than that in which the Securities of the series are denominated or designated to be payable),

the index, formula or other method by which such amounts shall be determined;

(12) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

(13) if the principal amount payable at the Stated Maturity of any Securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Securities as of any such date for any purpose thereunder or hereunder, including the principal amount thereof which shall be due and payable upon any Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);

(14) if other than as provided in Section 3.7, the Person to whom any interest on any Registered Security of the series shall be payable and the manner in which, or the Person to whom, any interest on any Bearer Securities of the series shall be payable;

(15) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(16) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company set forth in Article 9 pertaining to the Securities of the series;

(17) under what circumstances, if any, the Company will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(18) whether Securities of the series shall be issuable as Registered Securities or Bearer Securities (with or without interest coupons), or both, and any

restrictions applicable to the offering, sale or delivery of Bearer Securities and, if other than as provided in Section 3.5, the terms upon which Bearer Securities of a series may be exchanged for Registered Securities of the same series and vice versa;

(19) the date as of which any Bearer Securities of the series and any temporary global Security representing Outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(20) the forms of the Securities and coupons, if any, of the series;

(21) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities and coupons, if any, of such series, and, if the Securities are payable in a currency other than Dollars, whether, for the purpose of such defeasance or covenant defeasance, the term "Government Obligations" shall include obligations referred to in the definition of such term which are not obligations of the United States or an agency or instrumentality of the United States;

(22) if other than the Trustee, the identity of the Registrar and any Paying Agent;

(23) the designation of the initial Exchange Rate Agent, if any;

(24) if the Securities of the series shall be issued in whole or in part in global form, (i) the Depository for such global Securities, (ii) the form of any legend in addition to or in lieu of that in Section 2.4 which shall be borne by such global security, (iii) whether beneficial owners of interests in any Securities of the series in global form may exchange such interests for certificated Securities of such series and of like tenor of any authorized form and denomination, and (iv) if other than as provided in Section 3.5, the circumstances under which any such exchange may occur; and

(25) any other terms of the series (which terms shall not be inconsistent with the provisions of this

Indenture) including any terms which may be required by or advisable under United States laws or regulations or advisable (as determined by the Company) in connection with the marketing of Securities of the series.

(c) All Securities of any one series and coupons, if any, appertaining to any Bearer Securities of such series shall be substantially identical except, in the case of Registered Securities, as to denomination and except as may otherwise be provided (i) by a Board Resolution, (ii) by action taken pursuant to a Board Resolution and (subject to Section 3.3) set forth, or determined in the manner provided, in the related Officers' Certificate or (iii) in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series.

(d) If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth, or providing the manner for determining, the terms of the Securities of such series, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series shall be delivered to the Trustee prior to the authentication and delivery thereof.

Section 3.2. DENOMINATIONS. Unless otherwise provided as contemplated by Section 3.1, any Registered Securities of a series shall be issuable in denominations of \$1,000 and any integral multiple thereof and any Bearer Securities of a series shall be issuable in the denomination of \$5,000 and any integral multiples thereof.

Section 3.3. EXECUTION, AUTHENTICATION, DELIVERY AND DATING. Securities shall be executed on behalf of the Company by two Officers. The Company's seal shall be reproduced on the Securities. The signatures of any of these officers on the Securities may be manual or facsimile. The coupons, if any, of Bearer Securities shall bear the facsimile signature of two Officers.

Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time, the Company may deliver Securities, together with any coupons appertaining thereto, of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; PROVIDED, HOWEVER, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the forms of such Securities and any coupons have been established by or pursuant to a Board Resolution as permitted by Section 2.1, that such forms have been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities and any coupons have been established by or pursuant to a Board Resolution as permitted by Section 3.1, that such terms have been, or in the case of Securities of a series offered in a Periodic Offering, will be, established in conformity with the provisions of this Indenture,

subject in the case of Securities offered in a Periodic Offering, to any conditions specified in such Opinion of Counsel; and

(3) that such Securities together with any coupons appertaining thereto, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles and except further as enforcement thereof may be limited by (A) requirements that a claim with respect to any Securities denominated other than in Dollars (or a Foreign Currency or currency unit judgment in respect of such claim) be converted into Dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or (B) governmental authority to limit, delay or prohibit the making of payments in Foreign Currencies or currency units or payments outside the United States.

Notwithstanding that such form or terms have been so established, the Trustee shall have the right to decline to authenticate such Securities if, in the written opinion of counsel to the Trustee (which counsel may be an employee of the Trustee) reasonably acceptable to the Company, the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee. Notwithstanding the generality of the foregoing, the Trustee will not be required to authenticate Securities denominated in a Foreign Currency if the Trustee reasonably believes that it would be unable to perform its duties with respect to such Securities.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to the two preceding paragraphs in connection with the authentication

of each Security of such series if such documents, with appropriate modifications to cover such future issuances, are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

With respect to Securities of a series offered in a Periodic Offering, the Trustee may rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and the other documents delivered pursuant to Sections 2.1 and 3.1 and this Section, as applicable, in connection with the first authentication of Securities of such series.

If the Company shall establish pursuant to Section 3.1 that the Securities of a series are to be issued in whole or in part in global form, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series, authenticate and deliver one or more Securities in global form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such Security or Securities in global form, (ii) shall be registered, if a Registered Security, in the name of the Depository for such Security or Securities in global form or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instruction and (iv) shall bear the legends set forth in Section 2.4. and the terms of the Board Resolution or supplemental indenture relating to such series.

Each Depository designated pursuant to Section 3.1 for a Registered Security in global form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation. The Trustee shall have no responsibility to determine if the Depository is so registered. Each Depository shall enter into an agreement with the Trustee governing the respective duties and rights of such Depository and the Trustee with regard to Securities issued in global form.

Each Registered Security shall be dated the date of its authentication and each Bearer Security shall be

dated as of the date specified as contemplated by Section 3.1.

No Security or coupon appertaining thereto shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent and no coupon shall be valid until the Security to which it appertains has been so authenticated. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture. Except as permitted by Section 3.6 or 3.7, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled.

Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

Section 3.4. TEMPORARY SECURITIES. Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form, with or without coupons, of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities and coupons, if any. In the case of Securities of any series, such temporary Securities may be in global form, representing all or a portion of the Outstanding Securities of such series.

Except in the case of temporary Securities in global form, each of which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations and of like tenor; PROVIDED, HOWEVER, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and PROVIDED FURTHER that no definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security unless the Trustee shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form approved in or pursuant to the Board Resolutions relating thereto and such delivery shall occur only outside the United States. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series except as otherwise specified as contemplated by Section 3.1.

Section 3.5. REGISTRATION, TRANSFER AND EXCHANGE. The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions.

Bearer Securities or any coupons appertaining thereto shall be transferable by delivery.

At the option of the Holder, Registered Securities of any series (except a Registered Security in global form) may be exchanged for other Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified as contemplated by Section 3.1, Bearer Securities may not be issued in exchange for Registered Securities.

Unless otherwise specified as contemplated by Section 3.1, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities (if the Securities of such series are issuable in registered form) or Bearer Securities (if Bearer Securities of such series are issuable in more than one denomination and such exchanges are permitted by such series) of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or

indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 9.2, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case any Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such coupon is so surrendered with such Bearer Security, such coupon shall be returned to the person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon, when due in accordance with the provisions of this Indenture.

Each Security issued in global form authenticated under this Indenture shall be registered in the name of the Depository designated for such series or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Security issued in global form shall constitute a single Security for all purposes of this Indenture. Unless otherwise specified pursuant to Section 3.1 with respect to a series of Securities or as otherwise provided herein, owners of beneficial interests in Securities of such series represented by a Security issued in global form will not be entitled to have Securities of such series registered in their names, will not receive or be entitled to receive physical delivery of Securities of such series in certificated form and will not be considered the holders thereof for any purposes hereunder.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in certificated form in the circumstances described below, a Security in global form representing all or a portion of the Securities of a series may not be transferred or exchanged except as a whole by the Depository for such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository.

If at any time the Depository for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depository for the Securities of such series or if at any time the Depository for the Securities of such series shall no longer be eligible under Section 3.3, the Company shall appoint a successor Depository with respect to the Securities of such series. If a successor Depository for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 3.1(b) (23) shall no longer be effective with respect to the Securities of such series and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

The Company may at any time in its sole discretion determine that Securities issued in global form shall no longer be represented by such a Security or Securities in global form. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

If specified by the Company pursuant to Section 3.1 with respect to a series of Securities, the Depository for such series may surrender a Security in global form of such series in exchange in whole or in part for Securities of such series in certificated form on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to each Person specified by such Depository a new certificated Security or Securities of the same series of like tenor, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Security in global form; and

(ii) to such Depository a new Security in global form of like tenor in a denomination equal to the difference, if any, between the principal amount of the surrendered Security in global form and the aggregate principal amount of certificated Securities delivered to Holders thereof.

Upon the exchange of a Security in global form for Securities in certificated form, such Security in global form shall be cancelled by the Trustee. Unless expressly provided with respect to the Securities of any series that such Security may be exchanged for Bearer Securities, Securities in certificated form issued in exchange for a Security in global form pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Security in global form, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Persons in whose names such Securities are so registered.

Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company, the Registrar and the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

If the Securities of any series (or of any series and specified tenor) are to be redeemed in part, the Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed; (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part; or (iii) to exchange any Bearer Security so selected for redemption, except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; PROVIDED that such Registered Security shall be simultaneously surrendered for redemption.

The foregoing provisions relating to registration, transfer and exchange may be modified, supplemented or superseded with respect to any series of Securities by a Board Resolution or in one or more indentures supplemental hereto.

Section 3.6. REPLACEMENT SECURITIES. If a mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a replacement Registered Security,

if such surrendered Security was a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the surrendered Security, if such surrendered Security was a Bearer Security, of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Security with a destroyed, lost or stolen coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a replacement Registered Security, if such Holder's claim appertains to a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the destroyed, lost or stolen Bearer Security or the Bearer Security to which such lost, destroyed or stolen coupon appertains, if such Holder's claim appertains to a Bearer Security, of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding with coupons corresponding to the coupons, if any, appertaining to the destroyed, lost or stolen Security.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security or coupon, pay such Security or coupon; PROVIDED, HOWEVER, that payment of principal of and any premium or interest on Bearer Securities shall, except as otherwise provided in Section 9.2, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 3.1, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge

that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee, its agents and counsel) connected therewith.

Every new Security of any series with its coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its coupon, if any, or the destroyed, lost or stolen coupon, shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that securities and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

Section 3.7. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED. (a) Unless otherwise provided as contemplated by Section 3.1 with respect to any series of Securities, interest, if any, on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to 9.2; PROVIDED, HOWEVER, that at the option of the Company, interest on any series of Registered Securities that bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) at the expense of the Company, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

Unless otherwise provided as contemplated by Section 3.1 with respect to any series of Securities, (i) interest, if any, on Bearer Securities shall be paid only against presentation and surrender of the coupons for such interest installments as are evidenced thereby as they mature and (ii) original issue discount, if any, on Bearer Securities shall be paid only against presentation and

surrender of such Securities; in either case at the office of a Paying Agent located outside the United States, unless the Company shall have otherwise instructed the Trustee in writing provided that any such instruction for payment in the United States does not cause any Bearer Security to be treated as a "registration-required obligation" under United States laws and regulations. The interest, if any, on any temporary Bearer Security shall be paid, as to any installment of interest evidenced by a coupon attached thereto only upon presentation and surrender of such coupon and, as to other installments of interest, only upon presentation of such Security for notation thereon of the payment of such interest. If at the time a payment of principal of or interest, if any, on a Bearer Security or coupon shall become due, the payment of the full amount so payable at the office or offices of all the Paying Agents outside the United States is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the payment of such amount in Dollars, then the Company may instruct the Trustee in writing to make such payments at a Paying Agent located in the United States, provided that provision for such payment in the United States would not cause such Bearer Security to be treated as a "registration-required obligation" under United States laws and regulations.

(b) Unless otherwise provided as contemplated by Section 3.1 with respect to any series of Securities, any interest on Registered Securities of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holders on the relevant Regular Record Date by virtue of their having been such Holders, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of such Defaulted Interest to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the trustee for such deposit prior to the date of the proposed payment, such

money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of such Registered Securities at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of such Defaulted Interest to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

(c) Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.8. PERSONS DEEMED OWNERS. Prior to due presentment of any Registered Security for registration of transfer, the Company, the Trustee and any agent of the

Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Bearer Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, with respect to any Security in global form, nothing herein shall prevent the Company or the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depository (or its nominee), as a Holder, with respect to such Security in global form or impair, as between such Depository and owners of beneficial interests in such Security in global form, the operation of customary practices governing the exercise of the rights of such Depository (or its nominee) as Holder of such Security in global form.

Section 3.9. CANCELLATION. The Company at any time may deliver Securities and coupons to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Securities and coupons surrendered to them for replacement, for registration of transfer, or for exchange or payment. The Trustee shall cancel all Securities and coupons surrendered for replacement, for registration of transfer, or for exchange, payment, redemption or cancellation and may, but shall not

be required to, dispose of cancelled Securities and coupons and issue a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Section 3.10. COMPUTATION OF INTEREST. Except as otherwise specified as contemplated by Section 3.1, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.11. CUSIP NUMBERS. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, in such case, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 3.12. CURRENCY AND MANNER OF PAYMENT IN RESPECT OF SECURITIES. (a) Unless otherwise specified with respect to any Securities pursuant to Section 3.1, with respect to Registered Securities of any series not permitting the election provided for in paragraph (b) below or the Holders of which have not made the election provided for in paragraph (b) below, and with respect to Bearer Securities of any series, except as provided in paragraph (d) below, payment of the principal of, premium, if any, and interest, if any, on any Registered or Bearer Security of such series will be made in the currency or currencies or currency unit or units in which such Registered Security or Bearer Security, as the case may be, is payable. The provisions of this Section 3.12 may be modified or superseded pursuant to Section 3.1 with respect to any Securities.

(b) It may be provided pursuant to Section 3.1, with respect to Registered Securities of any series, that Holders shall have the option, subject to paragraphs (d) and (e) below, to receive payments of principal of, premium, if any, or interest, if any, on such Registered Securities in any of the currencies or currency units which may be designated for such election by delivering to the Trustee (or the applicable Paying Agent) a written election with

signature guarantees and in the applicable form established pursuant to Section 3.1, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in any such currency or currency unit, such election will remain in effect for such Holder or any transferee of such Holder until changed by such Holder or such transferee by written notice to the Trustee (or any applicable Paying Agent) for such series of Registered Securities (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date, and no such change of election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or with respect to which the Company has deposited funds pursuant to Article 4 or with respect to which a notice of redemption has been given by or on behalf of the Company). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee (or any applicable Paying Agent) not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant currency or currency unit as provided in Section 3.12(a). The Trustee (or the applicable Paying Agent) shall notify the Exchange Rate Agent as soon as practicable after the Election Date of the aggregate principal amount of Registered Securities for which Holders have made such written election.

(c) If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, then, unless otherwise specified pursuant to Section 3.1 with respect to any such Registered Securities, not later than the fourth Business Day after the Election Date for each payment date for such Registered Securities, the Exchange Rate Agent will deliver to the Company a written notice specifying, in the currency or currencies or currency unit or units in which Registered Securities of such series are payable, the respective aggregate amounts of principal of, premium, if any, and interest, if any, on such Registered Securities to be paid on such payment date, and specifying the amounts in such currency or currencies or currency unit or units so payable in respect of such Registered Securities as to which the Holders of Registered Securities denominated in any currency or currencies or currency unit or units shall have elected to be paid in another currency or currency unit as

provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, and if at least one Holder has made such election, then, unless otherwise specified pursuant to Section 3.1, on the second Business Day preceding such payment date the Company will deliver to the Trustee (or the applicable Paying Agent) an Exchange Rate Officers' Certificate in respect of the Dollar, Foreign Currency or Currencies, ECU or other currency unit payments to be made on such payment date. Unless otherwise specified pursuant to Section 3.1, the Dollar, Foreign Currency or Currencies, ECU or other currency unit amount receivable by Holders of Registered Securities who have elected payment in a currency or currency unit as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the second Business Day (the "Valuation Date") immediately preceding each payment date, and such determination shall be conclusive and binding for all purposes, absent manifest error.

(d) If a Conversion Event occurs with respect to a Foreign Currency, ECU or any other currency unit in which any of the Securities are denominated or payable otherwise than pursuant to an election provided for pursuant to paragraph (b) above, then, with respect to each date for the payment of principal of, premium, if any, and interest, if any, on the applicable Securities denominated or payable in such Foreign Currency, ECU or such other currency unit occurring after the last date on which such Foreign Currency, ECU or such other currency unit was used (the "Conversion Date"), the Dollar shall be the currency of payment for use on each such payment date (but such Foreign Currency, ECU or such other currency unit that was previously the currency of payment shall, at the Company's election, resume being the currency of payment on the first such payment date preceded by 15 Business Days during which the circumstances which gave rise to the Dollar becoming such currency no longer prevail). Unless otherwise specified pursuant to Section 3.1, the Dollar amount to be paid by the Company to the Trustee or any applicable Paying Agent and by the Trustee or any applicable Paying Agent to the Holders of such Securities with respect to such payment date shall be, in the case of a Foreign Currency other than a currency unit, the Dollar Equivalent of the Foreign Currency or, in the case of a Foreign Currency that is a currency unit, the Dollar Equivalent of the Currency Unit,

in each case as determined by the Exchange Rate Agent in the manner provided in paragraph (f) or (g) below.

(e) Unless otherwise specified pursuant to Section 3.1, if the Holder of a Registered Security denominated in any currency or currency unit shall have elected to be paid in another currency or currency unit or in other currencies as provided in paragraph (b) above, and (i) a Conversion Event occurs with respect to any such elected currency or currency unit, such Holder shall receive payment in the currency or currency unit in which payment would have been made in the absence of such election and (ii) if a Conversion Event occurs with respect to the currency or currency unit in which payment would have been made in the absence of such election, such Holder shall receive payment in Dollars as provided in paragraph (d) of this Section 3.12 (but, subject to any contravening valid election pursuant to paragraph (b) above, the elected payment currency or currency unit, in the case of the circumstances described in clause (i) above, or the payment currency or currency unit in the absence of such election, in the case of the circumstances described in clause (ii) above, shall, at the Company's election, resume being the currency or currency unit of payment with respect to Holders who have so elected, but only with respect to payments on payment dates preceded by 15 Business Days during which the circumstances which gave rise to such currency or currency unit, in the case of the circumstances described in clause (i) above, or the Dollar, in the case of the circumstances described in clause (ii) above, as applicable, becoming the currency or currency unit of payment, no longer prevail).

(f) The "Dollar Equivalent of the Foreign Currency" shall be determined by the Exchange Rate Agent and shall be obtained for each subsequent payment date by the Exchange Rate Agent by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(g) The "Dollar Equivalent of the Currency Unit" shall be determined by the Exchange Rate Agent and, subject to the provisions of paragraph (h) below, shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency (as each such term is defined in paragraph (h) below) into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

(h) For purposes of this Section 3.12 the following terms shall have the following meanings:

A "Component Currency" shall mean any currency which, on the Conversion Date, was a component currency of the relevant currency unit, including, but not limited to, ECU.

"Election Date" shall mean the Regular Record Date for the applicable series of Registered Securities as specified pursuant to Section 3.1 by which the written election referred to in Section 3.12(b) may be made.

A "Specified Amount" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which such Component Currency represented in the relevant currency unit, including, but not limited to, ECU, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single currency, and such amount shall thereafter be a Specified Amount and such single currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be replaced by specified amounts of such two or more currencies, the sum of which, at the Market Exchange Rate of such two or more currencies on the date of such replacement, shall be equal to the Specified Amount of such former Component Currency and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies. If, after the Conversion Date of the relevant currency unit, including, but not limited to, ECU, a Conversion Event (other than any event referred to above in this definition of "Specified Amount") occurs with respect to any Component Currency of such currency unit and is continuing on the applicable Valuation Date, the Specified Amount of such Component Currency shall, for purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market

Exchange Rate in effect on the Conversion Date of such Component Currency.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit, the Market Exchange Rate and changes in the Specified Amounts as specified above shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company, the Trustee (and any applicable Paying Agent) and all Holders of Securities denominated or payable in the relevant currency, currencies or currency units. The Exchange Rate Agent shall promptly give written notice to the Company and the Trustee of any such decision or determination.

In the event that the Company determines in good faith that a Conversion Event has occurred with respect to a Foreign Currency, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date. In the event the Company so determines that a Conversion Event has occurred with respect to ECU or any other currency unit in which Securities are denominated or payable, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent)) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event the Company determines in good faith that any subsequent change in any Component Currency as set forth in the definition of Specified Amount above has occurred, the Company will similarly give written notice to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent.

The Trustee of the appropriate series of Securities shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent and shall not otherwise have any duty or obligation to determine the accuracy or validity of such information independent of the Company or the Exchange Rate Agent.

Section 3.13. APPOINTMENT AND RESIGNATION OF EXCHANGE RATE AGENT. (a) Unless otherwise specified pursuant to Section 3.1, if and so long as the Securities of any series (i) are denominated in a currency other than Dollars or (ii) may be payable in a currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent. The Company will cause the Exchange Rate Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 3.12 for the purpose of determining the applicable rate of exchange and, if applicable, for the purpose of converting the issued currency or currencies or currency unit or units into the applicable payment currency or currency unit for the payment of principal, premium, if any, and interest, if any, pursuant to Section 3.12.

(b) No resignation of the Exchange Rate Agent and no appointment of a successor Exchange Rate Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Exchange Rate Agent as evidenced by a written instrument delivered to the Company and the Trustee of the appropriate series of Securities accepting such appointment executed by the successor Exchange Rate Agent.

(c) If the Exchange Rate Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Exchange Rate Agency for any cause, with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Exchange Rate Agent or Exchange Rate Agents with respect to the Securities of that or those series (it being understood that any such successor Exchange Rate Agent may be appointed with respect to the Securities of one or more or all of such series and that, unless otherwise specified pursuant to Section 3.1, at any time there shall only be one Exchange Rate Agent with respect to the Securities of any particular series that are originally issued by the Company on the same date and that are initially denominated and/or payable in the same currency or currencies or currency unit or units).

ARTICLE 4

SATISFACTION, DISCHARGE AND DEFEASANCE

Section 4.1. TERMINATION OF COMPANY'S OBLIGATIONS UNDER THE INDENTURE. (a) This Indenture shall upon a Company Request cease to be of further effect with respect to Securities of or within any series and any coupons appertaining thereto (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities and any coupons appertaining thereto when

(1) either

(A) all such Securities previously authenticated and delivered and all coupons appertaining thereto (other than (i) such coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange, surrender of which is not required or has been waived as provided in Section 3.5, (ii) such Securities and coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, (iii) such coupons appertaining to Bearer Securities called for redemption and maturing after the relevant Redemption Date, surrender of which has been waived as provided in Section 10.6 and (iv) such Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount in the currency or currencies or currency unit or units in which the Securities of such series are payable, sufficient to pay and discharge the entire indebtedness on such Securities and such coupons not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and any predecessor Trustee under Section 6.9, the obligations of the Company to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

Section 4.2. APPLICATION OF TRUST FUNDS. Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or through any

Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

Section 4.3. APPLICABILITY OF DEFEASANCE PROVISIONS; COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE. If pursuant to Section 3.1 provision is made for either or both of (i) defeasance of the Securities of or within a series under Section 4.4 or (ii) covenant defeasance of the Securities of or within a series under Section 4.5, then the provisions of such Section or Sections, as the case may be, together with the provisions of Sections 4.6 through 4.9 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities and any coupons appertaining thereto, and the Company may at its option by or pursuant to Board Resolution, at any time, with respect to such Securities and any coupons appertaining thereto, elect to have Section 4.4 (if applicable) or Section 4.5 (if applicable) be applied to such Outstanding Securities and any coupons appertaining thereto upon compliance with the conditions set forth below in this Article.

Section 4.4. DEFEASANCE AND DISCHARGE. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to the Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Securities and any coupons appertaining thereto on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and any coupons appertaining thereto which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 4.7 and the other Sections of this Indenture referred to in clause (ii) of this Section, and to have satisfied all its other obligations under such Securities and any coupons appertaining thereto and this Indenture insofar as such Securities and any coupons appertaining thereto are concerned (and the Trustee, at the expense of the Company, shall on a Company Order execute proper instruments acknowledging the same), except the

following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Securities and any coupons appertaining thereto to receive, solely from the trust funds described in Section 4.6(a) and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest, if any, on such Securities or any coupons appertaining thereto when such payments are due; (ii) the Company's obligations with respect to such Securities under Sections 3.5, 3.6, 9.2 and 9.3 and with respect to the payment of additional amounts, if any, payable with respect to such Securities as specified pursuant to Section 3.1(b)(16); (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (iv) this Article 4. Subject to compliance with this Article 4, the Company may exercise its option under this Section notwithstanding the prior exercise of its option under Section 4.5 with respect to such Securities and any coupons appertaining thereto. Following a defeasance, payment of such Securities may not be accelerated because of an Event of Default.

Section 4.5. COVENANT DEFEASANCE. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 7.1, 9.4 and 9.7 and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities and any coupons appertaining thereto on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any coupons appertaining thereto shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Sections 7.1, 9.4 and 9.7 or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities and any coupons appertaining thereto, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Sec-

tion 5.1(3) or 5.1(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and any coupons appertaining thereto shall be unaffected thereby.

Section 4.6. CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE. The following shall be the conditions to application of Section 4.4 or Section 4.5 to any Securities of or within a series and any coupons appertaining thereto:

(a) The Company shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.12 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.9 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.6(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any coupons appertaining thereto, with instructions to the Trustee as to the application thereof, (A) money in an amount (in such currency, currencies or currency unit or units in which such Securities and any coupons appertaining thereto are then specified as payable at Maturity), or (B) if Securities of such series are not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.6(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities and any coupons appertaining thereto on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and such Securities and any coupons apper-

taining thereto. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 10 which shall be given effect in applying the foregoing.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) In the case of an election under Section 4.4, the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(d) In the case of an election under Section 4.5, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(e) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance under Section 4.4 or the covenant defeasance under Section 4.5 (as the case may be) have been complied with.

(f) The Company shall have delivered to the Trustee an Officer's Certificate to the effect that neither such Securities nor any other Securities of the same series, if then listed on any securities exchange, will be delisted as a result of such deposit.

(g) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such Securities or any other Securities shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified in Sections 5.1(5) and (6), at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(h) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940 unless such trust shall be registered under such Act or exempt from registration thereunder.

(i) Such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith as contemplated by Section 3.1.

Section 4.7. DEPOSITED MONEY AND GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST. Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.6 in respect of any Securities of any series and any coupons appertaining thereto shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any coupons appertaining thereto and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any coupons appertaining thereto of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified with respect to any Security pursuant to Section 3.1, if, after a deposit referred to in Section 4.6(a) has been made, (i) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 3.12(b) or the terms of such Security to receive payment in a currency or currency unit other than that in which the deposit pursuant to Section 4.6(a) has been made in respect of such Security, or (ii) a Conversion Event occurs as contemplated in Section 3.12(d) or 3.12(e) or by the terms of any Security in respect of which the deposit pursuant to Section 4.6(a) has been made, the indebtedness represented by such Security and any coupons appertaining thereto shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, premium, if any, and interest, if any, on such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the currency or currency unit in which such Security becomes payable as a result of such election or Conversion Event based on the applicable Market Exchange Rate for such currency or currency unit in effect on the second Business Day prior to each payment date, except, with respect to a Conversion Event, for such currency or currency unit in effect (as nearly as feasible) at the time of the Conversion Event.

Section 4.8. REPAYMENT TO COMPANY. The Trustee (and any Paying Agent) shall promptly pay to the Company upon Company Request any excess money or securities held by them at any time.

Section 4.9. INDEMNITY FOR GOVERNMENT OBLIGATIONS. The Company shall pay, and shall indemnify the Trustee against, any tax, fee or other charge imposed on or assessed against Government Obligations deposited pursuant to this Article or the principal and interest and any other amount received on such Government Obligations.

Section 4.10. REINSTATEMENT. If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations under this Indenture and such Securities from which the Company has been discharged or released pursuant to Section 4.4 or 4.5 shall

be revived and reinstated as though no deposit had occurred pursuant to this Article with respect to such Securities, until such time as the trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 4.7 with respect to such Securities in accordance with this Article; PROVIDED, HOWEVER, that if the Company makes any payment of principal of or any premium or interest on any such Security following such reinstatement of its obligations, the Company shall be subrogated to the rights (if any) of the Holders of such Securities to receive such payment from the money so held in trust.

ARTICLE 5

DEFAULTS AND REMEDIES

Section 5.1. EVENTS OF DEFAULT. An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any coupon appertaining thereto or any additional amount payable with respect to any Security of that series as specified pursuant to Section 3.1(b)(16) when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series;

(3) the Company fails to comply in any material respect with any of its agreements or covenants in, or any of the provisions of, this Indenture with respect to any Security of that series (other than an agreement, covenant or provision for which non-compliance is elsewhere in this Section specifically dealt with), and such non-compliance continues for a period of 60 days after there has been given, by registered or

certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of the series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) a default under any mortgage, agreement, indenture or instrument under which there may be issued, or by which there may be secured, guaranteed or evidenced any Debt of the Company (including this Indenture) whether such Debt now exists or shall hereafter be created, in an aggregate principal amount then outstanding of \$25,000,000 or more, which default (a) shall constitute a failure to pay any portion of the principal of such Debt when due and payable after the expiration of any applicable grace period with respect thereto or (b) shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled, or such Debt shall not be paid in full within a period of 30 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series a written notice specifying such event of default and requiring the Company to cause such acceleration to be rescinded or annulled or to pay in full such Debt and stating that such notice is a "Notice of Default" hereunder; (it being understood however, that the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); PROVIDED, HOWEVER, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders; PROVIDED, FURTHER, that the foregoing shall not apply

to any secured Debt under which the obligee has recourse (exclusive of recourse for ancillary matters such as environmental indemnities, misapplication of funds, costs of enforcement and the like) only to the collateral pledged for repayment so long as the fair market value of such collateral does not exceed 2% of Total Assets at the time of the default;

(5) the Company or Protective Life Insurance Company, pursuant to or within the meaning of any Bankruptcy Law, (A) commences a voluntary case or proceeding, (B) consents to the entry of an order for relief against it in an involuntary case or proceeding, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property; (D) makes a general assignment for the benefit of its creditors (E) makes an admission in writing of its inability to pay its debts generally as they become due or (F) takes corporate action in furtherance of any such action;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company or Protective Life Insurance Company, in an involuntary case, (B) adjudges the Company or Protective Life Insurance Company as bankrupt or insolvent, or approves as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or Protective Life Insurance Company, or appoints a Custodian of the Company or Protective Life Insurance Company, or for all or substantially all of its property, or (C) orders the liquidation of the Company or Protective Life Insurance Company, and the order or decree remains unstayed and in effect for 60 days; or

(7) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

As used in the Indenture, the term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state bankruptcy, insolvency, reorganization or other law for the relief of debtors. As used in the Indenture, the term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 5.2. ACCELERATION; RESCISSION AND ANNULMENT. If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the Outstanding Securities of that series, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of and accrued interest, if any, on all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of Original Issue Discount Securities or Indexed Securities, such specified amount) and interest, if any, shall be immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgement or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE. The Company covenants that if

(1) default is made in the payment of any interest on any Security or coupon, if any, when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities or coupons, if any, the whole amount then due and payable on such

Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities or coupons, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to secure any other proper remedy.

Section 5.4. TRUSTEE MAY FILE PROOFS OF CLAIM. The Trustee may file such proofs of claim and other papers or documents and take such actions authorized under the Trust Indenture Act as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the Company, its creditors or its property. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.9.

Section 5.5. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee, in its own name as an express trust, without the possession of any of the Securities or the production thereof in any proceeding relating thereto and any recovery of judgment shall, after provision for the

reasonable fees and expenses of the Trustee and its counsel, be for the ratable benefit of the Holders of the Securities in respect of which judgment was recovered.

Section 5.6. DELAY OR OMISSION NOT WAIVER. No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

Section 5.7. WAIVER OF PAST DEFAULTS. The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by written notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security of such series or any coupon appertaining thereto or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each Outstanding Security of such series affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

Section 5.8. CONTROL BY MAJORITY. The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series; PROVIDED, HOWEVER, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.9. LIMITATION ON SUITS BY HOLDERS. No Holder of any Security of any series or any coupons

appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;
- (2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;
- (4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and
- (5) during such 60 day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series have not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 5.10. RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Indenture, but subject to Section 9.2, the right of any Holder of a Security or coupon to receive payment of principal of, premium, if any, and, subject to Sections 3.5 and 3.7, interest on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates), and the right of any Holder of a coupon to receive payment of interest due as

provided in such coupon, or, subject to Section 5.9, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 5.11. APPLICATION OF MONEY COLLECTED. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the Trustee for amounts due under Section 6.9;

SECOND: to Holders of Securities and coupons in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, respectively; and

THIRD: to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 5.11. At least 15 days before such record date, the Trustee shall mail to each holder and the Company a notice that states the record date, the payment date and the amount to be paid.

Section 5.12. RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.13. RIGHTS AND REMEDIES CUMULATIVE. Except as otherwise provided with respect to the replacement

or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.14. WAIVER OF USURY, STAY OR EXTENSION LAWS. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorney's fees, against any party litigant in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant.

ARTICLE 6

THE TRUSTEE

Section 6.1. CERTAIN DUTIES AND RESPONSIBILITIES OF THE TRUSTEE. (a) Except during the continuance of an Event of Default, the Trustee's duties and responsibilities under this Indenture shall be governed by Section 315(a) of the Trust Indenture Act.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 6.2. RIGHTS OF TRUSTEE. Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee need not investigate any fact or matter stated in the document.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security, together with any coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Before the Trustee acts or refrains from acting, it may consult with counsel of its selection or require an Officers' Certificate. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on a Board Resolution, the written or oral advice of counsel acceptable to the Company and the Trustee (which advice, if oral, shall be promptly confirmed in writing to the Trustee), a certificate of an Officer or Officers delivered pursuant to Section 1.2, an Officers' Certificate or an Opinion of Counsel.

(d) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(f) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

(h) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.2.

Section 6.3. TRUSTEE MAY HOLD SECURITIES. The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 6.4. MONEY HELD IN TRUST. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed upon in writing with the Company.

Section 6.5. TRUSTEE'S DISCLAIMER. The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no

representation as to the validity or adequacy of this Indenture or the Securities or any coupon. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company pursuant to the Indenture.

Section 6.6. NOTICE OF DEFAULTS. If a Default occurs and is continuing with respect to the Securities of any series and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit by mail to the Holders of Securities of such series, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all Defaults known to it unless such Default shall have been cured or waived; PROVIDED, HOWEVER, that except in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that series; and PROVIDED, FURTHER, that in the case of any Default of the character specified in Section 5.1(3) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

Section 6.7. REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by and in compliance with Section 313(a) of the Trust Indenture Act. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange.

Section 6.8. SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other

times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession or control of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series. If there are Bearer Securities of any series Outstanding, even if the Trustee is the Registrar, the Company shall furnish to the Trustee such a list containing such information with respect to Holders of such Bearer Securities only.

Section 6.9. COMPENSATION AND INDEMNITY. (a) The Company shall pay to the Trustee from time to time such reasonable compensation for its services as the Company and the Trustee shall agree in writing from time to time. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and any predecessor Trustee, and hold it harmless against, any loss or liability, damage, claim or reasonable expense including taxes (other than taxes based upon or determined or measured by the income of the Trustee) incurred by it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(5) or Section 5.1(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

Section 6.10. REPLACEMENT OF TRUSTEE. (a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and may appoint a successor Trustee for such series with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.12 of this Agreement or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any

Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation or removal, the Trustee resigning or being removed may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor

Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

Section 6.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for

or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust office.

Section 6.12. ELIGIBILITY; DISQUALIFICATION. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and

surplus of at least \$75,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.13. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.14. APPOINTMENT OF AUTHENTICATING AGENT. The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue, exchange, registration of transfer or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be

deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$25,000,000 and subject to supervision or examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent

which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series described in the within-mentioned Indenture.

THE BANK OF NEW YORK
as Trustee

By _____
as Authenticating Agent

By _____
Authorized Signatory

ARTICLE 7

CONSOLIDATION, MERGER OR SALE BY THE COMPANY

Section 7.1. CONSOLIDATION, MERGER OR SALE OF ASSETS PERMITTED. The Company shall not consolidate or merge with or into, or transfer or lease all or substantially all of its assets to, any Person unless:

(1) the Person formed by or surviving any such consolidation or merger (if other than the Company),

or to which such transfer or lease shall have been made, is a corporation organized and existing under the laws of the United States, any State thereof or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such transfer or lease shall have been made, assumes by supplemental indenture all the obligations of the Company under the Securities and this Indenture;

(3) immediately after giving effect to the transaction no Default or Event of Default exists; and

(4) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Company would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by the Securities of any series, the Company or such successor Person, as the case may be, shall take such steps as shall be necessary effectively to secure such Securities equally and ratably with all indebtedness secured thereby.

The Company shall deliver to the Trustee prior to the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture and that all conditions precedent to the consummation of the transaction under this Indenture have been met.

In the event of the assumption by a successor corporation as provided in clause (2) above, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities with the same effect as if it had been named hereunder and thereunder and any coupons appertaining thereto and all such obligations of the Company shall terminate.

ARTICLE 8

SUPPLEMENTAL INDENTURES

Section 8.1. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants and obligations of the Company herein and in the Securities; or
- (2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or
- (3) to add any additional Events of Default with respect to all or any series of Securities (and if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are expressly included solely for the benefit of such series); or
- (4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Bearer Securities (including, without limitation, to provide that Bearer Securities may be registrable as to principal only) or to facilitate the issuance of Securities in global form; or
- (5) to change or eliminate any of the provisions of this Indenture, PROVIDED that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.1 and 3.1; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11; or

(9) if allowed without penalty under applicable laws and regulations, to permit payment in the United States (including any of the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction of principal, premium, if any, or interest, if any, on Bearer Securities or coupons, if any; or

(10) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture, PROVIDED such action shall not adversely affect the interests of the Holders of Securities of any series; or

(11) to cure any ambiguity or correct any mistake, PROVIDED such action shall not adversely affect the interests of the Holders of Securities of any series.

Section 8.2. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS. With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture (with the Securities of each series voting as a class), the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of such Securities; PROVIDED, HOWEVER, that without the

consent of the Holder of each Outstanding Security affected thereby, a supplemental indenture under this Section may not:

(1) change the Stated Maturity of the principal of or premium, if any, on, or any installment of principal of or premium, if any, or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the manner in which the amount of any principal thereof or premium, if any, or interest thereon is determined or reduce the amount of the principal of any Original Issue Discount Security or Indexed Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the Place of Payment where or the currency in which any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(2) reduce the percentage in principal amount of the Outstanding Securities affected thereby, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

(4) make any change in Section 5.7 or this 8.2(a) except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived with the consent of the Holders of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such

series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

Section 8.3. COMPLIANCE WITH TRUST INDENTURE ACT. Every amendment to this Indenture or the Securities of one or more series shall be set forth in a supplemental indenture that complies with the Trust Indenture Act as then in effect.

Section 8.4. EXECUTION OF SUPPLEMENTAL INDENTURES. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 8.5. EFFECT OF SUPPLEMENTAL INDENTURES. Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupon appertaining thereto shall be bound thereby.

Section 8.6. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES. Securities, including any coupons, of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities including any coupons of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and

authenticated and delivered by the Trustee in exchange for Outstanding Securities including any coupons of such series.

ARTICLE 9

COVENANTS

Section 9.1. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest together with additional amounts, if any, on the Securities of that series in accordance with the terms of the Securities of such series, any coupons appertaining thereto and this Indenture. An installment of principal, premium, if any, or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

Section 9.2. MAINTENANCE OF OFFICE OR AGENCY. If Securities of a series are issued as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain, (i) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series which is located outside the United States where Securities of that series and related coupons may be presented and surrendered for payment; PROVIDED, HOWEVER, that if the Securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange, and (ii) subject to any laws or regulations applicable

thereto, an office or agency in a Place of Payment for that series which is located outside the United States, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Unless otherwise specified as contemplated by Section 3.1, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States, by check mailed to any address in the United States, by transfer to an account located in the United States or upon presentation or surrender in the United States of a Bearer Security or coupon for payment, even if the payment would be credited to an account located outside the United States; PROVIDED, HOWEVER, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of and any premium or interest on any such Bearer Security shall be made at the office of the Company's Paying Agent located within the United States, if (but only if) payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities (including any coupons, if any) of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities (including any coupons, if any) of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or

rescission and of any change in the location of any such other office or agency.

Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

Section 9.3. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST; UNCLAIMED MONEY. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal, premium, if any, or interest on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in

trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security and coupon, if any, shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 9.4. CORPORATE EXISTENCE. Subject to Article 7, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; PROVIDED that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company and not prejudicial in any material respect to the Holders of the Securities.

Section 9.5. REPORTS BY THE COMPANY. The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with

the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.5, as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including information concerning the Company's compliance with any of its covenants hereunder, PROVIDED that the foregoing shall not relieve the Trustee of any of its responsibilities hereunder.

Section 9.6. ANNUAL REVIEW CERTIFICATE; NOTICE OF DEFAULTS OR EVENTS OF DEFAULT. (a) The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.6, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

(b) The Company covenants and agrees to deliver to the Trustee, within a reasonable time after the Company becomes aware of the occurrence of a Default or an Event of Default of the character specified in Section 5.1(4) hereof, written notice of the occurrence of such Default or Event of Default.

Section 9.7. BOOKS OF RECORD AND ACCOUNT. The Company will keep proper books of record and account, either on a consolidated or individual basis. The Company shall cause its books of record and account to be examined, either on a consolidated or individual basis, by one or more firms of independent public accountants not less frequently than annually. The Company shall prepare its financial statements in accordance with generally accepted accounting principles.

ARTICLE 10

REDEMPTION

Section 10.1. APPLICABILITY OF ARTICLE. Securities (including coupons, if any) of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

Section 10.2. ELECTION TO REDEEM; NOTICE TO TRUSTEE. The election of the Company to redeem any Securities, including coupons, if any, shall be evidenced by or pursuant to a Board Resolution. In the case of any redemption at the election of the Company of less than all the Securities or coupons, if any, of any series, the Company shall, at least 60 days prior to the Redemption

Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 10.3. SELECTION OF SECURITIES TO BE REDEEMED. Unless otherwise specified as contemplated by Section 3.1, if less than all the Securities (including coupons, if any) of a series with the same terms are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, PROVIDED that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities, including coupons, if any, of that series or any integral multiple thereof) of the principal amount of Securities, including coupons, if any, of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed. If the Company shall so direct, Securities registered in the name of the Company, any Affiliate or any Subsidiary thereof shall not be included in the Securities selected for redemption. If less than all the Securities of any series with differing issue dates, interest rates and stated maturities are to be redeemed, the Company in its sole discretion shall select the particular Securities to be redeemed and shall

notify the Trustee in writing thereof at least 45 days prior to the relevant redemption date.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities (including coupons, if any) shall relate, in the case of any Securities (including coupons, if any) redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities (including coupons, if any) which has been or is to be redeemed.

Section 10.4. NOTICE OF REDEMPTION. Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of the Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if less than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the Place or Places of Payment where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (6) that Securities of the series called for redemption and all unmatured coupons, if any, apper-

taining thereto must be surrendered to the Paying Agent to collect the Redemption Price;

(7) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

(8) that the redemption is for a sinking fund, if such is the case;

(9) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the Redemption Date or the amount of any such missing coupon or coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished; and

(10) the CUSIP number, if any, of the Securities.

Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 10.5. DEPOSIT OF REDEMPTION PRICE. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, which it may not do in the case of a sinking fund payment under Article 11, segregate and hold in trust as provided in Section 9.3) an amount of money in the currency or currencies (including currency unit or units) in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.1 for the Securities of such series) sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date.

Unless any Security by its terms prohibits any sinking fund payment obligation from being satisfied by delivering and crediting Securities(including Securities

redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

Section 10.6. SECURITIES PAYABLE ON REDEMPTION DATE. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the coupons for any such interest appertaining to any Bearer Security so to be redeemed, except to the extent provided below, shall be void. Except as provided in the next succeeding paragraph, upon surrender of any such Security, including coupons, if any, for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States and its possessions (except as otherwise provided in Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of coupons for such interest; and PROVIDED, FURTHER, that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Bearer Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall

have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; PROVIDED, HOWEVER, that interest represented by coupons shall be payable only at an office or agency located outside of the United States (except as otherwise provided pursuant to Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 10.7. SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part at any Place of Payment therefor (with, if the Company or the Trustee so required, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge a new Security or Securities of the same series, having the same form, terms and Stated Maturity, in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal amount of the Security surrendered.

ARTICLE 11

SINKING FUNDS

Section 11.1. APPLICABILITY OF ARTICLE. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the

cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 11.2. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES. The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) together, in the case of Bearer Securities of such series, with all unmatured coupons appertaining thereto and (ii) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; PROVIDED that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 11.3. REDEMPTION OF SECURITIES FOR SINKING FUND. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

PROTECTIVE LIFE CORPORATION

By: /S/ John D. Johns

Name: John D. Johns
Title: Executive Vice President and
Chief Financial Officer

[Seal]

Attest:

/S/ John K. Wright

Name: John K. Wright
Title: Secretary

THE BANK OF NEW YORK

By: /S/ Robert F. McIntyre

Name: Robert F. McIntyre
Title: Assistant Vice President

[Seal]

Attest:

/S/ Marie E. Trimboli

Name: Marie E. Trimboli
Title: Assistant Treasurer

PROTECTIVE LIFE CORPORATION

to

AMSOUTH BANK N.A., Trustee

SUBORDINATED INDENTURE

Dated as of June 1, 1994

**Providing for Issuance of Subordinated
Debt Securities in Series**

Reconciliation and tie between Subordinated Indenture, dated as of June 1, 1994, and the Trust Indenture Act of 1939, as amended.

<u>Trust Indenture Act of 1939 Section</u>	<u>Subordinated Indenture Section</u>
310(a)(1).....	6.12
(a)(2)	6.12
(a)(3)	TIA
(a)(4)	Not applicable
(a)(5)	TIA
(b)	6.10; 6.12; TIA
311(a)	TIA
(b)	TIA
312(a)	6.8
(b)	TIA
(c)	TIA

313(a)	6.7; TIA
(b)	TIA
(c)	6.7; TIA
(d)	6.7; TIA
314(a)	9.5; 9.6; TIA
(b)	Not Applicable
(c)(1)	1.2
(c)(2)	1.2
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	1.2
(f)	TIA
315(a)	6.1
(b)	6.6
(c)	6.1
(d)(1)	TIA
(d)(2)	TIA
(d)(3)	TIA
(e)	TIA
316(a)(last sentence)	1.1
(a)(1)(A)	5.2; 5.8
(a)(1)(B)	5.7
(b)	5.9; 5.10

(c)	1.4; TIA
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317(a)(1)	5.3
(a)(2)	5.4
(b)	9.3

318(a)	1.11
(b)	TIA
(c)	1.11; TIA

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This reconciliation and tie section does not constitute part of the Subordinated Indenture.

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SUBORDINATED INDENTURE, dated as of June 1, 1994, from PROTECTIVE LIFE CORPORATION, a Delaware corporation (the "Company"), to AMSOUTH BANK N.A., Trustee, a national banking corporation (the "Trustee").

Recitals

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured subordinated debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE 1

Definitions and Other Provisions of General Application

Section 1.1. Definitions. (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and
- (4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this

Indenture as a whole and not to any particular Article, Section or other subdivision.

"Affiliate" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Paying Agent or Registrar.

"Authenticating Agent" means any authenticating agent appointed by the Trustee pursuant to Section 6.14.

"Authorized Newspaper" means a newspaper of general circulation, in the official language of the country of publication or in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or different Authorized Newspapers.

"Bearer Security" means any Security issued hereunder which is payable to bearer.

"Board" or "Board of Directors" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"Board Resolution" means a copy of a resolution of the Board of Directors, certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of the certificate, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday

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and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the party named as the Company in the first paragraph of this Indenture until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successor.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by two Officers, one of whom must be the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the Controller or a Vice-President of the Company.

"Conversion Event" means the cessation of use of (i) a Foreign Currency both by the issuer of such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the ECU both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (iii) any currency unit other than the ECU for the purposes for which it was established.

"Corporate Trust Office" means the office of the Trustee in Birmingham, Alabama at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 1901 Sixth Avenue North, Suite 730, Birmingham, Alabama 35203, Attention: Corporate Trust Department.

"Currency Unit" for all purposes of this Indenture shall include any composite currency.

"Debt" means indebtedness for money borrowed.

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"Default" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"Depository", when used with respect to the Securities of or within any series issuable or issued in whole or in part in global form, means the Person designated as Depository by the Company pursuant to Section 3.1 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter shall mean or include each Person which is then a Depository hereunder, and if at any time there is more than one such Person, shall be a collective reference to such Persons.

"Dollar" means the currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"European Communities" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"European Monetary System" means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Communities.

"Exchange Rate Agent", when used with respect to Securities of or within any series, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, a New York Clearing House bank designated pursuant to Section 3.1 or Section 3.13 (which may include any such bank acting as Trustee hereunder).

"Exchange Rate Officer's Certificate" means a certificate setting forth (i) the applicable Market Exchange Rate or the applicable bid quotation and (ii) the Dollar or Foreign Currency amounts of principal (and premium, if any) and interest, if any (on an aggregate basis and on the basis of a Security having the lowest denomination principal amount in the relevant currency or currency unit), payable with respect to a Security of any series on the basis of such Market Exchange Rate or the applicable bid quotation, signed by the Chief Financial Officer, the Treasurer, the

Controller, any Vice President or the Assistant Treasurer of the Company.

"Foreign Currency" means any currency issued by the government of one or more countries other than the United States or by any recognized confederation or association of such governments.

"Government Obligations" means securities which are (i) direct obligations of the United States or, if specified as contemplated by Section 3.1, the government which issued the currency in which the Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States or, if specified as contemplated by Section 3.1, such government which issued the foreign currency in which the Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depository receipt.

"Holder" means, with respect to a Bearer Security, a bearer thereof or of a coupon appertaining thereto and, with respect to a Registered Security, a person in whose name a Security is registered on the Register.

"Indenture" means this Subordinated Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms of particular series of Securities established as contemplated hereunder.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Market Exchange Rate" means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, (i) for any conversion involving a currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 3.1 for the Securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in New York City, London or any other principal market for Dollars or such purchased Foreign Currency, in each case determined by the Exchange Rate Agent. Unless otherwise specified with respect to any Securities pursuant to Section 3.1, in the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii), the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, London or other principal market for such currency or currency unit in question (which may include any such bank acting as Trustee under this Indenture), or such other quotations as the Exchange Rate Agent shall deem appropriate. If there is more than one market for dealing in any currency or currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency or currency unit shall be that upon which a nonresident issuer of securities designated in such currency or currency unit would purchase such currency or currency unit in order to make payments in respect of such securities.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officer" means the Chairman of the Board, the President, any Vice-President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the

Controller, the Secretary or any Assistant Secretary of the Company.

"Officers' Certificate", when used with respect to the Company, means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the President, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, the Controller or a Vice-President of the Company.

"Opinion of Counsel" means a written opinion from the general counsel of the Company or other legal counsel who is reasonably acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company.

"Original Issue Discount Security" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money or Government Obligations in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any coupons appertaining thereto, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this

Indenture or provisions therefor satisfactory to the Trustee have been made;

(iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

(iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (w) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, (x) the principal amount of any Security denominated in a Foreign Currency that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the Dollar equivalent, determined as of the date such Security is originally issued by the Company as set forth in an Exchange Rate Officer's Certificate delivered to the Trustee, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent as of such date of original issuance of the amount determined as provided in clause (w) above) of such Security, (y) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such

Security pursuant to Section 3.1, and (z) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, premium, if any, or interest and any other payments on any Securities on behalf of the Company.

"Periodic Offering" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Maturity thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Securities of or within any series, means the place or places where the principal of, premium, if any, and interest and any other payments on such Securities are payable as specified as contemplated by Sections 3.1 and 9.2.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen

Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Amount", when used with respect to any Security, means the amount of principal, if any, payable in respect thereof at Maturity; provided, however, that when used with respect to an Indexed Security in any context other than the making of payments at Maturity, "principal amount" means the principal face amount of such Indexed Security at original issuance.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security issued hereunder and registered as to principal and interest in the Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"Responsible Officer", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"Security" or "Securities" has the meaning stated in the first recital of this Indenture and more particularly

means a Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security or in a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any Person means any Person of which at least a majority of capital stock having ordinary voting power for the election of directors or other governing body of such Person is owned by such Person directly or through one or more Subsidiaries of such Person.

"Total Assets" means, at any date, the total assets appearing on the most recently prepared consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of a fiscal quarter of the Company, prepared in accordance with generally accepted accounting principles.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, except as provided in Section 8.3.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"United States" means, unless otherwise specified with respect to the Securities of any series as contemplated by Section 3.1, the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. Person" means, unless otherwise specified with respect to the Securities of any series as contemplated

by Section 3.1, a citizen, national or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust, the income of which is subject to United States federal income taxation regardless of its source.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

<u>Term</u>	<u>Section</u>
"Act"	1.4(a)
"Bankruptcy Law"	5.1
"Component Currency"	3.12(d)
"Conversion Date"	3.12(d)
"Custodian"	5.1
"Defaulted Interest"	3.7(b)
"Election Date"	3.12(h)
"Event of Default"	5.1
"Notice of Default"	5.1(3)
"Register"	3.5
"Registrar"	3.5
"Senior Indebtedness"	12.2
"Valuation Date"	3.7(c)

Section 1.2. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3 and 9.6) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.3. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Any certificate, statement or opinion of an officer of the Company or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion is based are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also

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be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Bearer Securities may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, banker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (i) another such certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (ii) such Bearer Security is produced to the Trustee by some other Person, (iii) such Bearer Security is surrendered in exchange for a Registered Security or (iv) such Bearer Security is no longer Outstanding. The ownership of Bearer Securities may also be proved in any other manner which the Trustee deems sufficient.

(d) The ownership of Registered Securities shall be proved by the Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) If the Company shall solicit from the Holders of any series any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders of such series entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so, provided that the Company may not set a record date for, and the provisions of this paragraph shall not apply with

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respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(g) The Trustee may set any day as a record date for the purpose of determining the Holders of any series entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any direction referred to in Section 5.8 or (iv) any request to institute proceedings referred to in Section 5.9(2), in each case with respect to Securities of such series. If such a record date is fixed pursuant to this paragraph, the relevant action may be taken or given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be holders of a series for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities of such

series have authorized or agreed or consented to such action, and for that purpose the Outstanding Securities of such series shall be computed as of such record date; provided that no such action by Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities of the relevant series on the date such action is taken. Promptly after any record date is set

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pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date and the proposed action by Holders to be given to the Company in writing and to each Holder of Securities of the relevant series in the manner set forth in Section 1.6.

Section 1.5. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at Protective Life Corporation, 2801 Highway 280 South, Birmingham, Alabama 35223, Attention: General Counsel or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, (i) if any of the Securities affected by such event are Registered Securities, such notice to the Holders thereof shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice and, (ii) if any of the Securities affected by such event are Bearer Securities, notice to the Holders thereof shall be sufficiently given (unless otherwise herein or in the terms of such Bearer Securities expressly provided) if published once in an Authorized Newspaper in New York, New York, and in such other city or cities, if any, as may be specified as contemplated by Section 3.1.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any

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defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. In any case where notice is given to Holders by publication, neither the failure to publish such notice, nor any defect in any notice so published, shall affect the sufficiency of such notice with respect to other Holders of Bearer Securities or the sufficiency of any notice to Holders of Registered Securities given as provided herein. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. If it is impossible or, in the opinion of the Trustee, impracticable to give any notice by publication in the manner herein required, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.7. Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

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Section 1.8. Successor and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successor and assigns, whether so expressed or not.

Section 1.9. Separability. In case any provision of this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. Benefits of Indenture. Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the

parties hereto and their successors hereunder, the holders of Senior Indebtedness and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. Governing Law. **THIS INDENTURE, THE SECURITIES AND ANY COUPONS APPERTAINING THERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.** This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with any provision of the Trust Indenture Act, which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be. Whether or not this Indenture is required to be qualified under the Trust Indenture Act, the provisions of the Trust Indenture Act required to be included in an indenture in order for such indenture to be so qualified shall be deemed to be included in this Indenture with the same effect as if such provisions were set forth herein and any provisions hereof which may not be included in an indenture which is so qualified shall be deemed to be deleted or modified to the extent such provisions would be required to be deleted or modified in an indenture so qualified.

Section 1.12. Legal Holidays. In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of any Security or coupon other than a provision in the

Securities of any series which specifically states that such provision shall apply in lieu of this Section), payment of principal, premium, if any, or interest need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

ARTICLE 2

Security Forms

Section 2.1. Forms Generally. The Securities of each series and the coupons, if any, to be attached thereto shall be in substantially such form as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor or as may, consistently herewith, be determined by the officers executing such Securities and coupons, if any, as evidenced by their execution of the Securities and coupons, if any. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the forms of Securities and coupons, if any, of any series are established by, or by action taken pursuant to, a Board Resolution, a copy of the Board Resolution together with an appropriate record of any such action taken pursuant thereto, including a copy of the approved form of Securities or coupons, if any, shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 3.1, Bearer Securities shall have interest coupons attached.

The definitive Securities and coupons, if any, shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities and coupons, if any, as evidenced by their execution of such Securities and coupons, if any.

Section 2.2. Form of Trustee's Certificate of Authentication. The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series described in the within-mentioned Indenture.

AmSouth Bank N.A.,
as Trustee

By _____
Authorized Signatory

Section 2.3. Securities in Global Form. If Securities of or within a series are issuable in whole or in part in global form, any such Security may provide that it shall represent the aggregate or specified amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced or increased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby, shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 3.3 or 3.4. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver any security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order.

Any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 1.2 hereof and need not be accompanied by an Opinion of Counsel.

The provisions of the last paragraph of Section 3.3 shall apply to any Security in global form if such

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Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last paragraph of Section 3.3.

Notwithstanding the provisions of Section 2.1 and 3.7, unless otherwise specified as contemplated by Section 3.1, payment of principal of, premium, if any, and interest on any Security in permanent global form shall be made to the Person or Persons specified therein.

Section 2.4. Form of Legend for Securities in Global Form. Any Registered Security in global form authenticated and delivered hereunder shall bear a legend in substantially the following form with such changes as may be required by the Depository:

THIS SECURITY IS IN GLOBAL FORM WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

ARTICLE 3

The Securities

Section 3.1. Amount Unlimited; Issuable in Series. (a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established with respect to each series of Securities issued hereunder (i) by a Board Resolution, (ii) by action taken pursuant to

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a Board Resolution and (subject to Section 3.3) set forth, or determined in the manner provided, in an Officers' Certificate or (iii) in one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other series of Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7);

(3) the date or dates on which the principal of and premium, if any, on the Securities of the series is payable or the method of determination thereof;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which any such interest shall be payable and, with respect to Registered Securities, the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date;

(5) the place or places where the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;

(6) the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

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(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, if Registered Securities, and if other than the denomination of \$5,000 and any integral multiple thereof, if Bearer Securities, the denominations in which Securities of the series shall be issuable;

(9) if other than Dollars, the currency or currencies (including currency unit or units) in which the principal of, premium, if any, and interest, if any, on the Securities of the series shall be payable, or in which the Securities of the series shall be denominated, and the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.12;

(10) if the payments of principal of, premium, if any, or interest, if any, on the Securities of the series are to be made, at the election of the Company or a Holder, in a currency or currencies (including currency unit or units) other than that in which such Securities are denominated or designated to be payable, the currency or currencies (including currency unit or units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, and the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.12;

(11) if the amount of payments of principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on a currency or currencies (including currency unit or units) other than that in which the Securities of the series are denominated or designated to be payable),

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the index, formula or other method by which such amounts shall be determined;

(12) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

(13) if the principal amount payable at the Stated Maturity of any Securities of the series will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which shall be deemed to be the principal amount of such Securities as of any such date for any purpose thereunder or hereunder, including the principal amount thereof which shall be due and payable upon any Maturity other than the Stated Maturity or which shall be deemed to be Outstanding as of any date prior to the Stated Maturity (or, in any such case, the manner in which such amount deemed to be the principal amount shall be determined);

(14) if other than as provided in Section 3.7, the Person to whom any interest on any Registered Security of the series shall be payable and the manner in which, or the Person to whom, any interest on any Bearer Securities of the series shall be payable;

(15) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such events as may be specified;

(16) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company set forth in Article 9 pertaining to the Securities of the series;

(17) under what circumstances, if any, the Company will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(18) whether Securities of the series shall be issuable as Registered Securities or Bearer Securities (with or without interest coupons), or both, and any

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restrictions applicable to the offering, sale or delivery of Bearer Securities and, if other than as provided in Section 3.5, the terms upon which Bearer Securities of a series may be exchanged for Registered Securities of the same series and vice versa;

(19) the date as of which any Bearer Securities of the series and any temporary global Security representing Outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(20) the forms of the Securities and coupons, if any, of the series;

(21) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities and coupons, if any, of such series, and, if the Securities are payable in a currency other than Dollars, whether, for the purpose of such defeasance or covenant defeasance, the term "Government Obligations" shall include obligations referred to in the definition of such term which are not obligations of the United States or an agency or instrumentality of the United States;

(22) if other than the Trustee, the identity of the Registrar and any Paying Agent;

(23) the designation of the initial Exchange Rate Agent, if any;

(24) if the Securities of the series shall be issued in whole or in part in global form, (i) the Depository for such global Securities, (ii) the form of any legend in addition to or in lieu of that in Section 2.4 which shall be borne by such global security, (iii) whether beneficial owners of interests in any Securities of the series in global form may exchange such interests for certificated Securities of such series and of like tenor of any authorized form and denomination, and (iv) if other than as provided in Section 3.5, the circumstances under which any such exchange may occur; and

(25) any other terms of the series (which terms shall not be inconsistent with the provisions of this

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Indenture) including any terms which may be required by or advisable under United States laws or regulations or advisable (as determined by the Company) in connection with the marketing of Securities of the series.

(c) All Securities of any one series and coupons, if any, appertaining to any Bearer Securities of such series shall be substantially identical except, in the case of Registered Securities, as to denomination and except as may otherwise be provided (i) by a Board Resolution, (ii) by action taken pursuant to a Board Resolution and (subject to Section 3.3) set forth, or determined in the manner provided, in the related Officers' Certificate or (iii) in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series.

(d) If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth, or providing the manner for determining, the terms of the Securities of such series, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series shall be delivered to the Trustee prior to the authentication and delivery thereof.

Section 3.2. Denominations. Unless otherwise provided as contemplated by Section 3.1, any Registered Securities of a series shall be issuable in denominations of \$1,000 and any integral multiple thereof and any Bearer Securities of a series shall be issuable in the denomination of \$5,000 and any integral multiples thereof.

Section 3.3. Execution, Authentication, Delivery and Dating. Securities shall be executed on behalf of the Company by two Officers. The Company's seal shall be reproduced on the Securities. The signatures of any of these officers on the Securities may be manual or facsimile. The coupons, if any, of Bearer Securities shall bear the facsimile signature of two Officers.

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Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time, the Company may deliver Securities, together with any coupons appertaining thereto, of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; provided, however, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the forms of such Securities and any coupons have been established by or pursuant to a Board Resolution as permitted by Section 2.1, that such forms have been established in conformity with the provisions of this Indenture;

(2) if the terms of such Securities and any coupons have been established by or pursuant to a Board Resolution as permitted by Section 3.1, that such terms have been, or in the case of Securities of a series offered in a Periodic Offering, will be, established in conformity with the provisions of this Indenture,

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subject in the case of Securities offered in a Periodic Offering, to any conditions specified in such Opinion of Counsel; and

(3) that such Securities together with any coupons appertaining thereto, when authenticated and delivered by the Trustee and issued by the

Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles and except further as enforcement thereof may be limited by (A) requirements that a claim with respect to any Securities denominated other than in Dollars (or a Foreign Currency or currency unit judgment in respect of such claim) be converted into Dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or (B) governmental authority to limit, delay or prohibit the making of payments in Foreign Currencies or currency units or payments outside the United States.

Notwithstanding that such form or terms have been so established, the Trustee shall have the right to decline to authenticate such Securities if, in the written opinion of counsel to the Trustee (which counsel may be an employee of the Trustee) reasonably acceptable to the Company, the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee. Notwithstanding the generality of the foregoing, the Trustee will not be required to authenticate Securities denominated in a Foreign Currency if the Trustee reasonably believes that it would be unable to perform its duties with respect to such Securities.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to the two preceding paragraphs in connection with the authentication

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of each Security of such series if such documents, with appropriate modifications to cover such future issuances, are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

With respect to Securities of a series offered in a Periodic Offering, the Trustee may rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and the other documents delivered pursuant to Sections 2.1 and 3.1 and this Section, as applicable, in connection with the first authentication of Securities of such series.

If the Company shall establish pursuant to Section 3.1 that the Securities of a series are to be issued in whole or in part in global form, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series, authenticate and deliver one or more Securities in global form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such Security or Securities in global form, (ii) shall be registered, if a Registered Security, in the name of the Depository for such Security or Securities in global form or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instruction and (iv) shall bear the legends set forth in Section 2.4. and the terms of the Board Resolution or supplemental indenture relating to such series.

Each Depository designated pursuant to Section 3.1 for a Registered Security in global form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation. The Trustee shall have no responsibility to determine if the Depository is so registered. Each Depository shall enter into an agreement with the Trustee governing the respective duties and rights of such Depository and the Trustee with regard to Securities issued in global form.

Each Registered Security shall be dated the date of its authentication and each Bearer Security shall be

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dated as of the date specified as contemplated by Section 3.1.

No Security or coupon appertaining thereto shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent and no coupon shall be valid until the Security to which it appertains has been so authenticated. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture. Except as permitted by Section 3.6 or 3.7, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled.

Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

Section 3.4. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form, with or without coupons, of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities and coupons, if any. In the case of Securities of any series, such temporary Securities may be in global form, representing all or a portion of the Outstanding Securities of such series.

Except in the case of temporary Securities in global form, each of which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of the same series of authorized denominations and of like tenor; provided, however, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided further that no definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security unless the Trustee shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form approved in or pursuant to the Board Resolutions relating thereto and such delivery shall occur only outside the United States. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series except as otherwise specified as contemplated by Section 3.1.

Section 3.5. Registration, Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions.

Bearer Securities or any coupons appertaining thereto shall be transferable by delivery.

At the option of the Holder, Registered Securities of any series (except a Registered Security in global form) may be exchanged for other Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified as contemplated by Section 3.1, Bearer Securities may not be issued in exchange for Registered Securities.

Unless otherwise specified as contemplated by Section 3.1, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities (if the Securities of such series are issuable in registered form) or Bearer Securities (if Bearer Securities of such series are issuable in more than one denomination and such exchanges are permitted by such series) of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or

indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 9.2, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case any Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such coupon is so surrendered with such Bearer Security, such coupon shall be returned to the person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon, when due in accordance with the provisions of this Indenture. Unless otherwise specified pursuant to Section 3.1 with respect to a series of Securities or as otherwise provided herein, owners of beneficial interests in Securities of such series represented by a Security issued in global form will not be entitled to have Securities of such series registered in their names, will not receive or be entitled to receive physical delivery of Securities of such series in certificated form and will not be considered the holders thereof for any purposes hereunder.

Each Security issued in global form authenticated under this Indenture shall be registered in the name of the Depository designated for such series or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Security issued in global form shall constitute a

single Security for all purposes of this Indenture.

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Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Securities in certificated form in the circumstances described below, a Security in global form representing all or a portion of the Securities of a series may not be transferred or exchanged except as a whole by the Depository for such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository.

If at any time the Depository for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depository for the Securities of such series or if at any time the Depository for the Securities of such series shall no longer be eligible under Section 3.3, the Company shall appoint a successor Depository with respect to the Securities of such series. If a successor Depository for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 3.1(b) (23) shall no longer be effective with respect to the Securities of such series and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

The Company may at any time in its sole discretion determine that Securities issued in global form shall no longer be represented by such a Security or Securities in global form. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

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If specified by the Company pursuant to Section 3.1 with respect to a series of Securities, the Depository for such series may surrender a Security in global form of such series in exchange in whole or in part for Securities of such series in certificated form on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to each Person specified by such Depository a new certificated Security or Securities of the same series of like tenor, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Security in global form; and

(ii) to such Depository a new Security in global form of like tenor in a denomination equal to the difference, if any, between the principal amount of the surrendered Security in global form and the aggregate principal amount of certificated Securities delivered to Holders thereof.

Upon the exchange of a Security in global form for Securities in certificated form, such Security in global form shall be cancelled by the Trustee. Unless expressly provided with respect to the Securities of any series that such Security may be exchanged for Bearer Securities, Securities in certificated form issued in exchange for a Security in global form pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Security in global form, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Persons in whose names such Securities are so registered.

Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

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Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company, the Registrar and the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

If the Securities of any series (or of any series and specified tenor) are to be redeemed in part, the Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is

deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed; (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part; or (iii) to exchange any Bearer Security so selected for redemption, except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; provided that such Registered Security shall be simultaneously surrendered for redemption.

The foregoing provisions relating to registration, transfer and exchange may be modified, supplemented or superseded with respect to any series of Securities by a Board Resolution or in one or more indentures supplemental hereto.

Section 3.6. Replacement Securities. If a mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a replacement Registered Security,

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if such surrendered Security was a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the surrendered Security, if such surrendered Security was a Bearer Security, of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Security with a destroyed, lost or stolen coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a replacement Registered Security, if such Holder's claim appertains to a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the destroyed, lost or stolen Bearer Security or the Bearer Security to which such lost, destroyed or stolen coupon appertains, if such Holder's claim appertains to a Bearer Security, of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding with coupons corresponding to the coupons, if any, appertaining to the destroyed, lost or stolen Security.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security or coupon, pay such Security or coupon; provided, however, that payment of principal of and any premium or interest on Bearer Securities shall, except as otherwise provided in Section 9.2, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 3.1, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge

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that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee, its agents and counsel) connected therewith.

Every new Security of any series with its coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its coupon, if any, or the destroyed, lost or stolen coupon, shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that securities and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

Section 3.7. Payment of Interest; Interest Rights Preserved. (a) Unless otherwise provided as contemplated by Section 3.1 with respect to any series of securities, interest, if any, on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to 9.2; provided, however, that at the option of the Company, interest on any series of Registered Securities that bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) at the expense of the Company, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

Unless otherwise provided as contemplated by Section 3.1 with respect to any series of securities, (i) interest, if any, on Bearer Securities shall be paid only against presentation and surrender of the coupons for such interest installments as are evidenced thereby as they mature and (ii) original issue discount, if any, on Bearer Securities shall be paid only against presentation and

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surrender of such Securities; in either case at the office of a Paying Agent located outside the United States, unless the Company shall have otherwise instructed the Trustee in writing provided that any such instruction for payment in the United States does not cause any Bearer Security to be treated as a "registration-required obligation" under United States laws and regulations. The interest, if any, on any temporary Bearer Security shall be paid, as to any installment of interest evidenced by a coupon attached thereto only upon presentation and surrender of such coupon and, as to other installments of interest, only upon presentation of such Security for notation thereon of the payment of such interest. If at the time a payment of principal of or interest, if any, on a Bearer Security or coupon shall become due, the payment of the full amount so payable at the office or offices of all the Paying Agents outside the United States is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the payment of such amount in Dollars, then the Company may instruct the Trustee in writing to make such payments at a Paying Agent located in the United States, provided that provision for such payment in the United States would not cause such Bearer Security to be treated as a "registration-required obligation" under United States laws and regulations.

(b) Unless otherwise provided as contemplated by Section 3.1 with respect to any series of securities, any interest on Registered Securities of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holders on the relevant Regular Record Date by virtue of their having been such Holders, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of such Defaulted Interest to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the trustee for such deposit prior to the date of the proposed payment, such

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money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of such Registered Securities at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of such Defaulted Interest to the Persons in whose names such Registered Securities (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

(c) Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.8. Persons Deemed Owners. Prior to due presentment of any Registered Security for registration of transfer, the Company, the Trustee and any agent of the

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Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Bearer Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, with respect to any Security in global form, nothing herein shall prevent the Company or the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depository (or its nominee), as a Holder, with respect to such Security in global form or impair, as between such Depository and owners of beneficial interests in such Security in global form, the operation of customary practices governing the exercise of the rights of such Depository (or its nominee) as Holder of such Security in global form.

Section 3.9. Cancellation. The Company at any time may deliver Securities and coupons to the Trustee for cancellation. The Registrar and any

Paying Agent shall forward to the Trustee any Securities and coupons surrendered to them for replacement, for registration of transfer, or for exchange or payment. The Trustee shall cancel all Securities and coupons surrendered for replacement, for registration of transfer, or for exchange, payment, redemption or cancellation and may, but shall not

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be required to, dispose of cancelled Securities and coupons and issue a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Section 3.10. Computation of Interest. Except as otherwise specified as contemplated by Section 3.1, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.11. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, in such case, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 3.12. Currency and Manner of Payment in Respect of Securities. (a) Unless otherwise specified with respect to any Securities pursuant to Section 3.1, with respect to Registered Securities of any series not permitting the election provided for in paragraph (b) below or the Holders of which have not made the election provided for in paragraph (b) below, and with respect to Bearer Securities of any series, except as provided in paragraph (d) below, payment of the principal of, premium, if any, and interest, if any, on any Registered or Bearer Security of such series will be made in the currency or currencies or currency unit or units in which such Registered Security or Bearer Security, as the case may be, is payable. The provisions of this Section 3.12 may be modified or superseded pursuant to Section 3.1 with respect to any Securities.

(b) It may be provided pursuant to Section 3.1, with respect to Registered Securities of any series, that Holders shall have the option, subject to paragraphs (d) and (e) below, to receive payments of principal of, premium, if any, or interest, if any, on such Registered Securities in any of the currencies or currency units which may be designated for such election by delivering to the Trustee (or the applicable Paying Agent) a written election with

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signature guarantees and in the applicable form established pursuant to Section 3.1, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in any such currency or currency unit, such election will remain in effect for such Holder or any transferee of such Holder until changed by such Holder or such transferee by written notice to the Trustee (or any applicable Paying Agent) for such series of Registered Securities (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date, and no such change of election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or with respect to which the Company has deposited funds pursuant to Article 4 or with respect to which a notice of redemption has been given by or on behalf of the Company). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee (or any applicable Paying Agent) not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant currency or currency unit as provided in Section 3.12(a). The Trustee (or the applicable Paying Agent) shall notify the Exchange Rate Agent as soon as practicable after the Election Date of the aggregate principal amount of Registered Securities for which Holders have made such written election.

(c) If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, then, unless otherwise specified pursuant to Section 3.1 with respect to any such Registered Securities, not later than the fourth Business Day after the Election Date for each payment date for such Registered Securities, the Exchange Rate Agent will deliver to the Company a written notice specifying, in the currency or currencies or currency unit or units in which Registered Securities of such series are payable, the respective aggregate amounts of principal of, premium, if any, and interest, if any, on such Registered Securities to be paid on such payment date, and specifying the amounts in such currency or currencies or currency unit or units so payable in respect of such Registered Securities as to which the Holders of Registered Securities denominated in any currency or currencies or currency unit or units shall have elected to be paid in another currency or currency unit as

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provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, and if at least one Holder has made such election, then, unless otherwise specified pursuant to Section 3.1, on the second Business Day preceding such payment date the Company will deliver to the Trustee (or the applicable Paying Agent) an Exchange Rate Officers' Certificate in respect of the Dollar, Foreign Currency or Currencies, ECU or other currency unit payments to be made on such payment date. Unless otherwise specified pursuant to Section 3.1, the Dollar, Foreign Currency or Currencies, ECU or other currency unit amount receivable by Holders of Registered Securities who have elected payment in a currency or currency unit as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the second Business Day (the "Valuation Date") immediately preceding each payment date, and such determination shall be conclusive and binding for all purposes, absent manifest error.

(d) If a Conversion Event occurs with respect to a Foreign Currency, ECU or any other currency unit in which any of the Securities are denominated

or payable otherwise than pursuant to an election provided for pursuant to paragraph (b) above, then, with respect to each date for the payment of principal of, premium, if any, and interest, if any, on the applicable Securities denominated or payable in such Foreign Currency, ECU or such other currency unit occurring after the last date on which such Foreign Currency, ECU or such other currency unit was used (the "Conversion Date"), the Dollar shall be the currency of payment for use on each such payment date (but such Foreign Currency, ECU or such other currency unit that was previously the currency of payment shall, at the Company's election, resume being the currency of payment on the first such payment date preceded by 15 Business Days during which the circumstances which gave rise to the Dollar becoming such currency no longer prevail). Unless otherwise specified pursuant to Section 3.1, the Dollar amount to be paid by the Company to the Trustee or any applicable Paying Agent and by the Trustee or any applicable Paying Agent to the Holders of such Securities with respect to such payment date shall be, in the case of a Foreign Currency other than a currency unit, the Dollar Equivalent of the Foreign Currency or, in the case of a Foreign Currency that is a currency unit, the Dollar Equivalent of the Currency Unit,

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in each case as determined by the Exchange Rate Agent in the manner provided in paragraph (f) or (g) below.

(e) Unless otherwise specified pursuant to Section 3.1, if the Holder of a Registered Security denominated in any currency or currency unit shall have elected to be paid in another currency or currency unit or in other currencies as provided in paragraph (b) above, and (i) a Conversion Event occurs with respect to any such elected currency or currency unit, such Holder shall receive payment in the currency or currency unit in which payment would have been made in the absence of such election and (ii) if a Conversion Event occurs with respect to the currency or currency unit in which payment would have been made in the absence of such election, such Holder shall receive payment in Dollars as provided in paragraph (d) of this Section 3.12 (but, subject to any contravening valid election pursuant to paragraph (b) above, the elected payment currency or currency unit, in the case of the circumstances described in clause (i) above, or the payment currency or currency unit in the absence of such election, in the case of the circumstances described in clause (ii) above, shall, at the Company's election, resume being the currency or currency unit of payment with respect to Holders who have so elected, but only with respect to payments on payment dates preceded by 15 Business Days during which the circumstances which gave rise to such currency or currency unit, in the case of the circumstances described in clause (i) above, or the Dollar, in the case of the circumstances described in clause (ii) above, as applicable, becoming the currency or currency unit of payment, no longer prevail).

(f) The "Dollar Equivalent of the Foreign Currency" shall be determined by the Exchange Rate Agent and shall be obtained for each subsequent payment date by the Exchange Rate Agent by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(g) The "Dollar Equivalent of the Currency Unit" shall be determined by the Exchange Rate Agent and, subject to the provisions of paragraph (h) below, shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency (as each such term is defined in paragraph (h) below) into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

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(h) For purposes of this Section 3.12 the following terms shall have the following meanings:

A "Component Currency" shall mean any currency which, on the Conversion Date, was a component currency of the relevant currency unit, including, but not limited to, ECU.

"Election Date" shall mean the Regular Record Date for the applicable series of Registered Securities as specified pursuant to Section 3.1 by which the written election referred to in Section 3.12(b) may be made.

A "Specified Amount" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which such Component Currency represented in the relevant currency unit, including, but not limited to, ECU, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single currency, and such amount shall thereafter be a Specified Amount and such single currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be replaced by specified amounts of such two or more currencies, the sum of which, at the Market Exchange Rate of such two or more currencies on the date of such replacement, shall be equal to the Specified Amount of such former Component Currency and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies. If, after the Conversion Date of the relevant currency unit, including, but not limited to, ECU, a Conversion Event (other than any event referred to above in this definition of "Specified Amount") occurs with respect to any Component Currency of such currency unit and is continuing on the applicable Valuation Date, the Specified Amount of such Component Currency shall, for purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market

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Exchange Rate in effect on the Conversion Date of such Component Currency.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit, the Market Exchange Rate and changes in the Specified Amounts as specified above shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company, the Trustee (and any applicable Paying Agent) and all Holders of Securities denominated or payable in the relevant currency, currencies or currency units. The Exchange Rate Agent shall promptly give written notice to the Company and the Trustee of any such decision or determination.

In the event that the Company determines in good faith that a Conversion Event has occurred with respect to a Foreign Currency, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date. In the event the Company so determines that a Conversion Event has occurred with respect to ECU or any other currency unit in which Securities are denominated or payable, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent)) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event the Company determines in good faith that any subsequent change in any Component Currency as set forth in the definition of Specified Amount above has occurred, the Company will similarly give written notice to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent.

The Trustee of the appropriate series of Securities shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent and shall not otherwise have any duty or obligation to determine the accuracy or validity of such information independent of the Company or the Exchange Rate Agent.

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Section 3.13. Appointment and Resignation of Exchange Rate Agent. (a) Unless otherwise specified pursuant to Section 3.1, if and so long as the Securities of any series (i) are denominated in a currency other than Dollars or (ii) may be payable in a currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent. The Company will cause the Exchange Rate Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 3.12 for the purpose of determining the applicable rate of exchange and, if applicable, for the purpose of converting the issued currency or currencies or currency unit or units into the applicable payment currency or currency unit for the payment of principal, premium, if any, and interest, if any, pursuant to Section 3.12.

(b) No resignation of the Exchange Rate Agent and no appointment of a successor Exchange Rate Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Exchange Rate Agent as evidenced by a written instrument delivered to the Company and the Trustee of the appropriate series of Securities accepting such appointment executed by the successor Exchange Rate Agent.

(c) If the Exchange Rate Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Exchange Rate Agency for any cause, with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Exchange Rate Agent or Exchange Rate Agents with respect to the Securities of that or those series (it being understood that any such successor Exchange Rate Agent may be appointed with respect to the Securities of one or more or all of such series and that, unless otherwise specified pursuant to Section 3.1, at any time there shall only be one Exchange Rate Agent with respect to the Securities of any particular series that are originally issued by the Company on the same date and that are initially denominated and/or payable in the same currency or currencies or currency unit or units).

Section 3.14. Agreed Tax Treatment. Each Security issued hereunder shall provide that the Company and the Holder of such Security agree (i) that for United States

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federal, state and local tax purposes it is intended that such Security constitute indebtedness and (ii) to file all United States federal, state and local tax returns and reports on such basis (unless the Company or such Holder, as the case may be, shall have received an opinion of independent nationally recognized tax counsel to the effect that as a result of a change in law after the date of the issuance of such Security the Company or such Holder, as the case may be, is prohibited from filing on such basis).

ARTICLE 4

Satisfaction, Discharge and Defeasance

Section 4.1. Termination of Company's Obligations Under the Indenture. (a) This Indenture shall upon a Company Request cease to be of further effect with respect to Securities of or within any series and any coupons appertaining thereto (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities and any coupons appertaining thereto when

(1) either

(A) all such Securities previously authenticated and delivered and all coupons appertaining thereto (other than (i) such coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange, surrender of which is not required or has been waived as provided in Section 3.5, (ii) such Securities and coupons which have been destroyed, lost or stolen and which have

been replaced or paid as provided in Section 3.6, (iii) such coupons appertaining to Bearer Securities called for redemption and maturing after the relevant Redemption Date, surrender of which has been waived as provided in Section 10.6 and (iv) such Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or

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discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount in the currency or currencies or currency unit or units in which the Securities of such series are payable, sufficient to pay and discharge the entire indebtedness on such Securities and such coupons not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and any predecessor Trustee under Section 6.9, the obligations of the Company to any Authenticating Agent under Section

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6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

Section 4.2. Application of Trust Funds. Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

Section 4.3. Applicability of Defeasance Provisions: Company's Option to Effect Defeasance or Covenant Defeasance. If pursuant to Section 3.1 provision is made for either or both of (i) defeasance of the Securities of or within a series under Section 4.4 or (ii) covenant defeasance of the Securities of or within a series under Section 4.5, then the provisions of such Section or Sections, as the case may be, together with the provisions of Sections 4.6 through 4.9 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities and any coupons appertaining thereto, and the Company may at its option by or pursuant to Board Resolution, at any time, with respect to such Securities and any coupons appertaining thereto, elect to have Section 4.4 (if applicable) or Section 4.5 (if applicable) be applied to such Outstanding Securities and any coupons appertaining thereto upon compliance with the conditions set forth below in this Article.

Section 4.4. Defeasance and Discharge. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to the Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Securities and any coupons appertaining thereto on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to

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have paid and discharged the entire indebtedness represented by such Securities and any coupons appertaining thereto which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 4.7 and the other Sections of this Indenture referred to in clause (ii) of this Section, and to have satisfied all its other obligations under such Securities and any coupons appertaining thereto and this Indenture insofar as such Securities and any coupons appertaining thereto are concerned (and the Trustee, at the expense of the Company, shall on a Company Order execute proper instruments acknowledging the same), except the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Securities and any coupons

appertaining thereto to receive, solely from the trust funds described in Section 4.6(a) and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest, if any, on such Securities or any coupons appertaining thereto when such payments are due; (ii) the Company's obligations with respect to such Securities under Sections 3.5, 3.6, 9.2 and 9.3 and with respect to the payment of additional amounts, if any, payable with respect to such Securities as specified pursuant to Section 3.1(b)(16); (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (iv) this Article 4. Subject to compliance with this Article 4, the Company may exercise its option under this Section notwithstanding the prior exercise of its option under Section 4.5 with respect to such Securities and any coupons appertaining thereto. Following a defeasance, payment of such Securities may not be accelerated because of an Event of Default.

Section 4.5. Covenant Defeasance. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 7.1, 9.4 and 9.7 and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities and any coupons appertaining thereto on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any coupons appertaining thereto shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Sections 7.1, 9.4 and 9.7 or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes

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hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities and any coupons appertaining thereto, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(3) or 5.1(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and any coupons appertaining thereto shall be unaffected thereby.

Section 4.6. Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of Section 4.4 or Section 4.5 to any Securities of or within a series and any coupons appertaining thereto:

(a) The Company shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.12 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.9 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.6(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any coupons appertaining thereto, with instructions to the Trustee as to the application thereof, (A) money in an amount (in such currency, currencies or currency unit or units in which such Securities and any coupons appertaining thereto are then specified as payable at Maturity), or (B) if Securities of such series are not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.6(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified

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public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities and any coupons appertaining thereto on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and such Securities and any coupons appertaining thereto. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 10 which shall be given effect in applying the foregoing.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) In the case of an election under Section 4.4, the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(d) In the case of an election under Section 4.5, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant

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defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(e) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance under Section 4.4 or the covenant defeasance under Section 4.5 (as the case may be) have been complied with.

(f) The Company shall have delivered to the Trustee an Officer's Certificate to the effect that neither such Securities nor any other Securities of the same series, if then listed on any securities exchange, will be delisted as a result of such deposit.

(g) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such Securities or any other Securities shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified in Sections 5.1(5) and (6), at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(h) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940 unless such trust shall be registered under such Act or exempt from registration thereunder.

(i) Such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith as contemplated by Section 3.1.

(j) No event or condition shall exist that, pursuant to the provisions of Article 12, would prevent the Company from making payments of the principal of (and premium, if any) or interest on the Securities of such series and coupons appertaining thereto on the date of such deposit.

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Section 4.7. Deposited money and Government Obligations to Be Held in Trust. Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.6 in respect of any Securities of any series and any coupons appertaining thereto shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any coupons appertaining thereto and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any coupons appertaining thereto of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified with respect to any Security pursuant to Section 3.1, if, after a deposit referred to in Section 4.6(a) has been made, (i) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 3.12(b) or the terms of such Security to receive payment in a currency or currency unit other than that in which the deposit pursuant to Section 4.6(a) has been made in respect of such Security, or (ii) a Conversion Event occurs as contemplated in Section 3.12(d) or 3.12(e) or by the terms of any Security in respect of which the deposit pursuant to Section 4.6(a) has been made, the indebtedness represented by such Security and any coupons appertaining thereto shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, premium, if any, and interest, if any, on such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the currency or currency unit in which such Security becomes payable as a result of such election or Conversion Event based on the applicable Market Exchange Rate for such currency or currency unit in effect on the second Business Day prior to each payment date, except, with respect to a Conversion Event, for such currency or currency unit in effect (as nearly as feasible) at the time of the Conversion Event.

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Section 4.8. Repayment to Company. The Trustee (and any Paying Agent) shall promptly pay to the Company upon Company Request any excess money or securities held by them at any time.

Section 4.9. Indemnity for Government Obligations. The Company shall pay, and shall indemnify the Trustee against, any tax, fee or other charge imposed on or assessed against Government Obligations deposited pursuant to this Article or the principal and interest and any other amount received on such Government Obligations.

Section 4.10. Reinstatement. If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations under this Indenture and such Securities from which the Company has been discharged or released pursuant to Section 4.4 or 4.5 shall be revived and reinstated as though no deposit had occurred pursuant to this Article with respect to such Securities, until such time as the Trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 4.7 with respect to such Securities in accordance with this Article; provided, however, that if the Company makes any payment of principal of or any premium or interest on any such Security following such reinstatement of its obligations, the Company shall be subrogated to the rights (if any) of the Holders of such Securities to receive such payment from the money so held in trust.

ARTICLE 5

Defaults and Remedies

Section 5.1. Events of Default. An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any coupon appertaining thereto or any additional amount payable

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with respect to any Security of that series as specified pursuant to Section 3.1(b)(16) when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series;

(3) the Company fails to comply in any material respect with any of its agreements or covenants in, or any of the provisions of, this Indenture with respect to any Security of that series (other than an agreement, covenant or provision for which non-compliance is elsewhere in this Section specifically dealt with), and such non-compliance continues for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of the series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) a default under any mortgage, agreement, indenture or instrument under which there may be issued, or by which there may be secured, guaranteed or evidenced any Debt of the Company (including this Indenture) whether such Debt now exists or shall hereafter be created, in an aggregate principal amount then outstanding of \$25,000,000 or more, which default (a) shall constitute a failure to pay any portion of the principal of such Debt when due and payable after the expiration of any applicable grace period with respect thereto or (b) shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled, or such Debt shall not be paid in full within a period of 30 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series a written notice specifying such event of default and requiring

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the Company to cause such acceleration to be rescinded or annulled or to pay in full such Debt and stating that such notice is a "Notice of Default" hereunder; (it being understood however, that the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); provided, however, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders; provided, further, that the foregoing shall not apply to any secured Debt under which the obligee has recourse (exclusive of recourse for ancillary matters such as environmental indemnities, misapplication of funds, costs of enforcement and the like) only to the collateral pledged for repayment so long as the fair market value of such collateral does not exceed 2% of Total Assets at the time of the default;

(5) the Company or Protective Life Insurance Company, pursuant to or within the meaning of any Bankruptcy Law, (A) commences a voluntary case or proceeding, (B) consents to the entry of an order for relief against it in an involuntary case or proceeding, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, (D) makes a general assignment for the benefit of its creditors (E) makes an admission in writing of its inability to pay its debts generally as they become due or (F) takes corporate action in furtherance of any such action;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company or Protective Life Insurance Company, in an involuntary case, (B) adjudges the Company or Protective Life Insurance Company as bankrupt or insolvent, or approves as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or

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Protective life Insurance Company, or appoints a Custodian of the Company or Protective Life Insurance Company, or for all or substantially all of its property, or (C) orders the liquidation of the Company or Protective Life Insurance Company, and the order or decree remains unstayed and in effect for 60 days; or

(7) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

As used in this Indenture, the term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state bankruptcy, insolvency, reorganization or other law for the relief of debtors. As used in this Indenture, the term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 5.2. Acceleration; Rescission and Annulment. If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the Outstanding Securities of that series, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of and accrued interest, if any, on all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of Original Issue Discount Securities or Indexed Securities, such specified amount) and interest, if any, shall be immediately due and payable, provided, however, that payment of principal and interest, if any, on the Securities of such series shall remain subordinated to the extent provided in Article 12.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgement or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the non-payment of the

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principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any interest on any Security or coupon, if any, when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities or coupons, if any, the whole amount then due and payable on such Securities for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities or coupons, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, provided, however, that payment of all such amounts shall remain subordinated to the extent provided in Article 12.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to secure any other proper remedy.

Section 5.4. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents and take such actions authorized under the Trust Indenture Act as may be necessary or advisable in

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order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the Company, its creditors or its property. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequester or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.9.

Section 5.5. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee, in its own name as an express trust, without the possession of any of the Securities or the production thereof in any proceeding relating thereto and any recovery of judgment shall, after provision for the reasonable fees and expenses of the Trustee and its counsel, be for the ratable benefit of the Holders of the Securities in respect of which judgment was recovered.

Section 5.6. Delay or Omission Not Waiver. No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

Section 5.7. Waiver of Past Defaults. The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by written notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Security of such series or any coupon appertaining thereto or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each Outstanding Security of such series affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default

shall be deemed to have been cured, for every purpose of this Indenture.

Section 5.8. Control by Majority. The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series; provided, however, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.9. Limitation on Suits by Holders. No Holder of any Security of any series or any coupons appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;
- (2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;
- (4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and

- (5) during such 60 day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series have not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 5.10. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, but subject to Section 9.2, the right of any Holder of a Security or coupon to receive payment of principal of, premium, if any, and, subject to Sections 3.5 and 3.7, interest on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates), and the right of any Holder of a coupon to receive payment of interest due as provided in such coupon, or, subject to Section 5.9, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 5.11. Application of Money Collected. If the Trustee collects any money pursuant to this Article, it shall, subject to the subordinated provisions hereof, pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: to the Trustee for amounts due under Section 6.9;

Second: to Holders of Securities and coupons in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on

such Securities for principal, premium, if any, and interest, respectively; and

Third: to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 5.11. At least 15 days before such record date, the Trustee shall mail to each holder and the Company a notice that states the record date, the payment date and the amount to be paid.

Section 5.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under

this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.13. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.14. Waiver of Usury, Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee,

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but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorney's fees, against any party litigant in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant.

ARTICLE 6

The Trustee

Section 6.1. Certain Duties and Responsibilities of the Trustee. (a) Except during the continuance of an Event of Default, the Trustee's duties and responsibilities under this Indenture shall be governed by Section 315(a) of the Trust Indenture Act.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 6.2. Rights of Trustee. Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee need not investigate any fact or matter stated in the document.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security, together with any coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently

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evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Before the Trustee acts or refrains from acting, it may consult with counsel of its selection or require an Officers' Certificate. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on a Board Resolution, the written or oral advice of counsel acceptable to the Company and the Trustee (which advice, if oral, shall be promptly confirmed in writing to the Trustee), a certificate of an Officer or Officers delivered pursuant to Section 1.2, an Officers' Certificate or an Opinion of Counsel.

(d) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(f) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the

Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

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(h) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.2.

Section 6.3. Trustee May Hold Securities. The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 6.4. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed upon in writing with the Company.

Section 6.5. Trustee's Disclaimer. The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities or any coupon. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company pursuant to the Indenture.

Section 6.6. Notice of Defaults. If a Default occurs and is continuing with respect to the Securities of any series and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit by mail to the Holders of Securities of such series, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all Defaults known to it unless such Default shall have been cured or waived; provided, however, that except in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that series; and provided, further, that in the case of any

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Default of the character specified in Section 5.1(3) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

Section 6.7. Reports by Trustee to Holders. Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by and in compliance with Section 313(a) of the Trust Indenture Act. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange.

Section 6.8. Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession or control of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series. If there are Bearer Securities of any series Outstanding, even if the Trustee is the Registrar, the Company shall furnish to the Trustee such a list containing such information with respect to Holders of such Bearer Securities only.

Section 6.9. Compensation and Indemnity. (a) The Company shall pay to the Trustee from time to time such reasonable compensation for its services as the Company and the Trustee shall agree in writing from time to time. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to

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its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability, damage, claim or reasonable expense including taxes (other than taxes based upon or determined or measured by the income of the Trustee) incurred by it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company

shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(5) or Section 5.1(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

Section 6.10. Replacement of Trustee. (a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

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(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and may appoint a successor Trustee for such series with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.12 of this Agreement or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation or removal, the Trustee resigning or being removed may petition any court of

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competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

Section 6.11. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall

duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more

fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust office.

Section 6.12. Eligibility; Disqualification. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least \$75,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.14. Appointment of Authenticating Agent. The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue, exchange, registration of transfer or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of

America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$25,000,000 and subject to supervision or examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

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Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

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This is one of the Securities of the series described in the within-mentioned Indenture.

AmSouth Bank N.A.,
as Trustee

By _____
as Authenticating Agent

By _____
Authorized Signatory

ARTICLE 7

Consolidation, Merger or Sale by the Company

Section 7.1. Consolidation, Merger or Sale of Assets Permitted. The Company shall not consolidate or merge with or into, or transfer or lease all or substantially all of its assets to, any Person unless:

- (1) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such transfer or lease shall have been made, is a corporation organized and existing under the laws of the United States, any State thereof or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such transfer or lease shall have been made, assumes by supplemental indenture all the obligations of the Company under the Securities and this Indenture;
- (3) immediately after giving effect to the transaction no Default or Event of Default exists; and
- (4) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Company would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not be permitted by the Securities of any series, the Company or such successor Person, as the case may be, shall take such steps as shall be necessary

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effectively to secure such Securities equally and ratably with all indebtedness secured thereby.

The Company shall deliver to the Trustee prior to the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture and that all conditions precedent to the consummation of the transaction under this Indenture have been met.

In the event of the assumption by a successor corporation as provided in clause (2) above, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities with the same effect as if it had been named hereunder and thereunder and any coupons appertaining thereto and all such obligations of the Company shall terminate.

ARTICLE 8

Supplemental Indentures

Section 8.1. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants and obligations of the Company herein and in the Securities; or
- (2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or
- (3) to add any additional Events of Default with respect to all or any series of Securities (and

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if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are expressly included solely for the benefit of such series); or

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Bearer Securities (including, without limitation, to provide that Bearer Securities may be registrable as to principal only) or to facilitate the issuance of Securities in global form; or

(5) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(6) to secure the Securities; or

(7) to establish the form or terms of Securities of any series as permitted by Sections 2.1 and 3.1; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11; or

(9) if allowed without penalty under applicable laws and regulations, to permit payment in the United States (including any of the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction of principal, premium, if any, or interest, if any, on Bearer Securities or coupons, if any; or

(10) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this

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Indenture, provided such action shall not adversely affect the interests of the Holders of Securities of any series; or

(11) to cure any ambiguity or correct any mistake, provided such action shall not adversely affect the interests of the Holders of Securities of any series; or

(12) to modify the provisions of Article 12 (except, with respect to any Outstanding Securities, to the extent prohibited by clause 5 of Section 8.2).

Section 8.2. Supplemental Indentures with Consent of Holders. With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture (with the Securities of each series voting as a class), the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of such Securities; provided, however, that without the consent of the Holder of each Outstanding Security affected thereby, a supplemental indenture under this Section may not:

(1) change the Stated Maturity of the principal of or premium, if any, on, or any installment of principal of or premium, if any, or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the manner in which the amount of any principal thereof or premium, if any, or interest thereon is determined or reduce the amount of the principal of any Original Issue Discount Security or Indexed Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the Place of Payment where or the currency in which any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

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(2) reduce the percentage in principal amount of the Outstanding Securities affected thereby, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

(4) make any change in Section 5.7 or this 8.2(a) except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived with the consent of the Holders of each Outstanding Security affected thereby; or

(5) modify the provisions of this Indenture with respect to the subordination of the Outstanding Securities of any series in a manner adverse to the Holders thereof.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

Section 8.3. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities of one or more series shall be set forth in a supplemental indenture that complies with the Trust Indenture Act as then in effect.

Section 8.4. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this

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Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 8.5. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupon appertaining thereto shall be bound thereby.

Section 8.6. Reference in Securities to Supplemental Indentures. Securities, including any coupons, of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities including any coupons of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities including any coupons of such series.

ARTICLE 9

Covenants

Section 9.1. Payment of Principal, Premium, if any, and Interest. The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest together with additional amounts, if any, on the Securities of that series in accordance with the terms of the Securities of such series, any coupons appertaining thereto and this Indenture. An installment of principal, premium, if any, or interest

shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

Section 9.2. Maintenance of Office or Agency. If Securities of a series are issued as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain, (i) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series which is located outside the United States where Securities of that series and related coupons may be presented and surrendered for payment; provided, however, that if the Securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange, and (ii) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series which is located outside the United States, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Unless otherwise specified as contemplated by Section 3.1, no payment of principal, premium or interest

on Bearer Securities shall be made at any office or agency of the Company in the United States, by check mailed to any address in the United States, by transfer to an account located in the United States or upon presentation or surrender in the United States of a Bearer Security or coupon for payment, even if the payment would be credited to an account located outside the United States; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of and any premium or interest on any such Bearer Security shall be made at the office of the Company's Paying Agent located within the United States, if (but only if) payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities (including any coupons, if any) of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities (including any coupons, if any) of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

Section 9.3. Money for Securities Payments to Be Held in Trust; Unclaimed Money. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided

and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment of principal, premium, if any, or interest on the Securities; and
- (3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by

Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security and coupon, if any, shall thereafter, as an unsecured general creditor, look only to the Company for payment

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thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 9.4. Corporate Existence. Subject to Article 7, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; provided that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company and not prejudicial in any material respect to the Holders of the Securities.

Section 9.5. Reports by the Company. The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national

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securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.5, as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including information concerning the Company's compliance with any of its covenants hereunder, provided that the foregoing shall not relieve the Trustee of any of its responsibilities hereunder.

Section 9.6. Annual Review Certificate; Notice of Defaults or Events of Defaults. (a) The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a certificate from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.6, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

(b) The Company covenants and agrees to deliver to the Trustee, within a reasonable time after the Company becomes aware of the occurrence of a Default or an Event of Default of the character specified in Section 5.1(4)

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hereof, written notice of the occurrence of such Default or Event of Default.

Section 9.7. Books of Record and Account. The Company will keep proper books of record and account, either on a consolidated or individual basis. The Company shall cause its books of record and account to be examined, either on a consolidated or individual basis, by one or more firms of independent public accountants not less frequently than annually. The Company shall prepare its financial statements in accordance with generally accepted

accounting principles.

ARTICLE 10

Redemption

Section 10.1. Applicability of Article. Securities (including coupons, if any) of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

Section 10.2. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities, including coupons, if any, shall be evidenced by or pursuant to a Board Resolution. In the case of any redemption at the election of the Company of less than all the Securities or coupons, if any, of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 10.3. Selection of Securities to Be Redeemed. Unless otherwise specified as contemplated by

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Section 3.1, if less than all the Securities (including coupons, if any) of a series with the same terms are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security of such series, provided that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities, including coupons, if any, of that series or any integral multiple thereof) of the principal amount of Securities, including coupons, if any, of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed. If the Company shall so direct, Securities registered in the name of the Company, any Affiliate or any Subsidiary thereof shall not be included in the Securities selected for redemption. If less than all the Securities of any series with differing issue dates, interest rates and stated maturities are to be redeemed, the Company in its sole discretion shall select the particular Securities to be redeemed and shall notify the Trustee in writing thereof at least 45 days prior to the relevant redemption date.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities (including coupons, if any) shall relate, in the case of any Securities (including coupons, if any) redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities (including coupons, if any) which has been or is to be redeemed.

Section 10.4. Notice of Redemption. Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days

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prior to the Redemption Date to the Holders of the Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if less than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the Place or Places of Payment where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (6) that Securities of the series called for redemption and all unmatured coupons, if any, appertaining thereto must be surrendered to the Paying Agent to collect the Redemption Price;

(7) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

(8) that the redemption is for a sinking fund, if such is the case;

(9) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the Redemption Date or the amount of any such missing coupon or coupons will

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be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished; and

(10) the CUSIP number, if any, of the Securities.

Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 10.5. Deposit of Redemption Price. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, which it may not do in the case of a sinking fund payment under Article 11, segregate and hold in trust as provided in Section 9.3) an amount of money in the currency or currencies (including currency unit or units) in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.1 for the Securities of such series) sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date.

Unless any Security by its terms prohibits any sinking fund payment obligation from being satisfied by delivering and crediting Securities (including Securities redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

Section 10.6. Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the coupons for any such interest appertaining to any Bearer Security so to be redeemed, except to the extent provided below, shall be void. Except as provided in the next succeeding paragraph, upon surrender of any such Security, including

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coupons, if any, for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States and its possessions (except as otherwise provided in Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of coupons for such interest; and provided, further, that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Bearer Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by coupons shall be payable only at an office or agency located outside of the United States (except as otherwise provided pursuant to Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 10.7. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part at

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any Place of Payment therefor (with, if the Company or the Trustee so required, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge a new Security or Securities of the same series, having the same form,

terms and Stated Maturity, in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal amount of the Security surrendered.

ARTICLE 11

Sinking Funds

Section 11.1. Applicability of Article. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 11.2. Satisfaction of Sinking Fund Payments with Securities. The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) together, in the case of Bearer Securities of such series, with all unmatured coupons appertaining thereto and (ii) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of

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all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 11.3. Redemption of Securities for Sinking Fund. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

ARTICLE 12

Subordination

Section 12.1. Agreement to Subordinate. The Company agrees, and each Holder by accepting a Security agrees, that the indebtedness evidenced by the Security is subordinated in right of payment, to the extent and in the manner provided in this Article 12, to the prior payment in full of all Senior Indebtedness, and that the subordination is for the benefit of, and shall be enforceable directly by, the holders of Senior Indebtedness, without any act or notice of acceptance hereof or reliance hereon.

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Section 12.2. Certain Definitions.

"Senior Indebtedness" means the principal, premium, if any, and interest on (i) all indebtedness of the Company, whether outstanding on the date hereof or thereafter created, incurred or assumed, that is for borrowed money, or evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets, including securities, (ii) any indebtedness of any other Person of the kind described in the preceding clause (i) for the payment of which the Company is responsible or liable as guarantor or otherwise and (iii) amendments, renewals, extensions and refundings of any such indebtedness. Senior Indebtedness shall continue to be Senior Indebtedness and to be entitled to the benefits of the subordination provisions of this Article 12 irrespective of any amendment, modification or waiver of any term of the Senior Indebtedness or extension or renewal of the Senior Indebtedness. Notwithstanding anything to the contrary in the foregoing, Senior Indebtedness shall not include (a) indebtedness incurred for the purchase of goods or materials or for services obtained in the ordinary course of business and (b) any indebtedness which by its terms is expressly made pari passu with or subordinated to the Securities.

Section 12.3. Liquidation; Dissolution; Bankruptcy; Etc. In the event of

(i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Company, its creditors or its property,

(ii) any proceeding for the liquidation, dissolution or other winding up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings,

(iii) any assignment by the Company for the benefit of creditors, or

(iv) any other marshalling of the assets of the Company,

all Senior Indebtedness (including, without limitation, interest accruing after the commencement of any such proceeding, assignment or marshalling of assets) shall

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first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made by the Company on account of the Securities. In any such event, any payment or distribution, whether in cash, securities or other property (other than securities of the Company or any other corporation provided for by a plan of reorganization or a readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions of this Indenture with respect to the indebtedness evidenced by the Securities, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for the provisions of this Article 12) be payable or deliverable in respect of the Securities (including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities) shall be paid or delivered directly to the holders of Senior Indebtedness, or to their representative or trustee, in accordance with the priorities then existing among such holders until all Senior Indebtedness shall have been paid in full.

Section 12.4. Default on Senior Indebtedness. If (i) the Company defaults in the payment of any principal, or premium, if any, or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or declaration or otherwise or (ii) an event of default occurs with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default (requesting that payments on the Securities cease) is given to the Company by the holders of Senior Indebtedness, then unless and until such default in payment or event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property or securities, by set-off or otherwise) shall be made or agreed to be made on account of the Securities or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Securities.

Section 12.5. When Distribution Must Be Paid Over. If a distribution is made to the Trustee or any Holder at a time when a Responsible Officer of the Trustee

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or such Holder has actual knowledge that because of this Article 12 such distribution should not have been made to it, the Trustee or such Holder who receives the distribution shall hold it in trust for the benefit of, and, upon written request, shall pay it over to, the holders of Senior Indebtedness as their interests may appear, or their agent or representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all principal, premium, if any, and interest then payable with respect to any Senior Indebtedness.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 12, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other person money or assets to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 12, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

Section 12.6. Notice by Company. The Company shall promptly notify in writing the Trustee and any Paying Agent of any facts known to the Company that would cause a payment with respect to the Securities to violate this Article 12, but failure to give such notice shall not affect the subordination of the Securities to the Senior Indebtedness provided in this Article 12.

Section 12.7. Subrogation. Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash, securities or other property equal to the amount of such Senior Indebtedness then outstanding. After all Senior Indebtedness is paid in full and until the Securities are paid in full, Holders shall be subrogated (equally and ratably with all other indebtedness as to which the right to receive payment is pari passu with the Securities) to the rights of holders of Senior Indebtedness to receive

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distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to the Holders have been applied to the payment of Senior Indebtedness, and such payments or distributions received by any Holder of Securities, by reason of such subrogation, of cash, securities or other property which otherwise would be paid or distributed to the holders of Senior Indebtedness, shall, as between the Company and its creditors other than the holders of

Senior Indebtedness, on the one hand, and the Holders of Securities, on the other, be deemed to be a payment by the Company on account of Senior Indebtedness, and not on account of Securities.

Section 12.8. Relative Rights. This Article 12 defines the relative rights of Holders and holders of Senior Indebtedness. Nothing in this Indenture shall:

- (i) impair, as between the Company and Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms;
- (ii) affect the relative rights of Holders and creditors of the Company other than their rights in relation to holders of Senior Indebtedness; or
- (iii) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Indebtedness to receive distributions and payments otherwise payable to Holders.

If the Company fails because of this Article 12 to pay principal of or interest on a Security on the due date, the failure is still a Default or Event of Default.

Section 12.9. Subordination May Not Be Impaired by Company. No present or future holder of any Senior Indebtedness shall be prejudiced in the right to enforce subordination of the indebtedness constituting the Securities by any act or failure to act on the part of the Company.

Section 12.10. Distribution. Upon any payment or distribution of assets of the Company referred to in this Article 12, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any

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court of competent jurisdiction or upon any certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other Debt of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 12.

Section 12.11. Rights of Trustee and Paying Agent. Notwithstanding the provisions of this Article 12 or any other provision of this Indenture, neither the Trustee nor any Paying Agent shall be charged with knowledge of the existence of any facts which would prohibit the making of any payment or distribution by the Trustee or such Paying Agent, or the taking of any action by the Trustee or such Paying Agent, and the Trustee or such Paying Agent may continue to make payments on the Securities unless, in the case of the Trustee, and in the case of such Paying Agent as long as the Trustee is such Paying Agent, a Responsible Officer shall have received at the Corporate Trust Office of the Trustee, and in the case of a Paying Agent other than the Trustee, it shall have received, in each case at least two Business Days prior to the date of such payment, written notice of facts that would cause any such payment with respect to the Securities to violate this Article 12. The Trustee or any Paying Agent, as applicable, shall promptly provide a copy of such notice to the Holders. Nothing in this Article 12 shall limit the right of the holders of Senior Indebtedness to recover payments as contemplated elsewhere in this Article 12 or impair the claims of, or payments to, the Trustee under or pursuant to Section 6.9 hereof.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee subject to Trust Indenture Act §§ 310(b) and 311. Any Agent may do the same rights.

Section 12.12. Authorization to Effect Subordination. Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in

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this Article 12, and appoints the Trustee his attorney-in-fact for any and all such purposes.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

PROTECTIVE LIFE CORPORATION

By: /s/ John D. Johns
Name: John D. Johns
Title: Executive Vice President and
Chief Financial Officer

[Seal]

Attest:

/s/ John K. Wright
Name: John K. Wright
Title: Secretary

AMSOUTH BANK N.A.

By: /s/ Charles S. Northen IV
Name: Charles S. Northen IV
Title: Assistant Vice President and
Corporate Trust Officer

[Seal]

Attest:

/s/ T. Franklin Caley
Name: T. Franklin Caley
Title: Vice President and
Corporate Trust Officer

Exhibit 10(h)

INDEMNITY AGREEMENT FOR OFFICERS

This Agreement, effective as of the Effective Date hereinafter defined, is made by and between Protective Life Corporation, a Delaware corporation (hereinafter the "Company") and [INDEMNITEE'S NAME HERE], an officer of Company (hereinafter, together with such person's heirs, personal representatives and estate, the "Indemnitee").

WITNESSETH: THAT

WHEREAS, Section 145 of the General Corporation Law of the State of Delaware (hereinafter "Section 145") empowers corporations to indemnify persons serving as a director, officer, employee or agent of the corporation or a person who serves at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, and further specifies that the indemnification set forth in said Section 145 "shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise"; and said Section 145 further empowers a corporation to "purchase and maintain insurance" on behalf of any of such persons "against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under" Section 145; and

WHEREAS, Company has initiated a thorough investigation to determine the type of insurance available, the nature and extent of the coverage provided and the cost thereof to Company to insure each of the directors and officers of Company and of corporation affiliated with Company against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any action, suit or proceeding with which such person is threatened or made a party by reason of such status and/or such person's decisions, actions or omissions; however, upon receiving such information, the Board of Directors of Company concluded that at present, due to the high cost and other negative features of the coverage available at the date hereof, it would not be in the best interests of its shareholders for Company to purchase and maintain an adequate amount of such insurance and that, on the contrary, its shareholders' interests would be better served by Company's contracting to indemnify such persons and thereby to effectively self-insure against such potential liabilities in excess of, and in certain instances against liabilities excluded from, the \$10,000,000 insurance policy obtained by Company effective May 8, 1989 and any additional acceptable coverage which from time to time hereafter may be placed in force (hereinafter collectively the "Policy") provided that the aggregate liability of Company hereunder (stated as \$10,000,000 in Section 9(g) below) shall be reduced by the amounts insured under the Policy as in effect at any given time; and

WHEREAS, the Board of Directors on recommendation of Company counsel has concluded that certain Officers (as defined in Section 1 below) of Company, both in their capacities as either executive officers, attorney-officers, or certain other officers of Company as may be designated from time to time by Company's Chief Executive Officer and/or the Board of Directors, and also in their respective capacities as directors, officers, employees or agents of Company's affiliates or of any other corporation, subsidiary, partnership, joint venture, or trust or other enterprise at the request or for the convenience of Company or to represent the interests of Company, as the case may be, should be provided with maximum protection in order to insure that the most capable persons otherwise available will remain in, and in the future be attracted to, such positions and, furthermore, that it is not only fair, reasonable and prudent but necessary for Company to contractually obligate itself to indemnify such past, present and future Officers and their respective estates in a reasonable and adequate manner and that Company assume for itself the responsibility and liability for expenses and damages in connection with claims brought, whether on account of any prior, present or future alleged act, omission, injury, damage, or event; and

WHEREAS, Company desires to have Indemnitee serve or continue to serve as an Officer free from undue concern for costs, expenses and damages by reason of Indemnitee's serving in such office or in such capacity or by reason of Indemnitee's decisions or actions or omissions while so serving on behalf of Company or its affiliates, or, at Company's direction or request, on behalf of any other corporation, subsidiary, partnership, joint venture, or trust or other enterprise; and Indemnitee desires to serve or continue to serve in one or more of such capacities, provided Indemnitee is furnished the indemnity provided for hereinafter;

NOW, THEREFORE, for and in consideration of the premises and the covenants contained herein, Company and Indemnitee do hereby covenant and agree as follows:

1. Agreement to Serve; Definitions.

(a) Indemnitee agrees that Indemnitee will, at the pleasure of the Chief Executive Officer or the Board of Directors of Company, as the case may be, serve or continue to serve as an Officer (as defined herein); provided, however, that nothing herein, express or implied, shall be deemed to be an employment contract nor to grant any rights to Indemnitee for any specific period of continued employment by one or more of Company and its Affiliates.

(b) Unless the context otherwise clearly indicates to the contrary, the following terms as used herein shall have the respective meanings set forth below:

(i) "Officer" shall refer to: (A) each member of Company's Operations Committee and the principal accounting officer of Company; (B) every officer employed by Company as an attorney in Company's Legal Department; and (C) certain other officers as may be designated from time to time by the Chief Executive Officer and/or the Board of Directors, whether any of said individuals described in (A), (B) or (C) above is serving in the capacity of executive officer of Company, and/or director and/or officer of one or more of Company's Affiliates, and/or serving, at the written request of Company, as a director, officer, employee or

agent of any other corporation, subsidiary, partnership, joint venture, or trust or other enterprise for the convenience of Company or to represent the interests of Company, as the case may be.

(ii) Except as used in Section 10, "Affiliate" shall mean any corporation which is at least 51% owned by Company or by any corporation at least 51% of which is owned by Company; the term "Company" shall specifically mean and refer to Protective Life Insurance Company prior to its organization with Company in 1981 whereby Company became the parent of Protective Life Insurance Company.

(iii) "Person" means any one (or more) individual or natural person or any one (or more) corporation, firm, joint venture, partnership, proprietorship, business venture, government, governmental body, agency or instrumentality, estate, trust, association or other legal entity whatsoever or group of same.

(iv) "Non-governmental" shall refer to any Person which is not (A) the government of the United States of America or of any state, district, territory or possession thereof or of any county, parish, city, town, township or municipality within any such state, district, territory or possession, or (B) any agency, tribunal, council, instrumentality or public body established by any Person described in (A).

(v) "Effective Date" shall refer to the date that Indemnitee first assumed the duties of an Officer, whether as an executive officer for the Company and/or as director and/or officer of one or more of Company's Affiliates, and/or, at the written request of Company, as a director, officer, employee or agent of any other corporation, subsidiary, partnership, joint venture, or trust or other enterprise for the convenience of Company or to represent the interests of Company, as the case may be.

2. Indemnification. Subject to the provisions of Sections 5, 8 and 9, Company shall indemnify Indemnitee as follows:

(a) Company will pay on behalf of Indemnitee, and Indemnitee's executors, administrators and heirs, any amount which Indemnitee is or becomes legally obligated to pay because of any claim or claims from time to time threatened or made against Indemnitee by any Person because of any act or omission or neglect or breach of duty, including any actual or alleged error or misstatement or misleading statement, which Indemnitee commits or suffers while acting in Indemnitee's capacity as, and solely because of Indemnitee's acting as an Officer, provided, however, that prior disclosure by Indemnitee of a relationship with another corporation or organization shall not be deemed to be service at the request of Company. The payments which Company will be obligated to make hereunder shall include, inter alia, damages, charges, judgments, fines, penalties, settlements and costs, cost of investigation and costs of defense of legal or equitable or criminal actions, claims or proceedings and appeals therefrom, and costs of attachment, supersedeas, bail or other bonds.

(b) If a claim under this Agreement is not paid by Company, or on its behalf, within sixty (60) days after the later of (i) receipt of written claim by Company or (ii) the date of

approval of Indemnatee's coverage hereunder in a specific instance under Section 5, the claimant may at any time thereafter bring suit against Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including reasonable attorney's fees) of prosecuting such claim.

(c) In the event of payment under this Agreement, Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all documents and take all actions reasonably requested by Company to implement such right of subrogation.

(d) Indemnatee shall give to Company notice in writing as soon as practicable of any claim made against Indemnatee for which indemnification will or could be sought under this Agreement. Indemnatee will further notify and cooperate with Company in the selection of counsel and in the incurrence of costs and expenses in defending or investigating any claim for which indemnification may be sought hereunder. Indemnatee shall give Company such information and cooperation as it may reasonably require and as shall be within Indemnatee's power.

3. Assumption of Liability by Company. If Indemnatee is deceased and is entitled to indemnification under any provision of this Agreement, Company shall indemnify Indemnatee's estate and Indemnatee's spouse, heirs, administrators and executors against, and Company shall and does hereby agree to assume, any and all costs, charges and expenses (including attorneys' fees), penalties and fines actually and reasonably incurred by or for Indemnatee or Indemnatee's estate, in connection with the investigation, defense, settlement or appeal of any such action, suit or proceeding. Further, when requested in writing by the spouse of Indemnatee, and/or the heirs, executors or administrators of Indemnatee's estate, Company shall provide appropriate evidence of Company's agreement set out herein to indemnify Indemnatee against and to assume itself such costs, charges, liabilities and expenses.

4. Partial Indemnification. If Indemnatee is entitled under any provision of this Agreement to indemnification by Company for some or a portion of the cost, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnatee in the investigation, defense, appeal or settlement of such suit, action or proceeding but not, however, of the total amount thereof, Company shall nevertheless indemnify Indemnatee as to the portion thereof to which Indemnatee is entitled.

5. Determination of Right to Indemnification. Anything contained elsewhere herein to the contrary notwithstanding, any indemnification under Sections 2 through 4 hereinabove, inclusive, shall (unless ordered by a court) not be paid by Company unless a determination is made, as hereinafter provided, that indemnification is proper in the circumstances and not excluded because of the provisions of Section 8 or 9.

The determination as to whether or not Indemnatee has met the standard of conduct required to qualify and entitle Indemnatee, partially or fully, to indemnification under the provisions of any provision of Section 2 hereof may be made either by a majority vote of the

directors who are not parties to such action, suit or proceeding, even though less than a quorum, or if there are no such directors, or if such directors so direct, by independent legal counsel (who may be the outside counsel regularly employed by Company) in a written opinion, or by the stockholders of Company. The fees and expenses of counsel in connection with making said determination contemplated hereunder shall be paid by Company, and, if requested by such counsel, Company shall give such counsel an appropriate written agreement with respect to the payment of their fees and expenses and such other matters as may be reasonably requested by counsel.

If the Person (including the Board of Directors, independent legal counsel, the stockholders or a court) making the determination hereunder shall determine that Indemnatee is entitled to indemnification as to some claims, issues or matters involved in the action, suit or proceeding but not as to others, such Person shall reasonably prorate the expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement with respect to which indemnification is sought by Indemnatee among such claims, issues or matters.

If, and to the extent that, it is finally determined hereunder that Indemnatee is not entitled to indemnification, then Indemnatee agrees to reimburse Company for all expenses advanced or prepaid hereunder, or the proper proportion thereof.

6. Advance of Costs, Charges and Expenses. If so ordered by the Board of Directors, the costs, charges and expenses incurred by Indemnatee in investigating, defending, or appealing any threatened, pending or completed civil or criminal action, suit or proceeding (administrative or investigative) covered hereunder, shall be paid by Company in advance in order to properly investigate, defend or appeal any such action, suit, or proceeding, and, if so ordered by the Board of Directors of Company, any judgments, fines or amounts paid in settlement shall be paid by Company in advance, all with the understanding and agreement hereby made and entered into by Indemnatee and Company, that in the event it shall ultimately be determined as provided hereunder that Indemnatee was not entitled to be indemnified, or was not entitled to be fully indemnified, that Indemnatee shall repay to Company such amount, or the appropriate portion thereof, so paid or advanced.

7. Other Rights and Remedies. The indemnification and advance payment of expenses as provided by any provision of this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may be entitled under any provision of law, the Policy (as an Insured thereunder), Company's Certificate of Incorporation, any By-Law, this or other agreement, vote of stockholders or disinterested directors or otherwise, as to action taken while occupying any of the various positions or relationships inherent in Indemnatee's capacity as an Officer, as defined in Section 1 of this Agreement, and shall continue after Indemnatee has ceased to occupy such position or have such relationship and shall inure to the benefit of the heirs, executors and administrators of Indemnatee.

8. Construction.

(a) This Agreement shall not be construed so as to give rise to a "contractual liability" which is excluded by the Policy. Each and every term hereof is enforceable by Indemnitee solely as to amounts (i) in excess of the limits of the Policy with respect to costs, charges and expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement for which coverage is in effect under the Policy, and (ii) used under the policy as a "deductible" amount, and (iii) which none of the Policy and the other liability insurance policies of Company clearly covers for Indemnitee as Insured thereunder; however, in any case in which Company believes the Policy or its other insurance should cover a loss, cost or expense, Company may make a contingent advance of monies pursuant to the terms hereof without admission, waiver or prejudice to its position that the Policy or Company's other insurance covers the loss, cost or expense. In amplification and clarification but not in limitation hereof, it is the intent of Company that this Agreement operate as "excess coverage" above the Policy and other applicable insurance limits up to the limit set forth in Section 9(g) and that it operate as "first dollar" coverage in all matters which are outside the scope of the Policy or within its deductibles and all other insurance maintained by Company from time to time, except as to the exclusions set forth herein below in Section 9.

In amplification but not in limitation of the foregoing, there is hereby expressly included "first dollar" coverage with respect to the following matters if considered by the Policy to be exclusions:

(1) any act or omission in connection with the acquisition or assumption by Affiliates or Company of the stock, assets and/or business of other corporations by merger, purchase of assets, bulk reinsurance and otherwise;

(2) liabilities and expenses based on or arising out of any action, suit or proceeding by a non-governmental Person involving the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. ss.1-61 et seq.;

(3) liabilities and expenses based on or arising out of or directly or indirectly involving Indemnitee's position with any other entity if requested in writing by Company to so serve with such other entity; and

(4) any act or omission the sole applicable exclusion for which by the Policy is on account of either (i) lack of appropriate notice, (ii) the existence of prior insurance, (iii) the timing of the occurrence and the claim, or (iv) other procedural defenses to coverage by the Policy, except as otherwise provided in Section 9(f) below.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, all portions of any paragraphs or sections of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph or section of this

Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

9. Exclusions and Limitations. Notwithstanding anything herein to the contrary:

(a) Company shall not be liable to Indemnitee for, nor obligated to furnish advances in connection with, any loss, cost or expense of Indemnitee resulting from Indemnitee's willful, negligent or inadvertent violation of Section 16(b) of the Securities Exchange Act of 1934 or of the Foreign Corrupt Practices Act of 1977.

(b) Company shall not be liable to Indemnitee for, and shall not be obligated to furnish any advances except for repayable costs, charges and expenses as hereinabove stated, in connection with, any loss, cost or expense of Indemnitee as the direct result of a final judgment for money damages payable to Company or any Affiliate for or on account of loss, cost or expense directly or indirectly resulting from Indemnitee's negligence or misconduct within the meaning of Section 145(b).

(c) Unless otherwise allowed by a court of competent jurisdiction or in a separate action in the Chancery Court of Delaware, Company shall not be liable to Indemnitee for, and Indemnitee undertakes to repay Company for all advances which may have been made of, expenses of investigation, defense or appeal of any matter the judgment of which is excluded under subsection 9(b) next above.

(d) Unless otherwise determined by a court of competent jurisdiction or in a separate action in the Chancery Court of Delaware, a settlement of any suit, action or proceeding shall be presumed to be an "expense" in mitigation of the expenses of continued litigation and not the compromise of a judgment on the merits of the action, suit or proceeding.

(e) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to Officers of Company pursuant to the foregoing provisions, or otherwise, the Board of Directors has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Company of expenses incurred or paid by an Officer of Company in the wholly or partially successful defense of any action, suit or proceeding) is asserted by Indemnitee in connection with Company securities which have been registered, Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it hereunder is against public policy as expressed in the Act and will be governed by the final adjudication of such issue. In effect, therefore, absent a court decision in the individual case or controlling precedent, the provisions of the Agreement will not apply to liabilities of Indemnitee arising under the Securities Act of 1933 (primarily relating to public distributions of securities) unless and only to the extent that Indemnitee is successful in the defense of the action, suit or proceeding in question.

(f) Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnatee:

(i) based upon or attributable to Indemnatee or any member of Indemnatee's immediate family gaining in fact any personal profit or advantage to which Indemnatee was not legally entitled;

(ii) based upon or attributable to the dishonesty of Indemnatee seeking payment hereunder;

(iii) for bodily injury, sickness, disease or death of any person, or damage to or destruction of any tangible property; including loss of use thereof;

(iv) for which indemnification under this Agreement is determined by a final adjudication of a court of competent jurisdiction to be unlawful and violative of public policy; or

(v) for any act or omission attributable to Indemnatee in Indemnatee's capacity as a director, officer, agent or employee of any Person which heretofore became or hereafter becomes an Affiliate, if the occurrence of such act or omission was prior to the date such Person actually became or becomes an Affiliate.

(g) From and after the date hereof the cumulative total of all amounts paid pursuant to the terms of this Agreement and all similar agreements entered into by Company with officers, reduced by (1) all sums repaid to Company under the repayment provisions of this Agreement and such similar agreements with officers and (2) all sums insured under the Policy for risks covered by this Agreement and such similar agreements with officers, shall never exceed the sum of Ten Million Dollars (\$10,000,000).

10. Change of Control.

(a) In the event that a Triggering Event, as hereafter defined, should take place, any determination to be made by the Board of Directors, as hereinabove referred to, shall be deemed to refer to action and determinations solely by a Majority of the Continuing Directors.

(b) "Triggering Events" are:

(i) The coming into being of a Related Person (as defined below);

(ii) The approval by the Board of Directors of Company of any agreement, contract, plan or other arrangement that would, if consummated, result in a Business Combination (as defined below); and

(iii) The commencement of a Tender Offer (as defined below).

Provided, however, that any event that would otherwise be a Triggering Event shall not be deemed a Triggering Event if a Majority of the Continuing Directors of Company (1) has expressly approved in advance the acquisition of outstanding shares of capital stock of Company entitled to vote generally (the "Voting Stock") that caused the Related Person to become a Related Person, or (2) has approved the Business Combination or recommended acceptance by the shareholders of Company of the Tender Offer.

(c) For purposes of this Section 10:

(i) The term "Business Combination" shall mean (A) any Reorganization of Company or a Subsidiary (as hereinafter defined) with or into a Related Person, (B) any sale, lease, exchange, transfer or other disposition, including without limitation a pledge, mortgage or any other security device, of all or any Substantial Part (as hereinafter defined) of the assets either of Company or of a Subsidiary, or both, to a Related Person, (C) any Reorganization of a Related Person with or into Company or a Subsidiary, (D) any sale, lease, exchange, transfer or other disposition of all or any Substantial Part of the assets of a Related Person to Company or a Subsidiary, (E) the issuance of any securities of Company or a Subsidiary to a Related Person except if such issuance were a stock split, stock dividend or other distribution pro rata to all holders of the same class of Voting Stock, (F) any reclassification of securities (including a reverse stock split) or any other recapitalization that would have the effect of increasing the voting power of a Related Person, and (G) any agreement, contract, plan or other arrangement providing for any of the transactions described in this definition of Business Combination.

(ii) The term "Related Person" shall mean and include (A) any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as defined on March 21, 1983 in Rule 12b-2 under the Securities Exchange Act of 1934), "beneficially owns" (as defined on March 21, 1983 in Rule 13d-3 under the Securities Exchange Act of 1934) in the aggregate 15 percent or more of the outstanding Voting Stock of Company, (B) any Affiliate or Associate of any such individual, corporation, partnership or other person or entity, and (C) any assignee, transferee or successor of any of the foregoing. Notwithstanding the foregoing, the term "Related Person" shall not include (1) Company, (2) any Subsidiary (unless the stock thereof not owned by Company is owned by a Related Person as hereinabove defined), (3) any employee benefit plan of Company or any such Subsidiary, (4) any trustee of or fiduciary with respect to any such plan when acting in such capacity, or (5) except as hereinbelow provided, the individuals comprising the Board of Directors of Company, their estates, immediate families, trusts established by them, or trusts in which they have a beneficial interest. Any person or other entity described in (5) above may, nevertheless, be a Related Person involved in a Business Combination, and shall not be counted in determining a Majority of the Continuing Directors, if an Associate or Affiliate of such person or entity which is not excluded by any of (1) through (4), inclusive, is a party to such Business Combination and such person or entity has a 1 percent or greater interest in the equity or profits of such Associate or Affiliate. Any person or entity who at any time is a Related Person continues at all times thereafter to be a Related Person.

(iii) Notwithstanding the definition of "beneficially owned" in subsection (ii) above, any Voting Stock of Company that any Related Person has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by the Related Person.

(iv) The term "Substantial Part" shall mean more than 20 percent of the fair market value of the total assets of the corporation in question, as determined in good faith by a Majority of the Continuing Directors, as of the end of its most recent fiscal year ending prior to the time the determination is being made.

(v) The term "Subsidiary" means any corporation of which a majority of any class of equity security is owned directly or indirectly by Company.

(vi) The term "Continuing Director" shall mean a director of Company at the relevant time who was a member of the Board of Directors of Company immediately prior to the earliest time that (A) any Related Person involved in a Business Combination, or (B) any Related Person who is (1) a Predecessor to such Related Person or (2) an assignor of beneficial ownership in Company to such a Related Person or to its Predecessors, became a Related Person.

(vii) The term "Majority" shall mean that number which constitutes a majority of the members of the Board of Directors of Company immediately prior to the earliest time that (A) any Related Person involved in the Business Combination, or (B) any Related Person who is (1) a predecessor to such Related Person or (2) an assignor of beneficial ownership in Company to such a Related Person or to its Predecessors, became a Related person.

(viii) The term "Predecessor" shall mean each person or other entity (A) to which the subject Related Person is a successor by merger, consolidation, sale and purchase of substantially all of the assets, or other reorganization or (B) which assigned or transferred beneficial ownership of Voting Stock of Company to the subject Related Person, directly or through successive transactions.

(ix) The term "Reorganization" includes a merger, consolidation, plan of exchange, sale of all or substantially all of the assets (including, as pertains to a subsidiary, bulk reinsurance or cession of substantially all of its policies and contracts) or other form of corporate reorganization pursuant to which shares of Voting Stock, or other securities of the subject corporation, are to be converted or exchanged into cash or other property, securities or other consolidation.

(x) The term "Tender Offer" shall mean any offer by any individual, corporation, partnership, association, trust, or other organization or entity directed to the shareholders of Company the results of which, if consummated, could by its terms result in the coming into being of a Related Person.

(xi) No Associate or Affiliate of any director of Company shall be a Related Person by attribution to such Associate or Affiliate of the Common Stock ownership of such director as of the date such director was elected a member of Company's Board of Directors.

11. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument, but only one of which need be produced.

12. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

13. Use of Certain Terms. As used in this Agreement, the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular paragraph, subparagraph or other subdivision.

14. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

15. Notice to Company. Indemnitee agrees to promptly notify Company in writing upon being served with any citation, complaint, indictment or other document covered hereunder, either civil or criminal.

16. Notices. All notices, requests, demand and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand by Federal Express, Purolator or other commercial courier and receipted for by or on behalf of the party to whom said notice or other communication shall have been directed or if (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to:

[INDEMNITEE'S NAME HERE]
Protective Life Corporation
P. O. Box 2606
Birmingham, Alabama 35202

or to such other address as may have been furnished to Company by Indemnitee;

(b) If to Company, to:

Protective Life Corporation

P. O. Box 2606
Birmingham, Alabama 35202
Attn: Drayton Nabers, Jr.
Chairman of the Board and
Chief Executive Officer

or to such other address as may have been furnished to Indemnitee by Company.

17. Governing Law. The parties agree that this Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware.

18. Successors and Assigns. This Agreement shall be binding upon Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's spouse, heirs, executors, administrators and estate.

IN WITNESS WHEREOF, Company has executed this Agreement by its duly authorized officers, and Indemnitee has executed this Agreement, on this _____ day of _____, 1996.

PROTECTIVE LIFE CORPORATION

By:
Drayton Nabers, Jr.
Its Chairman of the Board and
Chief Executive Officer

ATTEST:

Natalie R. Reid
Assistant Secretary

(CORPORATE SEAL)

Indemnitee: [INDEMNITEE'S NAME HERE]

Exhibit 12

CONSOLIDATED EARNINGS RATIOS

The following table sets forth, for the years and periods ended, Protective Life Corporation's (the "Company") ratios of:

- Consolidated earnings to fixed charges.
- Consolidated earnings to fixed charges before interest credited on investment products.

	Successor Company			Predecessor Company		
	For The Year Ended December 31,		February 1, 2015 to	January 1, 2015 to	For The Year Ended December 31,	
	2017	2016	December 31, 2015	January 31, 2015	2014	2013
Ratio of Consolidated Earnings to Fixed Charges ⁽¹⁾	1.5	1.6	1.5	1.0	1.6	1.6
Ratio of Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products ⁽²⁾	2.8	3.6	4.4	1.1	4.3	4.4

(1)The Company calculates the ratio of "Consolidated Earnings to Fixed Charges" by dividing the sum of income from continuing operations before income tax (BT), interest expense (which includes an estimate of the interest component of operating lease expense) (I) and interest credited on investment products (IP) by the sum of interest expense (I) and interest credited on investment products (IP). The formula for this ratio is: $(BT+I+IP)/(I+IP)$. The Company continues to sell investment products that credit interest to the contract holder. Investment products include products such as guaranteed investment contracts, annuities, and variable universal life interest credited insurance policies. The inclusion of interest credited on investment products results in a negative impact on the ratio of earnings to fixed charges because the effect of increases in interest credited to contract holders more than offsets the effect of the increase in earnings.

(2)The Company calculates the ratio of "Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products" by dividing the sum of income from continuing operations before income tax (BT) and interest expense (I) by interest expense (I). The formula for this calculation, therefore, would be: $(BT+I)/I$.

Computation of Consolidated Earnings Ratios

	Successor Company			Predecessor Company		
	For The Year Ended December 31,		February 1, 2015 to December 31, 2015	January 1, 2015 to		For The Year Ended December 31,
				January 31, 2015	2014	
	(Dollars In Thousands, Except Ratio Data)			(Dollars In Thousands, Except Ratio Data)		
Computation of Ratio of Consolidated Earnings to Fixed Charges						
Income from Continuing Operations before Income Tax	\$ 435,057	\$ 593,997	\$ 399,842	\$ 1,182	\$ 583,289	\$ 590,373
Add Interest Expense ⁽¹⁾	237,084	229,560	116,083	14,178	176,185	175,003
Add Interest Credited on Investment Products	692,993	699,227	682,836	79,088	824,418	875,180
Earnings before Interest, Interest Credited on Investment Products and Taxes	<u>\$ 1,365,134</u>	<u>\$ 1,522,784</u>	<u>\$ 1,198,761</u>	<u>\$ 94,448</u>	<u>\$ 1,685,359</u>	<u>\$ 1,640,556</u>
Earnings before Interest, Interest Credited on Investment Products and Taxes Divided by Interest expense and Interest Credited on Investment Products	1.5	1.6	1.5	1.0	1.6	1.6
Computation of Ratio of Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products						
Income from Continuing Operations before Income Tax	\$ 435,057	\$ 593,997	\$ 399,842	\$ 1,182	\$ 582,289	\$ 590,373
Add Interest Expense ⁽¹⁾	237,084	229,560	116,083	14,178	176,185	175,003
Earnings before Interest and Taxes	<u>\$ 672,141</u>	<u>\$ 823,557</u>	<u>\$ 515,925</u>	<u>\$ 15,360</u>	<u>\$ 860,941</u>	<u>\$ 765,376</u>
Earnings before Interest and Taxes Divided by Interest Expense	2.8	3.6	4.4	1.1	4.3	4.4



Code of Business Conduct

for

Protective Life Corporation

*and all of its subsidiaries and affiliates
(collectively referred to in this Code as "the Company"),
including*

Protective Life Insurance Company
West Coast Life Insurance Company
Protective Life & Annuity Insurance Company
Protective Property & Casualty Insurance Company
MONY Life Insurance Company
ProEquities, Inc.
First Protective Insurance Group

Revised June 12, 2017

You have a responsibility to report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Sandy Littleford (in the Human Resources Department), at (205) 268-6429 or sandy.littleford@protective.com
- The Chief Compliance Officer, Steve Callaway (in the Legal Department), at (205) 268- 3804 or steve.callaway@protective.com
- The Chief Legal Officer, Debbie Long, at (205) 268-3700 or debbie.long@protective.com
- The General Counsel, Mark Drew, (in the Legal Department) at (205) 268-4941 or mark.drew@protective.com
- The Chief Human Resources Officer, Wendy Evesque, (in the Human Resources Department) at (205) 268-5697 or wendy.evesque@protective.com
- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)
- The Code of Business Conduct email hotline at hotline@protective.com (*You may communicate to the email hotline anonymously.*)

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Our Values

Throughout our Company's history, our mission has remained boldly alive in our name. We are Protective. We are committed to tearing down the barriers that prevent so many people from enjoying the peace of mind and satisfaction that come from taking care of their future financial needs and the needs of those who depend on them. This is our purpose. This will be our legacy.

Four core values guide us in all that we do: Do the Right Thing, Serve People, Build Trust, and Simplify Everything. We serve with integrity and honesty, treating each of our customers the way we would like to be treated.

Each of us is responsible for the integrity of the Company, and each of us must be willing to raise ethical concerns. People in management positions have a special responsibility to demonstrate high ethical standards and to create an environment that requires ethical behavior.

This Code is intended to assist us in making the right choices. These same rules apply to everyone in the Company: employees, senior management and our Board of Directors.

However, these guidelines do not cover every situation. You should be guided by the spirit of the guidelines as well as the language, and you should get help whenever you are in doubt.

Remember, the accomplishment of the Company's mission and the fulfillment of the Company's commitment to all those we serve are dependent on each of us applying high ethical standards to whatever we do for the Company.

A Statement of Our Ethical Principles

- We will deal fairly and honestly with all people and treat each as we would expect each to treat us if the situation were reversed.
- We will trust and respect each other and maintain an environment where people may question a Company practice without fear.
- We will respect the dignity of each individual.
- We will not pursue any business opportunity in violation of the law or these principles.
- We will undertake only those business activities that will withstand public ethical scrutiny and our own standards of integrity.
- We will disclose any conflict of interest we may have (including, but not limited to, those resulting from outside business activities and/or volunteer work) regarding our responsibilities to the Company and remove the conflict where required.

A Statement of Our Principles of Ethical Market Conduct

In addition to the Company's ethical principles, we fully support the following principles of ethical market conduct:

- We will conduct business according to high standards of honesty and fairness and will render that service to our customers which, in the same circumstances, we would apply to or demand for ourselves.
- We will provide competent and customer-focused sales and service.
- We will engage in active and fair competition.
- We will provide advertising and sales materials that are clear as to purpose and honest and fair as to content.
- We will provide for fair and expeditious handling of customer complaints and disputes.
- We will maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles of ethical market conduct.

Obtaining Guidance About Ethical Concerns

We all share a responsibility for the Company's integrity and reputation. It may take courage to raise an ethical issue; however, our Company expects this of you, considers it an important responsibility of yours, and our management will support you in carrying out your responsibility.

When you have an ethical concern, the best thing to do is to discuss it with your manager or any other appropriate person in the Company. The doors of the Legal Department and the Human Resources Department are always open to you.

Exceptions

No set of guidelines, including this Code, can cover all the situations you may encounter, and there may be situations in which exceptions are appropriate. If you encounter a situation where the application of a rule or principle contained in this Code seems inappropriate, talk to your manager about it. Your manager can consult with the appropriate approval authority to determine if an exception is in order. In case of doubt as to approval authority, the Legal Department should be consulted.

Compliance and Speaking Up

Compliance with the Code

Compliance with this Code is essential to being true to our Company's vision and values. The Company will insist on compliance. You are responsible for understanding and complying with these requirements. Your manager is responsible for assisting you.

Individual Judgment and Questions to Ask Yourself

Even though this Code provides you with general guidance and your manager and the Legal Department are available to help you, you ultimately must depend on your own individual judgment in deciding on the correct course of action. As you consider a particular situation, ask yourself these questions:

- Is my action consistent with approved Company practices?
- Is my action consistent with the Company's preeminent values?
- Does my action avoid any appearance of conflict of interest or impropriety?
- Am I considering any outside employment or volunteer work that would interfere with my role with and responsibilities for the Company?
- Can my actions withstand the light of day?
- Can I in good conscience defend my action to my supervisor, to other employees, and to the general public?
- Does my action meet my personal code of behavior?
- Does my action conform to the spirit of these guidelines?
- Is my action the "right thing" to do?

If the answer to any of these questions is "no," you should reconsider your course of action or seek guidance from your manager, the Legal Department or the Human Resources Department before you act.

Be careful about substituting collective judgment for your individual judgment. Ask yourself: "What specifically am I being asked to do? Does it seem unethical or improper?" Use your good judgment and common sense. If something would seem unethical or improper to a reasonable person, it probably is.

Speak Up and Report Suspected Violations

You have a responsibility to speak up and report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else. If you aren't sure whether a situation rises to the level of a Code violation, talk to your manager or to one of the people listed below. If you report an action to your manager and suspect that it may be a Code violation, you should make sure that you or your manager report it to one of the appropriate contacts for Code violations.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Sandy Littleford (in the Human Resources Department) at (205) 268-6489 or sandy.littleford@protective.com
- The Chief Compliance Officer, Steve Callaway (in the Legal Department) at (205) 268- 3804 or steve.callaway@protective.com
- The Chief Legal Officer, Debbie Long, at (205) 268-3700 or debbie.long@protective.com
- The General Counsel, Mark Drew (in the Legal Department) at (205) 268-4941 or mark.drew@protective.com
- The Chief Human Resources Officer, Wendy Evesque (in the Human Resources Department) at (205) 268-5697 or wendy.evesque@protective.com
- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)
- The Code of Business Conduct email hotline [at hotline@protective.com](mailto:at_hotline@protective.com) (*You may communicate to the email hotline anonymously.*)

No employee will suffer any adverse action, retribution or career disadvantage for questioning a Company practice or for making a good faith report of a suspected violation of this Code or other irregularity. The Company will investigate possible violations. In doing so, we will respect the interests of all parties concerned. If requested, the identity of employees reporting suspected violations will be kept confidential unless we are required to reveal it to conduct an adequate investigation, to enforce these guidelines or to comply with applicable law or judicial process.

After reporting a suspected violation, an employee is expected to cooperate with the persons investigating the situation (the "Investigative Team" or "Team"). In most cases, that means that the reporting employee will respond promptly to requests of the Investigative Team, if the Team has any requests. In most cases, an employee's role in relation to the suspected violation will have been fulfilled by reporting it and responding to the Team's requests.

The reporting employee should not expect or consider himself or herself to be a part of the Investigative Team. The Team will determine the appropriate method for carrying out the investigation, and the appropriate communications about the investigation, including any communications with the employee who reported the suspected violation.

Penalty for Violations

Those who violate the standards in this Code will be subject to disciplinary action up to and including termination of employment.

Waivers of the Code of Business Conduct

Any waiver of the Code for executive officers or directors may be made only by the Company's Board of Directors or a committee of the Board and will be promptly disclosed as required by law or stock exchange regulation.

Conducting the Company's Business

Business Relationships

In conducting the Company's business, we deal with a variety of people and organizations, including other employees, customers, suppliers, competitors, community representatives, and the investment community.

- Our relationships are business relationships and should be based on our Company's long-term business interests. While we may develop friendships or other relationships with those with whom we deal, our dealings with others should reflect our Company's best interest.
- All of our business relationships should be based on honesty and fairness.
- We want long-term, mutually beneficial business relationships, and trustworthiness is essential to establish and keep them.
- We will be truthful. If there is a mistake or misunderstanding, we will correct it immediately.

From time to time, we may enter into relationships with other businesses to pursue opportunities. It is important that the businesses with whom we work will conduct their activities ethically and in compliance with all applicable legal and regulatory requirements.

Dealing with Each Other

Basic to our relationship with each other is the recognition of the value and worth of each individual and the necessity to provide a working climate that is protective and supportive of the well-being of all employees.

- We are committed to providing opportunity to our employees; we will employ and promote those employees who are best qualified for the job. See the Equal Employment Opportunity Policy in the Employee Handbook.
- We will listen carefully and value the opinions and experience of employees and respect their diverse backgrounds, cultures, religions, experiences and beliefs.
- We will provide protection to all employees or applicants for employment against sexual or other harassment. The full text of the Company's Harassment Prevention Policy is included in the Employee Handbook.
- Applicants for employment and employees will be evaluated for employment and promotion on a non-discriminatory basis.

Dealing with Customers

Serving customers is the focal point of our business. Satisfying customers is the only way to ensure business success.

- We must work with customers to understand and anticipate their needs and to identify and remove obstacles customers may see in doing business with us.
- We must accurately represent our products and services in our marketing, advertising and sales efforts.
- We need to respond promptly and courteously to our customers and investigate and resolve customer complaints.
- We seek to provide high quality products and services. We should evaluate customer satisfaction and continuously improve our quality.

Dealing with Producers and Agents

Our producers and agents are an essential link in providing quality products and services to our customers.

- We must select agents that share our values and our commitment to quality.

- We desire to form lasting relationships with our agents – relationships based not just on production, but also on compatible philosophies and attitudes.

Dealing with Suppliers

Prospective suppliers will have a chance to compete fairly for our business.

- We will select suppliers based on high quality product, service and value.
- We want long-term relationships with our suppliers.

Dealing with Regulators

Our business is highly regulated. Our regulators have a responsibility to the public; to the extent our regulators perform their jobs well, we and other good companies benefit.

- We will always respond to and cooperate with regulatory authorities. If a regulator contacts you and you are not the designated employee responsible for dealing with that regulator, you should courteously assist the regulator in reaching the appropriate employee.
- To avoid confusion, only certain employees are designated to represent the Company when communicating with regulators. If you are not a designated employee, you should refer any inquiry from a regulator to one of the employees in your division that is so designated. If you have questions about who is so designated, you should call Government Affairs about the types of communication you engage in with regulators.
- Regulators are public officials. All of the rules regarding our interactions with public officials apply to regulators.

Dealing with Public Officials and Employees

Federal, state, local and foreign governments have varying and complicated laws dealing with prohibitions and restrictions on interaction with public officials and employees, fundraising activities and gifts given to public officials and employees. There are even more restrictive rules for certain people – brokers, dealers, investment advisers and anyone who “lobbies.” Because of the complexity of these laws, and the fact that they frequently change, the following sections will inform you about several situations you may face:

Doing Business with Any Government

To protect the public interest, the federal and some state and local governments have enacted laws and regulations that must be met by private contractors. These laws and regulations are often harsh and impose strict requirements on contractors that are significantly different and more extensive than those we encounter in our commercial contracts. In many instances, violation can result in criminal sanctions, meaning the employee can be individually liable.

Since these laws involve the public trust and their violation often involves criminal sanctions, it is essential that there be strict compliance with all laws and regulations – in both spirit and letter – in transacting business with the government.

In conducting government business, it is essential that the terms of the contract with the government be strictly complied with and no deviations or substitutions be made without the written approval of the contracting officer or other authorized representative.

Additionally, there are laws and regulations governing ethics and campaign contributions for some individuals who conduct regular business with government entities—for example, brokers, dealers and investment advisers. These people also must comply with any ethics rules which apply to these interactions.

Interacting with Public Officials and Employees

Federal, state, local and foreign governments have varying and complicated laws governing interactions with public officials, public employees, and their families, some of which prohibit or severely restrict the provision of meals, gratuities or entertainment to such individuals. While there are exceptions to some of these laws, they are generally narrowly construed. **It is therefore the policy of the Company that no employee is allowed to provide any gift or thing of value to public officials, public employees, or their families unless an exception under the law clearly applies.** Please refer to the Government Affairs Guidelines in the Employee Handbook for further guidance regarding Alabama and Federal law. If you are contemplating activity that might involve laws in other states or territories, please contact Government Affairs for specific guidance.

You should not directly or indirectly offer, make, or solicit inappropriate payments or contributions to try to influence any public official or other public employee to take action, fail to take action, or give an advantage over another person or business. **If a gift is meant to corruptly influence or bribe a public official or employee, it is always prohibited and there is no exception.** This includes domestic or foreign officials and employees, political parties, party officials, candidates, legislators, and regulators.

It is important to be aware that certain activity is defined by the federal and state governments as "lobbying." If you are lobbying, or you are a lobbyist, there are many requirements and restrictions which apply to both you and the Company. Definitions vary among jurisdictions, but "lobbying" generally is the practice of promoting, opposing, or influencing legislation, regulation, or official action at any level of government. **It is the policy of the Company that only certain people, working through Government Affairs, may engage in lobbying on behalf of the Company.** If you are concerned that your activity might be lobbying, please contact Government Affairs.

These laws frequently change, so you should periodically update the advice, such as legal or ethics opinions, that you have received on a previous occasion. In many instances, violators of these laws are subject to criminal penalties. If you anticipate interacting with a public official or employee, governmental body (including regulators) government-related entity (e.g. water authority, public hospital) or a lobbyist, it is your responsibility to learn the applicable law.

For more information, please review the Government Affairs Guidelines located on PRISM.

Political Contributions, Political Fundraising and Political Activity at Work

Certain employees and the directors of the Company may participate in the Protective Life Corporation State Political Action Committee and/or the Protective Life Corporation Federal Political Action Committee. Except in cases reviewed by the Legal Department and approved by the Chief Executive Officer, Company resources shall not be used to support political parties, political causes or candidates.

- Individual employees are welcome to support any political party, political committee, political cause, or candidate that they wish, but they must do so on their own time and may not use Company resources. Employees should take steps to ensure that there is no suggestion in their volunteer activities that the Company is supporting a particular candidate, political cause, or party (e.g. if appearing in a candidate's brochure, do not wear a Protective golf shirt).
- Likewise, employees are welcome to serve in roles that may result in their being classified as public officials. However, if you serve in such a role, it is imperative that you become familiar with all relevant ethics law restrictions and that you recuse yourself from, and report to Government Affairs, any activity that may overlap with Protective or its business interests.

- Employees seeking public office by election or appointment, including incumbents, should notify their department management and Government Affairs of their intention prior to qualifying as a candidate for elective office or accepting an appointment. Prior management approval must be obtained to determine whether running for or holding public office will interfere with the employee's job, be contrary to the Company's interests, cause a conflict of interest or the perception thereof, or violate any laws or regulations.
- No employee may seek election for or accept appointment to any regulatory board, commission, or other body (including, but not limited to, the Alabama Department of Insurance) that directly regulates the Company.
- If a planned contribution, whether traditional or in-kind, could in any way be looked upon as involving Company funds, property or services, Government Affairs should be consulted.
- If you work in an area (e.g. brokers, dealers and investment advisers) that has restrictions on political contributions, make sure you understand your department rules for contributions, and call Government Affairs if you have any questions.

For more information, please review the Government Affairs Guidelines located on PRISM.

Dealing with Auditors

Our business is heavily dependent on the accuracy of our financial and accounting information. The public relies on the role of our independent public accountants in auditing this information. You may not take any action to influence, coerce or manipulate the Company or its subsidiaries' independent public accountants for the purpose of rendering the financial statements of the Company misleading.

Dealing with News Media, Investors or the Public

Contact with news media and the investment community, and any public discussion of Company business and products, should only be made through one of the Company's authorized spokespersons.

If you are questioned by news reporters or investment analysts you should refer them to the appropriate Company Media Contact Person. For details about the appropriate person to contact regarding media or other Company-related communications, see the Company's Policy on Communications with News Media in the Employee Handbook. Failure to observe this policy can cause tremendous harm to the Company and spread misinformation. We must exercise particular care when considering release of information of a sensitive or material nature, the disclosure of which could influence the judgment of investors to buy, sell or hold Company securities.

Dealing with Adverse Parties

We are committed to conducting our business with honesty and integrity. That commitment also extends to situations in which we find ourselves in an adversarial relationship with another party, such as a lawsuit or other dispute. It is important that communications in these situations be handled by the appropriate people who are authorized to communicate on behalf of the Company. For example, if an attorney who does not represent the Company contacts you about something other than an ordinary, non-adversarial matter, you should immediately – before communicating with that attorney – contact the Company's Legal Department for instructions.

Avoiding Conflicts of Interest

Your Private Interests

You are expected to avoid situations where your private interests or the private interests of your loved ones conflict with the Company's interests.

- You must disclose any potential conflict of interest to your manager so it can be resolved. "Potential conflicts of interest" include business or personal relationships with customers, suppliers, agents, employees or competitors or any other person or entity with whom the Company does business.
 - "Suppliers" include any person or entity which furnishes goods or services to the Company. For example, "suppliers" would include re-insurers, printers, bankers, law firms, marketers, lobbying firms and entities from or through which the Company purchases advertising.
- You should not have any business or financial relationship with customers, suppliers or competitors that could influence or appear to influence you in carrying out your responsibilities. This would include the ownership of stock in these companies. However, ownership of a nominal amount of stock in a publicly owned company would not be considered a conflict unless the amount was large enough to influence you.
- You may not market products or services that compete with ours. Nor may you work for a competitor, customer or supplier as an employee, consultant or member of its board of directors without written approval of the Chief Executive Officer or the Board of Directors.
- The Company recognizes that some employees maintain a law license and that they may wish to engage in private practice, consulting, and/or expert witnessing in their free time. The actual conflicts of interest and the appearance of conflicts of interest that may result from this outside work are a special concern to the Company. Accordingly, the Company prohibits employees from doing outside legal work for compensation. Employees seeking to do pro bono legal work may do so only after contacting Steve Callaway or Melinda Peevy in the Legal Department and receiving express permission to participate in the work.
- Similarly, the Company recognizes that there are employees with particular professional expertise who may wish to engage in consulting and/or expert witnessing services for legal matters in their free time. Employees seeking to do this work may do so only after contacting Steve Callaway or Melinda Peevy in the Legal Department and receiving express permission to participate in the work.

If you are not sure if your situation or relationship with another organization might conflict with your job performance or our Company's interests, you should discuss it with your manager. Most potential conflict situations are readily resolved and it is always best for you to raise your concern before engaging in the activity.

Gifts, Meals and Entertainment

Except when dealing with public officials, public employees, or their families (see "Dealing with Public Officials and Employees"), you may receive or give customary business amenities such as meals, provided they are associated with a business purpose, reasonable in cost, appropriate as to time and place and would not give the appearance of improperly influencing the recipient. Excessive gifts and entertainment (given or received) are inherently compromising and do not belong in our business relationships.

You may not give or receive gifts, meals or entertainment to or from anyone in relation to Company business unless:

- They are of limited value, do not influence or give the appearance of influencing the recipient and cannot be viewed as a bribe, kickback or payoff.
- They do not violate any law or generally accepted ethical standards including the standards of the recipient's organization.

- They can withstand public ethical review.

Under no circumstances may you give money to, or receive money from, a customer or a supplier. You are to courteously decline or return any kind of gift, favor or offer of excessive entertainment which violates these guidelines and inform the person making the offer of our policy.

Corporate Opportunity

You are prohibited from taking for yourself personally opportunities that are discovered through the use of Company property, information or position without the consent of the Chief Executive Officer or the Board of Directors. You may not use Company property, information or position for improper personal gain, and you may not compete with the Company directly or indirectly. You owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Your work product belongs solely to the Company.

Disparagement

No one should ever make false, misleading or disparaging remarks about individuals or organizations or their products and services.

- Do not disparage our competitors or their products or employees. We should sell our products and services on their merits.
- If you make comparisons between our products and those of a competitor, they should be relevant, accurate, factual and up-to-date.

Industrial Espionage

You may not engage in industrial espionage or acquire information about other companies through improper means. You have a responsibility not to steal or misuse the intellectual property of any supplier, customer, business partner or competitor.

We regularly acquire information about other companies in conducting our business. This is acceptable when this information is properly acquired. Proper sources would include information that is published or in the public domain or that is lawfully received from the owner or an authorized third party.

Examples of improper means of acquiring information are:

- Receiving from a third party information that was illegally or improperly acquired by the third party.
- Receiving confidential information of a company from present or former employees who are unauthorized to disclose it.

If you are offered proprietary information under suspicious circumstances, you should immediately consult our Legal Department. If you come into possession of information from another company that is marked confidential, or that you believe is confidential, you should consult our Legal Department if you have any questions regarding the proper authorization of your possession.

Prevention of Fraud

Every employee has an obligation to act to detect, deter and prevent fraud. If you discover facts that may indicate fraudulent activity, you must report the discovery immediately. For example, if you discover a document that appears to be a fake, you should report it immediately.

Safeguarding Company Property

Each of us is responsible for protecting Company property. The Company's property includes your work product, the Company's trade secrets, technology and proprietary information as well as physical property. The property and services of the Company are to be used solely for the benefit of the Company and should be used only as authorized by the Company. Managers are responsible for setting up and keeping good controls to protect the Company from loss or unauthorized or unlawful use of its property or services. Each of us is responsible for assisting in preventing waste and theft and assuring the integrity of the controls.

Keeping Information Confidential

The Company regularly develops private or proprietary information that is very valuable to the Company. Examples of this type of information are the Company's customer lists, materials developed for in-house use, administrative and product development processes, business plans, pricing strategies and any formulas, devices and compilations of information that give the Company a competitive advantage. The Company also regularly receives non-public information from those with whom we do business. Examples of these types of information are the information we receive from our customers, agents, administrators, suppliers and business partners.

Any of this information may be considered the Company's property, which we have a duty to protect. We may also be subject to laws and regulations that require us to safeguard this information, such as the laws and regulations that require us to protect customer information. Additionally, we may have agreements that spell out our obligations for using and protecting the information, such as our customers' authorizations for medical information or confidentiality agreements we have with our agents and suppliers.

In connection with your activities on behalf of the Company, you may have access to and become knowledgeable about information that is confidential, private or proprietary. You must protect the confidentiality and privacy of that information.

- You may only use or disclose confidential, private or proprietary information for Company purposes; you may not use or disclose it for personal benefit or for the benefit of competing interests.
- To preserve confidentiality, you should only disclose confidential information to those who have a need to know. If you share confidential information with an employee, you should tell the employee that the information is confidential.
- You must limit your use of confidential, private or proprietary information to what is authorized by any agreement relating to the information or, if there is no express agreement, to what is impliedly authorized.

Your responsibility to keep information confidential continues after you leave employment with the Company.

Use of Software

One form of intellectual property we acquire is computer software. In addition to being copyrighted, computer software programs are usually subject to license agreements. These agreements restrict the Company's use (and, therefore, your use) of the software. For example, a license may prohibit copying of the programs and restrict its use to a specified computer.

- You should understand the limitations on the use and copying of any software. If you have questions, you should contact the Information Security Officer (Tim Searcy, ext. 5289).
- You should not copy software, use it on a different computer or give it to a third party unless you have confirmed that the license agreement permits such copying or use.
- Any authorized copies shall contain the proper copyright and other required notices of the vendor.
- Downloading software using the Company's electronic communications systems is discouraged. If you need to install a specific application on your workstation or another Company system, please submit a request through the IT Self-Service Portal.

Use of Company Systems and Devices (*use is not private*)

The Company's systems and devices such as telephones, voice mail, email, smartphones, Intranet and Internet access (both wired and wireless), and desktop and laptop computers are intended to be used for the Company's business. The Company recognizes that it is sometimes acceptable for employees to use these systems or devices for lawful personal purposes. You should, however, keep such use to a minimum and remember that such use is not private.

We will respect the privacy of each of our employees. Our work on behalf of the Company, however, is not private; it belongs to the Company. The Company reserves the right to access communications within its systems or on its devices. The Company may monitor, intercept or record communications such as telephone calls, electronic communications including email, instant messages, text messages and Intranet or Internet access as it deems necessary or appropriate to ensure customer satisfaction, to improve quality, to guard against inappropriate uses and, in rare cases, to guard against unlawful uses.

An employee should not attempt to access another employee's communications without the other employee's permission or other appropriate authorization. The Legal Department should be consulted for guidance on the appropriate authorization for accessing employee communications. If communications are monitored, steps should be taken to discontinue monitoring if the communications are determined to be personal, lawful and appropriate under this Code.

Accurate Records, Reporting and Disclosure

Company records must reflect an accurate and verifiable record of all transactions and disposition of assets. We have internal accounting controls, including controls to limit transactions to those which are properly authorized and to promote both accountability for assets and reporting accuracy.

It is our responsibility to ensure that documents filed with or submitted to the Securities and Exchange Commission and other regulators or other public communications by the Company and its subsidiaries contain full, fair, accurate, timely and understandable disclosure.

- Information that you record and submit to another party, whether inside or outside our Company, must be accurate, timely and complete. It should honestly reflect the transaction or material.
- Like all Company employees, financial officers and employees must understand and apply the rules and regulations applicable to their job duties. In case of financial employees, this includes all laws, rules, regulations and accounting principles involved in accounting for transactions of the Company.

Accounting and Auditing Matters

The integrity of our financial reports is essential, and we intend to comply with all financial reporting and accounting regulations applicable to the Company. If you have concerns or complaints regarding questionable accounting or auditing matters of the Company, you must submit those concerns or complaints to the General Counsel. The term “questionable accounting or auditing matters” includes:

- fraud or deliberate error in the preparation, evaluation, review or audit of Company financial statements;
- fraud or deliberate error in the recording and maintenance of the Company’s financial records;
- deficiencies in or noncompliance with the Company’s internal accounting controls;
- misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the Company’s financial records, financial reports or audit reports; or
- deviation from full and fair reporting of the Company’s financial condition.

If a report of suspected violation of the Code relates to accounting, internal accounting controls or auditing matters, the report will be transmitted to the Chairman of the Audit Committee by the General Counsel. You may elect to remain anonymous by making your concerns known via the Code of Business Conduct Hotline (205-268-2633 or 800-421-3564) or electronically at hotline@protective.com. If you choose to make an anonymous submission, you are encouraged to give as much detail as possible so that we will have the information necessary to carry out an investigation. We will treat any non-anonymous complaint received confidentially in accordance with our policies for reporting other violations under the Code. In the event that, as a manager, you receive a report of a concern regarding questionable accounting or auditing matters, it is your responsibility to submit that concern to the General Counsel.

Third Party Workers

Consultants, agents, and other third party workers retained by our Company are expected to adhere to this Code and other Company policies in the course of their work on behalf of the Company.

- In retaining a consultant, you should ensure that no conflict of interest exists, that the consultant is genuinely qualified in the business for which retained, that the compensation is reasonable for the services being performed, and that there is a written agreement outlining the statement of work and requiring the consultant to comply with all applicable laws and appropriate Company policies.
- Consultants, agents, and other third party workers may not be retained to do anything illegal or improper. You may not do anything indirectly that you may not do directly, and you may not do through a third party what you may not do yourself.

Complying with Laws

In General

The Company intends to conduct its business in a way that not only conforms to the letter of the law, but also promotes the spirit of fairness and honesty behind the laws.

- Every employee has the responsibility to become familiar with and comply with the laws and regulations that govern his or her area of responsibility. Ignorance of applicable laws is not acceptable.
- If you have questions about the meaning or application of any law or regulation, you should consult with and be guided by the advice of the Legal Department. Decisions regarding the application of the various laws should not be made without that advice.
- You may not take any action that you know or that our Legal Department has advised would violate any law or regulation.

Antitrust Laws

The antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace.

- Any agreement that could limit competition in a specific market may be a violation of these laws and must be reviewed by the Legal Department.
- Because verbal exchanges can be viewed as an agreement, you need to exercise caution whenever you meet with competitors.
- Keep your discussions to the business purpose of the meeting.
- Avoid discussions with competitors related to market share, projected sales for any specific product or service, revenues and expenses, production schedules, inventories, unannounced products and services, pricing strategies, marketing and, of course, any confidential, private or proprietary Company information.
- You should not discuss with a competitor whether the Company or the competitor intends to enter or withdraw from a specific market.

These guidelines also apply to informal contacts you may have with competitors, including those at trade shows or meetings of professional organizations.

Each of the following may be a violation of the antitrust laws. In many instances, violators are subject to criminal penalties. Before engaging in any discussions with a competitor concerning the following, you must review the matter with the Legal Department:

- Prices or rates
- Allocation of markets or customers
- Limitations on production or quality
- Boycott of suppliers
- Intentions or motivations concerning entering or withdrawing from a market.

The Company has an Antitrust Compliance Manual, located on PRISM that provides more comprehensive information and guidance about the antitrust laws than this Code. You should make sure that you understand and comply with the Antitrust Compliance Manual.

Securities Laws: Transactions in Company Securities, Dai-ichi Securities, and Other Companies' Securities

Federal Law prohibits buying or selling securities based on "inside information," which is information not publicly available that could affect the price of the securities. Penalties for violations of these laws can be severe, and could include significant fines and imprisonment. As the Company is now a wholly owned subsidiary of The Dai-ichi Life Insurance Company, Ltd., common stock in the Company is no longer publicly traded. However, certain Company securities, including debt securities, continue to be publicly traded.

- If you have material inside information about the Company, Dai-ichi, or any other company, you may not buy or sell, or advise others to buy or sell, those securities. Note that this would include "giving tips" to friends or family.
- Inside information that might be material includes earnings estimates, significant business developments, expansion or curtailment of operations, sale or purchase of substantial assets or any other activity of significance.
- You have an obligation to protect any confidential or material non-public information you obtain from the Company or its subsidiaries, or from Dai-ichi or its subsidiaries.

For further guidance on trading in securities and inside information, please consult the Company's policy on Trading in the Securities of Protective, Dai-ichi, and Other Companies, located on PRISM.

Prohibitions on Employment in the Insurance Industry

It is a federal crime for a person who has ever been convicted of a felony involving dishonesty or breach of trust to work in the business of insurance unless that person obtains the consent of the appropriate state department of insurance, and it is a federal crime for a person who works in the business of insurance to willfully permit a person who has been convicted of a felony involving dishonesty or breach of trust to work in the business of insurance. If you have ever been convicted of a felony and have not obtained the required consent, or if you know that a fellow employee, consultant or agent has been convicted of a felony, you must immediately report the situation to the Legal Department.

Charitable Contributions

All of the Company's charitable contributions, including in-kind contributions, must be managed through the Protective Life Foundation. You may not use Company monies to make charitable contributions. In addition, any purchase of goods or services from a charitable organization for a marketing purpose must be coordinated through the Protective Life Foundation's Executive Director. All other purchases of goods or services from a charitable organization must be done on an arm's-length basis. For example, purchases of tickets to the symphony or advertising through a charitable organization must be coordinated through the Protective Life Foundation's Executive Director, but purchases of flu vaccine through a non-profit hospital, if done on an arm's-length basis for fair value, may be done through the Company. All requests for charitable contributions are to be submitted to the Executive Director of the Protective Life Foundation.

By faithfully adhering to the Code, we assure those who share an interest in our Company – notably our customers, shareowners and employees – that Protective is committed to the vision and values that serve as our foundation. This will help to ensure the Company's continued success, growth and viability. Since its inception, Protective has consistently required those who act on its behalf to do so with integrity. Our commitment to this fundamental principle remains central in all that we do.

You have a responsibility to report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Sandy Littleford (in the Human Resources Department) at (205) 268-6429 or sandy.littleford@protective.com
- The Chief Compliance Officer, Steve Callaway (in the Legal Department) at (205) 268- 3804 or steve.callaway@protective.com
- The Chief Legal Officer, Debbie Long, at (205) 268-3700 or debbie.long@protective.com
- The General Counsel, Mark Drew (in the Legal Department) at (205) 268-4941 or mark.drew@protective.com
- The Chief Human Resources Officer, Wendy Evesque (in the Human Resources Department) at (205) 268-5697 or wendy.evesque@protective.com
- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)
- The Code of Business Conduct email hotline at hotline@protective.com (*You may communicate to the email hotline anonymously.*)



Revised June 12, 2017

It is the policy of Protective Life Corporation and its affiliates (the "Company") to be in compliance with all laws and regulations that are applicable to its business at all governmental levels. In some instances the laws and regulations may be ambiguous or difficult to interpret. To assist us in complying with such laws and regulations, the Company has adopted its Code of Business Conduct. Furthermore, the Company has access to legal advice throughout its operations. All directors and employees should seek such legal advice as may be necessary to assure compliance with Company policies and with all applicable laws and regulations.

As provided by the Code of Business Conduct, it is also the policy of the Company that all of its directors and employees should conduct the business of the Company on the highest ethical level and be free from conflicting interests and relationships. No director or employee should knowingly allow himself to be involved in a conflict of interest or, upon discovery of a conflict situation, allow the conflict to continue, except as may be reported and approved.

It is the policy of the Company to require all directors and exempt employees of the Company, to annually review and certify their compliance with the Code of Business Conduct and to report all information that may be relevant to determine the existence or likely development of a significant conflict of interest. Exempt employees should immediately report any changed circumstances that would cause the information in the most recent periodic report to become materially misleading, incomplete or outdated.

All reports and certifications required by this policy and the Code of Business Conduct shall be submitted to the General Counsel and reviewed annually with the Audit Committee.

1. Directorships, Trusteeships, Officerships, Partnerships, Employment and Other Outside Activities.

Participation as a member of a Board of Directors or officer of another business or organization or membership in a partnership can create a potential conflict of interest. Company directors and exempt employees must report all of their positions as directors, officers, partners, trustees, or similar positions with any other business, partnership or other entity or charitable organization. Exempt employees must also report all outside employment of themselves and their spouses and all other outside activities of themselves which may take time and attention required by Company duties.

Because of the actual conflicts of interest and the appearance of conflicts of interest that may result from outside legal work, the Company does not permit employees to engage in outside legal work for compensation, and pro bono engagements must be pre-approved by the Legal Department. Similarly, other employees with particular professional expertise who wish to do consulting and/or expert witnessing for legal matters in their free time must receive approval from the Legal Department before engaging in the work. In order to request pre-approval, please contact Steve Callaway or Melinda Peavy in the Legal Department. Employees seeking to do pro bono legal work, consulting and/or expert witnessing for legal matters may do so only after contacting the Legal Department and receiving express permission to participate in the work.

Exempt employees should report all compensation for services rendered, regardless of the source. Directors and exempt employees should also report any outside activities that may involve obligations that might compete or conflict with any interest of the Company or that might influence the director's or employee's official actions or decisions.

Before accepting any position or employment described in the preceding paragraphs, an employee must first obtain the approval of the senior officer of his or her department. Any employee reporting to the Chief Executive Officer must first obtain the approval of the Chief Executive Officer, and the Chief Executive Officer must first obtain the approval of the Audit Committee of the Board of Directors.

2. Self-Dealing.

Applicable state law generally prohibits directors and officers of an insurance company from having a pecuniary interest in transactions relating to the Company. For example, officers may not receive commissions or gifts in connection with the sale of a Company policy. If you have any questions about what would be covered by these laws, please contact the Legal Department.

3. Investments.

Each director or exempt employee who either directly or indirectly through a spouse, minor child or trust for the benefit of himself, his spouse or minor child, has any investment or financial interest in any business enterprise with which, to the knowledge of the director or employee, the Company

- a) has had business dealings within the past two years,
- b) plans to have business dealings, or
- c) competes, directly or indirectly,

shall report such investment or financial interest unless all of the following tests are met:

- a) The interest is in an enterprise whose common stock is listed on one of the stock exchanges or is traded over the counter; and
- b) The investment is in equity securities and such interest is less than 1% of the outstanding equity securities of the enterprise; and
- c) The fair market value of the investment is less than the aggregate compensation plus Protective Life Corporation stockholder dividends received by the employee from the Company during the preceding calendar year.

4. Political Offices.

Any employee, exempt or non-exempt, desiring to run for an elective office; to accept an appointment to a federal, state, or local government board, commission, or similar office; or to accept a position with a political party (such as party chair or committee member) should report the matter in advance to the senior officer of his or her department, or to the Chief Executive Officer if he or she reports thereto, in order to make certain that the duties of the desired office and the time away from the Company will not materially interfere with Company responsibilities and to ensure that the employee understands the obligations to which he or she would be subject in accepting any such position. The senior officer receiving the report may consult with Government Affairs to ensure that it is appropriate for the employee to seek the desired position. If election or appointment would materially interfere with the employee's responsibilities, it would be the responsibility of the senior officer receiving the report to make such changes in duties and compensation as may be dictated prior to the employee's assuming any such office. All changes directed by a senior officer must be discussed with and approved in advance by the Chief Executive Officer. The Chief Executive Officer should

obtain the approval of the Board of Directors before running for or accepting appointment to any political or government office.

Notwithstanding the above, no employee may seek election for or accept appointment to any regulatory board, commission, or other body (including, but not limited to, the Alabama Department of Insurance) that directly regulates the Company.

In the event that any other desired position is approved by the senior officer receiving the report, the employee must ensure that any official decision or action on his or her part does not materially affect the Company in any manner different from the manner it affects the general public. If the employee is asked to vote or participate in a decision that could impact the Company in any way (whether positively or negatively), that employee must recuse himself or herself from participating in that decision and consult with Government Affairs regarding what further action may be necessary.

The foregoing paragraphs are illustrative only. Each director or exempt employee should report any existing or subsequent circumstances, even if not specifically described above, that could be construed to interfere, actually or potentially, with his or her undivided loyalty to the Company in the performance of his or her Company duties. Should there be any doubt as to whether a conflict exists, such doubt should be resolved in favor of assuming that the conflict does exist.

Exhibit 21
to
Form 10-K
of
Protective Life Corporation
for
Fiscal Year
Ended December 31, 2017
Principal Subsidiaries of the Registrant

The following wholly owned subsidiary of Protective Life Corporation is organized under the laws of the State of Tennessee and does business under its corporate name:

Protective Life Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Nebraska and does business under its corporate name:

West Coast Life Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Alabama and does business under its corporate name:

Protective Life and Annuity Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Missouri and does business under its corporate name:

Protective Property & Casualty Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of New York and does business under its corporate name:

MONY Life Insurance Company

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, Mark L. Drew, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2017, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ SHINICHI AIZAWA

Shinichi Aizawa

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ TOMOHIKO ASANO

Tomohiko Asano

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ VANESSA LEONARD

Vanessa Leonard

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ JOHN J. MCMAHON, JR.

John J. McMahon, Jr.

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ UNGYONG SHU

Ungyong Shu
Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ JESSE J. SPIKES

Jesse J. Spikes

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ WILLIAM A. TERRY

William A. Terry
Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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/s/ W. MICHAEL WARREN, JR.

W. Michael Warren, Jr.

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ JOHN D. JOHNS

John D. Johns

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

**PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY**

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 21st day of February 2018.

/s/ RICHARD J. BIELEN

Richard J. Bielen

Director

WITNESS:

/s/ STEVE M. CALLAWAY

Steve M. Callaway

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard J. Bielen, certify that:

1. I have reviewed the Annual Report on Form 10-K for the year ended December 31, 2017, of Protective Life Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2018

/s/ Richard J. Bielen

President and

Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven G. Walker, certify that:

1. I have reviewed the Annual Report on Form 10-K for the year ended December 31, 2017, of Protective Life Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2018

/s/ Steven G. Walker

 Executive Vice President and
 Chief Financial Officer

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

In connection with the Annual Report of Protective Life Corporation (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Bielen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard J. Bielen

President
and Chief Executive Officer

March 2, 2018

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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

In connection with the Annual Report of Protective Life Corporation (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven G. Walker, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven G. Walker

Executive Vice President and
Chief Financial Officer

March 2, 2018

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

