Protective Life Global Funding
$5,000,000,000
Global Note Issuance Program

Protective Life Global Funding, a special purpose statutory trust organized in series under the laws of the State of Delaware (the "*Issuer*"), may from time to time offer up to $5,000,000,000 (or the equivalent in one or more foreign currencies) (the "*Authorized Amount*") of its senior secured medium-term notes (the "*Notes*") pursuant to its global note issuance program (the "*Program*") described in this Offering Memorandum (this "*Offering Memorandum*"). The Notes will be offered in separate series (each, a "*Series*" or "*Series of Notes*"), which may comprise one or more tranches (each, a "*Tranche*" or "*Tranche of Notes*"). The specific terms of each Series and Tranche will be set forth in the relevant pricing supplement (each such pricing supplement, the "*Pricing Supplement*"), which will complete this Offering Memorandum. Each Series will be secured by (i) one or more funding agreements (each, a "*Funding Agreement*") issued by Protective Life Insurance Company, a stock life insurance company incorporated and licensed under the laws of the State of Tennessee ("*Protective Life*"), in respect of the Tranches of Notes comprising such Series and (ii) one or more support and expenses agreements (each, a "*Support and Expenses Agreement*") entered into between Protective Life and the Issuer in respect of the Tranches of Notes comprising such Series. The payments under the Funding Agreement entered into in connection with a Tranche of Notes will be structured to meet in full the Issuer's scheduled payment obligations under the relevant Tranche of Notes. Payment of the principal of, and interest on, the Notes will be made solely from payments received by the Issuer under the applicable Funding Agreement(s). The Holders (as hereinafter defined) of Notes will have no direct rights against Protective Life under any Funding Agreement or any Support and Expenses Agreement.

The Issuer is not an affiliate of Protective Life. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Protective Life, its parent companies, Protective Life Corporation ("*PLC*") and Dai-ichi Life Holdings, Inc. ("*Dai-ichi Life*"), or any of their respective subsidiaries or affiliates. The obligations of Protective Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, PLC, Dai-ichi Life or any other person.

The Irish Stock Exchange Plc, now trading as Euronext Dublin ("*Euronext Dublin*"), has approved this Offering Memorandum as a "Listing Particulars." Application will be made to Euronext Dublin for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on its Global Exchange Market (the "*GEM*"). The GEM is not a regulated market for the purposes of Directive 2014/65/EU (as amended, "*MiFID II*"). The Notes may also be offered to the public in any Member State of the European Economic Area ("*EEA*"); *provided* that the Notes of each Series will, except for Notes issued solely outside the EEA, be in minimum denominations of €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof. This Offering Memorandum supersedes the Offering Memorandum dated October 2, 2017, as supplemented, in relation to the Program.

For a discussion of certain factors that should be considered in connection with an investment in the Notes, *see* "Risk Factors" beginning on page 15.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or any applicable state or foreign securities laws, and may not be offered or sold except to (1) persons reasonably believed by the Purchasing Agent(s) (as hereinafter defined) to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) or (2) persons who are not U.S. Persons (as defined in Regulation S under the Securities Act) outside the United States in accordance with Regulation S. All transfers of the Notes in the United States, whether in the initial distribution or in secondary trading, will be limited to transferees who are Qualified Institutional Buyers. Prospective purchasers that are Qualified Institutional Buyers are hereby notified that the Issuer may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except as described in this Offering Memorandum and in the relevant Terms and Conditions (as hereinafter defined) of the Notes.

This Offering Memorandum constitutes a "Listing Particulars" for the purpose of listing on the Official List and trading on the GEM.

Arranger for the Program

Deutsche Bank Securities

U.S. Purchasing Agents		**Non-U.S. Purchasing Agents**	
BBVA	Mizuho Securities	Banco Bilbao Vizcaya Argentaria, SA	Mizuho Securities
BofA Merrill Lynch	Morgan Stanley	BofA Merrill Lynch	Morgan Stanley
Barclays	PNC Capital Markets LLC	Barclays	Nomura
Citigroup	Regions Securities LLC	Citigroup	SMBC Nikko
Credit Suisse	SMBC Nikko	Credit Suisse	UBS Investment Bank
Deutsche Bank Securities	SunTrust Robinson Humphrey	Deutsche Bank	Wells Fargo Securities
Goldman Sachs & Co. LLC	UBS Investment Bank	Goldman Sachs International	
J.P. Morgan	US Bancorp		
KeyBanc Capital Markets	Wells Fargo Securities		

The date of this Offering Memorandum is April 5, 2019

The price and amount of Notes to be issued under the Program, up to the Authorized Amount, will be determined by the Issuer and each relevant Purchasing Agent at the time of issue in accordance with prevailing market conditions.

NOTICE TO ARKANSAS RESIDENTS ONLY

The Notes may not be purchased by, offered, resold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department.

NOTICE TO INDIANA RESIDENTS ONLY

The Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

NOTICE TO UNITED KINGDOM RESIDENTS ONLY

In the United Kingdom, this Offering Memorandum, any Pricing Supplement and any other documents or materials relating to the issue of the Notes offered hereby are being distributed only to, and are only directed at, (1) persons who have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*") or (2) persons who are persons falling within Article 49(2)(a) to (d) of the Order or (3) any other persons to who it may otherwise lawfully be communicated pursuant to the Order (each such person being referred to as a "*Relevant Person*"). Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Memorandum must not be acted or relied on by persons who are not Relevant Persons.

NOTICE TO EEA RESIDENTS ONLY

Neither this Offering Memorandum nor any related Pricing Supplement is a prospectus for the purposes of Directive 2003/71/EC (as amended or superseded), as implemented in the Member States of the EEA.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "*IDD*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "*MiFID Product Governance Rules*"), any

Purchasing Agent subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger (as hereinafter defined) nor the Purchasing Agents nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Because the primary assets of the Issuer will be one or more Funding Agreements issued by Protective Life (together with Support and Expenses Agreements entered into between Protective Life and the Issuer, in each case related to such Funding Agreement(s)), there is a risk that any transfer of the Notes could subject the parties to such transfer to regulation under the insurance laws of jurisdictions implicated by the transfer. Among other things, it is likely that if the Notes were deemed to be contracts of insurance, the ability of a Holder to sell the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sales could be effected, the proceeds realized from any such sales could be materially and adversely affected. *See* "Risk Factors — Notes Could Be Deemed to Be Participations in the Funding Agreements or Could Otherwise Be Deemed to Be Contracts of Insurance." No person is permitted to distribute, market, sell, represent or otherwise refer to the Notes as an insurance product, contract or policy or funding agreement or as a direct interest in any insurance product, contract or policy or funding agreement.

References herein to the "*Holders*" of notes issued in registered form ("*Registered Notes*") are to the persons in whose name such Notes are so registered in the relevant register. References herein to the "*Holders*" issued in bearer form ("*Bearer Notes*") are to the bearers of such Notes.

Unless the context otherwise requires, references in this Offering Memorandum to "*Protective Life*" are to Protective Life Insurance Company on a stand-alone, nonconsolidated basis.

This Offering Memorandum should be read and construed in accordance with any supplement hereto and, in relation to any Tranche of Notes, should be read and construed in accordance with the relevant Pricing Supplement.

Each of the Issuer and Protective Life has confirmed to the arranger named in "Overview" (the "*Arranger*") and each of the purchasing agents (each, a "*Purchasing Agent*" and, collectively, the "*Purchasing Agents*"), as so named in "Overview — Purchasing Agents", that this Offering Memorandum (read as a whole with any amendment or supplement hereto and, with respect to the Notes of any Tranche, the applicable Pricing Supplement) does not and, at the issue date for the sale of a particular Tranche of Notes, will not contain any untrue statement of a material fact or fail to state any material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

No person has been authorized by the Issuer, Protective Life or any Purchasing Agent to give any information or to make any representation except as contained in this Offering Memorandum, in any amendment or supplement hereto or, with respect to the Notes of any Tranche, the applicable Pricing Supplement, and, if given or made, such unauthorized information or representation should not be relied upon as having been authorized by the Issuer, Protective Life or any Purchasing Agent.

The distribution of this Offering Memorandum and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted or prohibited by law. In particular, except for the listing of certain Notes on the relevant stock exchange as may be specified in the applicable Pricing Supplement, the Issuer, the Arranger and the Purchasing Agents have not and will not take any action that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering material in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum and any supplements hereto nor any other offering material, including, with respect to the Notes of any Tranche, the applicable Pricing Supplement may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, any supplements hereto and any Pricing Supplement, or any other offering material and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Purchasing Agents shall have any responsibility therefor. Persons into whose possession this Offering Memorandum, any supplements hereto and any Pricing Supplement, or any other offering material comes are required by the Issuer, the Arranger and the Purchasing Agents to inform themselves about and to comply with any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Memorandum, any supplements hereto and any Pricing Supplement, or any other offering material relating to the Notes, *see* "Notice to Investors" and "Subscription and Sale."

No representation or warranty is made or implied by any of the Purchasing Agents or any of their respective affiliates, and none of the Purchasing Agents nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Memorandum, any supplements hereto and any Pricing Supplement. Neither the delivery of this Offering Memorandum, any supplements hereto and any Pricing Supplement, nor the offering, sale or delivery of any Notes shall create, in any circumstances, any implication that (i) the information contained in this Offering Memorandum, any supplements hereto and any Pricing Supplement is true subsequent to the latest of the date hereof or thereof, as applicable, or the date upon which this Offering Memorandum and any supplements hereto have been most recently supplemented, (ii) there has been no material adverse change in the financial situation of the Issuer or Protective Life and its consolidated subsidiaries (collectively, "*PLICO*") since the later of the date of this Offering Memorandum or the date on which this Offering Memorandum has been most recently supplemented or, with respect to the Notes of any Tranche, completed by the applicable Pricing Supplement or (iii) any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Memorandum, any supplements hereto nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes in any jurisdiction in which it is unlawful to make such an offer or an invitation to so subscribe and should not be considered as a recommendation by the Issuer, Protective Life or any of the Purchasing Agents that any recipient of this Offering Memorandum, any supplements hereto or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Memorandum, any supplements hereto and any Pricing Supplement shall have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and PLICO.

CRA REGULATION

Tranches of Notes to be issued under the Program will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "*CRA Regulation*"), will be disclosed in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

None of A.M. Best Company ("*A.M. Best*"), Fitch Ratings, Inc. ("*Fitch*"), Moody's Investors Service, Inc. ("*Moody's*") or S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("*S&P*") is established in the European Union nor registered in accordance with the CRA Regulation, and therefore is not included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation; however, the ratings assigned by each of A.M. Best, Fitch, Moody's and S&P are endorsed in the European Union by A.M. Best Europe-Rating Services Limited, Fitch Ratings Limited, Moody's Investors Service Ltd. and S&P Global Ratings Europe Limited, respectively.

The rating of the Program by Moody's and the rating of the Notes by Moody's and S&P is based primarily upon the insurance financial strength rating of Protective Life. The rating of the Notes will be monitored and is subject to reconsideration at the sole discretion of Moody's and S&P. Moody's and S&P will each change their rating of the Notes in accordance with any change in the financial strength rating of Protective Life or with any change in the priority status under the state jurisdiction governing funding agreements issued by Protective Life.

The rating of certain Series of the Notes to be issued under the Program will be specified in the applicable Pricing Supplement. Whether or not each rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. Such general restriction will also apply in the case of credit ratings issued by credit rating agencies not established in the European Union, unless either (i) the relevant credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (ii) the relevant rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

STABILIZATION

In connection with the issue of any Tranche of Notes under the Program, the Purchasing Agents have reserved the right to appoint one or more of them to act as stabilizing agents (each, a "*Stabilizing Agent*"). In connection with the issue of any Tranche of Notes under the Program, each Stabilizing Agent (or any person acting on behalf of any Stabilizing Agent), may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it shall, in any event, end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilizing action or over-allotment shall be conducted in compliance with all applicable laws, rules and regulations. For further description of these activities, *see* "Subscription and Sale."

RESPONSIBILITY STATEMENT

Each of the Issuer and Protective Life accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of its knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified, the financial information of PLICO contained in this Offering Memorandum is based on the audited consolidated balance sheets of PLICO and the related audited consolidated statements of income, comprehensive income (loss), shareowner's equity and cash flows, as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016, in each case included in Protective Life's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "*2018 Form 10-K*") filed pursuant to the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), attached hereto as Annex A (including the notes thereto, the "*Consolidated Financial Statements*").

The Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States ("*GAAP*"). Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The year-end consolidated GAAP differs in certain respects from international financial reporting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 ("*IFRS*") and there may be material differences in the financial information had IFRS been applied.

FORWARD-LOOKING STATEMENTS — CAUTIONARY LANGUAGE

This Offering Memorandum does, and any supplement hereto and any Pricing Supplement may, contain information that includes or is based upon 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 no assurance can be given that such statements will prove to be correct. The accompanying information contained in this Offering Memorandum, including without limitation the information set forth under the headings "Forward-Looking Statements — Cautionary Language" and "Risk Factors" herein, in the 2018 Form 10-K, attached hereto as Annex A, and in any supplements to this Offering Memorandum, identifies important factors that could cause such differences.

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OVERVIEW

The following is a brief description only and should be read in conjunction with the rest of this Offering Memorandum, any supplements hereto, and, in relation to the Notes of any Tranche, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Notes set out herein.

Issuer	Protective Life Global Funding, a special purpose statutory trust organized in series (each, a "*Series of the Issuer*") under the laws of the State of Delaware, may from time to time issue separate Series of Notes. The Issuer will not have any assets other than the Deposit (as hereinafter defined) and each Series of the Issuer will not have any assets other than the Funding Agreement and the relevant Support and Expenses Agreement acquired and entered into in connection with the issuance of each Tranche of Notes for such Series under the Program (subject to the subrogation rights of Protective Life set forth in the relevant Support and Expenses Agreement). Each Series of Notes will be a non-recourse obligation payable only from the relevant Trust Estate (as hereinafter defined) relating to such Series of Notes under the Indenture. The Issuer is neither an affiliate nor a subsidiary of Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates.
Issuer Legal Entity Identifier ("LEI")	635400EVYITCJYWL2I50
Delaware Trustee	Wilmington Trust, National Association, is the sole trustee of the Issuer and each Series of the Issuer (the "*Delaware Trustee*"). The Delaware Trustee is not obligated in any way to make payments under or in respect of the Notes. The Delaware Trustee has not participated in the preparation of this Offering Memorandum.
Administration of the Issuer..........	AMACAR Pacific Corp. is the sole administrator of the Issuer and each Series of the Issuer, and has agreed, under the terms of an Administrative Services Agreement entered into with the Issuer, dated as of October 2, 2015 (as amended or modified from time to time, the "*Administrative Services Agreement*"), to provide certain administrative services on behalf of the Issuer and each Series of the Issuer (in such capacity, the "*Administrator*"). The Administrator will provide such services on behalf of the Issuer and each Series of the Issuer until the Administrative Services Agreement is terminated by either the Issuer or the Administrator upon at least 30 days prior written notice to the other party. The Administrator is not obligated in any way to make any payments under or in respect of the Notes. The Administrator is not affiliated with Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates.
Deposit..........	An amount of U.S. $1,000 contributed by the Beneficial Owner (as hereinafter defined) to the Issuer (the "*Deposit*").
Beneficial Owner and Series Beneficial Owner..........	AMACAR Pacific Corp. is the sole owner of a beneficial interest in the Deposit (the "*Beneficial Owner*"). The American National Red Cross is the sole beneficial owner of

	each Series of the Issuer (the "*Series Beneficial Owner*") (as defined and used in Sections 3801(a) and 3806(b)(2) of the Delaware Statutory Trust Act (the "*Trust Act*")). Neither the Beneficial Owner nor the Series Beneficial Owner is affiliated with Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates. Neither the Beneficial Owner nor the Series Beneficial Owner is obligated in any way to make any payments under or in respect of the Notes.
Provider of Funding Agreements and Support and Expenses Agreements	Protective Life Insurance Company, a stock life insurance company incorporated and licensed under the laws of the State of Tennessee
Arranger	Deutsche Bank Securities Inc.
Purchasing Agents...	BBVA Securities Inc., Banco Bilbao Vizcaya Argentaria, SA, Barclays Capital Inc., Barclays Bank PLC, Citigroup Global Markets Inc., Citigroup Global Markets Limited, Credit Suisse Securities (USA) LLC, Credit Suisse Securities (Europe) Limited, Deutsche Bank Securities Inc., Deutsche Bank AG, London Branch, Goldman Sachs & Co. LLC, Goldman Sachs International, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Mizuho Securities USA LLC, Mizuho International plc, Morgan Stanley & Co. LLC, Morgan Stanley & Co International plc, Nomura International plc, PNC Capital Markets LLC, Regions Securities LLC, SMBC Nikko Securities America, Inc., SMBC Nikko Capital Markets Limited, SunTrust Robinson Humphrey, Inc., UBS Securities LLC, UBS AG London Branch, U.S. Bancorp Investments, Inc., Wells Fargo Securities, LLC, Wells Fargo Securities International Limited and certain other Purchasing Agents appointed from time to time by the Issuer either in respect of the Program generally or in relation to a particular Series or Tranche only (in each case, each a "*Purchasing Agent*").
Relevant Purchasing Agent(s)	In relation to a written agreement between the Issuer and any Purchasing Agent(s) for the sale by the Issuer and the purchase or, as the case may be, subscription as a member of a syndicate by such Purchasing Agent(s) (or on such other basis as may be agreed between the Issuer and the Relevant Purchasing Agent(s) at the relevant time), of any Tranche of Notes (in each case, a "*Terms Agreement*"), which is made between the Issuer and more than one Purchasing Agent, the relevant Purchasing Agent(s) (the "*Relevant Purchasing Agent*") is/are the institution(s) specified as such in the relevant Pricing Supplement and/or in such Terms Agreement; and, in relation to a Terms Agreement which is made between the Issuer and a single Purchasing Agent, the Relevant Purchasing Agent is such Purchasing Agent.
Indenture Trustee...	Citibank, N.A.

Irish Listing Agent	Arthur Cox Listing Services Limited
Custodian	Wilmington Trust, National Association
Principal Paying Agent, Registrar and Transfer Agent	Citibank, N.A.
Additional Transfer, Paying and Listing Agents	As specified from time to time in the relevant Pricing Supplement.
Authorized Amount	The maximum aggregate principal amount of Notes permitted to be outstanding at any one time under the Program is U.S. $5,000,000,000 (or the equivalent in one or more foreign currencies). For this purpose, any Notes denominated in another currency shall be converted into U.S. dollars at the date of the Terms Agreement using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Principal Paying Agent on such date. The Authorized Amount may be increased from time to time, subject to compliance with the relevant provisions of the Amended and Restated Purchase Agreement among the Issuer, Protective Life, the Arranger and the Purchasing Agents, dated as of April 5, 2019 (as amended or modified from time to time, the "*Purchase Agreement*").
Ratings	Financial strength ratings of Protective Life as of April 1, 2019: (i) A.M. Best: A+ (ii) Fitch: A+ (iii) Moody's: A1 (iv) S&P: AA- The foregoing ratings reflect each rating agency's opinion of Protective Life's financial strength, operating performance and ability to meet its obligations to policyholders and are not evaluations directed toward the protection of investors. Therefore, such ratings should not be relied upon when making any investment decision and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.
Indenture	The Issuer will issue Notes in Series pursuant to the Indenture, dated as of October 2, 2015 (as the same may be amended or modified from time to time, the "*Indenture*"), among the Issuer and Citibank, N.A., in its capacities as Indenture Trustee (the "*Indenture Trustee*"), Principal Paying Agent (the "*Principal Paying Agent*"), Registrar (the "*Registrar*") and Transfer Agent (the "*Transfer Agent*").
Issuance in Series and Tranches	Notes will be issued in Series. Each Series of Notes will have its own terms including, without limitation, its own final maturity, interest rate, if any, and issue date. Subject to U.S. federal income tax law, each Series of Notes may comprise one or more Tranches issued on different issue dates. The

	Notes of each Series will all be subject to identical terms, except that the issue date, the issue price and the amount and date of the first payment of interest may be different in respect of different Tranches. Unless otherwise specified in the applicable Pricing Supplement, the Notes of each Tranche will all be subject to identical terms in all respects. A Series of Notes will be secured solely by the Trust Estate for such Series of Notes. Each Series of Notes is subject to acceleration upon the occurrence of certain Events of Default and to Mandatory Early Redemption (as hereinafter defined) upon the occurrence of a Mandatory Early Redemption Event (as hereinafter defined). If an Event of Default shall occur, the relevant Series Agent (as hereinafter defined) and the Indenture Trustee, on behalf of the relevant Holders, will be limited to a proceeding against the relevant Trust Estate.
Program Structure..	Each Series of Notes will be secured by, among other things, the Issuer's estate, right, title and interest in and to each and all of (i) the Funding Agreement(s) issued by Protective Life to the Issuer in respect of the Tranche of Notes comprising such Series and (ii) the Support and Expenses Agreement(s) entered into between Protective Life and the Issuer relating to the Tranche of Notes comprising such Series. The Issuer in its capacity as holder of the Funding Agreement (the "*Funding Agreement Holder*") will pledge each Funding Agreement relating to such Series as security to the Indenture Trustee or such other person identified in the relevant Tranche Supplement (as hereinafter defined), in its capacity as agent for the benefit of the Holders of the Notes of the relevant Series (with respect to each Series, a "*Series Agent*"), as hereinafter described. The Issuer will also pledge each Support and Expenses Agreement for such Series (subject to the subrogation rights of Protective Life set forth therein) as security to such Series Agent. The currency of denomination, maturity, redemption and interest rate provisions of the Funding Agreement entered into in connection with each Tranche of Notes will be structured to provide the relevant Series of the Issuer with such payments as are necessary for such Series of the Issuer to meet in full its scheduled payment obligations under the relevant Tranche of Notes. Any amendment or modification of the Notes and the Terms and Conditions thereof made after the effective date of a relevant Funding Agreement will not affect Protective Life's payment and other obligations under such Funding Agreement. The Notes of a Tranche and the related Funding Agreement will be denominated in the same currency, and the balance of the relevant Funding Agreement at maturity (including any early maturity date) (the "*Funding Account Balance*") will be equal to the outstanding aggregate principal amount of the relevant Tranche of Notes at maturity (including any early maturity date due to a Mandatory Early Redemption or an

Event of Default), plus accrued and unpaid interest. Each Funding Agreement shall become effective immediately upon the receipt by Protective Life of an amount equal to the net proceeds of the issuance of the related Tranche of Notes (the "*Net Deposit Amount*").

The Issuer will convey (i) the Funding Agreement and (ii) the Support and Expenses Agreement for each Tranche of the relevant Series of Notes (subject to the subrogation rights of Protective Life set forth therein) to the relevant Series Agent to hold in trust pursuant to the terms of the Indenture, and will grant to such Series Agent for the benefit and security of the Holders of the Notes of such Series of Notes and, solely with respect to any obligations owing to them relating to such Series of Notes, the Indenture Trustee, the relevant Series Agent, the Agents (as defined in the Indenture), the Delaware Trustee and the Administrator (collectively, the "*Secured Parties*"), a security interest in, among other things, such Funding Agreement and the relevant Support and Expenses Agreement pursuant to the terms of the relevant Tranche Supplement (each, a "*Tranche Supplement*") to the Indenture entered into by the Issuer, the relevant Series Agent and the Indenture Trustee, which shall become effective simultaneously with the Funding Agreement and the relevant Support and Expenses Agreement becoming effective. Protective Life will acknowledge and consent to such grant of security interest in such Funding Agreement and the Support and Expenses Agreement and will record in its bookkeeping account any such conveyance and grant of security interest in such Funding Agreement and the Support and Expense Agreement.

Upon issuance of a Tranche of Notes, the Issuer will transfer the net proceeds of the issuance of the Notes of such Tranche to Protective Life as consideration for the issuance of the relevant Funding Agreement to the Issuer.

The Issuer's estate, right, title and interest in and to each Funding Agreement and each Support and Expenses Agreement relating to the same Series of Notes (subject to the subrogation rights of Protective Life set forth in such Support and Expenses Agreements) will be included in the Trust Estate for the benefit and security of the Secured Parties. No Holders of one Series of Notes, however, will have any security or other interest in a Trust Estate related to any other Series of Notes.

The Funding Agreements are unsecured obligations of Protective Life and, in the event of Protective Life's insolvency, will be subject to the provisions of Title 56, the Tennessee Code Annotated, particularly those contained in Tennessee's Insurers Rehabilitation and Liquidation Act (the "*Tennessee Insolvency Statute*"). The Tennessee Insolvency Statute establishes the priorities for paying claims against the estate of an insolvent Tennessee insurance company. Bass, Berry & Sims PLC, Protective Life's Tennessee counsel ("*Tennessee counsel*"), has opined, in a legal opinion dated April 5, 2019, that, subject to the limitations, qualifications

	and assumptions set forth in its opinion letter, in a properly prepared and presented case, the claims of the Issuer under a Funding Agreement in a Tennessee liquidation of, or other delinquency proceeding with respect to, Protective Life would be accorded Class Two priority, together with loss claims under other insurance policies and annuities issued by Protective Life, as well as with claims of the Tennessee Life and Health Insurance Guaranty Association and any similar organization in another state under Tennessee Code Annotated section 56-9-330(a)(2), and would be senior to claims of unsecured creditors in successive classes.
No Guarantee	The Issuer is neither an affiliate nor a subsidiary of Protective Life or any other insurance company. The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates, the Delaware Trustee, the Administrator, the Beneficial Owner or the Series Beneficial Owner. The obligations of Protective Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, any other person.
Collateral...	The obligations of a Series of the Issuer to the Holders of the Notes of such Series and to the Indenture Trustee, the Series Agent for such Series, the Principal Paying Agent, the Transfer Agent, the Registrar and any other agents appointed in connection with such Series of Notes, as well as the Delaware Trustee and the Administrator, will be secured solely by security interests in the related Trust Estate. All amounts received by Protective Life as the Net Deposit Amount under any Funding Agreement shall become the exclusive property of Protective Life and remain part of Protective Life's general account without any duty or requirement of segregation.
Expense Account...	To the extent that the current obligation of a Series of the Issuer to pay interest on a particular Tranche of Notes has been satisfied, the excess interest, if any, paid under the related Funding Agreement will be deposited in a separate expense account for each Series (each, an "*Expense Account*") established by the Indenture Trustee pursuant to the Indenture for the payment of the Issuer's expenses of such Series including both Anticipated Expenses and Unanticipated Expenses (each as defined in the Indenture). Anticipated Expenses shall be paid prior to Unanticipated Expenses. The relevant Expense Account for a Series will not be included in the Trust Estate for the relevant Series of Notes. All Permitted Expenses (as defined in the Indenture) shall be paid in U.S. dollars.
Status and Non-Recourse Nature of Notes.................	The Notes will not be subordinated to any other indebtedness of the relevant Series of the Issuer. The Holders of a Series of Notes will have recourse only to the related Trust Estate that

	secures such Series of Notes, and none of the Delaware Trustee, the Administrator, the Beneficial Owner or the Series Beneficial Owner will be personally liable for the payments of any principal, interest or other sums now or hereafter owing under the terms of such Notes. All claims of the Holders of a Series of Notes in excess of amounts received by the relevant Series of the Issuer under the related Funding Agreement and remaining property comprising the related Trust Estate will be extinguished.
Form of Notes	Notes may be issued as Registered Notes or, subject to U.S. federal income tax requirements, Bearer Notes. Notes offered and sold in reliance on Rule 144A ("*Rule 144A*") under the Securities Act to "qualified institutional buyers" within the meaning of Rule 144A (each, a "*Qualified Institutional Buyer*") may only be issued as Registered Notes ("*Rule 144A Notes*"). Rule 144A Notes of any Tranche will initially be represented by one or more permanent Registered Notes in global form (each, a "*Rule 144A Permanent Global Registered Note*"), which will be (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, The Depository Trust Company ("*DTC*"), and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking, S.A. ("*Clearstream Luxembourg*"). References to Euroclear and/or Clearstream Luxembourg in this Offering Memorandum shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative clearing system (including SIX SIS Ltd. ("*SIS*")) approved by the Issuer and the Indenture Trustee and specified in the applicable Pricing Supplement. Notes offered and sold in reliance on Regulation S ("*Regulation S*") under the Securities Act may be issued as either Registered Notes ("*Regulation S Registered Notes*") or Bearer Notes. Except as set forth herein with respect to certain Notes issued in an "overseas directed offering" within the meaning of Regulation S (each, an "*Overseas Directed Offering*"), including each Tranche of Notes listed on any Swiss stock exchange denominated in Swiss Francs ("*Listed Swiss Franc Notes*"), Regulation S Registered Notes of any Tranche will initially be represented by one or more temporary Regulation S Registered Notes in global form (each, a "*Regulation S Temporary Global Registered Note*"), which will be (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg. On or after the date (the "*Exchange Date*") that is the first day following the expiration of a period of 40 days after the date of the completion of the distribution of the relevant Tranche

of Notes as determined and certified by the Relevant Purchasing Agent(s) (the "*Distribution Compliance Period*"), beneficial interests in each Regulation S Temporary Global Registered Note will be exchangeable (i) for beneficial interests in one or more permanent Regulation S Registered Notes in global form (each, a "*Regulation S Permanent Global Registered Note*," together with the Rule 144A Permanent Global Registered Notes, the "*Permanent Global Registered Notes*" and, together with the Regulation S Temporary Global Registered Notes, the "*Global Registered Notes*") and (ii) upon and to the extent of the certification of non-U.S. beneficial ownership of the relevant Notes as required by Regulation S, in whole but not in part, for Registered Notes in definitive form ("*Definitive Registered Notes*") in the event of any of the following: (a) if DTC, Euroclear, Clearstream Luxembourg or any other applicable clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays), announces an intention permanently to cease business, or notifies the Issuer that it is unwilling or unable to continue as the depositary and a successor clearing corporation is not appointed within 90 days, (b) if an Event of Default as described in Condition 9 of the Terms and Conditions (as hereinafter defined under "Terms and Conditions of the Notes") occurs and the maturity of the Notes of the relevant Series is accelerated in accordance with the Terms and Conditions of the relevant Series of Notes, (c) if the Issuer determines in its sole discretion that the Notes of such Series should no longer be evidenced solely by one or more Global Registered Notes, or (d) to the extent provided in the relevant Pricing Supplement, at any time at the request of the relevant Holder (each, a "*Definitive Notes Exchange Event*"), upon and to the extent of the certification of the beneficial ownership of the relevant Notes if required by Regulation S and the U.S. Treasury Regulations.

Each Regulation S Permanent Global Registered Note will be (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Subject to requirements that Bearer Notes with a maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, and except as set forth herein with respect to certain Notes issued in an Overseas Directed Offering, including any Listed Swiss Franc Notes, Bearer Notes of any Tranche will initially be represented by one or more temporary Bearer Notes in global form (each, a "*Temporary Global Bearer Note*"), which will be deposited with a depositary or common depositary for Euroclear and/or Clearstream Luxembourg.

Subject to requirements that Bearer Notes with a maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, on or after the Exchange Date, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by U.S. Treasury Regulations and Regulation S, beneficial interests in each Temporary Global Bearer Note will be exchangeable (i) for beneficial interests in a permanent global Bearer Note (each, a "*Permanent Global Bearer Note*" and, together with a Temporary Global Bearer Note, the "*Global Bearer Notes*"), or (ii) if so specified in the relevant Pricing Supplement, Definitive Registered Notes. In the event of (1) the termination of DTC, Euroclear, Clearstream Luxembourg or another applicable clearing organization's business without a successor or (2) the issuance of definitive securities at the Issuer's request upon a change in tax law that would be adverse to Protective Life but for the issuance of physical securities in bearer form (each, a "*Definitive Bearer Notes Exchange Event*"), beneficial interests in each Temporary Global Bearer Note may be exchangeable for, in whole but not in part, Bearer Notes in definitive form ("*Definitive Bearer Notes*"). After the occurrence of a Definitive Bearer Notes Exchange Event, such that a Holder has a right to obtain a Definitive Bearer Note, the Bearer Note will no longer be in registered form for U.S. federal income tax purposes, regardless of whether any option to obtain a Definitive Bearer Note has actually been exercised.

Any Global Bearer Note with a maturity of more than 183 days will be issued so as to be "effectively immobilized" for U.S. federal income tax purposes. A Global Bearer Note will be considered to be effectively immobilized if: (1) the obligation is represented by one or more global securities in physical form that are issued to and held by a clearing organization as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(B)(4) (or by a custodian or depository acting as an agent of the clearing organization) for the benefit of purchasers of interests in the obligation under arrangements that prohibit the transfer of the global securities except to a successor clearing organization subject to the same terms; and (2) beneficial interests in the underlying obligation are transferable only through a book entry system maintained by the clearing organization (or an agent of the clearing organization).

No payments shall be made in respect of a Regulation S Temporary Global Bearer Note or a Regulation S Temporary Global Registered Note (collectively, the "*Regulation S Temporary Global Notes*") unless a payment of interest falls due prior to the Exchange Date, in which case such payment shall be made in respect of the relevant Regulation S Temporary Global Note only upon and to the extent of the certification as to the non-U.S. beneficial ownership of the relevant Notes as provided herein.

Subject to requirements that Bearer Notes with a maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, if so specified in the

	applicable Pricing Supplement beneficial interests in each Permanent Global Bearer Note will be exchangeable (i) for beneficial interests in Permanent Global Registered Notes, (ii) upon the occurrence and during the continuation of a Definitive Bearer Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes or (iii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, for Definitive Registered Notes. If a Permanent Global Bearer Note is exchanged for Definitive Registered Notes at the option of the relevant Holder, the Notes shall be tradable only in principal amounts of at least €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof. Each Tranche of Regulation S Registered Notes issued in an Overseas Directed Offering will initially be represented by one or more Regulation S Permanent Global Registered Notes, beneficial interests in which will be exchangeable for Definitive Registered Notes in the circumstances set forth therein and in the relevant Pricing Supplement. Subject to requirements that Bearer Notes with a maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, each Tranche of Bearer Notes issued in an Overseas Directed Offering, including Listed Swiss Franc Notes, will initially be represented by one or more Permanent Global Bearer Notes. Bearer Notes that are not treated as being in "registered form" for U.S. federal income tax purposes nor encompassed by certain exceptions for short term notes, are subject to certain negative U.S. federal income tax consequences including not being eligible for the Portfolio Interest Exemption from U.S. federal withholding tax as defined in "Taxation." Notwithstanding the foregoing, any Bearer Note with a maturity of more than 183 days will be issued in such a manner as to satisfy the requirements for such Bearer Note to be treated as "registered" for U.S. federal income tax purposes.
Currencies	Each Series of Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated. All Tranches of Notes within the same Series will be denominated in and made in and/or linked to the same currency or currencies.
Issue Price	Notes may be issued at any price subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Maturities	Notes may be issued with any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption at Maturity	Notes may be redeemable at par or at such other Redemption Amount (as hereinafter defined) as may be specified in the relevant Pricing Supplement.
Early Redemption	Early redemption of the Notes of a Series will only be permitted for taxation reasons as mentioned in "Terms and Conditions of the Notes — Redemption and Purchase" and "Terms and Conditions of the Notes — Payment of Additional Amounts and Early Termination of a Funding Agreement for Taxation Reasons; Income Tax Treatment."
Interest	Each Series of Notes may be interest-bearing or non interest-bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series of Notes.
Denominations	Each Series of Notes will be issued in the denominations specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Any Series of Notes admitted to the Official List and trading on the GEM or on a market in the EEA or which are to be offered to the public in any Member State of the EEA will be issued in minimum denominations of at least €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) that have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, must (a)(i) have a minimum denomination of £100,000 (or its equivalent in another currency), and (ii) be issued only to persons (x) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or (y) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business or (b) be issued in any other circumstances that do not constitute a contravention of section 19 of the U.K. Financial Services and Markets Act of 2000 (the "*FSMA*") by the Issuer.
Redenomination	If so specified in the applicable Pricing Supplement, the Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of the European economic and monetary union, or otherwise participates in the European economic and monetary union in a manner with similar effect to such third stage, into Euro. The provisions relating to any such redenomination will be contained in the applicable Pricing Supplement.
Withholding Taxes; Early Redemption for Taxation Reasons	All payments in respect of Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf

	of any governmental authority in the United States having power to tax unless the withholding or deduction is required by law. If any such withholding or deduction is required, then the Issuer will, subject to certain exceptions set out in full in the Terms and Conditions, pay such additional amounts so that the amounts received by the Holders of Notes will equal the amounts that the Holder of Notes would have received had no such deduction or withholding been required (such amounts, together with additional amounts payable by Protective Life in the subsequent paragraph, "*Additional Amounts*"). Protective Life, pursuant to the relevant Funding Agreement, will pay to the Issuer an amount equal to any such Additional Amounts actually paid (or to be paid concurrently) by the Issuer. The Issuer is required to redeem the Notes of the relevant Series as provided herein if Protective Life exercises its right to terminate the Funding Agreement related to such relevant Series, in each case upon the occurrence of certain tax events. *See* Conditions 11.02 and 8.02. Protective Life will agree in each Funding Agreement that payments in respect of such Funding Agreement will be made to the Funding Agreement Holder without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is or will be required, then Protective Life, under the relevant Funding Agreement will, subject to certain exceptions set out in full in the Terms and Conditions, pay such Additional Amounts so that the amounts received by the Funding Agreement Holder will equal the amounts that the Funding Agreement Holder would have received had no such deduction or withholding been required. In addition, Protective Life has certain rights to terminate the Funding Agreement upon the occurrence of certain tax events. *See* Condition 11.02.
Governing Law	The Indenture, each Tranche Supplement and each Support and Expenses Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Trust Agreement and the Funding Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.
Listing	This document has been approved by Euronext Dublin as a Base Listing Particulars. Application will be made to Euronext Dublin for the Notes issued under the Program during the period of 12 months from the date hereof to be admitted to the Official List and trading on the GEM. However, Notes may be listed on another securities exchange or not listed on any regulated market or securities exchange. Each applicable Pricing Supplement will indicate whether or not the Notes of that Tranche will be listed, and if the Notes

	will be listed, on which securities exchange. This Offering Memorandum comprises a “Listing Particulars” for the purposes of listing on the Official List and trading on the GEM. If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require either Protective Life or the Issuer to publish or produce its financial statements according to accounting principles or standards that are materially different from GAAP or that would otherwise impose requirements on either of Protective Life or the Issuer that such entity in good faith determines are impracticable or unduly burdensome, Protective Life or the Issuer may elect to de-list the Notes. Each of Protective Life and the Issuer will use its reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, exchange and/or system, within or outside the European Union, as the Issuer, Protective Life and the Relevant Purchasing Agent(s) may decide. If such an alternative admission is not available to Protective Life or the Issuer, or is, in either such entity’s opinion, unduly burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in Condition 17 herein.
Terms and Conditions...	A Pricing Supplement will be prepared in respect of each Tranche of Notes. If such Notes will be admitted to the Official List and trading on the GEM, a copy of such Pricing Supplement will be delivered to Euronext Dublin and/or any other relevant stock exchange on or before the date of issue of such Notes to be admitted to trading on such stock exchange. The terms and conditions applicable to each Series and Tranche of Notes will be those set out herein under “Terms and Conditions of the Notes” as completed by the relevant Pricing Supplement.
Clearing Systems	Depending on where the relevant Notes are offered and whether such Notes are issued in registered or bearer form, the Notes will clear through one or more of DTC, Euroclear and/or Clearstream Luxembourg.
Selling and Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or any applicable state or foreign securities laws, and are subject to the transfer and holding restrictions described under “Notice to Investors” and “Subscription and Sale.” All transfers of the Notes in the United States, whether in the initial distribution or in secondary trading, will be limited to Qualified Institutional Buyers. Notes in bearer form that are not treated as being in “registered form” for U.S. federal income tax purposes nor encompassed by certain exceptions for short term notes, are subject to certain negative U.S. federal income tax consequences including not being eligible for the Portfolio Interest Exemption from U.S. federal withholding tax as

	defined in "Taxation." Notwithstanding anything herein to the contrary, any Bearer Note with a maturity of more than 183 days will be issued in such a manner as to satisfy the requirements for such Bearer Note to be treated as "registered" for U.S. federal income tax purposes. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, Canada, Japan, Hong Kong, Singapore, the EEA, the United Kingdom, and certain other Member States of the EEA, *see* "Subscription and Sale."
Risk Factors..	Before investing, prospective investors should consider carefully all of the information set forth in this Offering Memorandum and, in particular, prospective investors should evaluate the risks described under "Risk Factors" beginning on page 15.

RISK FACTORS

Investors should carefully consider the following factors and other information in this Offering Memorandum and any supplement hereto before deciding to invest in the Notes. The following is not intended as, and should not be construed as, an exhaustive list of relevant factors. Protective Life is a direct wholly owned subsidiary of PLC and an indirect wholly owned subsidiary of Dai-ichi Life.

Risk Factors Relating to the Notes

Notes are Non-Recourse Obligations of the Issuer and are Not Obligations of, or Guaranteed by, Protective Life, PLC, Dai-ichi Life or Any of their Respective Subsidiaries or Affiliates

The obligations of the Issuer under the Notes of a Series are payable only from the relevant Trust Estate. If any Event of Default shall occur under any Series of the Notes, the right of the Holders of such Series, the relevant Series Agent and the Indenture Trustee on behalf of such Holders will be limited to a proceeding against the relevant Trust Estate (including the exercise of the Collateral Management Rights (as defined in the Indenture) relating to the Notes) for such Series of Notes and none of such Holders or the Series Agent or Indenture Trustee on behalf of such Holders will have the right to proceed against the Trust Estate of any other Series of Notes or the Non-Recourse Parties (as defined in the "Terms and Conditions of the Notes" in this Offering Memorandum) in the case of any deficiency judgment remaining after foreclosure of any property included in such Trust Estate. All claims of the Holders of a Series of Notes in excess of amounts received by the relevant Series of the Issuer under the related Funding Agreement and the related Trust Estate will be extinguished.

The Notes of a Series will not be obligations of, and will not be guaranteed by, Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates. None of Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates is under any obligation to provide funds or capital to the Issuer. In addition, the Notes will not benefit from any insurance guarantee fund coverage or any similar protection.

Payments Under Funding Agreements May be Insufficient to Pay Principal and Interest Under the Notes

Payments of the principal of and interest on a Tranche of Notes will be made solely from the payments by Protective Life under the relevant Funding Agreement. Protective Life will agree pursuant to each Funding Agreement to pay to the relevant Funding Agreement Holder subject to certain exceptions set out in full in the Terms and Conditions, Additional Amounts, to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of the relevant Funding Agreement by or on behalf of any governmental authority in the United States having the power to tax, so that the net amount received by the Funding Agreement Holder under the relevant Funding Agreement after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under the relevant Funding Agreement were no such deduction or withholding required. Protective Life will also agree to pay, pursuant to a Support and Expenses Agreement entered into in connection with each Tranche of Notes, any and all of the costs, losses, damages, claims, actions, suits, expenses (including reasonable fees and expenses of counsel), disbursements, taxes, penalties and liabilities of any kind or nature whatsoever of the Issuer (collectively, the "*Support Obligations*"), *provided* that Support Obligations shall not include (i) any obligation of the Issuer to make any payment to any Holder of a Designated Note (as defined in such Support and Expenses Agreement) in accordance with the terms of such Designated Note; (ii) any obligation or expense of the Issuer to the extent that such obligation or expense has actually been paid utilizing funds available to the Issuer from payments under the Designated Funding Agreement (as defined in such Support and Expenses Agreement); (iii) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to any insurance regulatory or other governmental authority asserting that: (a) the Notes are, or are deemed to be, (1) participations in the Funding Agreements or (2) contracts of insurance; or (b) the offer, purchase, sale and/or transfer of the Notes (1) constitute the conduct of the business of insurance or reinsurance in any jurisdiction or (2) require the Issuer, any Purchasing Agent or any Holder to be licensed as an insurer, insurance agent or broker in any jurisdiction; (iv) any obligation of the Issuer to indemnify Protective Life or any of its Affiliates (as defined in the Indenture) under any other agreement between the Issuer on the one hand and any of them on the other hand; (v) any obligation of Protective Life to pay Additional Amounts pursuant to the terms of the Designated Funding Agreement; and (vi) any cost, loss, damage, claim, action, suit, expense, disbursement, tax, penalty and liability of any kind or nature whatsoever resulting from or relating to the acts or failures to act of any Service Provider (as defined in such Support and Expenses Agreement) to the extent that such Service Provider would not be entitled to indemnification or payment from the Issuer in connection with any such act or failure to act pursuant to the terms of any arrangements between the Issuer and such Service Provider in effect on the date of the relevant Support and Expenses Agreement. To the extent that the Issuer or any Series of the Issuer thereof incurs costs, losses, damages, claims, actions, suits, expenses, disbursements, taxes, penalties and/or liabilities that are not indemnified by Protective Life, the ability of the Issuer and any such Series of the Issuer to make payments under the Notes may be impaired.

Intervening Creditors May Dilute Security Interests

The Issuer's estate, right, title and interest in and to all Funding Agreements entered into in connection with Tranches of the same Series of Notes, and each Support and Expenses Agreement for such Tranches, will be included in the Trust Estate in which the Issuer grants a security interest to the relevant Series Agent for the benefit and security of the Secured Parties. Therefore, Holders of Notes of the first Tranche of Notes of a Series will have a security interest in all Funding Agreements and relevant Support and Expenses Agreement issued in connection with the first and any subsequent Tranches of the same Series, if any (subject to the subrogation rights of Protective Life set forth in the relevant Support and Expenses Agreements). Holders of Notes of subsequent Tranches of a Series, if any, will have a security interest in the underlying Funding Agreement and Support and Expenses Agreement relating to that particular Tranche and all other Funding Agreements and each Support and Expenses Agreement previously entered into in connection with earlier Tranches of the same Series or subsequently purchased with respect to subsequent Tranches of the same Series. No Series of Notes will have any security or other interest in a Trust Estate, including the Funding Agreements and the Support and Expenses Agreements included therein, related to any other Series of Notes.

Accordingly, because each Tranche of Notes of a Series will share the security interest of the Series Agent for such Series in each Funding Agreement and each Support and Expenses Agreement for that Series, Holders of Notes of an earlier Tranche may have their security interest in a Funding Agreement and Support and Expenses Agreement relating to such earlier Tranche diluted by the issuance of a later Tranche if a lien creditor or other creditor obtains a lien or security interest on a Funding Agreement and Support and Expenses Agreement relating to such earlier Tranche, which lien or security interest is junior to the security interest for the benefit of the Holders of the earlier Tranche of Notes but may be senior to the security interest for the benefit of the Holders of the new Tranche of Notes.

If an Event of Default Occurs Under the Notes, Amounts Collected Will be Used to Satisfy Certain Expenses Prior to Payments of Amounts Due Under the Notes

Any money collected by the Indenture Trustee and Series Agents following an Event of Default, and any monies that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of any Series of Notes in a separate collection account (the "*Collection Account*") relating to such Series of Notes will be applied first to the payment of Anticipated Expenses with respect to such Series due to the Indenture Trustee, the Delaware Trustee and the relevant Series Agent and then to the payment of Accelerated Unanticipated Expenses (as hereinafter defined). The monies will next be applied to all other Unanticipated Expenses with respect to such Series due to the Indenture Trustee, the Delaware Trustee and the relevant Series Agent and then to the payment of the remaining Anticipated Expenses with respect to such Series (all the foregoing payments, the "*Priority Payments*"). Any remaining balance thereafter will next be applied to the payment of the amounts then due and unpaid upon the Notes for the principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes for principal and any premium, interest and Additional Amounts. The remaining monies will be applied to the payment of all Unanticipated Expenses of the Issuer with respect to such Series due to the Indenture Trustee and the relevant Series Agent. The monies will lastly be applied toward the remaining Unanticipated Expenses with respect to such Series. The amounts remaining after the payment of such Priority Payments may be insufficient to satisfy, or satisfy in full, the payment obligations the Issuer has to the Holders of a Series of Notes under the Terms and Conditions following the occurrence of an Event of Default.

There May be No Established Trading Market for the Notes

This document has been approved by Euronext Dublin as a Base Listing Particulars. Application will be made to Euronext Dublin for the Notes issued under the Program during the twelve months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. However, Notes may be listed on another securities exchange or not listed on any market or securities exchange. There is currently no secondary market for the Notes. The Purchasing Agent(s) and Arranger are under no obligation to make a market in the Notes, and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide Holders of the Notes with liquidity of investment or that it will continue for any period of time. The Notes have not been and will not be registered under the Securities Act or any state or foreign securities law and transfers of Notes are subject to substantial transfer restrictions. *See* "Notice to Investors" and "Subscription and Sale." A Holder of Notes may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. It is likely that if the Notes were to be deemed to be contracts of insurance (*see* "— Notes Could Be Deemed to Be Participations in the Funding Agreements or Could Otherwise Be Deemed to Be Contracts of Insurance" below), the ability of a Holder to offer, sell or transfer the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent any such sale or transfer could be effected, the proceeds realized from such sale or transfer could be materially and adversely affected. Investors should proceed on the assumption that they may have to hold the Notes until their maturity.

Notes Could be Deemed to be Participations in the Funding Agreements or Could Otherwise be Deemed to be Contracts of Insurance

The laws and regulations of each state of the United States and of foreign jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions.

Willkie Farr & Gallagher LLP has advised Protective Life, the Issuer and the Purchasing Agents in a memorandum dated April 5, 2019 with regard to insurance matters that neither the Issuer nor any persons offering, selling or purchasing the Notes, including without limitation, the Purchasing Agents, should be subject to regulation as doing an insurance business in any state of the United States and the District of Columbia by virtue of the offer, sale and/or purchase of the Notes or the purchase or assignment by the Issuer of Funding Agreements. This advice is based upon interpretations (either written or oral) received as of specified dates from the staff of the insurance regulatory body or from local counsel in each of the states of the United States and is subject to the considerations described below. These interpretations from insurance regulatory bodies and local counsel were obtained in connection with structures which raise some of the same issues as those presented by the Notes. These oral and written interpretations from state insurance regulatory bodies were based on general descriptions of the issuance of funding agreements to back instruments such as the Notes and were not specifically based on the Program or the Notes. Information specifically relating to the Program and/or the Notes which was not disclosed to insurance regulators could be considered material by such regulators and, had such factual information been disclosed, could have resulted in different guidance or advice from such regulators. Based on these oral and written interpretations and local counsel opinions and subject to such other considerations, including any limitations, qualifications, exceptions and assumptions, as are set forth in its memorandum, Willkie Farr & Gallagher LLP believes that (i) the Notes, if issued on the date hereof, should not be subject to regulation as participations in the Funding Agreements themselves or otherwise constitute insurance contracts in the various states and the District of Columbia and (ii) the Issuer and any persons offering, selling or purchasing the Notes in the various states and the District of Columbia, including without limitation, the Purchasing Agents, should not be subject to regulation as doing an insurance business in the various states and the District of Columbia by virtue of their activities in connection with the offer, sale and/or purchase of the Notes or the purchase or assignment by the Issuer of Funding Agreements.

The Arkansas Insurance Department has stated that it would not encourage any Arkansas domestic insurer to purchase investment products such as the Notes. In addition, the Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing any instruments such as the Notes.

All written or oral communications with insurance regulatory bodies reflect only the interpretation of the staff of such regulatory bodies with respect to the laws and regulations of their respective jurisdictions, and do not purport to be, nor should they be relied upon as, binding legal authority. There can be no assurances that any of the opinions expressed in the local counsel opinions will be accepted by the regulatory bodies themselves. Such interpretations and advice by the staff of such regulatory bodies and the opinions of such local counsel may be subject to challenge in administrative or judicial proceedings.

Insurance regulatory authorities in the United States have broad discretionary powers to modify or withdraw regulatory interpretations, and such interpretations and the advice of local counsel received with respect to the laws of any particular state are not binding on a court or any third party and may be subject to challenge in administrative or judicial proceedings. In addition, such interpretations and advice have not been obtained with respect to any foreign jurisdictions. There can be no assurance that such interpretations and advice will remain in effect, or that such interpretations and advice would be given any effect by a court.

The Issuer will not be registered or licensed as an insurance or reinsurance company in any jurisdiction. In the event it is determined that the Issuer should have been licensed under the insurance laws of a jurisdiction in connection with the issuance of the Notes, the Issuer will be in violation of such laws or regulations and could be subject to the fines, penalties and other sanctions provided for therein. Such violation(s) would have a material adverse impact on the Issuer’s ability to meet its obligations under the Notes.

Similarly, if the Notes are deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, there can be no assurance that Holders of the Notes who subsequently offer, sell, transfer or purchase Notes could not be found to be acting as insurance agents or brokers under the laws of certain jurisdictions or otherwise be subject to the applicable insurance laws. Acting without a required insurance agent or broker license or other violations of applicable insurance laws and regulations could subject such Holder of Notes to substantial civil and criminal fines and charges.

It is likely that if the Notes were to be deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, the ability of the Holder to offer, sell, transfer or purchase the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent such offer, sale, transfer or purchase could be effected, the proceeds realized from such sale, transfer or purchase would be materially and adversely affected.

Certain Holders of Notes Will Not be Entitled to the Payment of Additional Amounts and the Notes of a Series May be Redeemed Upon the Occurrence of Certain Tax Events

The Issuer and Protective Life are not required to pay Additional Amounts to Holders of Notes to compensate for any withholding or deduction for taxes imposed by or on behalf of any governmental authority in the United States having the power to tax, unless such Holder meets certain requirements. For example, a Holder of Notes that is a Non-U.S. Holder of a Note (as defined under “*Taxation*”) and actually or constructively owns ten percent or more of the total combined voting power of all classes of stock of Protective Life entitled to vote would not be entitled to the payment of Additional Amounts as a result of the imposition of any U.S. withholding tax. There is no requirement to pay Additional Amounts for the imposition of withholding taxes due under the FATCA provisions in sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (the “*Code*”), including if a Non-U.S. Holder fails to meet certain reporting and other requirements under such FATCA provisions.

The Issuer is required to redeem the Notes of the relevant Series as provided in this Offering Memorandum if Protective Life exercises its right to terminate the Funding Agreement related to such relevant Series upon the occurrence of certain tax events, including, without limitation, if Protective Life is required to pay Additional Amounts or withhold or deduct any U.S. taxes as a result of a change or amendment in any U.S. tax laws.

An Investment in Foreign Currency Notes Entails Significant Risks

An investment in Notes that are denominated in, or the payment of which is related to the value of, a specified currency (the “*Specified Currency*”) other than the currency of the country in which the purchaser is a resident or the currency (including any composite currency) in which the purchaser conducts its business or activities (the “*Home Currency*”) entails significant risks that are not associated with a similar investment in a security denominated in the Home Currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Home Currency and the various foreign currencies (or composite currencies) and the possibility of the imposition or modification of exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events over which none of the Issuer, Protective Life or any Purchasing Agent has control. In recent years rates of exchange for certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in such rate that may occur during the term of any Note. Depreciation of the Specified Currency for a Note against the relevant Home Currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a Home Currency basis.

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. From time to time governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rates or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-Home Currency-denominated Notes is that their Home Currency-equivalent yields or payouts could be affected by governmental actions which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a specified foreign currency (or of securities denominated in such currency). Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available when payments on such Note are due. In that event, the Issuer would make required payments in U.S. dollars on the basis of the market rate of exchange on the date of such payment or, if such rate of exchange is not then available, on the basis of the market rate of exchange as of the most recent practicable date.

Each prospective investor should consult its own financial, legal and tax advisors as to any specific risks entailed by an investment by such investor in Notes that are denominated in, or the payment of which is related to the value of a currency other than such prospective investor's Home Currency. Such Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

An Event of Default Under the Notes May Not Constitute an "Event of Default" Under the Applicable Funding Agreement

In certain circumstances an event of default under a Series of Notes may not constitute an event of default under the applicable Funding Agreement. To the extent that (i) the Issuer fails to observe or perform in any material respect any covenant contained in the Indenture or any Series of Notes; (ii) the Indenture ceases to be in full force and effect or the Indenture Trustee's security interest in the collateral is successfully challenged or is determined to be defective; or (iii) a Series of the Issuer or the collateral is subject to certain actions under applicable bankruptcy, insolvency or other similar laws or any receivership, liquidation, dissolution or other similar action or a Series of the Issuer is unable to pay its debts, it is possible that the obligations of the Series of the Issuer under its Series of Notes may be accelerated while the obligations of Protective Life under the applicable Funding Agreement may not be similarly accelerated. If this occurs, the Indenture Trustee may have no or limited ability to proceed against the applicable Funding Agreement and the related collateral and Holders of that Series of Notes may not be paid in full, or in a timely manner upon such acceleration. *See* Condition 9.01(b) in "Terms and Conditions of the Notes" and "Description of Collateral — Termination for Other Reasons; Demand for Payment."

Holders of Notes Below Certain Specified Denominations May Not be Able to Receive Definitive Notes and in Such Situations May Not be Entitled to the Rights in Respect of Such Notes

Any Notes admitted to trading on the Official List of the GEM, or which are to be offered to the public in any Member State of the EEA, will be issued in minimum denominations of at least €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof (the "*Specified Denominations*"). The applicable Pricing Supplement may provide that, for so long as the Notes are represented by a Global Registered Note and Euroclear and Clearstream Luxembourg so permit, the Notes may be tradable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter (or its equivalent in another currency), although if a Global Registered Note is exchanged for Definitive Registered Notes at the option of the relevant holder, the Notes shall be tradable only in principal amounts of at least €100,000 (or its equivalent in another currency). In these circumstances, a holder of Notes having a nominal amount which cannot be represented by a Definitive Note in the Specified Denomination will not be able to receive a Definitive Note in respect of such Notes and will not be able to receive interest or principal or be entitled to vote in respect of such Notes. As a result, a holder of Notes who holds Notes in Euroclear or Clearstream Luxembourg in an amount less than the Specified Denominations may need to purchase or sell, on or before the relevant date on which the Regulation S Temporary Global Registered Note or Regulation S Permanent Global Registered Note are to be exchanged for Definitive Notes, a principal amount of Notes such that such holder holds the Notes in an aggregate principal amount of at least the Specified Denominations.

Any Series of Floating Rate Notes Could Be Adversely Affected by Regulation or Reform, or Potentially, Elimination, of the Reference Rate, or "Benchmark," Linked to Such Notes

Interest on any Series of Floating Rate Notes may be determined by reference to a Reference Rate (as defined herein), or "benchmark," such as the London Interbank Offered Rate ("*LIBOR*") or the Euro Interbank Offered Rate ("*EURIBOR*"). For more information on the determination of interest on a Series of Floating Rate Notes, see "Terms and Conditions of the Notes — Interest — Floating Rate Notes." LIBOR, EURIBOR and certain other benchmark rates and indices are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequences could have a material adverse effect on any Notes linked to such a benchmark.

In the European Union, the Benchmarks Regulation went into effect in 2018. The Benchmarks Regulation regulates indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. The Benchmarks Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index. If the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, such changes could have the effect of reducing or increasing the rate or level of the benchmark or affect its volatility. In addition, each administrator of a benchmark subject to the Benchmarks Regulation must be licensed by the competent authority of the EU Member State where such administrator is located. There is a risk that administrators of certain benchmarks will fail to obtain a necessary license, preventing them from continuing to provide such benchmarks. Other administrators may cease to administer certain benchmarks because of the additional costs of compliance with the Benchmarks Regulation and other applicable regulations, and the associated risks. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

As an example of benchmark reform, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer compel banks to submit rates for the calculation of LIBOR after 2021. The announcement indicates that LIBOR may not continue to be available on the current basis (or at all) after 2021.

The potential elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions described in "Terms and Conditions of the Notes — Interest — Floating Rate Notes," or result in other consequences, in respect of any Notes linked to such benchmark. Furthermore, even prior to the implementation of any changes from benchmark reforms, uncertainty as to the nature of alternative reference rates and as to potential changes to a benchmark may adversely affect the trading market for securities based on that benchmark.

In the event that a published benchmark, such as EURIBOR or LIBOR, that is the Reference Rate for a Series of Floating Rate Notes becomes unavailable, the rate of interest on that Series would be determined pursuant to the fallback arrangements described in "Terms and Conditions of the Notes — Interest — Floating Rate Notes." These fallback arrangements include the possibility that the rate of interest could be determined by the Independent Advisor (as defined herein) or the Issuer or Protective Life or set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit, as applicable, to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period or Interest Reset Date (each as defined in "Terms and Conditions — Interest"), as applicable, may result in the rate of interest for the last preceding Interest Period or

Interest Reset Date, as applicable, being used. This may result in the effective application of a fixed rate for a Series of Floating Rate Notes based on the rate which was last observed on Reuters Page EURIBOR01 or the LIBOR Page (each as defined in "Terms and Conditions of the Notes — Interest — Floating Rate Notes"), as applicable. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of the Calculation Agent or the Issuer, the relevant fallback provisions may not operate as intended at the relevant time.

The above matters or any other significant change to the setting or existence of any relevant reference rate could have a material adverse effect on the value or liquidity of, and the amount payable under, any Series of Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

An Investment in a Series of Floating Rate Notes for Which the Secured Overnight Financing Rate ("SOFR") is the Reference Rate Entails Significant Risks Not Associated With an Investment in a Conventional Fixed Rate or Floating Rate Debt Security

SOFR may be the Reference Rate for the calculation of interest on a Series of Floating Rate Notes. SOFR is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

Neither the Issuer nor Protective Life has any control over the determination, calculation or publication of SOFR. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in a Series of Floating Rate Notes linked to SOFR ("*SOFR-linked Floating Rate Notes*"). If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked Floating Rate Notes and the trading prices of SOFR-linked Floating Rate Notes. If SOFR declines to zero or becomes negative, it is possible that no interest will be payable on a Series of SOFR-linked Floating Rate Notes.

The Federal Reserve Bank of New York began to publish SOFR in April 2018, and has also begun publishing historical indicative SOFR going back to 2014. Investors in any SOFR-linked Floating Rate Notes should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR. Also, since SOFR is a relatively new market index, SOFR-linked Floating Rate Notes that are issued pursuant to this Offering Memorandum, as completed by the applicable Pricing Supplement, will likely have no established trading market when issued, and an established trading market may never develop or may not be liquid. Market terms for debt securities linked to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of any SOFR-linked Floating Rate Notes, if issued, may be lower than those of later-issued indexed debt securities as a result. Similarly, if SOFR does not prove to be widely used, the trading price of any SOFR-linked Floating Rate Notes that are issued may be lower than those of debt securities linked to indices that are more widely used. Investors in SOFR-linked Floating Rate Notes may not be able to sell their Notes at all or may not be able to sell their Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Risk Factors Relating to the Issuer

The Issuer has Limited Resources and a Limited Operating History

The net worth of the Issuer on the date hereof is approximately U.S. $1,000. The net worth of the Issuer is not expected to increase materially. The ability of the Issuer, with respect to a Series of the Issuer, to make timely payments on the Notes issued with respect to such Series of the Issuer is entirely dependent upon Protective Life's timely making the related payments under the relevant Funding Agreements and Protective Life's fulfilling its obligations under the applicable Support and Expenses Agreements. The Issuer is a statutory trust, organized in series under the laws of the State of Delaware and the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to each Series of the Issuer shall be enforceable against only the assets of the relevant Series of the Issuer and not against the assets of the Issuer generally or the assets of any other

Series of the Issuer. Each Series of Notes will be secured by, among other things, one or more separate Funding Agreements and one or more Support and Expenses Agreements for each Tranche of such Series (subject to the subrogation rights of Protective Life set forth in the relevant Support and Expenses Agreements). No Series of Notes will have any right to receive payments under a Funding Agreement or a Support and Expenses Agreement, as the case may be, related to any other Series of Notes.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates, the Delaware Trustee, the Administrator, the Beneficial Owner or the Series Beneficial Owner. None of these entities nor any agent, trustee or beneficial owner of the Issuer or of any Series of the Issuer is under any obligation to provide funds or capital to the Issuer of such Series.

The Issuer is a statutory trust formed on September 15, 2015 under the laws of the State of Delaware, the primary business purpose of which is the issuance of the Notes in Series, the purchase of the related Funding Agreements and engaging in activities incidental thereto.

Risk Factors Relating to Collateral

The Issuer May Not Receive Payments Under Funding Agreements if Protective Life were to Enter Insolvency Proceedings

Any combination or all of the factors discussed below under "— Risks Relating to Protective Life, as Provider of the Funding Agreements and as Provider of Certain Indemnities Under the Support and Expenses Agreements" may cause Protective Life to become the subject of administrative supervision, insolvency, liquidation, rehabilitation, reorganization, conservation or other similar proceedings (collectively, "*Insolvency Proceedings*") under any applicable laws. Should Protective Life become the subject of Insolvency Proceedings, the Indenture Trustee for the benefit of the Holders of any Series of Notes then outstanding may be stayed during the pendency of Insolvency Proceedings from collecting any payments under the relevant Funding Agreements and from exercising any rights with respect to the relevant Funding Agreement. The Indenture Trustee may not be able to recover any payments under the Funding Agreements from Protective Life should there be insufficient assets to provide for these payments.

In addition, under certain circumstances, payments made by Protective Life to the Indenture Trustee or to the Issuer with respect to a Series of Notes may be sought to be recovered in Insolvency Proceedings as preferential payments or pursuant to other similar theories. Therefore, Insolvency Proceedings with respect to Protective Life could cause a significant delay in receiving payments due under the Notes and could materially and adversely affect the timing and the amounts, if any, to be paid to Holders of the Notes.

The Funding Agreements are Unsecured Obligations of Protective Life. If the Funding Agreements were not Determined to be Insurance Contracts, They Would be Accorded the Same Priority in an Insolvency of Protective Life as Its Other General Unsecured Obligations.

The primary assets held by each Series of the Issuer will be one or more Funding Agreements. The ability to receive payments on a Series of Notes will principally depend on payments under the related Funding Agreement(s). Although each Series of the Issuer will purchase the Funding Agreements, it also will grant a security interest in, pledge and collaterally assign each Funding Agreement to the Indenture Trustee, on behalf of the Holders of the related Series of Notes to secure its obligations under its Series of Notes.

The Funding Agreements are unsecured obligations of Protective Life and, in the event of Protective Life's insolvency, will be subject to the provisions of Title 56, the Tennessee Code Annotated, particularly those contained in the Tennessee Insolvency Statute. The Tennessee Insolvency Statute establishes the priorities for paying claims against the estate of an insolvent Tennessee insurance company. Tennessee counsel has opined to Protective Life, the Issuer and the Purchasing Agents, in a legal opinion dated April 5, 2019, that, subject to the limitations, qualifications and assumptions set forth in its opinion letter, in a properly prepared and presented case, the claims of the Issuer under a Funding Agreement in a Tennessee liquidation of, or other delinquency proceeding with respect to, Protective Life would be accorded Class Two priority, together with loss claims under other insurance policies and annuities issued by Protective Life, as well as with claims of the Tennessee Life and Health Insurance Guaranty Association and any similar organization in another state under Tennessee Code Annotated section 56-9-330(a)(2), and would be senior to claims of unsecured creditors in successive classes. Such opinion of Tennessee counsel is for the benefit of Protective Life, the Issuer and the Purchasing Agents only, and may not be relied upon by any Holder of any Series of Notes.

Tennessee counsel has advised that its opinion is based on its interpretation of the relevant provisions of the Tennessee Insolvency Statute as of the date of the opinion. However, the Tennessee Insolvency Statute and regulations, interpretations, and decisions are subject to change, either prospectively or retroactively, and many of the issues addressed in counsel's opinion depend upon a facts and circumstances analysis and have received little or no administrative or judicial consideration. Therefore, the Tennessee Commissioner of Commerce and Insurance, in his/her capacity as liquidator, rehabilitator or otherwise, or the courts could disagree in whole or in part with the analysis of Tennessee counsel provided in its opinion. In the event a court determines that the relevant Funding Agreements are not insurance contracts, the Indenture Trustee, as owner of the relevant Funding Agreements, on behalf of the Holders of the relevant Series of Notes, would not be accorded priority status ranking equally with other loss claims as identified in the prior paragraph and would be accorded the lower priority associated with general unsecured obligations of Protective Life. *See* "Description of the Funding Agreements — Priority" in this Offering Memorandum.

Risk Factors Relating to Protective Life, As Provider of the Funding Agreements and as Provider of Certain Indemnities Under the Support and Expenses Agreements

The ability of the Issuer to make timely payments under the Notes of the relevant Series will depend entirely on its receipt of corresponding payments under the applicable Funding Agreements. Furthermore, the marketability, liquidity and value of the Notes will be substantially impaired to the extent Protective Life is less able to meet, or is perceived as being less able to meet, its obligations under the Funding Agreements. For a discussion of certain risks relating to Protective Life, *see* the sections entitled in "Risk Factors" on pages 15 through 34 of the 2018 Form 10-K for the fiscal year ended December 31, 2018, attached hereto as Annex A.

USE OF PROCEEDS

The proceeds, net of expenses, underwriting discounts and commissions or similar compensation payable in connection with the sale of Notes, from each Series of Notes issued under the Program will be used immediately by the Issuer to purchase one or more Funding Agreements identified in the applicable Pricing Supplement. The proceeds from each Funding Agreement will be used by Protective Life to purchase investment assets in accordance with Protective Life's then-existing investment guidelines and in allocations similar to Protective Life's then-existing investment portfolio.

DESCRIPTION OF THE ISSUER

The following includes a summary of certain of the terms of the Trust Agreement and the Certificate of Trust of the Issuer and related documents and is subject to the detailed provisions of the Trust Agreement and the Certificate of Trust and such related documents, copies of which may be inspected during normal business hours at the registered office of the Issuer at c/o Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890, Attention: Corporate Trust Administration and the specified offices of each Paying Agent. Notwithstanding the similarity of their names, the Issuer is not an affiliate or subsidiary of Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates.

General

The Issuer is a statutory trust organized in series under the laws of the State of Delaware pursuant to (i) a trust agreement, dated as of September 15, 2015, as amended and restated by an amended and restated trust agreement, dated as of October 2, 2015, among the Delaware Trustee, the Administrator and the Beneficial Owner (as so amended and restated, the "*Trust Agreement*") and (ii) the filing of the certificate of trust with the Secretary of State of the State of Delaware on September 15, 2015 (the "*Certificate of Trust*"). Each Series of Notes will be issued through a Series of the Issuer created pursuant to the relevant supplement to the Trust Agreement under a Tranche Supplement. Each Series of Notes may be comprised of one or more Tranches.

The Issuer will not have any assets other than the Deposit in the amount of $1,000, and the Series of the Issuer will not have any material assets other than the Funding Agreement(s) acquired in connection with the Tranches of such Series of the Issuer, and the Support and Expenses Agreement(s) for the Tranches of such Series of the Issuer (subject to the subrogation rights of Protective Life forth in such Support and Expenses Agreement(s)). The registered office of the Issuer is located at c/o Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890; its telephone number is (302) 636-6189. The organizational identification number of the Issuer is 5824799 and the LEI code of the Issuer is 635400EVYITCJYWL2I50. The Issuer is a statutory trust organized in series pursuant to Sections 3804 and 3806(b)(2) of the Trust Act. Separate and distinct records shall be maintained for each Series of the Issuer and the assets of the Issuer associated with each Series of the Issuer shall be held and accounted for separately from the other assets of the Issuer. The debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to each Series of the Issuer shall be enforceable against only the assets of the relevant Series of the Issuer, and not against the assets of the Issuer generally or the assets related to any other Series of the Issuer.

Pursuant to the Trust Agreement, the Issuer has one trustee. The Delaware Trustee of the Issuer is Wilmington Trust, National Association. The Issuer entered into the Administrative Services Agreement with AMACAR Pacific Corp. in its capacity as Administrator of the Issuer and of each Series of the Issuer. As provided in the Administrative Services Agreement, the Administrator will conduct the business and affairs of the Issuer and each Series of the Issuer pursuant to the Indenture, the Purchase Agreement, each Funding Agreement, each Support and Expenses Agreement and the Expense Calculation Agency Agreement, dated as of October 2, 2015 (the "*Expense Calculation Agency Agreement*"), between the Issuer and the Administrator. The Administrative Services Agreement may be terminated by the Administrator upon 30 days' notice and the Issuer may terminate such agreement for reasonable cause upon 30 days' notice. Such termination will not become effective until the Issuer has appointed a successor Administrator, the successor Administrator has accepted such appointment and that the appointment of the successor Administrator does not result in a reduction or withdrawal of the credit rating of any Series of the Issuer.

Pursuant to the Trust Agreement, the Issuer has no authorized or issued shares of capital stock. The Beneficial Owner of the Deposit (as defined in the Trust Agreement) of the Issuer is the Administrator. The Beneficial Owner's only interest in the Issuer is the Deposit. The Series Beneficial Owner is the sole "beneficial owner" of each Series of the Issuer (as defined and used in Sections 3801(a) and 3806(b)(2) of the Trust Act). After the payment in full to the Holders of a Series of Notes of all amounts required to be paid to them and the satisfaction of all other expenses and liabilities of the relevant Series of the Issuer, the Series Beneficial Owner will be entitled to receive any amounts remaining in the Collection Account and the Expense Account (each as defined in the Trust Agreement) for the relevant Series. Neither the Beneficial Owner nor the Series Beneficial Owner will be secured by the Trust Estate relating to any Series of Notes.

No Affiliation

None of Protective Life, PLC, Dai-ichi Life or any of their respective officers, directors, subsidiaries, affiliates or agents owns any beneficial interest in the Issuer nor has any of these entities entered into any agreement with the Issuer other than:

(i) the Purchase Agreement pursuant to which, among other things, Protective Life has agreed to indemnify the Purchasing Agents for any losses arising out of, or in relation to, any untrue or alleged untrue statement of a material fact contained in this Offering Memorandum, or any omission or alleged omission from this Offering Memorandum of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading (other than any information contained in this Offering Memorandum which has been supplied in writing by any Purchasing Agents for the purpose of including the same in this Offering Memorandum);

(ii) a license agreement pursuant to which, among other things, Protective Life has granted to the Issuer a non-exclusive license to use the name "Protective Life" and the Protective logo on the first page of this Offering Memorandum, as provided therein in connection with the Program;

(iii) the documents contemplated by this Program in connection with the issuance of each Series of Notes thereunder including, but not limited to, the Funding Agreements and the Support and Expenses Agreements.

None of Protective Life, PLC, Dai-ichi Life or any of their respective officers, directors, subsidiaries, affiliates or agents is affiliated with the Delaware Trustee, the Beneficial Owner, the Series Beneficial Owner, the Administrator or the Indenture Trustee.

To the knowledge of the Issuer, there are no potential conflicts of interests between any duties of the Delaware Trustee, the Beneficial Owner, the Series Beneficial Owner or the Administrator to the Issuer arising from their private interests or other duties.

Issuance of Notes

The Issuer was formed as a special purpose vehicle solely for the purposes of (i) issuing Notes to investors, the net proceeds of which are to be used to purchase Funding Agreements issued by Protective Life, and entering into Support and Expenses Agreements, (ii) holding the Deposit for the benefit of the Beneficial Owner and (iii) engaging in activities incidental thereto. The activities of the Issuer in connection with the issuance of the Notes are prescribed in the Indenture.

The Indenture contemplates that the Issuer may enter into supplements to such Indenture from time to time pursuant to which the Issuer will issue Tranches of Notes. In connection with the issuance of each Tranche of Notes the Issuer will purchase a Funding Agreement issued by Protective Life with a balance which shall be equal to the outstanding aggregate principal amount of all Notes of the relevant Tranche of Notes at maturity (including any early maturity due to a Mandatory Early Redemption or an Event of Default). The Issuer and Protective Life will enter into a Support and Expenses Agreement in connection with each Tranche.

The Issuer's estate, right, title and interest in and to all Funding Agreements and the Support and Expenses Agreements for the Tranches of a Series of Notes (subject to the subrogation rights of Protective Life set forth in such Support and Expenses Agreements) will be included in the Trust Estate which the Issuer grants to the relevant Series Agent for the benefit and security of the Secured Parties. The Indenture includes a number of restrictive covenants, including a covenant that prohibits the Issuer from engaging in any business activities or incurring any liability, directly or indirectly, for any indebtedness other than the issuance of Notes and the entering into related agreements contemplated under the Indenture. No Series of Notes will have any right to receive payments under any Funding Agreement or Support and Expenses Agreement, as the case may be, related to any other Series of Notes.

Financial Statements

Delaware law does not require that the Issuer, either generally or with respect to any Series of the Issuer, prepare financial statements. Although the Issuer has commenced operations, it has not prepared financial statements as of the date of this Offering Memorandum, and it is not anticipated that any such financial statements will be prepared with respect to the Issuer generally or with respect to any Series of the Issuer. If and when prepared, copies of the financial statements of the Issuer generally and with respect to any Series of the Issuer, will be made available free of charge from the Issuer at its offices c/o Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, and such financial statements will also be available free of charge from the specified office of the Principal Paying Agent, as provided under "Available Information."

The Issuer has paid-in capital in the amount of $1,000, which amount has been paid by AMACAR Pacific Corp. as the Beneficial Owner. AMACAR Pacific Corp. is not affiliated with Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates. Other than the indebtedness evidenced by the Notes issued from time to time under the Program, neither the Issuer nor any Series of the Issuer will have any indebtedness.

Expenses

Expenses of the Issuer relating to any Series of the Notes will be paid out of the proceeds of the issuance of any such Series as well as the amount of any interest paid on an ongoing basis under the Funding Agreement relating to such Series that is in excess of the interest due on such Series of Notes. Each Series of the Issuer will have a separate Expense Account from which expenses, including both Anticipated Expenses and Unanticipated Expenses, of the Issuer relating to that Series may be paid. Anticipated Expenses shall be paid prior to Unanticipated Expenses. Any amounts remaining in the Expense Account after any and all obligations of the Issuer for the Series of Notes have been met will be given to the Series Beneficial Owner. The Expense Account for a Series will not be included in the Trust Estate for the related Series of Notes.

CAPITALIZATION OF THE ISSUER

The following table presents the Issuer's capitalization:

	December 31, 2018
Debt:	
Long-term debt (1)	$ 4,066,826,345
Total debt (1)	4,066,826,345
Equity:	
Paid in capital	1,000
Total equity	1,000
Total capitalization (1)	$ **4,066,827,345**

(1) For purposes of calculating long-term debt, total debt and total capitalization of the Issuer, the Series 2016-5, Tranche 1, NOK 1,000,000,000 2.925% Fixed Rate Notes due 2028 have been converted to U.S. dollars using the spot exchange rate for Norwegian Krone in effect on December 5, 2016.

There has been no material change in the capitalization of the Issuer since December 31, 2018. The Issuer has no capital stock.

BUSINESS OF PLICO

Overview

Protective Life, a stock life insurance company incorporated and licensed under the laws of the State of Tennessee and founded on July 24, 1907, is the largest operating subsidiary of PLC, an insurance holding company. Protective Life provides financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. On February 1, 2015, PLC became a wholly owned subsidiary of Dai-ichi Life, when DL Investment (Delaware), Inc., a wholly owned subsidiary of Dai-ichi Life, merged with and into PLC. Protective Life and PLC are SEC registrants for financial reporting purposes in the United States.

PLICO has several operating segments, including Life Marketing, Acquisitions, Annuities, Stable Value Products, Asset Protection, and Corporate and Other, each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. Set forth below is a brief description of each operating segment.

- **Life Marketing** – Protective Life markets fixed universal life, indexed universal life, variable universal life, bank-owned life insurance, and level premium term insurance products on a national basis primarily through networks of independent insurance agents and brokers, broker-dealers, financial institutions, and independent distribution organizations and affinity groups.
- **Acquisitions** – Protective Life focuses on acquiring, converting, and servicing policies from other companies. This segment's primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. Policies acquired through the Acquisitions segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage unless new acquisitions are made.
- **Annuities** – Protective Life markets fixed and variable annuity products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.
- **Stable Value Products** – Protective Life 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, and markets guaranteed investment contracts to 401(k) and other qualified retirement savings plans. In addition, the segment also issues funding agreements in connection with the Program described in this Offering Memorandum.
- **Asset Protection** – Protective Life markets extended service contracts, credit life and disability insurance, and other specialized ancillary products to protect consumers' investments in automobiles, watercraft and recreational vehicles. In addition, the segment markets a guaranteed asset protection ("*GAP*") product. GAP coverage covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss. 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 Protective Life's equity capital, unallocated corporate overhead and expenses not attributable to the segments above. This segment includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, and the operations of several small subsidiaries.

PLICO has three core retail strategies: PLICO is focused on strengthening existing models, by maintaining distributor relationships and capitalizing on Brokerage General Agency consolidation opportunities, strengthening share value through affinity marketing and institutional distribution, and enhancing customer engagement, through online tools, maintaining customer service infrastructure and capitalizing on customer analytics.

Protective Life believes it has a track record of strong financial performance and acquiring, converting and servicing life insurance and annuity blocks from other insurance companies. Protective Life also believes it has a healthy retail life insurance and annuity franchise, an experienced and talented management team, a high quality investment portfolio and a strong, supportive corporate parent in Dai-ichi Life.

Protective Life’s principal executive office is located at 2801 Highway 280 South, Birmingham, Alabama, 35223 and its telephone number is (205) 268-1000. Protective Life’s Employer Identification Number is 63-0169720. For more information about PLICO and its business, see the 2018 Form 10-K, attached hereto as Annex A. Protective Life may from time to time make certain information available on its website at https://investor.protective.com/webcasts-presentations. The information contained on or connected to Protective Life’s website is not a part of this Offering Memorandum, and you should not rely on any such information in making your decision whether to purchase Notes.

MANAGEMENT OF PROTECTIVE LIFE

Protective Life is led by an experienced management team. The following individuals served as directors and/or executive/senior officers of Protective Life as of April 1, 2019.

			Years of Experience	
Name	**Age**	**Position(s)**	**Insurance Industry**	**Protective Life**
Richard J. Bielen	58	Chairman of the Board, President, Chief Executive Officer and Director	27	27
Steven G. Walker	59	Executive Vice President and Chief Financial Officer	35	16
Carl S. Thigpen	62	Executive Vice President, Chief Investment Officer and Director	34	34
Mark L. Drew	57	Executive Vice President, General Counsel and Secretary	3	3
Michael G. Temple	56	Vice Chairman, Finance and Risk, Director	33	6
Lance P. Black	48	Senior Vice President, Treasurer and Stable Value Products	15	15

There are no potential conflicts of interest between the duties to Protective Life of any of the members of its Board of Directors and their respective private interests or other duties.

The business address of the members of the Board of Directors of Protective Life is that of Protective Life's principal executive office, located at 2801 Highway 280 South, Birmingham, Alabama, 35223.

The rights of PLC as sole shareowner of Protective Life are contained in the Amended and Restated Charter of Protective Life and the Amended and Restated By-Laws of Protective Life and Protective Life will be managed in accordance with such documents and with the provisions of the laws of the State of Tennessee.

CAPITALIZATION OF PLICO

		December 31, 2018 (U.S. Dollars In Thousands)
Capital lease obligation	$	1,319
Long-term debt	$	110,000
Non-recourse funding obligation	$	2,884,040
Shareowner's equity		
Preferred Stock; $1 par value, shares authorized: 2,000; Liquidation preference: $2,000	$	2
Common Stock; $1 par value, shares authorized and issued: 5,000,000		5,000
Additional paid-in capital		7,410,537
Retained earnings (deficit)		1,031,465
Accumulated other comprehensive income (loss)		(1,404,216)
Total shareowners' equity		7,042,788
Total capitalization	$	10,038,147

Protective Life has confirmed that since December 31, 2018, there has been no significant change in the financial or trading position of Protective Life.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions (collectively, the "*Terms and Conditions*" and each, a "*Condition*") of the Notes which, as completed in relation to any Notes by the relevant Pricing Supplement, will be applicable to each Series of Notes. Certain provisions relating to the Notes while in global form, and certain modifications of these Terms and Conditions applicable to Notes while in global form, are described in the section of this Offering Memorandum entitled "*Global Notes*." Capitalized terms which are not otherwise defined within the Terms and Conditions shall have the meanings attributed to them in the Indenture.

The Notes will be issued pursuant to and in accordance with the Indenture. References herein to the "*Paying Agents*" shall include the Principal Paying Agent and any substitute or additional paying agent appointed in accordance with the Indenture, and their respective permitted successors and assigns. For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Terms and Conditions of any Series of Notes, the Issuer may appoint a calculation agent (the "*Calculation Agent*") for such purposes, in accordance with the provisions of the Indenture, and such Calculation Agent shall be specified in the applicable Pricing Supplement. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of all of the provisions of the Indenture, the relevant Funding Agreement or Funding Agreements issued by Protective Life insofar as they relate to the relevant Notes. Copies of the Indenture and the Funding Agreement relating to the relevant Tranche, will be provided free of charge to each person to whom a copy of the Offering Memorandum has been delivered, upon the request of such person, as described under "General Information — Available Information."

The Indenture contains general provisions for the retirement and removal of the Indenture Trustee and the Series Agents including, but not limited to, the resignation of the Indenture Trustee or a Series Agent without reason, the removal of the Indenture Trustee or a Series Agent with respect to the Notes of any Series by Act (as defined in the Indenture) of the Holders representing at least a majority in aggregate principal amount of the outstanding Notes of such Series and termination of the Indenture Trustee or a Series Agent by the Issuer in the event of, among other things, bankruptcy or insolvency of the Indenture Trustee or a Series Agent, all as more fully described in the Indenture.

The Notes will be issued in Series pursuant to the Indenture. Each Series of Notes may be comprised of one or more Tranches, each of which will be the subject of the Pricing Supplement and will be issued pursuant to a Tranche Supplement. Copies of each Pricing Supplement will be available for inspection during normal business hours at the specified office of the Issuer and the Principal Paying Agent and/or, as the case may be, the Registrar.

References in these Terms and Conditions to Notes are to Notes of the relevant Series. References in these Terms and Conditions to the Pricing Supplement are to the Pricing Supplement prepared in relation to the Notes of the relevant Tranche. In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as completed by the relevant Pricing Supplement.

1. Form and Denomination Form of Notes

Form of Notes

1.01. Notes will be issued as Registered Notes or Bearer Notes, as specified in the relevant Pricing Supplement, and will be serially numbered. Registered Notes are not exchangeable for Bearer Notes. Bearer Notes with a maturity of more than 183 days will be issued so as to be treated as in "registered form" for U.S. federal income tax purposes.

1.02. Any Note issued in registered or bearer form, whether global or definitive, will bear a legend substantially to the following effect:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS, AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE NOTES EVIDENCED HEREBY SHALL ONLY BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) A PERSON WHO IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, SO LONG AS THE NOTES EVIDENCED HEREBY ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, OR (B) A PERSON THAT IS NOT A U.S. PERSON OUTSIDE THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; AND IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES, ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE NOTES EVIDENCED HEREBY SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO A PERSON WHO IS AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT. ANY PERSON DESCRIBED IN THE FOREGOING SENTENCE WHO ACQUIRES A NOTE SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS THEREUNDER. THE INDIANA INSURANCE DEPARTMENT HAS STATED THAT INDIANA DOMESTIC INSURERS SHOULD CONTACT THE INDIANA INSURANCE DEPARTMENT BEFORE PURCHASING THE NOTES.

BY ITS ACCEPTANCE OF THE NOTES, EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT (A) SUCH HOLDER IS EITHER (1)(I) NOT A U.S. PERSON AND (II) NOT PURCHASING THE NOTES IN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS, OR (2) A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS; (B) EITHER (1) IT IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF, (I) AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN OR RETIREMENT ARRANGEMENT THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY OTHER "BENEFIT PLAN INVESTOR" WITHIN THE MEANING OF SECTION 3(42) OF ERISA (A "PLAN"), OR (II) A GOVERNMENTAL, CHURCH OR FOREIGN PLAN SUBJECT TO PROVISIONS OF NON-U.S., FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY "SIMILAR LAWS"), OR (2) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES OR ANY BENEFICIAL INTEREST THEREIN WILL NOT RESULT IN (I) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR FOREIGN PLAN, ANY SIMILAR LAWS) BY REASON OF THE EXEMPTIVE RELIEF AVAILABLE UNDER ONE OR MORE APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTIONS, OR (II) ANY OTHER VIOLATION OF ERISA OR SIMILAR LAWS; (C) SUCH HOLDER IS NOT AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT; AND (D) IT IS SUCH HOLDER'S INTENT AND SUCH HOLDER UNDERSTANDS IT IS THE ISSUER'S INTENT, FOR PURPOSES OF U.S. FEDERAL, STATE AND LOCAL INCOME TAXES, THAT THE NOTES BE TREATED AS DEBT, AND SUCH HOLDER AGREES TO SUCH TREATMENT AND TO TAKE NO ACTION INCONSISTENT WITH SUCH TREATMENT.

IN CONNECTION WITH ANY TRANSFER OF THE NOTES, THE PROPOSED TRANSFEREE WILL BE REQUIRED TO DELIVER TO THE INDENTURE TRUSTEE SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER (BASED ON THE WRITTEN ADVICE OF THE ISSUER'S COUNSEL) MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

The following legend will also appear on any Bearer Notes, whether global or definitive:

NOTES IN BEARER FORM, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS OR TO UNITED STATES PERSONS (AS DEFINED IN SECTION 7701(a)(30) OF THE CODE).

ANY UNITED STATES PERSON (AS DEFINED IN SECTION 7701(a)(30) OF THE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO THE LIMITATIONS UNDER THE U.S. FEDERAL INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

Denomination of Notes

1.03. Notes will be in the minimum denomination specified in the Pricing Supplement or integral multiples thereof, *provided* that in the case of any Notes which are to be admitted to trading on the GEM or offered to the public in a Member State of the EEA, the minimum Specified Denomination shall be €100,000 (or the equivalent thereof in another currency at the time of issue of the relevant Series of Notes) and integral multiples of €1,000 (or the equivalent thereof in another currency at the time of issue of the relevant Series of Notes) in excess thereof.

Currency of Notes

1.04. The Notes will be denominated in such currency or currencies as may be specified in the Pricing Supplement. Any currency or currencies may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

2. Title and Transfer

2.01. Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.

2.02. Title to Bearer Notes passes by delivery. References herein to the "Holders" of Bearer Notes are to the bearers of such Bearer Notes. Notwithstanding anything herein to the contrary, any Bearer Note with a maturity of more than 183 days will be issued in such a manner as to satisfy the requirements for such Bearer Note to be treated as "registered" for U.S. federal income tax purposes. In order to meet this requirement, any Global Bearer Note with a maturity of more than 183 days will be issued so as to be "effectively immobilized" for U.S. federal income tax purposes. A Global Bearer Note will be considered to be effectively immobilized if: (1) the obligation is represented by one or more global securities in physical form that are issued to and held by a clearing organization as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(B)(4) (or by a custodian or depository acting as an agent of the clearing organization) for the benefit of purchasers of interests in the obligation under arrangements that prohibit the transfer of the global securities except to a successor clearing organization subject to the same terms; and (2) beneficial interests in the underlying obligation are transferable only through a book entry system maintained by the clearing organization (or an agent of the clearing organization).

2.03. The Holder of any Registered Note or Bearer Note will (except as otherwise required by applicable law or regulatory requirements) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Notes and Exchange of Bearer Notes for Registered Notes

2.04. A Registered Note may, upon the terms and subject to the conditions set forth in the Indenture, be transferred in whole or in part (*provided* that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) only upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of only part of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor. Registered Notes will not be exchangeable for Bearer Notes.

2.05. If so specified in the Pricing Supplement, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Indenture. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent or the Registrar, together with a written request for the exchange in the form provided for this purpose by the Principal Paying Agent or the Registrar, as the case may be.

2.06. Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days (as defined below) of the Transfer Date or, as the case may be, the Bearer Note Exchange Date (each as defined below), be available for collection by each relevant Holder at the specified office of the Registrar or be mailed (by uninsured mail at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Principal Paying Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Principal Paying Agent, as the case may be, until the day following the due date for such payment. For the purposes of these Terms and Conditions:

(i) "*Relevant Banking Day*" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Transfer Agent, the Registrar or the Principal Paying Agent, in the place where the specified office of the Transfer Agent, the Registrar or the Principal Paying Agent is located;

(ii) "*Bearer Note Exchange Date*" means the Relevant Banking Day immediately following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.05; and

(iii) "*Transfer Date*" means the Relevant Banking Day immediately following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.04.

2.07. The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Principal Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Principal Paying Agent or the Registrar may require in respect of) any tax, duty, levy, assessment or other governmental charges which may be imposed in relation thereto.

2.08. The Holder of a Registered Note will be recognized by the Issuer as entitled to such Registered Note free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate Holder of such Registered Note.

3. Status of the Notes

3.01. The Notes constitute direct, unconditional, unsubordinated and secured non-recourse obligations of the Issuer and rank *pari passu* without any preference among themselves.

4. Trust Estate for each Series of Notes

4.01. Each Series of Notes will be secured by a separate Trust Estate (as hereinafter defined) which will consist of certain assets and rights of the Issuer. The Issuer will grant to the Series Agent, for the benefit and security of the Holders of the Notes of a particular Series, and to the Indenture Trustee, the relevant Series Agent, the Agents, the Delaware Trustee and the Administrator, a security interest pursuant to the relevant Tranche Supplement to be entered into by the Issuer, the relevant Series Agent and the Indenture Trustee for each Tranche for the purpose of granting and perfecting such security interests in the Trust Estate for such Series of Notes. Holders of Notes of a particular Series of Notes will be entitled to the benefit and security of only the Trust Estate applicable to such Series of Notes. Any claims of the Holders of the Notes of a particular Series of Notes in excess of amounts received by the Issuer under the relevant Trust Estate will be extinguished.

4.02. Unless otherwise provided in the Pricing Supplement and the relevant Tranche Supplement(s) relating to the Tranche(s) of a particular Series of Notes, the "Trust Estate" for any Series of Notes will consist of all the Issuer's estate, right, title and interest in and to (a) the relevant Funding Agreements and the Support and Expenses Agreements (subject to the subrogation rights of Protective Life set forth in such Support and Expenses Agreements) entered into in connection with each Tranche of such Series, (b) the Collection Account and all amounts and instruments on deposit from time to time in the related Collection Account (as defined in the Indenture), (c) all interest, securities, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing, (d) all present and continuing exclusive right, power and authority of the Issuer to make claim for, collect and receive any and all rents, sums, amounts, income, revenues, issues, profits, proceeds, security and other monies payable or receivable under, on account of or with respect to the foregoing, including payments in respect of the relevant Funding Agreements, (e) all present and continuing right, power and authority of the Issuer, in the name and on behalf of the Issuer, as agent and attorney-in-fact, or otherwise, to make claim for and demand performance on, under or pursuant to any of the foregoing, to bring actions and proceedings thereunder or for the specific or other enforcement thereof, or with respect thereto, to make all waivers and agreements, to grant or refuse requests, to give or withhold notices, and to exercise all rights, remedies, powers, privileges and options, to grant or withhold consents and approvals and do any and all things and exercise all other discretionary rights, options, privileges or benefits which the Issuer is or may become entitled to do with respect to the foregoing, without notice to, consent or approval by or joinder of the Issuer, (f) all Collateral Management Rights (as defined in the Indenture) with respect to the Trust Estate and each contract, agreement or other document or instrument included therein, (g) all books and records (including, without limitation, computer programs, printouts and other computer materials and files) of the Issuer pertaining to the foregoing and (h) all revenues, issues, products, accessions, substitutions, replacements, profits and proceeds of and from all the foregoing.

4.03. In furtherance of the grant of the Trust Estate for such Series of Notes, the Issuer will appoint the Series Agent for such Series of Notes as its attorney-in-fact to exercise any and all Collateral Management Rights with respect to the Trust Estate held for the benefit of the Holders of such Series of Notes, the Indenture Trustee, the relevant Series Agent, the Agents, the Delaware Trustee and the Administrator, and each contract, agreement or other document or instrument included therein. The amounts held in the relevant Expense Account for any Series of the Issuer (as hereinafter described) will not be included in the Trust Estate for the related Series of Notes. In addition, the subrogation rights of Protective Life under each relevant Support and Expenses Agreement and any amounts relating thereto will not be included in the Trust Estate for the related Series of Notes.

4.04. Pursuant to the Indenture, the Indenture Trustee, the Series Agents, the Principal Paying Agent, the Registrar and Paying Agents take priority over the Holders of Notes upon a liquidation of the Issuer or of the Trust Estate.

To the extent that the Issuer's current obligation to pay interest on a particular Series of Notes has been satisfied, the excess amounts, if any, paid under the related Funding Agreements will be deposited in the Expense Account for the relevant Series of the Issuer established by the Indenture Trustee. The Indenture Trustee, pursuant to the terms of the Indenture, will promptly deposit any amounts in such Expense Account into a bank account, where they will be held in trust and withdrawn solely by the Indenture Trustee for the purpose of paying Anticipated Expenses and Unanticipated Expenses (each as defined in the Indenture). The Indenture Trustee will pay Anticipated Expenses and Unanticipated Expenses pursuant to the terms of the Indenture. After all such expenses of the relevant Series of the Issuer have been paid in full, the Indenture Trustee will dissolve the relevant bank account and the remaining funds, if any, that are on deposit in such bank account shall immediately be distributed (a) first, in respect of any administrative expenses incurred in connection with such bank account and (b) second, the remainder to the Series Beneficial Owner in accordance with the terms of the Trust Agreement. The Expense Account for a Series of the Issuer will not be a part of the Trust Estate for the related Series of Notes.

5. Covenants of the Issuer

5.01. Under the Indenture, the Issuer has made certain covenants regarding payment of principal and interest with respect to any Tranche, maintenance of office or agency, money for each Series of Notes to be held in trust, protection of the Trust Estate, initial and annual statements as to compliance, performance of obligations, existence, notices and payment of taxes and other claims and reports and financial information for each Series of the Issuer. In addition, the Issuer has covenanted that it will not:

(i) sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of the assets of the Issuer or any Series of the Issuer (now owned or hereafter acquired), including, without limitation, any portion of any Trust Estate other than the Deposit in which the relevant Beneficial Owner owns the sole beneficial interest or any Expense Account, except as expressly permitted by the Indenture;

(ii) make any deduction or withholding from the principal of, or interest on, any Series of Notes issued under the Indenture (other than amounts that may be required to be withheld from such payments, or in respect of payments under any relevant Funding Agreement, under the Code or any other applicable tax law) except to the extent specified in the Indenture, the relevant Tranche Supplement or in any relevant Pricing Supplement;

(iii) engage in any business or activity other than in connection with, or relating to, (a) the execution and/or delivery of, and the performance of its obligations under the Notes, the Indenture, the Administrative Services Agreement, the Purchase Agreement, the Tranche Supplements, the Support and Expenses Agreements, the Funding Agreements, and any Assigned Documents (as defined in the Indenture) relating to any Series or Tranche of Notes and the transactions contemplated thereby, (b) the issuance of the Notes pursuant to the Indenture and corresponding Tranche Supplements, (c) holding the Deposit for the benefit of the Beneficial Owner and (d) any activities, including entering into agreements, that are necessary, suitable or convenient to accomplish the objectives listed in Section 2.7(a) of the Trust Agreement;

(iv) incur or otherwise become liable, directly or indirectly, for any Indebtedness or Contingent Obligation (each, as defined in the Indenture), except for the Notes and then only on a non-recourse basis and as otherwise required or contemplated under the Program;

(v) (a) permit the validity or effectiveness of the Indenture or any Tranche Supplement or any grant of a security interest, pledge or collateral assignment thereunder to be impaired, or permit the Lien (as defined in the Indenture) under the Indenture or under any Tranche Supplement to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person (as defined in the Indenture) to be released from any covenants or obligations under any Assigned Document, except as may be expressly permitted thereby, (b) amend or vary, or acquiesce in any amendment or variation of, or terminate any outstanding Funding Agreement or any Support and Expenses Agreement, except for any such amendments or variations as are not materially prejudicial to the interests of the Holders of the affected Series or other amendments or variations of a minor or technical nature, or which are to correct manifest errors or as required by applicable law, (c) create, incur, assume, or permit any Lien or other encumbrance (other than the Lien under the Indenture and any relevant Tranche Supplement) on any of its properties or assets now owned or hereafter acquired, interest therein or the proceeds thereof, or (d) permit the Lien under the Indenture and any relevant Tranche Supplement not to constitute a valid first priority perfected security interest in the applicable Trust Estate;

(vi) fail to comply with any material provision of the Trust Agreement or any supplement thereto;

(vii) lend or advance any moneys to, or make any investment in, any Person, except for the investment of any funds of the Issuer or any Series of the Issuer held by the Indenture Trustee, a Series Agent, the Registrar or a Paying Agent as provided in any Assigned Document or the Indenture;

(viii) directly or indirectly make any distribution or other payment to the Beneficial Owner, or pay, prepay, purchase, repurchase or retire any Indebtedness (as defined in the Indenture) (or part thereof) other than (a) the repayment, redemption or repurchase of one or more Series of Notes in accordance with their respective originally stated terms of issue or (b) payments of Permitted Expenses;

(ix) make any withdrawals or transfers from any Funding Agreement or give any notice or instruction or take any other action with respect to any Funding Agreement without (a) obtaining the prior consent of the Indenture Trustee and the relevant Series Agent to any such action and (b) notifying any Rating Agency then rating the Program or the relevant Series of Notes;

(x) exercise any Collateral Management Rights with respect to the Trust Estate except at the direction of, or with the prior written approval of, the relevant Series Agent;

(xi) become an “investment company” or become under the “control” of an “investment company” (as such terms are defined in the U.S. Investment Company Act of 1940, as amended (the “*Investment Company Act*”)), required to be registered under the Investment Company Act;

(xii) enter into any transaction of merger or consolidation or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any Person;

(xiii) have any subsidiaries or any employees other than the Delaware Trustee, the Administrator and other Persons necessary to conduct its business and enter into transactions contemplated under the Indenture and the Trust Agreement;

(xiv) have an interest in any bank account other than (a) the Collection Accounts, (b) the Expense Accounts and (c) further accounts expressly permitted by the Indenture Trustee; *provided*, that any such further accounts or the Issuer’s interest therein shall be charged or otherwise secured in favor of the relevant Series Agent on terms acceptable to the Indenture Trustee or the relevant Series Agent;

(xv) take any position for any U.S. federal income tax purposes that is inconsistent with the treatment of the Notes as indebtedness of Protective Life for U.S. federal income tax purposes, unless otherwise required by applicable law; or

(xvi) vary the assets of any Series of the Issuer or otherwise take any action or fail to take any action which action or failure to act would cause any Series of the Issuer not to be ignored or not to qualify as a “grantor trust” (assuming it were not ignored) for U.S. federal income tax purposes.

6. Non-Recourse Enforcement of Notes

6.01. Notwithstanding anything to the contrary contained in the Indenture, any Tranche Supplement or in the Notes of any Series, none of the Delaware Trustee, the Administrator, the Beneficial Owner, the Series Beneficial Owner, the Indenture Trustee or any Affiliate of the foregoing (collectively, the "*Non-Recourse Parties*") shall be personally liable for the payment of any principal, interest, Additional Amounts, any Permitted Expenses or any other sums now or hereafter owing under the terms of any Series of Notes, any Funding Agreement or any Support and Expenses Agreement. The obligations under any Series of Notes shall be payable only from the Trust Estate of such Series. If any Event of Default shall occur with respect to any Series of Notes, the right of the Holders of such Series and the Series Agent or the Indenture Trustee on behalf of such Holders shall be limited to a proceeding against the related Trust Estate (including the exercise of the Collateral Management Rights relating to such Series of Notes) for such Series of Notes or against any other third party other than the Non-Recourse Parties, and none of the Holders, the relevant Series Agent or the Indenture Trustee on behalf of such Holders will have the right to proceed against the Non-Recourse Parties or for the deficiency judgment remaining after foreclosure of any property included in such Trust Estate. However, this will not in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by a particular Series of Notes or otherwise affect or impair the enforceability against the Issuer of the Liens created by the Indenture, any Assigned Documents (as defined in the Indenture), any Tranche Supplement, the Trust Estate for such Series of Notes, or any other instrument or agreement evidencing, securing or relating to the Indebtedness or the obligations evidenced by such Series of Notes until the Trust Estate for such Series of Notes has been realized and applied in accordance with the Indenture, whereupon the debt and other obligations of the Issuer in respect of such Series of Notes shall be extinguished and any monies remaining in the Expense Account will be released to the Series Beneficial Owner. The Series Agent shall not be precluded from foreclosing upon any property included in the Trust Estate for such Series of Notes or from enforcing any of the Collateral Management Rights relating to such Series of Notes or any other rights or remedies in law or in equity against the Issuer or the assets of each Series except as stated in the Indenture. Holders may not seek to enforce rights against the Issuer with respect to any Notes (a) by commencing any recovery or enforcement proceedings against the Issuer, (b) by applying to wind up the Issuer, (c) otherwise than through the Indenture Trustee in its exercise of powers, appointing a receiver or administrator for the Issuer or any of its assets, (d) by making any statutory demand upon the Issuer under applicable corporation law, or (e) in any other manner except as may be provided in the Indenture, the applicable Tranche Supplement or in the Notes of the relevant Series.

Each of the Indenture Trustee, each Series Agent, each Holder of a Note by its acceptance of a Note, each Agent (as defined in the Indenture), the Delaware Trustee and the Administrator has covenanted and agreed that, for a period of one year plus one day after payment in full of all amounts payable under or in respect of the Indenture and the Notes, it will not institute against, or join with any other person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings any applicable bankruptcy or similar law.

7. Interest

Interest

7.01. Notes may be interest-bearing or non-interest-bearing, as specified in the Pricing Supplement. Words and expressions appearing in this Condition 7 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 7.09.

Interest-bearing Notes

7.02. Notes which are specified in the Pricing Supplement as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrears on each Interest Payment Date.

Floating Rate Notes

7.03. If the Pricing Supplement specifies the Interest Rate applicable to the Notes as being Floating Rate (as defined in the ISDA Definitions), the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the "*Relevant Margin*") specified in the Pricing Supplement and the applicable reference rate set forth below (each, a "*Reference Rate*") as specified in the Pricing Supplement.

"*CMT Rate*" means:

(i) if CMT Reuters Page FRBCMT is specified in the Pricing Supplement as the Relevant Screen Page:

(a) the percentage equal to the yield for U.S. Treasury securities at "constant maturity" having the Specified Duration specified in the applicable Pricing Supplement as the yield is displayed on the Reuters Screen on page FRBCMT (or any other page as may replace the specified page on that service under the caption "Treasury Constant Maturities" ("*Reuters Page FRBCMT*") for the particular Interest Determination Date, or

(b) if the rate referred to in clause (a) does not so appear on Reuters Page FRBCMT, the percentage equal to the yield for U.S. Treasury securities at "constant maturity" having the particular Specified Duration and for the particular Interest Determination Date as published in H.15 under the caption "Treasury Constant Maturities", or

(c) if the rate referred to in clause (b) does not so appear in H.15, the rate on the particular Interest Determination Date for the period of the particular Specified Duration as may then be published by either the Board of Governors of the Federal Reserve System or the U.S. Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15, or

(d) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three leading primary U.S. government securities dealers in the United States (which may include the Purchasing Agents or their affiliates) (each, a "*Reference Purchasing Agent*"), selected by the Calculation Agent from five Reference Purchasing Agents selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity equal to the particular Specified Duration, a remaining term to maturity no more than one year shorter than that Specified Duration and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Purchasing Agents selected by the Calculation Agent from five Reference Purchasing Agents selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity greater than the particular Specified Duration, a remaining term to maturity closest to that Specified Duration and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the prior Interest Determination Date.

(ii) if Reuters Page FEDCMT is specified in the applicable Pricing Supplement as the Relevant Screen Page:

(a) the percentage equal to the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at "constant maturity" having the Specified Duration specified in the applicable Pricing Supplement as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace the specified page on that service) ("*Reuters Page FEDCMT*"), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(b) if the rate referred to in clause (a) does not so appear on Reuters Page FEDCMT, the percentage equal to the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at "constant maturity" having the particular Specified Duration and for the week or month, as applicable, preceding the particular Interest Determination Date as published in H.15 opposite the caption "Treasury Constant Maturities," or

(c) if the rate referred to in clause (b) does not so appear in H.15, the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at "constant maturity" having the particular Specified Duration as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or

(d) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Purchasing Agents selected by the Calculation Agent from five Reference Purchasing Agents selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity equal to the particular Specified Duration, a remaining term to maturity no more than one year shorter than that Specified Duration and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Purchasing Agents selected by the Calculation Agent from five Reference Purchasing Agents selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity greater than the particular Specified Duration, a remaining term to maturity closest to that Specified

Duration and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the prior Interest Determination Date.

If two U.S. Treasury securities with an original maturity greater than the Specified Duration specified in the applicable Pricing Supplement have remaining terms to maturity equally close to the particular Specified Duration, the quotes for the U.S. Treasury security with the shorter original remaining term to maturity will be used.

"*Commercial Paper Rate*" means, with respect to any Interest Determination Date, the Money Market Yield (as hereinafter defined) on such date of the rate for commercial paper having the Specified Duration specified in the applicable Pricing Supplement as published in H.15 under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 P.M., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date for commercial paper having the Specified Duration specified in the applicable Pricing Supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Interest Determination Date, then the Commercial Paper Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Interest Determination Date of three leading dealers of U.S. dollar commercial paper in the United States (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Specified Duration specified in the applicable Pricing Supplement placed for industrial issuers whose bond rating is "Aa", or the equivalent, from a nationally recognized statistical rating organization; *provided*, *however*, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Interest Determination Date will be the Commercial Paper Rate in effect on the prior Interest Determination Date.

"*Money Market Yield*" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = (D \text{ X } 360 / 360 - (D \text{ X } M)) \text{ X } 100$$

where "D" refers to the applicable *per annum* rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Accrual Period.

"*EURIBOR*" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI—The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, having the Specified Duration specified in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, as that rate appears on the Reuters Screen on page EURIBOR01 ("*Reuters Page EURIBOR01*") as of 11:00 A.M., Brussels time, on the applicable Interest Determination Date.

(ii) If such rate does not appear on Reuters Page EURIBOR01, or is not so published by 11:00 A.M., Brussels time, on the applicable Interest Determination Date as specified in clause (i) above and except as provided in clause (iii) below, such rate will be calculated by the Calculation Agent and will be the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal Euro-zone (as defined below) offices of four major banks in the Euro-zone interbank market to provide the Calculation Agent with its offered quotation for deposits in euros for the period of the Specified Duration specified in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 A.M., Brussels time, on the applicable Interest Determination Date and in a principal amount not less than the equivalent of $1 million in euros that is representative for a single transaction in euro in that market at that time. If fewer than two such quotations are so *provided*, the rate on the applicable Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such Interest Determination Date by four major banks in the Euro-zone for loans in euro to leading European banks, having the Specified Duration specified in the applicable Pricing Supplement commencing on the applicable Interest Reset Date and in a principal amount not less than the equivalent of $1 million in euros that is representative for a single transaction in euros in that market at that time. If the banks so selected by the Calculation Agent are not quoting as mentioned above, EURIBOR will be EURIBOR in effect on the prior Interest Determination Date.

(iii) Notwithstanding clause (ii) above, if a Benchmark Event (as defined below) has occurred when any interest rate (or component thereof) remains to be determined by reference to EURIBOR, then the provisions of Condition 7.04 will apply to the relevant Series of Floating Rate Notes.

"*Benchmark Event*" means:

(a) EURIBOR or LIBOR, as the case may be, ceasing be published for a period of at least five Business Days or ceasing to exist; or

(b) a public statement by the administrator of EURIBOR or LIBOR, as the case may be, that it will, by a specified date within the following six months, cease publishing EURIBOR or LIBOR, as the case may be, permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of EURIBOR or LIBOR, as the case may be); or

(c) the first public statement by the supervisor of the administrator of EURIBOR or LIBOR, as the case may be, that EURIBOR or LIBOR, as the case may be, has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of EURIBOR or LIBOR, as the case may be, that means EURIBOR or LIBOR, as the case may be, will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or

(e) it has become unlawful for the Principal Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Holder of Notes using EURIBOR or LIBOR, as the case may be.

"*Euro Zone*" means the zone comprising the Member States of the European Union which adopt or have adopted the euro as their lawful currency in accordance with the treaty establishing the European Community, as amended by the Treaty on European Union.

"*Federal Funds Rate*" means, with respect to any Interest Determination Date, the rate on such date for U.S. dollar federal funds as published in H.15 under the heading "Federal Funds (Effective)", as such rate is displayed on the Reuters Screen on page FEDFUNDS1 ("*Reuters Page FEDFUNDS1*"), or, if such rate does not appear on Reuters Page FEDFUNDS1 or is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Interest Determination Date for U.S. dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Reuters Page FEDFUNDS1 or is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar Federal funds transactions in the

City of New York (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Interest Determination Date; *provided*, *however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Interest Determination Date will be the Federal Funds Rate in effect on the prior Interest Determination Date.

"*LIBOR*" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date, LIBOR will be either:

(a) if "*LIBOR Reuters*" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the LIBOR Currency having the Specified Duration specified in such applicable Pricing Supplement, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the LIBOR Page as of 11:00 A.M., London time, on such Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as the case may be, LIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below; or

(b) if "*LIBOR Reuters*" is not specified in the applicable Pricing Supplement as the method for calculating LIBOR, the rate for deposits in the LIBOR Currency (as defined below) having the Specified Duration specified in such applicable Pricing Supplement, commencing on such Interest Reset Date, that appears on the LIBOR Page (as defined below) as of 11:00 A.M., London time, on such Interest Determination Date.

(ii) With respect to an Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the LIBOR Page as specified in clause (i) above and except as provided in clause (iii) below, the Calculation Agent will request the principal London offices of each of four major reference banks (which may include affiliates of the Purchasing Agents) in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the LIBOR Currency for the period of the Specified Duration specified in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Relevant Financial Center, on such Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in such Relevant Financial Center selected by the Calculation Agent for loans in the LIBOR Currency to leading European banks, having the Specified Duration specified in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in the LIBOR Currency in such market at such time; *provided*, *however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such Interest Determination Date will be LIBOR in effect on the prior Interest Determination Date.

(iii) Notwithstanding clause (ii) above, if a Benchmark Event has occurred when any Interest Rate (or component thereof) remains to be determined by reference to LIBOR, then the provisions of Condition 7.04 will apply to the relevant Series of Floating Rate Notes.

"*LIBOR Currency*" means the currency specified in the applicable Pricing Supplement or, if no such currency is specified in the applicable Pricing Supplement, U.S. dollars.

"*LIBOR Page*" means the display on the Reuters Monitor Money Rates Service (or any successor service) on Reuters page LIBOR01 or as otherwise specified in such applicable Pricing Supplement (or any other page as may replace such page on such service) as the

Relevant Screen Page for the purpose of displaying the London interbank rates of major banks for the LIBOR Currency.

"*Prime Rate*" means, with respect to any Interest Determination Date, the rate on such date as such rate is published in H.15 under the caption "Bank Prime Loan" or, if not published by 3:00 P.M., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME1 Page (as defined below) as such bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on such Interest Determination Date. If fewer than four such rates so appear on the Reuters Screen US PRIME1 Page for such Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Interest Determination Date by three major banks (which may include affiliates of the Purchasing Agents) in the City of New York selected by the Calculation Agent; *provided*, *however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Interest Determination Date will be the Prime Rate in effect on the prior Interest Determination Date.

"*Reuters Screen US PRIME1 Page*" means the display on the Reuters Money 3000 Service (or any successor service) on the "US PRIME1" page (or such other page as may replace the US PRIME1 page on such service) as the Relevant Screen Page for the purpose of displaying prime rates or base lending rates of major U.S. banks.

"*Treasury Rate*" means, with respect to any Interest Determination Date, the rate from the auction held on such Interest Determination Date (the "*Auction*") of direct obligations of the United States ("*Treasury Bills*") having the Specified Duration specified in the applicable Pricing Supplement under the caption "INVEST RATE" on the display on the Reuters Screen on page USAUCTION10 ("*Reuters Page USAUCTION10*") or page USAUCTION11 ("*Reuters Page USAUCTION11*") or, if not so published by 3:00 P.M., New York City time, on the related Interest Determination Date, the Bond Equivalent Yield (as defined below) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High" or, if not so published by 3:00 P.M., New York City time, on the related Interest Determination Date, the Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the U.S. Department of the Treasury. In the event that the auction rate of Treasury Bills having the Specified Duration specified in the applicable Pricing Supplement is not so announced by the U.S. Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Interest Determination Date of Treasury Bills having the Specified Duration specified in the applicable Pricing Supplement as published in H.15 under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 P.M., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15, H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three primary U.S. government securities dealers (which may include the Purchasing Agents or their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Specified Duration specified in the applicable Pricing Supplement; *provided*, *however*, that if the Purchasing Agents so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on the prior Interest Determination Date.

"*Bond Equivalent Yield*" means a yield (expressed as a percentage) calculated in accordance with the following formula:

Bond Equivalent Yield = (D X N / 360 – (D X M)) X 100

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Accrual Period.

"*Weighted Average SOFR*" means the arithmetic mean of the SOFR (as defined below) in effect for each SOFR Reset Date during the relevant Interest Accrual Period, calculated by multiplying the relevant SOFR by the number of calendar days such SOFR is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, *provided, however,* that the last two SOFR Reset Dates of such Interest Accrual Period shall be a "*Suspension Period*." During a Suspension Period, the SOFR for each day during such Suspension Period will be the value for the SOFR Reset Date immediately prior to the first day of such Suspension Period.

"*SOFR*" means, with respect to any SOFR Reset Date:

(a) the Secured Overnight Financing Rate published at 5:00 p.m. (New York City time) on the Federal Reserve Bank of New York's Website on such SOFR Reset Date for trades made on the related SOFR Determination Date (as defined below);

(b) if the rate specified in clause (a) above does not so appear, and a SOFR Index Cessation Event and SOFR Index Cessation Date have not both occurred, the Secured Overnight Financing Rate published on the Federal Reserve Bank of New York's Website for the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the Federal Reserve Bank of New York's Website;

(c) if the rate specified in clause (a) above does not so appear, and a SOFR Index Cessation Event and a SOFR Index Cessation Date have both occurred, the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank of New York or other designated administrator, and which rate may include any adjustments or spreads) or, if no such rate has been recommended within one U.S. Government Securities Business Day of the relevant SOFR Index Cessation Event, the Overnight Bank Funding Rate (published on the Federal Reserve Bank of New York's Website at or around 5.00 p.m. (New York City time) on the relevant New York City Banking Day) for any SOFR Reset Date falling on or after the SOFR Index Cessation Date (it being understood that the Overnight Bank Funding Rate for any such SOFR Reset Date will be for trades made on the related SOFR Determination Date); or

(d) if the Calculation Agent is required to use the Overnight Bank Funding Rate in clause (c) above and an OBFR Index Cessation Event and an OBFR Index Cessation Date have both occurred, then for any SOFR Reset Date falling on or after the later of the SOFR Index Cessation Date and the OBFR Index Cessation Date, the short-term interest rate target set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

"*Federal Reserve's Website*" means the website of the Board of Governors of the Federal Reserve System, currently at http://www.federalreserve.gov, or any successor website of the Board of Governors of the Federal Reserve System.

"*Federal Reserve Bank of New York's Website*" means the website of the Federal Reserve Bank of New York, currently at http://www.newyorkfed.org/, or any successor website of the Federal Reserve Bank of New York.

"*New York City Banking Day*" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City.

"*OBFR Index Cessation Event*" means the occurrence of one of more of the following events:

(a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide an Overnight Bank Funding Rate; or

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, *provided* that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate.

"*OBFR Index Cessation Date*" means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used.

"*SOFR Determination Date*" means, with respect to any SOFR Reset Date, in the case of the Secured Overnight Financing Rate, the first U.S. Government Securities Business Day immediately preceding such SOFR Reset Date, and in the case of the Overnight Bank Funding Rate, the first New York City Banking Day immediately preceding such SOFR Reset Date.

"*SOFR Index Cessation Date*" means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used.

"*SOFR Index Cessation Event*" means the occurrence of one or more of the following events:

(a) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, *provided* that at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or

(b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, *provided* that at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate.

"*SOFR Reset Date*" means each U.S. Government Securities Business Day during the relevant Interest Accrual Period, *provided, however,* that if both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, it shall mean: (a) in respect of the period from, and including, the first day of the Interest Accrual Period in which the SOFR Index Cessation Date falls (such Interest Accrual Period, the "*Affected Interest Period*") to, but excluding the SOFR Index Cessation Date (such period, the "*Partial SOFR Period*"), each U.S. Government Securities Business Day during the Partial SOFR Period; (b) in respect of the period from, and including, the SOFR Index Cessation Date to, but excluding, the Interest Payment Date in respect of the Affected Interest Period (such period, the "*Partial Fallback Period*"), each New York City Banking Day during the Partial Fallback Period; and (c) in respect of each Interest

Accrual Period subsequent to the Affected Interest Period, each New York City Banking Day during the relevant Interest Accrual Period.

"*U.S. Government Securities Business Day*" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Benchmark Replacement

7.04. Notwithstanding the provisions of Condition 7.03 above, if a Benchmark Event occurs in relation to EURIBOR or LIBOR when any Interest Rate (or any component part thereof) remains to be determined by reference to EURIBOR or LIBOR, as the case may be, then the following provisions of this Condition 7.04 shall apply.

(i) The Issuer and Protective Life shall use their reasonable endeavors to appoint an Independent Adviser (as defined below), as soon as reasonably practicable, to determine a Successor Rate (as defined below), failing which an Alternative Rate (as defined below) in accordance with Condition 7.04(ii) below and, in either case, an Adjustment Spread (as defined below) if any in accordance with Condition 7.04(iv) and any Benchmark Amendments (as defined below) in accordance with Condition 7.04(v).

(ii) If the Independent Adviser, acting in good faith and in a commercially reasonable manner, determines that:

(a) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7.04(iv)) subsequently be used in place of EURIBOR or LIBOR, as the case may be, to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Floating Rate Notes of such Series (subject to the subsequent operation of this Condition 7.04); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7.04(iv)) subsequently be used in place of EURIBOR or LIBOR, as the case may be, to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Floating Rate Notes of such Series (subject to the subsequent operation of this Condition 7.04).

(iii) If the Issuer and Protective Life are unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Rate, the Issuer and Protective Life, acting in good faith and in a commercially reasonable manner, may determine a Successor Rate or, if there is no Successor Rate, an Alternative Rate.

(iv) If the Independent Adviser or the Issuer or Protective Life, in each case, acting in good faith and in a commercially reasonable manner, determine (a) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (b) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(v) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7.04 and the Issuer and Protective Life, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determine that amendments to these Terms and Conditions and/or the Indenture and the applicable Tranche Supplement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "*Benchmark Amendments*"), then the Issuer and Protective Life shall, subject to giving notice thereof in accordance with Condition 7.04(vi) and Condition 17, without any requirement for the consent or approval of Holders of the Notes, direct the Principal Paying Agent and the Trustee, at the Issuer's expense, to vary these Terms and Conditions and/or the Indenture and the applicable Tranche Supplement to give effect to such Benchmark Amendments with effect from the date specified in such notice. The Trustee shall not be obliged to concur if in the opinion of the Trustee doing so would impose more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to the Trustee in these Terms and Conditions or in the Indenture and the applicable Tranche Supplement or any other document to which it is a party (including for the avoidance of doubt, any supplement to the Indenture) in any way. For the avoidance of doubt, no consent of the Holders of the Notes of the relevant Series shall be required in connection with effecting the Benchmark Amendments or such other changes, including for the execution of any documents or the taking of other steps by the Trustee, the Issuer or Protective Life (if required).

In connection with any such variation in accordance with this Condition 7.04(v), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7.04 will be notified promptly by the Issuer and Protective Life to the Principal Paying Agent, the Trustee and the Holders of the Notes and in accordance with Condition 17. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Issuer, Protective Life, the Paying Agent, the Trustee and the Holders of the Notes.

(vii) Without prejudice to the obligations of the Independent Advisor or the Issuer or Protective Life, as applicable, under Condition 7.04(i) to (vi), EURIBOR and LIBOR, as the case may be, and the fallback provisions provided for in Condition 7.03 with respect to EURIBOR or LIBOR, as the case may be, will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 7.04(vi) and Condition 17.

(vii) As used in this Condition 7.04:

"*Adjustment Spread*" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Advisor, following consultation with the Issuer or Protective Life, as applicable, acting in good faith and in a commercially reasonable manner, determine is required to be applied to the Successor Rate or the Alternative Rate, as the case may be, to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit, as the case may be, to Holders of the Notes as a result of the replacement of EURIBOR or LIBOR, as the case may be, with the Successor Rate or the Alternative Rate, as the case may be, and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of EURIBOR or LIBOR, as the case may be, with the Successor Rate by any Relevant Nominating Body (as defined below); or

(b) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Advisor determines, following consultation with the Issuer and Protective Life, acting in good faith and in a commercially reasonable manner, is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions or is in customary market usage in the debt capital market for transactions which reference EURIBOR or LIBOR, as the case may be, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be; or

(c) if no such industry standard is recognized or acknowledged, the Independent Advisor, following consultation with the Issuer and Protective Life, or the Issuer or Protective Life, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determine to be appropriate.

"*Alternative Rate*" means an alternative reference rate, benchmark or screen rate which the Independent Advisor, or the Issuer or Protective Life, as applicable, determines in accordance with Condition 7.04(ii) has replaced EURIBOR or LIBOR, as the case may be, in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for the same Interest Period and in the same currency as the Notes.

"*Independent Adviser*" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer (at the Issuer's own expense) under Condition 7.04(i), with the express acknowledgment of Protective Life.

"*Relevant Nominating Body*" means, in respect of EURIBOR or LIBOR, as the case may be:

(a) the central bank for the currency to which EURIBOR or LIBOR, as the case may be, relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of EURIBOR or LIBOR, as the case may be; or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which EURIBOR or LIBOR, as the case may be, relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of EURIBOR or LIBOR, as the case may be, (iii) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"*Successor Rate*" means a successor to or replacement of EURIBOR or LIBOR, as the case may be, which is formally recommended by any Relevant Nominating Body.

Maximum or Minimum Interest Rate

7.05. If any Maximum or Minimum Interest Rate is specified in the Pricing Supplement, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

7.06. Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from and including the Interest Commencement Date to but excluding the Interest Payment Date. Interest will cease to accrue on the due date for redemption therefore unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 8.07) is improperly withheld or refused or default is otherwise made in the payment thereof, in which case interest shall accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable from the original due date for payment to but excluding the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 17 that the Principal Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

7.07. If a Calculation Agent is specified in the Pricing Supplement, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "*Interest Amount(s)*") in respect of the minimum denomination (in the case of Registered Notes) and each denomination of the Notes (in the case of Bearer Notes) for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption

Amount to be notified to the Indenture Trustee, the Principal Paying Agent, the Registrar (in the case of Registered Notes), the Issuer, the Holders in accordance with Condition 17 and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 9, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no notice of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and none of the Indenture Trustee, the Calculation Agent and any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Pricing Supplement for a particular Series of Notes.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the Principal Paying Agent or another leading bank to act as such in its place. The Calculation Agent may resign its duties pursuant to the terms of the Indenture and any applicable calculation agency agreement.

Calculations and Adjustments

7.08. The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Convention, except that if the Pricing Supplement specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions, (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 percent being rounded upwards), (b) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Definitions

7.09. "*Applicable Business Day Convention*" means the Business Day Convention which may be specified in the Pricing Supplement as applicable to any date in respect of the Notes. Where the Pricing Supplement specifies "No Adjustment" in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Pricing Supplement fails either to specify an Applicable Business Day Convention or "No Adjustment" for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Notes which bear interest at a fixed rate, "No Adjustment" shall be deemed to have been so specified and in the case of Notes which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

"*Banking Day*" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"*Bloomberg Screen*" means, when used in connection with any designated information, the information so designated on the Bloomberg Financial Markets Service (and, if used in connection with a designated page, includes such other page as may replace that page on that service for the purpose of displaying such information).

"*Business Day*" means a day (other than a Saturday, Sunday or legal holiday) on which commercial banks and foreign exchange markets are open for business and settle payments in the Relevant Financial Center in respect of the relevant Notes or, in relation to Notes payable in Euro, a day on which the TARGET System is operating and, in either case, a day (other than a Saturday, Sunday or legal holiday) on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Pricing Supplement.

"*Business Day Convention*" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any Notes, shall have the following meanings:

(i) "*Following Business Day Convention*" means that such date shall be postponed to the first following day that is a Business Day;

(ii) "*Modified Following Business Day Convention*" or "*Modified Business Day Convention*" means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(iii) "*Preceding Business Day Convention*" means that such date shall be brought forward to the first preceding day that is a Business Day; and

(iv) "*FRN Convention*" or "*Eurodollar Convention*" means, for each relevant date, the date which numerically corresponds to the preceding relevant date in the calendar month which is the number of months specified in the Pricing Supplement after the calendar month in which the preceding relevant date occurred, *provided* that:

  (a) if there is no such numerically corresponding day in the calendar month in which any relevant date should occur, then the date will be the last day which is a Business Day in that calendar month;

  (b) if the date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

  (c) if the preceding relevant date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding relevant date occurred.

"*Day Count Convention*" means, in respect of the calculation of an amount for any period of time ("*Calculation Period*"), such Day Count Convention as may be specified in the Pricing Supplement and:

(i) if "*Actual/365*" or "*Actual/Actual (Historical)*" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "*Actual/365 (Fixed)*" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if "*Actual/360*" is so specified, means the actual number of days in the Calculation Period divided by 360;

(iv) if "*30/360*" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "*30E/360*" or "*Eurobond Basis*" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "*Actual/Actual (Bond)*" is so specified, and if the Interest Payment Dates all fall at regular intervals between the Issue Date and the Maturity Date, means the number of days in the Calculation Period divided by the product of (A) the number of days in the Interest Period in which the Calculation Period falls and (B) the number of Interest Periods in any period of one year.

"*H.15*" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

"*H.15 Daily Update*" means the daily update of H.15, available through the internet site of the Board of Governors of the Federal Reserve System at http://www.federalreserve.gov/releases/h15/update, or any successor site or publication.

"*Interest Accrual Period*" means, in respect of an Interest Period, each successive period beginning on, and including, an Interest Period End Date and ending on, but excluding, the next succeeding Interest Period End Date during that Interest Period, *provided* always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the Maturity Date.

"*Interest Commencement Date*" means the Issue Date of the Notes (as specified in the Pricing Supplement) or such other date as may be specified as such in the Pricing Supplement.

"*Interest Determination Date*" means (A) in respect of any Interest Accrual Period, other than an Interest Accrual Period in respect of Floating Rate Notes with SOFR as the Reference Rate specified in the applicable Pricing Supplement, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Pricing Supplement prior to the first day of such Interest Accrual Period, or if none is specified:

(i) in the case of Notes denominated in Sterling, the first day of such Interest Accrual Period;

(ii) in the case of Notes denominated or payable in euro, the date falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or

(iii) in any other case, the date falling two Banking Days prior to the first day of such Interest Accrual Period.

and (B) in respect of any Interest Accrual Period in respect of Floating Rate Notes with SOFR as the Reference Rate specified in the applicable Pricing Supplement, as specified in the applicable Pricing Supplement.

"*Interest Payment Date*" means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and (i) if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or (ii) if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"*Interest Period*" means each successive period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date, *provided* always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the Maturity Date.

"*Interest Period End Date*" means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and (i) if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or (ii) if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or (iii) if none of the foregoing is specified in the Pricing Supplement, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

"*Interest Rate*" means the rate or rates (expressed as a percentage *per annum*) of interest payable in respect of the Notes specified in the Pricing Supplement.

"*Interest Reset Date*" has the meaning given in the applicable Pricing Supplement.

"*ISDA Definitions*" means the 2000 ISDA Definitions or the 2006 ISDA Definitions, as specified in the Pricing Supplement (as amended and updated as at the date of issue of the first Tranche of Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc.

"*London Banking Day*" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets settle payments in the LIBOR Currency in London.

"*Maturity Date*" means the scheduled maturity date of the Notes as specified in the applicable Pricing Supplement.

"*Outstanding Principal Amount*" means, with respect to any Note, its principal amount.

"*Reference Banks*" means such banks as may be specified in the Pricing Supplement as the Reference Banks or, if none are specified, "Reference Banks" has the meaning given in the ISDA Definitions, *mutatis mutandis*.

"*Relevant Financial Center*" means such financial center or centers as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions, as the same may be replaced from time to time in the relevant Pricing Supplement.

"*Relevant Time*" means the time as of which any rate is to be determined as specified in the Pricing Supplement or, if none is specified, at which it is customary to determine such rate.

"*Relevant Screen Page*" means the Bloomberg Screen, Reuters Screen or, in the case of SOFR, the applicable page on the Federal Reserve Bank of New York's Website, each as set forth below that is applicable with respect to the Reference Rate, or, such other page, screen, caption, column or other part of a particular information serve as may be specified in the applicable Pricing Supplement.

"*Reuters Screen*" means, when used in connection with a designated page and any designated information, the display page so designated on the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

"*Specified Duration*" is the period to maturity of the instrument or obligation with respect to which the related Reference Rate will be calculated.

"*TARGET Business Day*" means a day on which the TARGET System is operating.

"*TARGET System*" means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

Non-Interest Bearing Notes

7.10. If any Redemption Amount (as defined in Condition 8.07) in respect of any Note which is non-interest bearing (a "*Zero Coupon Note*") is not paid when due, interest shall accrue on the overdue amount at a rate *per annum* (expressed as a percentage *per annum*) equal to the amortization yield (the "*Amortization Yield*") specified in the Pricing Supplement or at such other rate as may be specified for this purpose in the Pricing Supplement. Such interest shall accrue until the earlier of (x) the date on which, upon due presentation or surrender of the Zero Coupon Note (if required), the relevant payment is made or (y) (except where presentation or surrender of the Zero Coupon Note is not required as a precondition of payment) the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Zero Coupon Notes in accordance with Condition 17 that the Principal Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 7.08 as if the Interest Rate was the Amortization Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Convention was as specified for this purpose in the Pricing Supplement or, if not so specified, 30E/360 (as defined in Condition 7.09).

8. Redemption and Purchase

Redemption at Maturity

8.01. Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the "*Maturity Redemption Amount*") (which shall be its Outstanding Principal Amount) as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Pricing Supplement.

Mandatory Early Redemption

8.02. The Issuer shall redeem the Notes of the relevant Series, in whole, but not in part, at their "*Early Redemption Amount*" (which in the case of Notes which are interest bearing, shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortized Face Amount (as defined in Condition 8.08)) together with accrued interest to the date fixed for redemption (if any), in the event that (a "*Mandatory Early Redemption Event*") with respect to Notes of a Tranche of the relevant Series, Protective Life terminates the relevant Funding Agreement related to such Tranche because Protective Life would be required to pay Additional Amounts prior to the scheduled termination date of such relevant Funding Agreement (such redemption, a "*Mandatory Early Redemption*").

8.03. If the Notes shall be redeemed pursuant to Condition 8.02 the redemption shall only become effective on the date of redemption, if: (i) the Issuer provides the Indenture Trustee with the notice of redemption not less than 45 nor more than 75 days prior to the date of redemption (which, in the case of Notes which bear interest at a floating rate, will be on the date or dates upon which interest is payable), unless a shorter notice period shall be satisfactory to the Indenture Trustee; and (ii) the Issuer provides the Holders of the relevant Notes with the notice of redemption in accordance with Condition 17 (which notice shall be irrevocable) not less than 30 days nor more than 75 days prior to the date of redemption (which, in the case of Notes which bear interest at a floating rate, will be on the date or dates upon which interest is payable); *provided*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the relevant Notes then due.

Purchase of Notes

8.04. The Issuer may purchase some or all Notes of any Series in the open market or otherwise at any time, and from time to time, and, with respect to any Series of Notes issued after the date of the Indenture, with the prior written consent of Protective Life as to both the making of such purchase and the purchase price to be paid for such Notes. If purchases are made by tender, tenders must be available to all Holders of relevant Notes alike.

With respect to any Series of Notes issued after the date of the Indenture, the parties to the Indenture have agreed that if Protective Life, in its sole discretion, consents to such purchase of Notes by the Issuer, they will take such actions as may be necessary or desirable to effect the prepayment of such portion, or the entirety, of the Deposit Amount(s) (as specified in the relevant Funding Agreement), under each applicable Funding Agreement as may be necessary to provide for the payment of the purchase price for such Notes. Upon such payment, the Deposit Amount(s) under each relevant Funding Agreement shall be reduced (a) with respect to any purchase of fixed rate Notes or floating rate Notes, by an amount equal to the aggregate principal amount of Notes so purchased (or the portion thereof applicable to such Funding Agreement) and (b) with respect to any purchase of Notes other than fixed rate Notes or floating rate Notes, by an amount to be agreed between the Issuer and Protective Life to reflect such prepayment under the Funding Agreement. The parties to the Indenture have also agreed that no Opinion of Counsel (as defined in the Indenture), certificate of the Issuer or any other document or instrument shall be requested to be provided in connection with any purchase of Notes pursuant to Condition 8.02, Condition 8.03 or this Condition 8.04.

Cancellation of Redeemed and Purchased Notes

8.05. All unmatured Notes redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 8, will be cancelled forthwith and may not be reissued or resold.

Further Provisions Applicable to Redemption Amount

8.06. The provisions of Condition 7.07 and the last paragraph of Condition 7.08 shall apply to any determination or calculation of the Redemption Amount (as hereinafter defined) required by the Pricing Supplement to be made by the Calculation Agent.

8.07. References herein to "*Redemption Amount*" shall mean, as appropriate, the Maturity Redemption Amount and the Early Redemption Amount.

8.08. In the case of any Note which is non-interest-bearing, the "*Amortized Face Amount*" shall be an amount equal to the sum of:

(i) the issue price specified in the Pricing Supplement; and

(ii) the product of the Amortization Yield (compounded annually) being applied to the issue price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Convention (as defined in Condition 7.09) specified in the Pricing Supplement for the purposes of this Condition 8.08.

8.09. In the case of any Note which is non-interest-bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortized Face Amount shall be calculated as provided in Condition 8.08 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

(i) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and

(ii) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 17 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

9. Event of Default

9.01.

(a) If (x) an Event of Default specified in sub-paragraphs (iii) or (x) of Condition 9.01(b) below occurs and is continuing with respect to the Notes of any Series, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable upon the Indenture Trustee notifying the Issuer (after the Indenture Trustee has received notice from Holders of Notes representing not less than 25 percent of the aggregate Outstanding Principal Amount of the Notes of the relevant Series that the Notes have become due and payable) that the Notes of such Series have become due and payable, without any further action whatsoever on the part of the Issuer, the Indenture Trustee or the Holders of the relevant Series of Notes, or (y) an Event of Default specified in sub-paragraphs (i), (vi) or (vii) of Condition 9.01(b) occurs and is continuing with respect to the Notes of any Series, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable upon the Indenture Trustee notifying the Issuer (after the Indenture Trustee has received notice from any Holder of Notes of the relevant Series that the Notes have become due and payable) that the Notes of such Series have become due and payable, without any further action whatsoever on the part of the Issuer, the Indenture Trustee or the Holder of the relevant Series of Notes, or (z) an Event of Default specified in sub-paragraphs (ii), (iv), (v), (viii) or (ix) of Condition 9.01(b) below has occurred, each Note of such Series (and, if such Note is interest-bearing, all interest then accrued on such Note) will become due and payable immediately without any notice or any action on the part of the Issuer, the Indenture Trustee or the Holders of the relevant Series of Notes, in each case at its early termination amount (the "*Early Termination Amount*") (which shall be its Outstanding Principal Amount or, if such Notes are non-interest bearing, its Amortized Face Amount (as defined in Condition 8.08) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement(s)), together with all interest (if any) accrued thereon, without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, in the case of an acceleration described in the preceding clause (x) or (y), prior to the giving of such notice of acceleration by the Indenture Trustee to the Issuer, all Events of Default in respect of the Notes of the relevant Series shall have been cured as provided in the Terms and Conditions.

(b) "*Event of Default*" with respect to the Notes of any Series means any one of the following events (whatever the reason for such Event of Default and whether it is voluntary or involuntary or is 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):

(i) default in the payment of any interest on any Note of that Series when such interest becomes due and payable, and continuance of such default for a period of five Business Days;

(ii) default in the payment of the principal of any Note of that Series at its due date for payment, whether at the Stated Maturity (as defined in the Indenture) thereof or by declaration of acceleration, call for redemption or otherwise and continuance of such default for a period of three Business Days;

(iii) default in the performance, or breach, of any one or more of the other covenants of the Issuer in the Terms and Conditions or in the Indenture, and continuance of such default or breach for a period of 45 days after there has been given notice thereof to the Issuer by the Indenture Trustee, or to the Issuer and the Indenture Trustee by the Holders of Notes representing at least 25 percent of the aggregate Outstanding Principal Amount of the Notes of that Series, which notice will specify such default or breach and require it to be remedied and which notice will state that it is a "Notice of Default" under the Indenture and the relevant Tranche Supplement; *provided*, that a failure by the Issuer to pay any Permitted Expenses (as defined in the Indenture) to the Indenture Trustee, any Series Agent, any Agents, the Delaware Trustee and the Administrator shall not constitute an Event of Default;

(iv) a court having jurisdiction in the premises has entered a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction, which decree or order is not stayed, or any other similar relief has been granted under any applicable law; an insolvency case has been commenced against the Issuer under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Issuer, or over all or a substantial part of its property, has been entered; or there has occurred the involuntary appointment of an interim receiver, trustee or other custodian of the Issuer for all or a substantial part of its property; or a court having jurisdiction in the premises has entered a decree or order declaring the dissolution of the Issuer; or a warrant of attachment, execution or similar process has been issued against any substantial part of the property of the Issuer and any such event described in this sub-paragraph (iv) will continue for 30 days unless dismissed, bonded or discharged;

(v) the Issuer consents to an order for relief entered with respect to it or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the State of Delaware or any other applicable jurisdiction, or consents to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or consents to the appointment of, or taking possession by, a receiver, trustee or other custodian for all or a substantial part of its property; or the Issuer makes any general assignment of its assets for the benefit of creditors; or the Issuer admits in writing its inability generally to pay its debts as such debts become due; or the Delaware Trustee or Administrator adopts any resolution or otherwise authorizes any action to approve or for the purpose of effecting any of the actions referred to in this subparagraph (v);

(vi) a failure by Protective Life under any Funding Agreement relating to that Series of Notes to make any payment of interest at its due date in accordance with the terms of the relevant Funding Agreement, and such failure to pay shall continue for five Business Days (as defined in the relevant Funding Agreement);

(vii) a failure by Protective Life under any Funding Agreement relating to that Series of Notes to make payment of any Additional Amounts Protective Life has agreed to pay pursuant to the terms of the relevant Funding Agreement, subject to certain exceptions set out in full in Condition 11.01, to the relevant Funding Agreement Holder, and such failure to pay shall continue for five Business Days (as defined in the relevant Funding Agreement);

(viii) a failure by Protective Life under any Funding Agreement relating to that Series of Notes to make any payment of the applicable Funding Account Balance when due in accordance with the terms of the relevant Funding Agreement, whether at the Stated

Maturity thereof, at the termination of the relevant Funding Agreement or in connection with any withdrawal or transfer from the relevant Funding Agreement including, but not limited to, a termination pursuant to Section 2 of the relevant Funding Agreement;

(ix) Protective Life (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger in which the resulting entity assumes its obligations); (b) becomes insolvent or is unable generally to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it an administrative or legal proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any supervision, rehabilitation, liquidation, bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its rehabilitation, winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within 60 days of the institution or presentation thereof; (e) has a resolution passed for its rehabilitation, winding-up, official management, dissolution or liquidation (other than pursuant to a consolidation, amalgamation or merger in which the resulting entity assumes obligations of Protective Life); (f) seeks or becomes subject to the appointment of an administrator, supervisor, rehabilitator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 60 days thereafter; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive) of this sub-paragraph; or (i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(x) a failure by Protective Life to make payment of any Support Obligations owed under any Support and Expenses Agreement relating to that Series of Notes and such failure shall continue for a period of five Business Days.

Proceedings

9.02. Holders representing at least 66 2/3 percent of the aggregate Outstanding Principal Amount of the Notes of a Series, which Holders shall in any event represent a majority of the existing Holders of Notes of such Series, shall have the right to direct the time, method and place of conducting any proceedings or any remedy available to the Indenture Trustee and the Series Agent for such Series with respect to the Notes of that Series, including with respect to any Trust Estate appertaining thereto, subject to certain conditions set forth in the Indenture.

9.03. No Holder of a Note of any Series shall have any right to institute any proceedings, judicial or otherwise, with respect to the Indenture or any agreement or instrument included in the Trust Estate or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

(i) such Holder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(ii) the Holders of Notes representing not less than 25 percent of the aggregate Outstanding Principal Amount of the Notes of that Series shall have made written request to the Indenture Trustee or the relevant Series Agent to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee or Series Agent under the Indenture;

(iii) the Indenture Trustee and the relevant Series Agent are indemnified or secured (whether by payment in advance or otherwise by such Holder or Holders) to the satisfaction of the Indenture Trustee and such Series Agent, as applicable, against all out-of-pocket costs, expenses, fees and liabilities which may be reasonably incurred in compliance with such request;

(iv) the Indenture Trustee or the relevant Series Agent for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(v) no direction inconsistent with such written request has been given to the Indenture Trustee or the relevant Series Agent during such 60 day period by the Holders of Notes representing at least 66 2/3 percent of the aggregate Outstanding Principal Amount of the Notes of that Series.

No one or more Holders of the Notes of any Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of Notes of such Series or to obtain or to seek to obtain priority or preference over any other Holders of Notes of such Series or to enforce any right under the Indenture, except in a manner therein provided and for the equal and ratable benefit of all the Holders of the Notes of such Series.

Waiver of Defaults

9.04. Holders representing at least 66 2/3 percent of the aggregate Outstanding Principal Amount of the Notes of a Series may on behalf of the Holders of all the Notes of such Series waive any past Default thereunder with respect thereto and its consequences, except a Default:

(i) in the payment of any principal of, interest on or other payments with respect to any Note of such Series;

(ii) in respect of a covenant or provision thereof that under Article 8 of the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding (as defined in the Indenture) Note of such Series; or

(iii) in respect of any covenant or provision of the Indenture for the protection or benefit of the Indenture Trustee, without the Indenture Trustee's express written consent.

For this purpose, "*Default*" is any occurrence that is, or with notice or passage of time or both would become, an Event of Default.

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 the Indenture and the Notes of a Series, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Rescission and Annulment of Declaration of Acceleration

9.05. At any time after a declaration of acceleration of maturity of the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as provided in Article 5 of the Indenture, the Holders of Notes representing at least 66 2/3 percent of the Outstanding Principal Amount of the Notes of that Series, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(a) all overdue installments of interest on and Additional Amounts, if any, with respect to all Notes of such Series;

(b) the principal of and premium on any Notes of that Series which have become due otherwise than by such declaration of acceleration and interest thereon and any Additional Amounts with respect thereto at the rate borne by the Notes of that Series; and

(c) all sums paid or advanced by the Indenture Trustee under the Indenture and the compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of or interest on and any Additional Amounts with respect to any Notes of that Series which have become due solely as a result of such acceleration, have been cured or waived as provided in Condition 9.04 and the Indenture.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereon.

10. Withholding Taxes

10.01. All amounts due in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax payments in respect of a Funding Agreement or the related Notes unless the withholding or deduction is required by law. In that event, the Issuer will pay, or cause to be paid, Additional Amounts to compensate for any withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the related Notes by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Holders of the related Notes, after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under the related Notes were no such deduction or withholding required; *provided*, that no such Additional Amounts shall be required for or on account of (a) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the existence of (i) any present or former connection between a Funding Agreement Holder, Holder or beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Notes, and the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business therein or having (or having had) a permanent establishment or principal office therein, (ii) such Funding Agreement Holder's or Holder of the Notes' status as a controlled foreign corporation within the meaning of Section 957(a) of the Code related within the meaning of Code Section 864(d)(4) to Protective Life, (iii) such Funding Agreement Holder or Holder of the Notes being a bank for U.S. federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code, (iv) such Funding Agreement Holder or Holder of the Notes being or having been an actual or constructive "10 percent shareholder" of the total combined voting power of all classes of stock of Protective Life entitled to vote within the meaning of Sections 871(h)(3) or 881(c)(3)(B) of the Code and Treasury Regulations promulgated thereunder, or (v) such Funding Agreement Holder or Holder of the Notes being subject to income tax withholding or backup withholding as of the date of the purchase of a Funding Agreement or Note; (b) any tax, duty, levy, assessment or other governmental charge which would not have been imposed but for the presentation of a Funding Agreement, Note, or evidence of beneficial ownership thereof (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later; (c) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reason of the failure of a Funding Agreement Holder, Holder of the Notes or a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the Funding Agreement Holder, Holder of the Notes, or beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, as the case may be, if compliance is required by statute, by regulation, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge; (d) any inheritance, gift, excise, estate, personal property, sales, transfer or similar tax, duty, levy, assessment, or other governmental charge; (e) any tax, duty, levy, assessment, or other governmental charge that is payable otherwise than by withholding from payments in respect of the relevant Funding Agreement or Note, as the case may be; (f) any tax, duty, levy, assessment or other governmental charge imposed by reason of payments on a Funding Agreement or the Notes being treated as contingent interest described in Sections 871(h)(4) or 881(c)(4) of the Code but only to the extent such treatment was disclosed in writing to the Funding Agreement Holder, Holder of the Notes, or beneficial owner of the Notes (as determined for U.S. federal income tax purposes), as the case may be, at the time such Holder or beneficial owner acquired the Notes, as the case may be; (g) any tax, duty, levy, assessment or other governmental charge that would not have been imposed but for an election by the Funding Agreement Holder, the Holder of the Notes, or the beneficial owner (as determined for U.S. federal income tax purposes) of the Funding Agreement or Note, as the case may be, the effect of which is to make one or more payments in respect of the Funding Agreement or Notes, as the case may be, subject to U.S. federal income, state or local tax, or any other tax, duty, levy, assessment or other governmental charge; (h) any tax, duty, levy, assessment or other governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable U.S. Treasury Regulations promulgated thereunder, or any judicial or administrative interpretations of any of the foregoing; (i) any tax, duty, levy, assessment or other governmental charge imposed with respect to a Bearer Note that is not treated as being in “registered form” for U.S. federal income tax purposes; or (j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) or (i) above.

10.02. For the purposes of these Terms and Conditions, the “relevant date” means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Principal Paying Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 17.

10.03. Any reference in these Terms and Conditions to “principal” and/or “interest” in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 10. Unless the context otherwise requires, any reference in these Terms and Conditions to “principal” shall include any premium payable in respect of a Note, any Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “interest” shall include all amounts payable pursuant to Condition 8 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

10.04. Except as permitted under the Indenture, the Issuer shall not buy any security or other property for sale to others in the ordinary course of its business and shall invest solely for its own account and not as an agent or nominee for any other person.

10.05. In the event that any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United States or any political subdivision thereof or any authority or agency therein or thereof having the power to tax on payments in respect of a Funding Agreement issued by Protective Life, is, or will be required by law on such payments, the Issuer shall have the right, upon notice to any rating agency which has rated either the Program for the issuance of Notes as set forth in this Offering Memorandum or the relevant Series of Notes and with the consent of the Indenture Trustee (which consent shall not be unreasonably withheld), but without the consent of the Holders of the Notes, (i) to change its domicile from Delaware to any other jurisdiction, or (ii) to substitute any person, the main objects of which are funding, purchases and administration of securities, with the Issuer as a principal debtor under the Indenture and the Notes, in each case so that such withholding or deduction will not be required by law; *provided* that (x) the Issuer provides the Indenture Trustee with a written notice of its intention to effect the change described in (i) or (ii) above as soon as practicable and (y) such change is not disadvantageous in any material respect to the Holders of Notes, Protective Life, as the issuer of the Funding Agreements and (z) a written notice of such change shall have been given by the

Indenture Trustee to the Holders in accordance with the Terms and Conditions of the relevant Notes and the rating agencies that have rated the Program or the relevant Notes no later than thirty days after receipt of the notice of such change from the Issuer.

10.06. In the event that the Issuer elects to substitute another person with the Issuer as a principal debtor under the Indenture and the Notes, any such person elected by the Issuer shall be the successor of the Issuer hereunder and under the Indenture and the Notes; *provided* that such person shall expressly assume with respect to all the Notes, by a supplement to the Indenture, executed and delivered to the Indenture Trustee and each Holder of Notes, the due and punctual payment of the principal of, premium or interest on all the Notes and the Additional Amounts, if any, and the performance of every covenant in the Terms and Conditions and the Indenture on the part of the Issuer to be performed or observed.

11. Payment of Additional Amounts and Early Termination of a Funding Agreement for Taxation Reasons; Income Tax Treatment

11.01. Protective Life will agree in each Funding Agreement to pay Additional Amounts to the Funding Agreement Holder to compensate for any withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the related Notes by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Funding Agreement Holder under that Funding Agreement, and the Holders of the related Notes under such Notes after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under such Funding Agreement or related Notes, as the case may be, were no such deduction or withholding required; *provided*, that no such Additional Amounts shall be required for or on account of (a) any tax, duty, levy, assessment or other governmental charge imposed which would not have been imposed but for the existence of (i) any present or former connection between a Funding Agreement Holder, Holder of the Notes or a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, and the United States, including, without limitation, being or having been a citizen or resident thereof, or having been present, having been incorporated in, having engaged in a trade or business therein or having (or having had) a permanent establishment or principal office therein, (ii) such Funding Agreement Holder's or Holder of the Notes' status as a controlled foreign corporation within the meaning of Section 957(a) of the Code related within the meaning of Code Section 864(d)(4) to Protective Life, (iii) such Funding Agreement Holder or Holder of the Notes being a bank for U.S. federal income tax purposes whose receipt of interest in respect of a Funding Agreement or Note is described in Section 881(c)(3)(A) of the Code, (iv) such Funding Agreement Holder or Holder of the Notes being or having been an actual or constructive "10 percent shareholder" of the total combined voting power of all classes of stock of Protective Life entitled to vote within the meaning of Sections 871(h)(3) or 881(c)(3)(B) of the Code and Treasury Regulations promulgated thereunder, or (v) such Funding Agreement Holder or Holder of the Notes being subject to income tax withholding or backup withholding as of the date of the purchase of a Funding Agreement or Note; (b) any tax, duty, levy, assessment or other governmental charge which would not have been imposed but for the presentation of a Funding Agreement, Note, or evidence of beneficial ownership thereof (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later; (c) any tax, duty, levy, assessment or other governmental charge which is imposed or withheld solely by reason of the failure of a Funding Agreement Holder, Holder of the Notes, or a beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the Funding Agreement Holder, Holder of the Notes, or beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, as the case may be, if compliance is required by statute, by regulation, judicial or administrative interpretation, other law or by an applicable income tax treaty to which the United States is a party as a condition to exemption from such tax, duty, levy, assessment or other governmental charge; (d) any inheritance, gift, excise, estate, personal property, sales, transfer or similar tax, duty, levy, assessment or other governmental charge; (e) any tax, duty, levy, assessment, or other governmental charge that is payable otherwise than by withholding from payments in respect of the relevant Funding Agreement or Note, as the case may be; (f) any tax, duty, levy, assessment or other governmental charge imposed by reason of payments on a Funding Agreement or the Notes being treated as contingent interest described in Sections 871(h)(4) or 881(c)(4) of the Code, but only to the extent such treatment was disclosed in writing to the Funding Agreement Holder, Holder of the Notes, or beneficial owner of the Notes (as determined for U.S. federal income tax purposes), as the case may be, at the time such Holder or beneficial owner acquired the Funding Agreement or Notes, as the case may be; (g) any tax, duty, levy, assessment or other governmental charge that would not have been imposed but for an election by the Funding Agreement Holder, the Holder of the Notes, or the beneficial owner (as determined for U.S. federal income tax purposes) of a Funding Agreement or Note, as the case may be, the effect of which is to make one or more payments in respect of the Funding Agreement or Notes, as the case may be, subject to U.S. federal income, state or local tax, or any other tax, duty, levy, assessment or other governmental charge; (h) any tax, duty, levy, assessment or other governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable U.S. Treasury Regulations promulgated thereunder, or any judicial or administrative interpretations of any of the foregoing; (i) any tax, duty, levy, assessment or other governmental charge imposed with respect to a Bearer Note that is not treated as being in "registered form" for U.S. federal income tax purposes; or (j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) or (i) above.

11.02. The relevant Funding Agreement will provide that if Protective Life is obligated to withhold or deduct any taxes or to pay any Additional Amounts with respect to any payment under the Funding Agreement or with respect to any payment under any related contract between Protective Life, and the Funding Agreement Holder, or if there is a material probability that Protective Life, will become obligated to withhold or deduct any such taxes or pay any Additional Amounts (in the opinion of independent counsel selected by Protective Life), in each case pursuant to any change in or amendment to any laws (or any regulations or rulings thereunder) of the United States or any political subdivision or taxing authority thereof, or any change in position of any governmental authority in the United States regarding the application or interpretation thereof (including, but not limited to, Protective Life's receipt of a written adjustment from the IRS or any other governmental authority in connection with an audit), then Protective Life may terminate the relevant Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Funding Agreement Holder; *provided*, that no such notice of termination may be given earlier than 90 days prior to the earliest day when Protective Life would become obligated to pay such Additional Amounts were a payment in respect of the Funding Agreement then due.

12. Payments

12A Payments — Bearer Notes

12A.01 This Condition 12A is applicable in relation to Notes in bearer form.

12A.02 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

12A.03 Payment of amounts in respect of interest on Bearer Notes will be made against presentation of the relevant Bearer Notes at the specified office of any of the Paying Agents outside (unless Condition 12A.04 applies) the United States; and

12A.04 Payments of amounts due in respect of interest on the Bearer Notes in accordance with Condition 12A.07 will not be made at the specified office of any Paying Agent in the United States or its possessions (as defined in the Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Bearer Notes when due at all the specified offices of the Paying Agents outside the United States and its possessions is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions, which condition of illegality or preclusion was reasonably not anticipated at the time the Bearer Notes were issued, and (b) such payment or exchange is permitted by applicable U.S. law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in the United States.

12A.05 If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Center Day and a Local Banking Day (each as defined in Condition 12C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the Pricing Supplement) and from such day and thereafter will be entitled to receive payment by check on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, if appropriate, Condition 7.10.

12B Payments — Registered Notes

12B.01 This Condition 12B is applicable in relation to Notes in registered form.

12B.02 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, except in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar or, as the case may be, the Transfer Agent with a specified office in Ireland. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Center Day (as defined in Condition 12C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by check on any Local Banking Day, and, will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, as appropriate, Condition 7.10.

12B.03 Payment of amounts (whether principal, interest or otherwise) due (other than the Note Redemption Amount) in respect of Registered Notes will be paid by the Registrar to the Holder thereof (or, in the case of joint Holders, the first-named) which shall be the person appearing as Holder in the register kept by the Registrar as at close of business (local time in the place of the specified office of the Registrar) on the date specified in the relevant Pricing Supplement, before the due date for such payment (the "*Record Date*").

12B.04 Notwithstanding the provisions of Condition 12C.02, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by check (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorized foreign exchange bank) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (in the case of payment in Japanese Yen to a non-resident of Japan, a nonresident account with an authorized foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Center Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Center Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 7.06 or, as appropriate, Condition 7.10.

12C Payments — General Provisions

12C.01 Except as otherwise specified in these Terms and Conditions, this Condition 12C is applicable in relation to Notes whether in bearer or in registered form.

12C.02 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by check (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorized foreign exchange bank) or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorized foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 10, be subject in all cases to any applicable fiscal or other laws and regulations.

12C.03 For the purposes of these Terms and Conditions:

(i) "*Relevant Financial Center Day*" means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Center and in any other Relevant Financial Center specified in the Pricing Supplement, or in the case of payment in Euro, a day on which the TARGET System is operating; and

(ii) "*Local Banking Day*" means a day (other than a Saturday or Sunday or legal holiday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note.

12C.04 No commissions or expenses shall be charged to the Holders of Notes in respect of payments.

13. Prescription

13.01. Subject to all provisions of applicable law, the Bearer Notes will become void unless presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date therefor.

14. The Paying Agents, the Registrar, the Transfer Agent and the Calculation Agent

14.01. The initial Paying Agents, Transfer Agent and Registrar and their respective initial specified offices are specified on the back cover page of this Offering Memorandum. The Calculation Agent in respect of any Notes shall be specified in the Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Principal Paying Agent) or the Registrar or the Calculation Agent or the Transfer Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent or Transfer Agent, *provided* that it will at all times maintain (i) a Principal Paying Agent, (ii) in the case of Registered Notes, a Registrar, (iii) a Paying Agent (which may be the Principal Paying Agent) with a specified office in a continental European city, (iv) so long as the Notes are admitted to the Official List and trading on the GEM and/or listed or admitted to trading on any other stock exchange, a Paying Agent (which may be the Principal Paying Agent) and the Transfer Agent each with a specified office in Ireland and/or in such other place as may be required by the rules of such other stock exchange, (v) in the circumstances described in Condition 12A.04, a Paying Agent with a specified office in the United States and (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii), (iii) and (vi) with a specified office located in such place (if any) as may be required by the

Terms and Conditions), the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such directive or law. The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar, the Transfer Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 17.

14.02. The Paying Agents, the Registrar, the Transfer Agent and the Calculation Agent act solely as agents of the Issuer with respect to the relevant Series and, except as provided in the Indenture or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Indenture or other agreement entered into with respect to its appointment or incidental thereto.

15. Replacement of Notes

15.01. If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Pricing Supplement (in the case of Bearer Notes) or of the Registrar (in the case of Registered Notes) ("*Replacement Agent*"), subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes must be surrendered before replacements will be delivered therefor.

16. Meetings of Holders and Modification

16.01. The Indenture contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Indenture) of these Terms and Conditions. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting.

16.02. The Issuer may, with the consent of the Indenture Trustee, but without the consent of the Holders of the Notes of any Series, amend these Terms and Conditions insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions except with the sanction of an Extraordinary Resolution.

17. Notices

17.01. Notices to Holders of Bearer Notes will, except where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*), (ii) in the case of any Notes which are admitted to the Official List and trading on the GEM, in a leading daily newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading general circulation newspaper in Europe. The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are admitted to trading and/or listed, as the case may be. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

17.02. Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes admitted to the Official List and trading on the GEM of Euronext Dublin, any notices to Holders must also be published in a leading daily newspaper having general circulation in Ireland (which is expected to be the Irish Times) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

18. Reopenings

18.01. The Issuer may in order to create larger, more liquid issues and without the consent of the Holders of the Notes, issue additional Tranches of Notes having the same terms as previously issued Notes (other than the date of issuance, denomination size, the Interest Commencement Date, if any, the amount of first payment of interest, and the offering price, all of which may vary) that will form a single Series with the previously issued Notes, *provided* that any subsequently issued Tranche of Notes constitutes a "qualified reopening" of the original issuance of such series of Notes, as defined in U.S. Treasury Regulation section 1.1275-2(k)(3) (or successor provisions). The Issuer may only issue additional Tranches of Notes if Protective Life simultaneously issues one or more Funding Agreements which will become a part of the relevant Trust Estate.

19. Waiver and Remedies

19.01. No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right under the Terms and Conditions shall operate as a waiver of such right nor shall any single or partial exercise of such right preclude any other or future exercise thereof or the exercise of any other right. Rights under these Terms and Conditions shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

20. Law and Jurisdiction

20.01. Unless otherwise specified in the relevant Pricing Supplement, the Notes, the Indenture, each Tranche Supplement, each Support and Expenses Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. The Funding Agreements shall be governed by, and construed in accordance with, the laws of the State of Delaware.

20.02. Unless otherwise specified in the relevant Pricing Supplement, the Issuer irrevocably agrees for the benefit of the Holders of the Notes that the U.S. federal court located in New York City, the Borough of Manhattan shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "*Proceedings*" and "*Disputes*"), and, for such purposes, irrevocably submits to the jurisdiction of such court.

20.03. The Issuer irrevocably waives any objection which it might now or hereafter have to the U.S. federal court located in New York City, the Borough of Manhattan being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

20.04. The Issuer agrees that the process by which any proceedings in New York City are begun may be served on it by being delivered to it at CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011. If the appointment of CT Corporation System ceases to be effective, the Issuer shall forthwith appoint a further person in the United States to accept service of process on its behalf and notify the name and address of such person to the Principal Paying Agent and the Indenture Trustee and, failing such appointment within fifteen days, any Holder of a Note or the Funding

Agreement Holder, as the case may be, shall be entitled to appoint such a person by written notice addressed to the Issuer or to the specified office of the Principal Paying Agent and the Indenture Trustee. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.

20.05. The submission to the jurisdiction of the U.S. federal court located in New York City shall not (and shall not be construed so as to) limit the right of the Holders of the Notes to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

20.06. In respect of Listed Swiss Franc Notes, the Issuer has agreed in the Indenture for the benefit of the Holders of such Notes to the additional jurisdiction of the ordinary Courts of the Canton of Zurich, the place of jurisdiction being Zurich 3, with the right of appeal, where the law permits, to the Swiss federal Court of Justice in Lausanne, the decision of which shall be final. In connection with such Notes, the Indenture Trustee and the Issuer elect legal and special domicile at the registered office of such Swiss Paying Agent, in respect of any legal proceedings in Switzerland. A Swiss Paying Agent must be appointed for any issue of Listed Swiss Franc Notes under the Program.

21. The Indenture Trustee and Series Agent

21.01. The Indenture Trustee may assume, unless a Responsible Officer (as defined in the Indenture) has received actual notice thereof, that (i) none of the following has occurred: a Default, an Event of Default or an event that will or may, with the passage of time or the giving of notice, cause the early termination of the relevant Funding Agreement and (ii) the Issuer has complied with its obligations and covenants under the Indenture.

21.02. None of the Indenture Trustee or the Series Agent makes any representations with respect to any Trust Estate or as to the validity, sufficiency or enforceability of the Indenture or of the Notes of any Tranche or of any security interest created hereunder or under the Indenture.

21.03. No provision of the Indenture shall require the Indenture Trustee or the Series Agent 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 any of its rights or powers, if it shall have grounds for believing that repayment of such funds or satisfactory indemnity against such risk or liability is not assured to it.

21.04. Any money collected by the Indenture Trustee and the Series Agent following an Event of Default under the Indenture, any supplements thereto, or any Assigned Document (as defined in the Indenture), and any monies that may then be held or thereafter received by the Indenture Trustee or relevant Series Agent as security with respect to the Notes of any Series shall be held in the Collection Account relating to such Series of Notes and be applied in the following order, at the date or dates fixed by the Indenture Trustee and, in case of distributions on account of principal, any premium, interest or Additional Amounts, upon presentation of the Notes of such Series, or both, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

first, to the payment of all Anticipated Expenses with respect to such Series of the Indenture Trustee, the Delaware Trustee and the relevant Series Agent and then to the payment of Accelerated Unanticipated Expenses. "*Accelerated Unanticipated Expenses*" means Unanticipated Expenses (as defined in the Indenture) of the Indenture Trustee, the Delaware Trustee, any Agent and the relevant Series Agent relating to a Series with respect to which an Event of Default has occurred and limited to reasonable and customary fees and expenses (including all reasonable and duly documented legal expenses) incurred by the Indenture Trustee, any Agent and such relevant Series Agent in connection with the performance of any of their respective fiduciary duties that the Indenture Trustee, the Delaware Trustee, any Agent or relevant Series Agent reasonably determined to have occurred with respect to such Series;

second, to the payment of all other Unanticipated Expenses with respect to such Series due to the Indenture Trustee, the Delaware Trustee and the relevant Series Agent, including, without limitation, amounts due under Section 6.7 of the Indenture and amounts due under the Trust Agreement, whether in payment of the compensation, expenses, indemnity, disbursements or advances of the Indenture Trustee or the Delaware Trustee, as the case may be, and their respective agents and counsel or otherwise;

third, to the payment of all remaining Anticipated Expenses with respect to such Series of the Issuer;

fourth, to the payment of all remaining Unanticipated Expenses with respect to the relevant Series of the Issuer including, without limitation, amounts due under Section 6.7 of the Indenture and amounts due under the Trust Agreement, whether in payment of the compensation, expenses, indemnity, disbursements and advances of the Indenture Trustee or the Delaware Trustee, as the case may be, and their respective agents and counsel or otherwise;

fifth, to the payment of the amounts then due and unpaid upon the Notes with respect to such Series for the principal and any premium, if any, interest and Additional Amounts, if any, in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes for principal and any premium, interest and any Additional Amounts, respectively;

sixth, to the payment of any other secured obligations in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

seventh, any remaining balance shall be paid to the Issuer for the benefit of the Series Beneficial Owner or its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

If no Event of Default exists, the priority of payments pursuant to the grant of a security interest in, pledge and collateral assignment of, the Issuer's estate, right, title and interest in the relevant Trust Estate shall be as follows:

first, to the payment of the amounts then due and unpaid upon the Notes for the principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes for principal and any premium, interest and Additional Amounts, respectively;

second, to the payment of all Permitted Expenses due with respect to the Notes to the Indenture Trustee and the relevant Series Agent, the Agents, the Delaware Trustee and the Administrator;

third, to the payment of any other secured obligations in respect of which or for the benefit of which such an amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

fourth, any remaining balance shall be paid to the Issuer for the benefit of the Series Beneficial Owner or its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

21.05. The Indenture Trustee, the Delaware Trustee and the Series Agent in respect of any Series of Notes have no responsibility for any rating assigned to the Program, or any Notes issued thereunder, by any person.

GLOBAL NOTES

Relationship of accountholders with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream Luxembourg or any other clearing system as the holder of a Note represented by a Global Bearer Note or by a Global Registered Note must look solely to DTC, Euroclear and/or Clearstream Luxembourg for such person's share of each payment made by the Issuer to the registered holder of the Global Registered Note or the bearer of the Global Bearer Note, as the case may be, and in relation to all other rights arising under the Global Registered Notes or Global Bearer Notes, subject to and in accordance with the respective rules and procedures of DTC, Euroclear and/or Clearstream Luxembourg.

Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Bearer Note or Global Registered Note (collectively, the "*Global Notes*") and such obligations of the Issuer will be discharged by payment to the bearer or the registered holder of such Global Note, as the case may be, in respect of each amount so paid. References in these provisions relating to the Notes in global form to "holder" or "accountholder" are to those persons shown in the records of the relevant clearing system as a holder of a Note.

Upon the issuance of Global Notes, DTC or Euroclear and/or Clearstream Luxembourg will each credit, on its internal system, the respective principal amounts of the individual beneficial interests represented by each such Global Note to the accounts of persons who have accounts with such depositary. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC or Euroclear and/or Clearstream Luxembourg ("*Participants*") or persons who hold interests through Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or Euroclear and/or Clearstream Luxembourg (with respect to interests of Participants) and the records of Participants (with respect to interests of persons other than Participants).

Non-U.S. Persons may hold their beneficial interests in a Regulation S Temporary Global Registered Note or a Regulation S Permanent Global Registered Note through Euroclear and/or Clearstream Luxembourg if they are Participants in such systems, or indirectly through organizations which are Participants in such systems. In the case of U.S. dollar denominated Registered Notes, Qualified Institutional Buyers may hold their beneficial interests in Rule 144A Permanent Global Registered Notes directly through DTC if they are Participants in such system or indirectly through organizations which are Participants in such system.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

So long as DTC or its nominee is the depositary for a Permanent Global Registered Note or its nominee is the registered owner or holder of such Permanent Global Registered Note, DTC or such depositary or such nominee, as the case may be, will be considered the sole owner or Holder of those Notes beneficially owned by other persons for all purposes under the Indenture and the Notes. Except as set forth herein, owners of beneficial interests in such Permanent Global Registered Notes will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form, will not be able to transfer that interest except in accordance with DTC's or such depositary's applicable procedures and will not be considered the owners or Holders thereof under the Indenture.

Form and Exchange — Global Registered Notes

(1) Rule 144A Notes of any Tranche will initially be represented by one or more Rule 144A Permanent Global Registered Notes, which will be (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. dollar denominated Notes,

registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Except as set forth herein with respect to certain Notes issued in an Overseas Directed Offering, including Listed Swiss Franc Notes, Regulation S Registered Notes will initially be represented by one or more Regulation S Temporary Global Registered Notes, which will (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

On or after the Exchange Date, beneficial interests in each Regulation S Temporary Global Registered Note will be exchangeable (i) for beneficial interests in one or more Regulation S Permanent Global Registered Notes and (ii) upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by Regulation S, in whole but not in part, for Definitive Registered Notes upon the occurrence and during the continuation of a Definitive Notes Exchange Event.

Each Regulation S Permanent Global Registered Note will be (i) in the case of U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a custodian for, DTC, and (ii) in the case of non-U.S. dollar denominated Notes, registered in the name of a nominee for, and deposited with a depositary or common depositary for, Euroclear and/or Clearstream Luxembourg.

Each Tranche of Regulation S Registered Notes issued in an Overseas Directed Offering will initially be represented by one or more Regulation S Permanent Global Registered Notes, beneficial interests in which will be exchangeable for Definitive Registered Notes in the circumstances set forth therein and in the relevant Pricing Supplement.

(2) Whenever beneficial interests in a Global Registered Note are to be exchanged for Definitive Registered Notes, such Definitive Registered Notes will be issued in an aggregate principal amount equal to the principal amount of the relevant Global Registered Note within five business days of the delivery, by or on behalf of the registered Holder of the Global Registered Note, DTC, Euroclear and/or Clearstream Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Registered Notes (including, without limitation, the names and addresses of the persons in whose names the Definitive Registered Notes are to be registered and the principal amount of each such person's holding) against the surrender of the relevant Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Indenture and the regulations concerning the transfer and registration of Notes scheduled therein and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Definitive Registered Notes have not been issued and delivered by 5:00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the relevant Global Registered Note or (b) any of the Notes evidenced by the Global Registered Note has become due and payable in accordance with the Terms and Conditions or the date for final redemption of the relevant Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the relevant Global Registered Note on the due date for payment in accordance with the terms of the Global Registered Note, then each person (or its successor or assigns) shown in the records of DTC, Euroclear and/or Clearstream Luxembourg (or other relevant clearing system) may file any claim, take any action or institute any proceeding to enforce, directly against the Issuer, the obligation of the Issuer under the relevant Global Registered Note to pay any amount due in respect of each Note represented by the relevant Global Registered Note which is credited to such person's securities account with a clearing system without the production of the relevant Global Registered Note, *provided* that the registered holder of the relevant Global Registered Note shall not theretofore have filed a claim, taken action or instituted proceedings to enforce the same in respect of such Note.

Form and Exchange — Global Bearer Notes

(1) Subject to requirements that Bearer Notes with a maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, and except as set forth herein with respect to certain Notes

issued in certain Overseas Directed Offerings, including any Listed Swiss Franc Notes, Bearer Notes of any Tranche will initially be represented by one or more Temporary Global Bearer Notes, which will be deposited with a depositary or common depositary for Euroclear and/or Clearstream Luxembourg.

Subject to requirements that Bearer Notes with maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, on or after the Exchange Date, upon and to the extent of the certification of the non-U.S. beneficial ownership of the relevant Notes as required by U.S. Treasury Regulations and Regulation S, if so specified in the applicable Pricing Supplement beneficial interests in each Temporary Global Bearer Note will be exchangeable (i) for beneficial interests in a Permanent Global Bearer Note, (ii) upon the occurrence and during the continuation of a Definitive Bearer Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes or (iii) upon the occurrence and during the continuation of a Definitive Notes Exchange Event, for Definitive Registered Notes.

Subject to requirements that Bearer Notes with maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, if so specified in the applicable Pricing Supplement beneficial interests in each Permanent Global Bearer Note will be exchangeable (i) for beneficial interests in Permanent Global Registered Notes, (ii) upon the occurrence and during the continuation of a Definitive Bearer Notes Exchange Event, in whole but not in part, for Definitive Bearer Notes or (iii) upon the occurrence and during the continuation of a Definitive Bearer Notes Exchange Event, Definitive Registered Notes. After the occurrence of a Definitive Bearer Notes Exchange Event, such that a Holder has a right to obtain a Definitive Bearer Note, the Bearer Note will no longer be in registered form for U.S. federal income tax purposes, regardless of whether any option to obtain a Definitive Bearer Note has actually been exercised.

Subject to requirements that Bearer Notes with maturity of more than 183 days be treated as being in "registered form" for U.S. federal income tax purposes, each Tranche of Bearer Notes issued in an Overseas Directed Offering, including Listed Swiss Franc Notes, will initially be represented by one or more Permanent Global Bearer Notes.

Any Bearer Note with a maturity of more than 183 days will be issued in such a manner as to satisfy the requirements for such Bearer Note to be treated as "registered" for U.S. federal income tax purposes.

In order to meet U.S. federal income tax requirements for the Bearer Notes to be in "registered form" for U.S. federal income tax purposes, a Bearer Note will be "effectively immobilized." Under guidance issued by the IRS, a global bearer note is "effectively immobilized" if (1) it is issued to and held by Euroclear or Clearstream or another clearing organization as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(B)(4) (or by a custodian or depository acting as an agent of the clearing organization) for the benefit of purchasers of interests in the obligation under arrangements that prohibit the transfer of the global securities except to a successor clearing organization subject to the same terms; and (2) beneficial interests in the underlying obligation are transferable only through a book entry system maintained by the clearing organization (or an agent of the clearing organization).

(2) Holders of interests in any Temporary Global Bearer Note shall not (unless, upon due presentation of such Temporary Global Bearer Note for exchange for a Permanent Global Bearer Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Bearer Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

(3) Subject to paragraph (2) above, if any date on which a payment of interest is due on the Notes of a Tranche occurs while any of the Notes of that Tranche are represented by a Temporary Global Bearer Note, the related interest payment will be made only to the extent that the certification of the non-U.S. Beneficial ownership thereof as required by U.S. Treasury Regulations and Regulation S (in substantially the form set out in the Temporary Global Bearer Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear and/or Clearstream Luxembourg (or other relevant clearing system). Payments of amounts due in respect of beneficial interests in a Permanent Global Bearer Note will be made through Euroclear and/or Clearstream Luxembourg (or other relevant clearing system).

(4) The provisions of the applicable Pricing Supplement may provide that so long as the Bearer Notes are represented by a Temporary Global Bearer Note or Permanent Global Bearer Note and the relevant clearing

system(s) so permit, the Notes shall be tradable only in the Specified Denomination and higher integral multiples of €1,000, notwithstanding that no Definitive Notes will be issued with a denomination above €199,000.

(5) Whenever a Global Bearer Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery of such Definitive Notes, duly authenticated in an aggregate principal amount equal to the principal amount of the relevant Global Bearer Note to the Holder of the relevant Global Bearer Note against its surrender at the specified office of the Principal Paying Agent within 30 days of the Holder's requesting such exchange.

If (a) Definitive Notes have not been delivered in accordance with the foregoing by 5:00 p.m. (London time) on the thirtieth day after the Holder has requested exchange, or (b) the Global Bearer Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions or the date for final redemption of the relevant Global Bearer Note has occurred and, in either case, payment in full of the amount of the Redemption Amount together with all accrued interest thereon has not been made to the Holder in accordance with the Terms and Conditions on the due date for payment, then each Holder or its successor or assigns may, without the consent and to the exclusion of the Holder of the relevant Global Bearer Note, file any claim, take any action or institute any proceeding to enforce directly against the Issuer the obligation of the Issuer under the relevant Global Bearer Note to pay any amount due in respect of each Note represented by the relevant Global Bearer Note which is credited to such Holder's securities account with a clearing system as fully as though such Note were evidenced by a Definitive Bearer Note without the production of the relevant Global Bearer Note, *provided* that the Holder of the relevant Global Bearer Note shall not theretofore have filed a claim, taken action or instituted proceedings to enforce the same in respect of such Note. The face amount of the relevant Global Bearer Note shall be reduced by the face amount, if any, of each Note represented thereby in respect of which full settlement has occurred as a result of any such claim, action or proceeding by such relevant Holders or their successors or assigns.

Amendments to Conditions

The Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions set out in this Offering Memorandum. The following is a summary of certain of those provisions:

(1) *Meetings*: The Holder of a Permanent Global Bearer Note or of the Notes represented by a Permanent Global Registered Note shall (unless such Permanent Global Bearer Note or Permanent Global Registered Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, the Holder of a Permanent Global Bearer Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All Holders of Registered Notes are entitled to one vote in respect of each Note comprising such Holder's holding, whether or not represented by a Permanent Global Registered Note).

(2) *Cancellation*: Cancellation of any Note represented by a Permanent Global Bearer Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Bearer Note.

(3) *Purchase*: Notes represented by a Permanent Global Bearer Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and principal thereon.

(4) *Notices*: So long as any Notes are represented by a Permanent Global Bearer Note or Permanent Global Registered Note and such Permanent Global Bearer Note or Permanent Global Registered Note is held by or on behalf of a clearing system, notices to the Holders of Notes of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions or by delivery of the relevant notice to the Holder of the Permanent Global Bearer Note or Permanent Global Registered Note.

(5) *Payments*: So long as any of the Notes remains in global form, payments will be made to Holders of Notes in accordance with customary operating procedures of DTC, Euroclear and/or Clearstream Luxembourg.

DESCRIPTION OF COLLATERAL

General

Each Series of Notes will be secured by all of the Funding Agreements issued by Protective Life to the Issuer in respect of the Tranches of Notes comprising such Series, the Support and Expenses Agreements in respect of the Tranches of Notes of such Series (subject to the subrogation rights of Protective Life set forth in such Support and Expenses Agreements) and the related Trust Estate as specified in each applicable Pricing Supplement. The Issuer will grant a security interest in each Funding Agreement and each Support and Expenses Agreement in respect of the Tranches of Notes of such Series (subject to the subrogation rights of Protective Life set forth in each such Support and Expenses Agreement) to the relevant Series Agent for the benefit and security of the Secured Parties.

The obligations of the Issuer evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including, but not limited to, Protective Life, PLC, Dai-ichi Life or any of their respective subsidiaries or affiliates, the Delaware Trustee, the Administrator, the Beneficial Owner, or the Series Beneficial Owner. The obligations of Protective Life under the Funding Agreements and the Support and Expenses Agreements will not be obligations of, and will not be guaranteed by, any other person.

Funding Agreements

The Funding Agreements are unsecured obligations of Protective Life. Protective Life is the sole owner of all deposits received under the Funding Agreements and all assets acquired therewith. All amounts that Protective Life receives under the Funding Agreements and all assets acquired therewith are and remain a part of Protective Life's general account without any duty or requirement of segregation or separate investment on Protective Life's part.

Payments Under Funding Agreements

The currency of denomination, maturity, redemption and interest rate provisions of the Funding Agreement entered into in connection with a Tranche of Notes will be structured to provide the relevant Series of the Issuer with such payments as are necessary for such Series of the Issuer to meet in full its scheduled payment obligations under the relevant Tranche of Notes.

Any amendment or modification of the Notes or the Terms and Conditions thereof made after the effective date of a relevant Funding Agreement will not affect Protective Life's payment and other obligations pursuant to such Funding Agreement.

The Funding Account Balance of the relevant Funding Agreement will be equal to the outstanding aggregate principal amount of the relevant Tranche of Notes at maturity (including any early maturity date due to a Mandatory Early Redemption or an Event of Default) plus accrued and unpaid interest. The Funding Agreement shall become effective immediately upon the receipt by Protective Life of an amount equal to the Net Deposit Amount due thereunder.

Withholding; Termination for Taxation Reasons

Protective Life will agree in each Funding Agreement, subject to certain exceptions provided in Condition 11.01 of the Terms and Conditions set forth under the section "Terms and Conditions of the Notes," to pay Additional Amounts to the Funding Agreement Holder to compensate for any withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied on payments in respect of a Funding Agreement or the Note, as the case may be, by or on behalf of any governmental authority in the United States having the power to tax, so that the amount received by the Funding Agreement Holder under that Funding Agreement and the Holder of the related Notes under such Notes, as the case may be, after giving effect to such withholding or deduction, whether or not currently payable, will equal the amount that would have been received under such Funding Agreement or Notes, as the case may be, were no such deduction or withholding required.

The relevant Funding Agreement will provide that if Protective Life is obligated to withhold or deduct any U.S. taxes or to pay any Additional Amounts with respect to any payment under the Funding Agreement or with respect to any payment under any related contract between Protective Life and the Funding Agreement Holder, or if there is a material probability that Protective Life will become obligated to withhold or deduct any such U.S. taxes or otherwise pay Additional Amounts (in the opinion of independent counsel selected by Protective Life), in each case pursuant to any change in or amendment to any U.S. tax laws (or any regulations or rulings thereunder) or any change in position of the IRS (or other relevant tax authority) regarding the application or interpretation thereof (including, but not limited to, Protective Life's receipt of a written adjustment from the IRS in connection with an audit), then Protective Life may terminate the relevant Funding Agreement by giving not less than 30 and no more than 75 days prior written notice to the Funding Agreement Holder; *provided*, that no such notice of termination may be given earlier than 90 days prior to the earliest day when Protective Life would become obligated to pay such Additional Amounts were a payment in respect of the Funding Agreement then due.

Termination for Other Reasons; Demand for Payment

The Funding Agreement Holder may demand payment of the entire balance in the account of the relevant Funding Agreement if (i) Protective Life fails to make a payment of interest or an Additional Amount (as such term is defined in the relevant Funding Agreement) required to be made under the relevant Funding Agreement and such failure continues for a period of five Business Days (as such term is defined in the relevant Funding Agreement); (ii) Protective Life fails to make any payment of principal in accordance with the relevant Funding Agreement and such failure continues for a period of three Business Days; or (iii) a final order or decree is issued by a court of competent jurisdiction appointing a receiver or liquidator in any insolvency, rehabilitation, or similar proceeding involving all or substantially all of the assets, liabilities and property of Protective Life.

Supplemental Funding Agreements

The first Funding Agreement issued in connection with a particular Series of Notes may provide that Protective Life may issue to the holder of such Funding Agreement one or more additional Funding Agreements and may provide in any such additional Funding Agreement that such additional Funding Agreement shall constitute part of the same obligation of Protective Life as the first Funding Agreement issued in connection with such Series of Notes ("*Supplemental Funding Agreement*"), and that such Supplemental Funding Agreement shall be subject to the same terms and conditions (including those set forth in the Account Specification Appendix (as defined in the relevant Funding Agreement)), except that the Effective Date (as specified in the relevant Funding Agreement), the balance of the Funding Account, the Net Deposit Amount (each, as defined in the relevant Funding Agreement) and the amount of the first interest payment, if any, may be different in respect of such Supplemental Funding Agreement.

The issuance of any such Supplemental Funding Agreement will be subject to the satisfaction of the requirements to be a "qualified reopening" so as to be treated as part of the same issue as the original debt instrument under U.S. Treasury Regulation section 1.1275-2(k)(3) (or successor provisions).

Support and Expenses Agreements

In connection with the issue of any Tranche of Notes under the Program, Protective Life and the Issuer will enter into a Support and Expenses Agreement. The Support and Expenses Agreements are unsecured obligations of Protective Life. Pursuant to the Support and Expenses Agreement entered into in connection with any Tranche of Notes, Protective Life will agree to indemnify the Issuer for all Support Obligations related to such Tranche of Notes.

Protective Life will agree in each Support and Expenses Agreement to pay any amounts due under such Support and Expenses Agreement in the currency in which the related Support Obligation originated. The subrogation rights of Protective Life under each relevant Support and Expenses Agreement and any amounts relating thereto will not be included in the Trust Estate for the relevant Series.

TAXATION

The information provided below does not purport to be a complete summary of the U.S. tax law and practice currently applicable. Prospective investors should consult with their own professional advisors.

U.S. Taxation

The following is a summary of certain U.S. federal income tax consequences of the ownership and disposition of the Notes. It is included herein for general information only and does not address every aspect of the income or other tax laws that may be relevant to investors in the Notes in light of their personal investment circumstances or that may be relevant to certain types of investors subject to special treatment under U.S. income tax laws (for example, financial institutions, tax-exempt organizations, insurance companies, real estate investment trusts, regulated investment companies, persons that are broker-dealers, traders in securities who elect the mark to market method of accounting for their securities, U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, investors in partnerships or other pass-through entities or persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction). Except as noted below, the discussion in this summary is limited to initial purchasers of the Notes who purchase the Notes for cash at the initial "issue price" (*i.e*., the initial offering price to the public, excluding bond houses and brokers, at which a substantial amount of such Notes are sold) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code. In addition, this discussion does not address the effect of U.S. federal alternative minimum tax, the tax on "investment income" imposed under Section 1411 of the Code, U.S. federal gift and estate tax law or any state, local or foreign tax laws. Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. Furthermore, the discussion herein is based upon provisions of the Code, the legislative history thereof, final, temporary and proposed regulations thereunder, and rulings and judicial decisions thereunder as of the date hereof. Such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed herein. The applicable Pricing Supplement for the Notes may contain additional U.S. federal income tax disclosure with respect to any special U.S. federal income tax considerations for the Notes.

As used herein, a "*U.S. Holder*" is a beneficial owner of a Note that is for U.S. federal income tax purposes (i) a citizen or resident of the United States; (ii) a corporation (or any other entity treated as a corporation for U.S. income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust, if (a) a court within the United States is able to exercise primary supervision over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust.

For purposes of the following discussion, a "*Non-U.S. Holder*" means a beneficial owner of a Note (other than a partnership or an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder for U.S. federal income tax purposes.

If a partnership, or an entity treated as a partnership for U.S. federal income tax purposes, owns any of the Notes, the tax treatment of a partner, or an equity interest owner of such other entity, will generally depend upon the status of the person and the activities of the partnership, or other entity treated as a partnership. If you are a partner of a partnership, or an equity interest owner of another entity treated as a partnership, holding any of the Notes, you should consult your tax advisors.

Pursuant to recently enacted legislation, an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. To the extent this rule is inconsistent with the rules described below, this rule supersedes such rules. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the Notes prior to the time such income would be recognized pursuant to the rules described below. Potential investors in the Notes should consult their tax advisors regarding the potential applicability of these rules to their investment in the Notes.

Classification of the Issuer and the Notes

In the opinion of Willkie Farr & Gallagher LLP, special U.S. federal income tax counsel to Protective Life and to the Issuer ("*Special Tax Counsel*"), under current law and assuming the Issuer is operated in accordance with its organizational documents and as described in this Offering Memorandum, and based upon certain facts and assumptions contained in such opinion, the Issuer and each Series of the Issuer will not be treated as an association or publicly traded partnership taxable as a corporation.

Protective Life, the Issuer and each Series of the Issuer will treat the Notes as indebtedness of Protective Life for all U.S. federal income tax purposes. Each Holder of Notes, by acceptance of such Notes, will be deemed to have agreed to treat the Notes as indebtedness of Protective Life for all U.S. federal income tax purposes. The remainder of this discussion assumes the Notes are properly treated as indebtedness of Protective Life for all U.S. federal income tax purposes.

An opinion of Special Tax Counsel is not binding on the IRS or the courts, and no ruling on any of the consequences or issues discussed herein will be sought from the IRS. Accordingly, persons considering the purchase of Notes should consult their own tax advisors about the U.S. federal income tax consequences of an investment in the Notes and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

U.S. Taxation of U.S. Holders

Original Issue Discount and Premium

Except as described below, U.S. Holders of Notes generally will include payments of stated interest received in respect of the Notes as ordinary interest income in the taxable year when received or accrued in accordance with their method of accounting for U.S. federal income tax purposes. In general, if the "stated redemption price at maturity" of the Notes exceeds the issue price of the Notes, as defined above, a U.S. Holder will be considered to have purchased its Notes with original issue discount ("*OID*"), unless a *de minimis* test is met with respect to such OID. If a U.S. Holder acquires Notes with OID, then regardless of such Holder's method of accounting, the Holder will be required to accrue OID on the Notes on a constant yield basis and include such accruals in gross income.

In general, if the issue price of a Note exceeds the "stated redemption price at maturity" of the Note, a U.S. Holder will be considered to have purchased its Note at a premium. In this event, a U.S. Holder may elect to amortize such premium, based on a constant yield basis, as an offset to interest income, whether or not such U.S. Holder has received any cash payment from the Issuer with respect to the Note. Any amount of unamortized bond premium will decrease the U.S. Holder's tax basis in the Note.

"*Stated redemption price at maturity*" means the sum of all payments to be received on a Note other than payments of qualified stated interest (defined generally as stated interest that is unconditionally payable at least annually at a single fixed rate or in the case of a variable rate debt instrument, at a rate or combination of rates meeting certain specified criteria). Unless otherwise specified, Protective Life expects interest on a Note to be treated as qualified stated interest.

Notes that have a fixed maturity of one year or less ("*short-term notes*") will be treated as having been issued with OID. In general, an individual or other cash method U.S. Holder is not required to accrue such OID unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the short-term note will be ordinary income to the extent of the OID accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the short-term note will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method, and certain other holders including banks and dealers in securities, are required to accrue OID on a short-term note on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding).

Sale and Retirement of Notes

In general, a U.S. Holder of a Note will have a basis in such Note equal to the cost of the Note to such Holder, increased by any amount includible in income by such Holder as OID and reduced by amortized premium and any payments other than payments of qualified stated interest on the Note. Upon a sale, exchange or retirement of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued but unpaid interest, which would be taxable as such) and the Holder's adjusted tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition.

The Notes may trade at a price that does not accurately reflect the value of accrued but unpaid interest. A U.S. Holder who disposes of a Note between Record Dates for payments of interest thereon will be required to include accrued but unpaid interest on the Note through the date of disposition in income as ordinary income to the extent not previously included in income. To the extent the selling price is less than the U.S. Holder's adjusted tax basis (which will include all accrued but unpaid OID) a U.S. Holder of Notes will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for U.S. federal income tax purposes.

Foreign Currency Notes

The following summary describes special rules that apply, in addition to the rules described previously, to Notes that are denominated in, or provide for payments determined by reference to, a currency or currency unit other than the U.S. dollar ("*Foreign Currency Note*"). The amount of stated interest paid with respect to a Foreign Currency Note that is includible in income by a cash method of accounting U.S. Holder is the U.S. dollar value of the amount paid, as determined on the date of receipt by the U.S. Holder using the spot rate of exchange on such date. In the case of stated interest paid to a U.S. Holder that uses the accrual method of accounting, and in the case of OID for all U.S. Holders, such U.S. Holder is required to include the U.S. dollar value of the amount of interest income or OID that accrued during the accrual period. The U.S. dollar value of such accrued interest income is determined by translating such income at the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period.

The amount realized with respect to a sale, exchange or redemption of a Foreign Currency Note generally will be (i) in the case of a cash basis taxpayer, the U.S. dollar value of the payment received determined on the settlement date of the sale of such Note (using the spot rate on such date) or (ii) in the case of an accrual basis taxpayer, the U.S. dollar value of the payment received determined on the date of disposition of such Note (or, if such taxpayer elects, the settlement date of the sale of such Note) (using the spot rate on such date). Gain or loss that is recognized will be ordinary income or loss to the extent it is attributable to fluctuations in currency rates between the dates of purchase (or basis adjustment) and the date of disposition or settlement, as the case may be.

U.S. Taxation of Non-U.S. Holders

Provided the Notes are sold and delivered, and payments are made, in accordance with the terms of the Notes, and subject to the discussion of backup withholding and FATCA withholding herein, payments on the Notes, by or on behalf of the Issuer or any of its Paying Agents to a Non-U.S. Holder, assuming such income is not effectively connected with the conduct of a trade or business in the United States, will not be subject to U.S. federal withholding tax pursuant to the "*Portfolio Interest Exemption*," if, in the case of interest (including OID): (i) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of Protective Life entitled to vote within the meaning of Section 871(h)(3) of the Code and Treasury Regulations promulgated thereunder; (ii) the Non-U.S. Holder is not a controlled foreign corporation that is related within the meaning of Section 864(d)(4) of the Code to Protective Life; (iii) the Non-U.S. Holder is not a bank for U.S. federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code; (iv) interest on the Notes is not contingent interest within the meaning of Section 871(h)(4)(A) of the Code; (v) the Notes are treated as being in "registered form" for U.S. federal income tax purposes; and (vi) the certification requirements under Section 871(h) or Section 881(c) of the Code and Treasury Regulations promulgated thereunder, summarized generally herein, are met. Generally, a Non-U.S. Holder will be subject to withholding on payments on the Notes unless such holder qualifies under the Portfolio Interest Exemption or is otherwise exempt from withholding as discussed below.

Sections 871(h) and 881(c) of the Code and Treasury Regulations promulgated thereunder require that, in order to obtain the Portfolio Interest Exemption from withholding previously described: (i) the beneficial owner of the Notes must certify to Protective Life and the Issuer or the Principal Paying Agent (as the case may be), under penalties of perjury, that such owner is a Non-U.S. Holder, and must provide its name, address and U.S. taxpayer identification number ("*TIN*"), if any; (ii) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "*Financial Institution*") and holds such Notes on behalf of the beneficial owner thereof must certify to Protective Life and the Issuer or the Paying Agent (as the case may be), under penalties of perjury, that such certificate has been received from the beneficial owner by it or by a Financial Institution between it and the beneficial owner, and must furnish Protective Life and the Issuer or the Paying Agent (as the case may be) with a copy thereof; or (iii) the Non-U.S. Holder must provide the certification described in clause (i) to a "qualified intermediary" or a "withholding foreign partnership," and must ensure that certain other conditions are met. A certificate described in this paragraph generally is effective only with respect to payments of interest made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the three immediately succeeding calendar years. The certification may be provided on the appropriate and properly executed IRS Form W-8. Special rules apply to Non-U.S. Holders that are foreign partnerships. In addition, alternative forms of certification may be available under applicable Treasury Regulations.

Even if a Non-U.S. Holder cannot satisfy the requirements for eligibility for the Portfolio Interest Exemption, interest (including OID) earned by such non-U.S. Holder will not be subject to a 30 percent withholding tax if (i) the Note has a maturity (at issue) of 183 days or less or (ii) the beneficial owner of the Note provides the Issuer or its Paying Agent, as the case may be, with a properly executed (a) IRS Form W-8BEN or IRS Form W-8BEN-E claiming an exemption from or reduction in withholding under the benefit of a U.S. income tax treaty or (b) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States. Notwithstanding the provision of a IRS Form W-8ECI, a Non-U.S. Holder that holds its Notes in connection with its conduct of a trade or business in the United States (which conduct of such trade or business, if any of certain tax treaties applies, is through a U.S. permanent establishment maintained by the Non-U.S. Holder), will be taxed on its Notes in the same manner as a U.S. Holder, and, if such Non-U.S. Holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30 percent (or such lower rate as may be provided under an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For this purpose, interest (including OID) on a Note will be included in such foreign corporation's earnings and profits.

Interest (including OID) on Bearer Notes with a maturity of more than 183 days that are not treated as being in "registered form" for U.S. federal income tax purposes are automatically ineligible for the Portfolio Interest Exemption. As previously noted, it is intended that all Bearer Notes with a maturity of more than 183 days will be issued so as to be treated as in registered form for U.S. federal income tax purposes.

Subject to the discussion of backup withholding and FATCA withholding herein, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, retirement or other disposition of a Note (other than gain attributable to accrued interest) unless (i) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met or (ii) such gain is (or is treated as) effectively connected with a trade or business in the United States of the Non-U.S. Holder (and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder).

Disclosure Requirements for Reportable Transactions

A U.S. Holder that participates in any "reportable transaction" (as defined in Treasury Regulations) must attach to its U.S. federal income tax return a disclosure statement on IRS Form 8886. Each U.S. Holder should consult its own tax advisor regarding the possible obligation to file Form 8886 reporting foreign currency loss arising from the Notes or any amount received with respect to the Notes.

Backup Withholding and Information Reporting

Under U.S. federal income tax law, information reporting requirements apply to interest (including OID) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate U.S. Holders. In addition, backup withholding tax will apply if (i) the non-corporate U.S. Holder fails to furnish such non-corporate

U.S. Holder's TIN (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate U.S. Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that it has failed properly to report payments of interest and dividends or (iv) in certain circumstances, the non-corporate U.S. Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations (within the meaning of Section 7701(a) of the Code) and tax-exempt organizations.

In the case of a Non-U.S. Holder, backup withholding and information reporting will not apply to payments on the Notes made outside the United States by Protective Life, the Issuer or a Paying Agent, if the appropriate certification is received, *provided* that Protective Life, the Issuer or a Paying Agent, as the case may be, does not have actual knowledge that the payee is a U.S. Holder and certain other conditions are satisfied. Unless the payor has actual knowledge that the payee is a U.S. Holder, backup withholding will not apply to (i) payments of interest (including OID) made outside the United States to certain offshore accounts and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States. However, information reporting (but not backup withholding) will apply to (i) payments of interest made by a payor outside the United States and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States if payment is made by a payor that is, for U.S. federal income tax purposes, (a) a U.S. person, (b) a controlled foreign corporation, (c) a U.S. branch of a foreign bank or foreign insurance company, (d) a foreign partnership controlled by U.S. persons or engaged in a U.S. trade or business or (e) a foreign person 50 percent or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a U.S. Holder and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the beneficial owner's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

FATCA Requirements Affecting Taxation of Notes Held by or Through Foreign Entities

Sections 1471 through 1474 of the Code, commonly referred to as Foreign Account Tax Compliance Act ("*FATCA*") provisions, generally impose a withholding tax of 30 percent on interest income (including OID) from debt obligations of U.S. issuers paid to a foreign financial institution (other than with respect to interest (including OID) that is effectively connected with the conduct of a trade or business within the United States), unless such institution either (i) enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain account holders that are foreign entities with U.S. owners) or (ii) in the event that an applicable intergovernmental agreement and implementing legislation are adopted, complies with modified requirements, including in some cases providing local revenue authorities with similar account holder information.

The FATCA legislation also generally imposes a withholding tax of 30 percent on interest income (including OID) from such obligations paid to a non-financial foreign entity (other than with respect to interest (including OID) that is effectively connected with the conduct of a trade or business within the United States) unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity or unless certain exceptions apply or they agree to provide certain information to other revenue authorities for transmittal to the IRS. Under certain circumstances (for example, if the recipient is resident in a country having a tax treaty with the United States), a holder of such obligation might be eligible for refunds or credits of such taxes.

Current provisions of the Code and Treasury Regulations that govern FATCA treat gross proceeds from the sale or other disposition of debt obligations that can produce U.S.-source interest (such as the Notes) as subject to FATCA withholding after December 31, 2018. However, under recently proposed Treasury Regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization), such gross proceeds are not subject to FATCA withholding.

The Issuer will not be required to pay Additional Amounts with respect to any taxes withheld from payments on the Notes as a result of the enactment and implementation of the FATCA provisions. IRS Form W-8BEN-E generally requires certain non-U.S. entities to certify as to their FATCA status and, if applicable, provide their

Global Intermediary Identification Number. Investors are urged to consult with their own tax advisors regarding the possible implications of FATCA provisions on their investment in the Notes.

U.S. return disclosure obligations (and related penalties for failure to disclose) are also imposed on individuals required to file U.S. federal income tax returns that hold certain specified foreign financial assets (which include financial accounts in foreign financial institutions). Investors are urged to consult with their own tax advisors regarding the possible implications of these rules on their investment in the Notes.

THE PRECEDING U.S. FEDERAL INCOME TAX DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. OR OTHER TAX LAWS.

ERISA CONSIDERATIONS

ERISA and Section 4975 of the Code impose certain requirements on (i) employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA ("*ERISA Plans*"), (ii) plans and retirement arrangements subject to Section 4975 of the Code, including individual retirement accounts and annuities, and Keogh plans (together with ERISA Plans, "*Plans*" and each a "*Plan*") and (iii) any entity, including certain collective investment funds or insurance company general or separate accounts, whose underlying assets include the assets of any such Plans ("*Plan Assets*"). Each fiduciary of a Plan should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether such an investment is permitted under the documents and instruments governing the Plan and whether the investment would satisfy the prudence and diversification requirements of ERISA.

Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving Plan Assets and persons ("parties in interest" under ERISA and "disqualified persons" under the Code, collectively, "*Parties in Interest*") with specified relationships to a Plan, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to a penalty imposed under ERISA and/or an excise tax imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans, though not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may be subject to Similar Laws.

Subject to the considerations described herein, the Notes are eligible for purchase with Plan Assets of any Plan.

Any fiduciary or other Plan investor considering whether to purchase the Notes with Plan Assets should determine whether such purchase is consistent with its fiduciary duties and whether such purchase would constitute or result in a non-exempt prohibited transaction under ERISA and/or Section 4975 of the Code. Because the acquisition and holding of a Note may be deemed to be an indirect extension of credit between an investor and Protective Life, and Protective Life may be a Party in Interest to a number of Plans, the acquisition and holding of a Note could constitute a prohibited transaction. Accordingly, any fiduciary or other Plan investor considering whether to purchase or hold the Notes should consult with its counsel regarding the availability of exemptive relief under Department of Labor ("*DOL*") Prohibited Transaction Class Exemption ("*PTCE*") 96-23 (relating to transactions determined by "in-house asset managers"), 95-60 (relating to transactions involving insurance company general accounts), 91-38 (relating to transactions involving bank collective investment funds), 90-1 (relating to transactions involving insurance company pooled separate accounts) or 84-14 (relating to transactions determined by independent "qualified professional asset managers"). In addition to the foregoing, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, which together with any related regulations promulgated by the DOL (all of the foregoing herein referred to as the "*Service Provider Exemption*"), may provide exemptive relief. Any Plan fiduciary relying on the Service Provider Exemption in connection with the purchase of Notes will have to make a determination that (x) the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Issuer nor Protective Life nor any of their respective affiliates directly or indirectly exercises any discretionary authority or control or renders investment advice with respect to the assets of the Plan which such fiduciary is using to purchase Notes, both of which are necessary preconditions to utilizing the Service Provider Exemption. A purchaser of the Notes should be aware, however, that even if the conditions specified in one or more of the above-referenced exemptions are met, the scope of the exemptive relief provided by the exemption might not cover all acts which might be construed as prohibited transactions. In this regard, the Notes may not be purchased or held by any Plan, or any person acting on behalf of or investing Plan Assets of any Plan, if Protective Life or any of its affiliates (a) has investment or administrative discretion with respect to the Plan Assets used to effect such purchase; or (b) has authority or responsibility to give, or regularly gives, investment advice with respect to such Plan Assets, for a fee pursuant to an agreement or understanding that such advice is based on the particular investment needs of such Plan.

In any event, each purchaser or Holder of the Notes or any interest therein will be deemed to have represented by its purchase and holding thereof that either (i) it is not, and is not acting on behalf of or investing the assets of, a Plan or a governmental, church or foreign plan that is subject to any Similar Laws, or (ii) its acquisition, holding and disposition of the Notes or any beneficial interest therein will not constitute or result in (A) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or foreign plan, any Similar Laws) by reason of the exemptive relief available under one or more applicable statutory or administrative exemptions, or (B) any other violation of ERISA or Similar Laws.

The DOL has promulgated a regulation, 29 C.F.R. §2510.3-101 as modified by Section 3(42) of ERISA (the "*Plan Asset Regulation*"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets are deemed to include both the equity interest itself and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that "benefit plan investors," within the meaning of Section 3(42) of ERISA, do not hold 25% or more of any class of equity interest in the entity (determined in accordance with the Plan Asset Regulation). The Plan Asset Regulations provide, however, that where the value of a Plan's equity interest in an entity relates solely to identified property of the entity, such property shall be treated as the sole property of a separate entity.

The Plan Asset Regulation defines an "equity interest" as an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There is very little pertinent authority on the issue of what constitutes an equity security for purposes of the Plan Asset Regulation. Accordingly, whether the Notes would be treated as debt or equity for purposes of the Plan Asset Regulation is unclear. Since, however, the Holders of a Series of Notes will have recourse only to the relevant Trust Estate that secures such Series of Notes, if the Notes were treated as equity interests, the related Funding Agreement would be treated as assets of any Plan holding a Note.

Even if the Notes were treated as equity interests for purposes of the Plan Asset Regulation, because (a) the Issuer expects that the Funding Agreements will be treated as debt, rather than equity, for federal tax purposes and (b) the Funding Agreements should not be deemed to have any "substantial equity features," none of the assets underlying the Funding Agreements should be treated as Plan Assets for purposes of the Plan Asset Regulation. Those conclusions are based, in part, upon the traditional debt features of the Funding Agreements including the reasonable expectation of purchasers of the Notes that the amounts payable under the Funding Agreements will be paid when due, as well as the absence of conversion rights, warrants and other typical equity features.

Moreover, since the Delaware Trustee and the Administrator have no discretionary authority with respect to the Funding Agreements even if the Funding Agreements are treated as Plan Assets of a Plan holding a Note, neither the Delaware Trustee nor the Administrator should be treated as having acted in a fiduciary capacity under ERISA with respect to the Funding Agreements and the treatment of the Funding Agreements as Plan Assets should not, absent other factors that do not appear to be present, give rise to a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code.

Any fiduciary or other Plan investor considering whether to purchase any Notes on behalf of or with Plan Assets of any Plan should consult with its counsel regarding the potential consequences under ERISA, and the Code or, if applicable, Similar Laws, of an investment in the Notes considering their specific circumstances.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993)*, and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and Section 401(c) of ERISA.

Due to the complexity of these rules and the penalties that may be imposed upon Parties in Interest in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing Notes on behalf of, or with Plan Assets of, any Plan consult with their counsel regarding the potential consequences of such purchase and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, or the Service Provider Exemption, and determine on its own whether all of the conditions of one of more of the foregoing prohibited transaction exemptions (or any other applicable statutory or administrative exemption) have been satisfied and that its purchase, holding and disposition of the Notes will be entitled to full exemptive relief. The fiduciary of an employee benefit plan that is not subject to ERISA or Section 4975 of the Code proposing to invest in the Notes must make its own determination that such investment is permitted under applicable Similar Laws.

Neither Protective Life, the Delaware Trustee, the Administrator nor any Purchasing Agent nor any of their respective affiliates, agents or employees will act as a fiduciary to any Plan with respect to the Plan's decision to invest in the Notes, and none of Protective Life, the Issuer, the Delaware Trustee, the Administrator, any Purchasing Agent or any of their respective affiliates, agents or employees is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with any Plan's acquisition of the Notes (unless an applicable prohibited transaction exemption is available to cover the purchase or holding of the Notes or the transaction is otherwise not prohibited). Each fiduciary or other person with investment responsibilities over the assets of a Plan considering an investment in the Notes must carefully consider the above factors before making an investment.

The sale of any Notes to a Plan is in no respect a representation by any party or entity that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel before making any offer, resale, pledge or other transfer of Notes.

The distribution of this Offering Memorandum, any supplements hereto and any Pricing Supplement and the offering, sale and delivery of Notes in certain jurisdictions may be restricted or prohibited by law. In particular, except for the listing of certain Notes on the relevant stock exchange as may be specified in the applicable Pricing Supplement, the Issuer, the Arranger and the Purchasing Agents have not and will not take any action that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering material in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum, any supplements hereto and any Pricing Supplement, nor any other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, any supplements hereto and any Pricing Supplement or any other offering material and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor the Purchasing Agents shall have responsibility therefor.

Persons into whose possession this Offering Memorandum, any supplements hereto and any Pricing Supplement, or any other offering material comes are required by the Issuer, the Arranger and the Purchasing Agents to inform themselves about and to comply with any such restrictions.

Selling and transfer restrictions may be supplemented or modified with the agreement of the Issuer.

Each Holder of Notes and each person purchasing or holding a beneficial interest in any Notes will be deemed to have represented and warranted or, in the case of purchases by an agent or fiduciary acting for the beneficial owner of an account for which such agent or fiduciary exercises investment discretion, such agent or fiduciary will be deemed to have confirmed on behalf of such beneficial owner as follows:

- It (i) is purchasing the Notes for its own account or for a beneficial owner for which such person is acting as a fiduciary or agent with investment discretion with respect to each account maintained for such beneficial owner, and (ii) has full power and authority to make the acknowledgments, representations, warranties and agreements contained herein on behalf of each such account.

- It understands that the Notes have not been and will not be registered under the Securities Act or any applicable state or foreign securities laws, and that the Issuer has not been and will not be registered as an investment company under the Investment Company Act.

- It acknowledges that this Offering Memorandum is personal to it and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes.

- It is not purchasing the Notes with a view to any public resale or distribution thereof.

- It either is (i)(a) not a "U.S. person" as defined under Regulation S (a "*U.S. Person*"); and (b) not purchasing the Notes in the United States or any of its territories or possessions; or (ii) a Qualified Institutional Buyer purchasing the Notes for its own account, or for the account of persons who are Qualified Institutional Buyers.

- Either (i) it is not, and is not acting on behalf of or investing assets of, (a) an employee benefit plan or other plan or retirement arrangement that is subject to the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), Section 4975 of the Code or any other "benefit plan investor" within the meaning of Section 3(42) of ERISA (a "*Plan*") or (b) a governmental, church or foreign plan that is subject to provisions of non-U.S., federal, state or local law substantially similar to Section 406 of ERISA or Section 4975 of the Code (collectively, "*Similar Laws*"); or (ii) its acquisition, holding and disposition of the Notes or any beneficial interest therein will not constitute or result in (a) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or foreign plan, any Similar Laws) by reason of the exemptive relief available under one or more applicable statutory or administrative exemptions, or (b) any other violation of ERISA or Similar Laws.

- It is not an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department. It understands that the Notes may not be offered, sold, pledged or otherwise transferred to an insurer domiciled in the State of Arkansas, a health maintenance organization, farmers' mutual aid association or other Arkansas domestic company regulated by the Arkansas Insurance Department. Any Person described in the foregoing sentence who acquires a Note shall not be entitled to receive any payments thereunder. It also understands that the Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

- It is its intent, and it understands it is the intent of the Issuer, for purposes of U.S. federal, state and local income taxes, that the Notes be treated as debt of Protective Life, and it agrees to such treatment and to take no action inconsistent with such treatment.

- It will inform each person to whom the Notes or any interests therein are offered, resold, pledged or otherwise transferred of the restrictions on the transfer of the Notes set forth in this "Notice to Investors."

- It understands and agrees that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may only be offered, sold, pledged or otherwise transferred (i)(a) in the United States to a person reasonably believed by it to be a Qualified Institutional Buyer purchasing for its own account or for the account of persons who are Qualified Institutional Buyers, in a transaction in compliance with Rule 144A or (b) to a person who is not a U.S. Person, outside the United States or any of its territories or possessions, in accordance with Regulation S; and (ii) in each case, in accordance with all applicable securities laws of the United States, any state of the United States and any other applicable jurisdiction.

- It understands that the Notes will bear a legend substantially to the following effect, unless the Issuer determines otherwise consistent with applicable law, and that the transfer restrictions contained therein apply to the Notes:

  THE NOTES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE OR FOREIGN SECURITIES LAWS, AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

  THE NOTES EVIDENCED HEREBY SHALL ONLY BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) A PERSON WHO IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, SO LONG AS THE NOTES EVIDENCED HEREBY ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A IN ACCORDANCE WITH RULE 144A, OR (B) A PERSON THAT IS NOT A U.S. PERSON OUTSIDE THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; AND IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES, ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE NOTES EVIDENCED HEREBY SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO A PERSON WHO IS AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT. ANY PERSON DESCRIBED IN THE FOREGOING SENTENCE WHO ACQUIRES A NOTE SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS THEREUNDER. THE INDIANA INSURANCE DEPARTMENT HAS STATED THAT INDIANA DOMESTIC INSURERS SHOULD CONTACT THE INDIANA INSURANCE DEPARTMENT BEFORE PURCHASING THE NOTES.

BY ITS ACCEPTANCE OF THE NOTES, EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT (A) SUCH HOLDER IS EITHER (1)(I) NOT A U.S. PERSON AND (II) NOT PURCHASING THE NOTES IN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS, OR (2) A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS; (B) EITHER (1) IT IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF, (I) AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN OR RETIREMENT ARRANGEMENT THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY OTHER "BENEFIT PLAN INVESTOR" WITHIN THE MEANING OF SECTION 3(42) OF ERISA (A "PLAN"), OR (II) A GOVERNMENTAL, CHURCH OR FOREIGN PLAN SUBJECT TO PROVISIONS OF NON-U.S., FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY "SIMILAR LAWS"), OR (2) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES OR ANY BENEFICIAL INTEREST THEREIN WILL NOT RESULT IN (I) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR FOREIGN PLAN, ANY SIMILAR LAWS) BY REASON OF THE EXEMPTIVE RELIEF AVAILABLE UNDER ONE OR MORE APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTIONS, OR (II) ANY OTHER VIOLATION OF ERISA OR SIMILAR LAWS; (C) SUCH HOLDER IS NOT AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT; AND (D) IT IS SUCH HOLDER'S INTENT AND SUCH HOLDER UNDERSTANDS IT IS THE ISSUER'S INTENT, FOR PURPOSES OF U.S. FEDERAL, STATE AND LOCAL INCOME TAXES, THAT THE NOTES BE TREATED AS DEBT, AND SUCH HOLDER AGREES TO SUCH TREATMENT AND TO TAKE NO ACTION INCONSISTENT WITH SUCH TREATMENT.

IN CONNECTION WITH ANY TRANSFER OF THE NOTES, THE PROPOSED TRANSFEREE WILL BE REQUIRED TO DELIVER TO THE INDENTURE TRUSTEE SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER (BASED ON THE WRITTEN ADVICE OF THE ISSUER'S COUNSEL) MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

The following legend will also appear on any Bearer Notes, whether global or definitive:

NOTES IN BEARER FORM, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR ANY OF ITS TERRITORIES OR POSSESSIONS OR TO UNITED STATES PERSONS (AS DEFINED IN SECTION 7701(a)(30) OF THE CODE).

ANY UNITED STATES PERSON (AS DEFINED IN SECTION 7701(a)(30) OF THE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO THE LIMITATIONS UNDER THE U.S. FEDERAL INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

- It acknowledges that no person has been authorized to give any information or to make any representation concerning the Issuer, PLICO or the Notes other than those contained in this Offering Memorandum, any supplement hereto and any applicable Pricing Supplement, and, if given or made, such other information or representation was not relied upon in making its decision to invest in the Notes.

- It has the legal power, authority and right to purchase the Notes.

- It has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Notes.

- It has (i) been given the opportunity to ask questions of, and receive answers from, the Issuer concerning the terms and conditions of the offering of, and other matters pertaining to an investment in, the Notes; (ii) been given the opportunity to request and review such additional information necessary to evaluate the merits and risks of a purchase of the Notes and to verify the accuracy of or to supplement the information contained in this Offering Memorandum to the extent the Issuer possesses such information; and (iii) received all documents and information reasonably necessary to make such an investment decision.

- It understands that there is no market for the Notes and there is no assurance that such a market will develop. The Purchasing Agents are not under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any Purchasing Agent, it may be discontinued at any time, and there is no assurance that a secondary trading market for the Notes will develop and the purchaser must be able to bear the risks of holding the Notes until their maturity.

- It understands that the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "*Commission*"), the Delaware Department of Insurance, the Tennessee Department of Commerce and Insurance, or any other regulatory authority, nor have any of them passed upon the adequacy or accuracy of this Offering Memorandum or any Pricing Supplement.

- It understands that each Series of Notes is a non-recourse obligation of the Issuer, payable only from the relevant Trust Estate (as defined above) relating to such Series of Notes under the Indenture (as defined above), and that if an Event of Default (as defined above) under the Indenture shall occur with respect to a particular Series of Notes, the relevant Series Agent (as defined above) and the Indenture Trustee, on behalf of the relevant Holders, will be limited to a proceeding against the relevant Trust Estate. The relevant Trust Estate for each Series of Notes will consist primarily of (i) one or more Funding Agreements issued by Protective Life and (ii) one or more Support and Expenses Agreements (subject to the subrogation rights of Protective Life set forth therein) entered into between Protective Life and the Issuer; *provided*, *however*, that the Holders of Notes are not holders of the Funding Agreements or parties under any Support and Expenses Agreements, have no direct rights against Protective Life under any Funding Agreement or any Support and Expenses Agreement, and will not be entitled to exercise the rights of a holder of any Funding Agreement or a party under any Support and Expenses Agreement.

- It understands that, in the event of Protective Life's insolvency, the claims under each Funding Agreement would rank (a) *pari passu* with the claims of policyholders of Protective Life and in a superior position to the claims of general creditors of Protective Life with respect to payments of principal and interest under the Funding Agreement and (b) *pari passu* with the claims of general creditors of Protective Life with respect to any payment of Additional Amounts (as hereinafter defined) under the Funding Agreement.

- IT UNDERSTANDS THAT (I) CLAIMS UNDER THE FUNDING AGREEMENTS IN EXCESS OF STATUTORILY PRESCRIBED AMOUNTS AND (II) ALL CLAIMS UNDER THE SUPPORT AND

EXPENSES AGREEMENTS WILL NOT BE COVERED BY THE TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION.

- IT FURTHER UNDERSTANDS THAT THE OBLIGATIONS OF PROTECTIVE LIFE UNDER THE FUNDING AGREEMENTS AND THE SUPPORT AND EXPENSES AGREEMENTS ARE NOT OBLIGATIONS OF, AND ARE NOT GUARANTEED BY, ANY OTHER PERSON.

- IT FURTHER UNDERSTANDS THAT BECAUSE EACH SERIES OF NOTES WILL BE SECURED BY ONE OR MORE FUNDING AGREEMENTS ISSUED BY A LIFE INSURANCE COMPANY, THERE IS A RISK THAT IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE TRANSFER OF THE NOTES COULD SUBJECT THE PARTIES TO SUCH TRANSFER TO REGULATION UNDER THE INSURANCE LAWS OF THE JURISDICTION IMPLICATED BY THE TRANSFER. AMONG OTHER THINGS, IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE ABILITY OF A HOLDER TO OFFER, SELL OR OTHERWISE TRANSFER THE NOTES IN SECONDARY MARKET TRANSACTIONS OR OTHERWISE WOULD BE SUBSTANTIALLY IMPAIRED AND, TO THE EXTENT SUCH OFFER, SALE OR TRANSFER COULD BE EFFECTED, THE PROCEEDS REALIZED FROM SUCH OFFER, SALE OR TRANSFER COULD BE MATERIALLY AND ADVERSELY AFFECTED. *SEE* “RISK FACTORS — NOTES COULD BE DEEMED TO BE PARTICIPATIONS IN THE FUNDING AGREEMENTS OR COULD OTHERWISE BE DEEMED TO BE CONTRACTS OF INSURANCE.”

- IT FURTHER UNDERSTANDS THAT NO PERSON IS PERMITTED TO DISTRIBUTE, MARKET, SELL, REPRESENT OR OTHERWISE REFER TO THE NOTES AS AN INSURANCE PRODUCT, CONTRACT OR POLICY OR FUNDING AGREEMENT OR AS A DIRECT INTEREST IN ANY INSURANCE PRODUCT, CONTRACT OR POLICY OR FUNDING AGREEMENT.

SUBSCRIPTION AND SALE

General

The Notes will be offered from time to time by the Issuer to or through one or more Purchasing Agents acting as principal or agent. Pursuant to the Purchase Agreement: (i) the Purchasing Agents, individually or in a syndicate, may purchase the Notes, as principals from the Issuer for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any such Purchasing Agent or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price or (ii) in the alternative, the Issuer may agree with one or more Purchasing Agents that such Purchasing Agents will utilize its reasonable efforts on an agency basis on the Issuer's behalf to solicit offers to purchase Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, any Note sold to a Purchasing Agent as principal will be purchased by such Purchasing Agent at a price equal to 100% of the principal amount thereof less a percentage of the principal amount equal to the commission described below in connection with agency sales. A Purchasing Agent may sell Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with that purchase. A Purchasing Agent may allow, and dealers may reallow, a discount to certain other dealers. After the initial offering of Notes, the offering price, the concession and the reallowance may be changed.

Protective Life and the Issuer, severally and not jointly, have agreed to indemnify the Purchasing Agents against certain liabilities, as set forth in the Purchase Agreement.

The Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject offers in whole or in part. Each Purchasing Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

In connection with any Series of Notes, the Purchasing Agent or Purchasing Agents (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time. Any such stabilizing shall be conducted in compliance with all relevant laws, guidelines and regulations.

The Purchasing Agents also may impose a penalty bid. This occurs when a particular Purchasing Agent repays to the Purchasing Agents a portion of the underwriting discount received by it because one of the Purchasing Agents or its affiliates have repurchased notes sold by or for the account of such Purchasing Agent in stabilizing or short covering transactions.

Neither the Issuer nor any Purchasing Agent makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor any Purchasing Agent makes any representation that the Purchasing Agents will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. These transactions may be affected in the over-the-counter market or otherwise.

No Purchasing Agent is under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any Purchasing Agent, it may be discontinued at any time. Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide holders of Notes with liquidity or that it will be sustained. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until the maturity of such Notes.

With respect to all offers and sales made pursuant to Regulation S, each Purchasing Agent has represented, warranted and agreed that it will (to the best of its knowledge after due inquiry) comply with all applicable laws and regulations in each country or jurisdiction outside the United States in or from which it purchases, offers, sells or delivers the Notes or has in its possession or distributes the Offering Memorandum for such Notes or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer and Protective Life shall have no responsibility therefor.

The Purchasing Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Purchasing Agents and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer, Protective Life, PLC, Dai-ichi Life and any of their respective affiliates and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Purchasing Agents and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. The Purchasing Agents and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Selling Restrictions

United States

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. *See* "Notice to Investors."

Each of the Purchasing Agents has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will make offers and sales of the Notes only to persons whom it reasonably believes to be (i) Qualified Institutional Buyers as defined in Rule 144A under the Securities Act or (ii) to persons who are not "U.S. persons" in "offshore transactions" (each as defined in Regulation S). Each purchaser of Notes, in making its purchase, will be deemed to have made certain acknowledgments, representations and agreements as set forth herein under "Notice to Investors."

The Issuer is not subject to the reporting requirements of the Exchange Act. The Issuer has agreed that, at any time while the Notes are outstanding, it will furnish the holders of Notes and prospective purchasers designated by such holders, upon request, the information required to be delivered by Rule 144A(d)(4) under the Securities Act. Except as otherwise defined in the preceding paragraphs, terms used therein have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Purchasing Agents are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

Each Purchasing Agent understands that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended, the "*Financial Instruments and Exchange Act*"), and such Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to or for the benefit of any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Prohibition of Sales to EEA Retail Investors

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of Ireland

Each Purchasing Agent has agreed and each further Purchasing Agent appointed under the Program will be required to agree, that:

(i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;

(ii) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(iii) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Irish Regulations 2005 (as amended) and any rules issued by the Central Bank) pursuant thereto;

(iv) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and

(v) no Notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank.

Hong Kong

Each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "*SFO*")) other than: (a) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Purchasing Agent has acknowledged, and each further Purchasing Agent appointed under the Program will be required to acknowledge, that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "*SFA*"). Accordingly, each Purchasing Agent has represented, warranted and agreed, and each further Purchasing Agent appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The Netherlands

Each Purchasing Agent has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Notes other than (i) Notes with a minimum denomination of €50,000 (or its foreign currency equivalent) which Notes are fully paid up at their issuance, (ii) to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) or (iii) in circumstances where one of the exceptions to or exemptions from the prohibitions contained in article 3 of the Securities Transactions Supervision Act 1995 ("*Wet toezicht effectenverkeer 1995*") is applicable and the conditions attached to such exemption are complied with.

The Federal Republic of Germany

Each Purchasing Agent has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Program and that it will comply with the Securities Selling Prospectus Act (the "*SSPA*") of the Federal Republic of Germany (*Wertpapier-Verkaufprospektgesetz*) and each Purchasing Agent undertakes not to engage in a public offering (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Notes issued under the Program otherwise than in accordance with the SSPA and any other legislation replacing or supplementing the SSPA and all other applicable laws and regulations.

The Republic of France

Notes may only be issued, offered or sold, directly or indirectly, in the Republic of France in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier*. Where an issue, offer or sale of the Notes is effected as an exception to the public offer rules (*appel public à l'épargne*) in the Republic of France byway of an offer or sale to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*) all as defined in, and in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier* and Articles D.411-1, D411-2, D.734-1, D.744-1, D.754-1 and D.764.1 of the Code *monétarie et financier*, such qualified investors or investors of a restricted circle must be informed that:

(a) the issue, offer or sale of the Notes does not require an information document to be submitted to the visa of the *Autorité des Marchés Financiers*;

(b) they can only invest in the Notes for their own account;

(c) the direct or indirect offer or sale, to the public in the Republic of France, of the Notes so purchased can only be made in accordance with the Code *monétarie et financier*, and

(d) if the offer or sale is made to a restricted circle of investors comprising 100 or more of such investors, the latter must provide a certification as to their personal relationship from a professional or family standpoint, with a member of the management of the Issuer.

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France (*appel public à l'épargne*), and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, the Offering Memorandum or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors ((*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*) acting for their own account, all as defined in, and in accordance with Articles L.411-1 and L.411-2 of the Code *monétarie et financier*, and Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the Code *monétarie et financier*.

Switzerland

Each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it (a) will only offer or sell Notes in Switzerland in compliance with all applicable laws and regulations in force in Switzerland and (b) will to the extent necessary, obtain any consent, approval or permission required, if any, for the offer or sale by it of Notes under the laws and regulations in force in Switzerland. In particular, each Purchasing Agent has represented and agreed, and each further Purchasing Agent appointed under the Program will be required to represent and agree, that it will make sure that its selling and/or marketing of the Notes does not qualify as a "public offering" in the meaning of Art. 1156 Para. 1 of the Swiss Code of Obligations or any other applicable Swiss laws, regulations, rules, codes and practices of any nature whatsoever. Further, each Purchasing Agent has agreed, and each further Purchasing Agent appointed under the Program will be required to agree, that any issue of Notes denominated in Swiss Francs will be in compliance with the Directive on Notes of Foreign Borrowers of May 2001 of the Swiss Bankers Association.

GENERAL INFORMATION

Admission to Trading

Application has been made to Euronext Dublin for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and trading on the GEM. However, Notes may be listed on another securities exchange or not listed on a regulated market or securities exchange.

Application has been made to Euronext Dublin for admission of the Notes to the Official List and trading on the GEM through Arthur Cox Listing Services Limited. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer and is not itself seeking admission of the Notes to trading on the Official List of Euronext Dublin or to trading on the GEM.

If any European and/or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require the Issuer and/or Protective Life to publish or produce its financial statements according to accounting principles or standards that are different from GAAP, or that would otherwise impose requirements on the Issuer that the Issuer in good faith determines are impracticable or burdensome, the Issuer may de-list any Notes admitted to trading on Euronext Dublin. The Issuer will use its reasonable efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system within or outside the European Union, as it may decide. If such an alternative admission is not available to the Issuer or is, in the opinion of the Issuer, burdensome, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in the Terms and Conditions.

Authorizations

The Issuer's participation in the Program is authorized under the Trust Agreement. Protective Life's acts in connection with the updating of the Program, and its ongoing acts thereunder, were authorized pursuant to resolutions adopted by its Board of Directors on August 28, 2015.

Clearance

The Notes have been accepted for clearance through Euroclear and Clearstream Luxembourg. In addition, the Issuer will make an application with respect to the Notes to be accepted for trading in book-entry form by DTC. With respect to each Series of Notes, any applicable CUSIP number, ISIN and common code will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Litigation

Except as disclosed in Part I, Item 3 and Note 16 of the Notes to the Consolidated Financial Statements included in the 2018 Form 10-K, attached as Annex A hereto:

(a) the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) relating to claims or amounts which are significant in the 12 months preceding the date of this Offering Memorandum which may have or have in such period had a significant effect on the financial position or profitability of the Issuer; and

(b) Protective Life is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Protective Life is aware) relating to claims or amounts which are significant in the 12 months preceding the date of this Offering Memorandum which may have or have in such period had a significant effect on the financial position or profitability of Protective Life.

Language

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Independent Auditor

The consolidated financial statements as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and the related financial statement schedules of Protective Life Insurance Company and its subsidiaries included in Annex A to this Offering Memorandum, and the effectiveness of internal control over financial reporting as of December 31, 2018 have been audited by PricewaterhouseCoopers LLP, an independent auditor, as stated in their report included herein. PricewaterhouseCoopers LLP is a member of the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board.

No Material Adverse Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the prospects of PLICO since December 31, 2018 (the date of the last published annual audited financial statements of PLICO) and no significant change in the financial or trading position of PLICO since December 31, 2018.

Transferability

The Notes will be freely transferable, subject to the selling restrictions described under "Notice to Investors" and "Subscription and Sale."

Available Information

For the life of this Offering Memorandum, upon request, the Issuer will provide, without charge, a copy of all supplements to this Offering Memorandum or any new offering memorandum, as the case may be, prepared by the Issuer from time to time, any or all of the audited or unaudited financial statements of Protective Life included in the Annexes hereto or prepared after the date of this Offering Memorandum, a copy of each Pricing Supplement relating to Notes admitted to trading to the Official List and trading on the GEM, a copy of the Indenture and Trust Agreement, the Amended and Restated Charter and Amended and Restated By-Laws of Protective Life, as well as copies of the forms of the Funding Agreement and the Support and Expenses Agreement to be entered into in connection with a particular Tranche of Notes. In addition, such documents will be available in physical format free of charge from the specified office of the Principal Paying Agent.

The Issuer extends to each investor the opportunity, prior to the consummation of the sales of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Issuer, the Notes and the terms and conditions of the Program, and to obtain any further information it may consider necessary in making an informed investment decision or in order to verify the information set forth herein, to the extent the Issuer possesses the same or can acquire such information without unreasonable effort or expense.

The Issuer will prepare, or procure the preparation of, a supplement to this Offering Memorandum relating to every significant new factor, material mistake or inaccuracy relating to the information included in this Offering Memorandum which is capable of affecting the assessment of the Notes and which arises or is noted between the time that this Offering Memorandum has been approved by Euronext Dublin and the final closing of the offer of the Notes or, as the case may be, the time when trading on the GEM begins. The information contained in any such supplement will automatically update and, where applicable, supersede any information contained in this Offering Memorandum or any prior supplements hereto.

The Issuer does not intend to provide any post-issuance information in relation to the performance of any issues of Notes or the related Funding Agreement(s).

The Issuer is presently not subject to the informational requirements of the Exchange Act. To the extent the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange

Act, the Issuer has agreed to furnish to Holders of Notes and to prospective purchasers designated by such Holders, upon request, such information as may be required by Rule 144A(d)(4) under the Securities Act.

Requests for available information may be made by contacting the Issuer at Protective Life Global Funding c/o AMACAR Pacific Corp., 6525 Morrison Boulevard, Suite 318,Charlotte, North Carolina 28211, and by contacting the Principal Paying Agent.

This Offering Memorandum and any supplement to this Offering Memorandum or new offering memorandum, as the case may be, will be published on the website of the Central Bank of Ireland at www.centralbank.ie.

The information on any website mentioned in this Offering Memorandum or any website directly or indirectly linked to any website mentioned in this Offering Memorandum is not a part of, or incorporated by reference into, this Offering Memorandum and you should not rely on it.

Legal Matters

Certain matters regarding the Notes and their offering will be passed on for Protective Life by Willkie Farr & Gallagher LLP (as to New York and U.S. federal law), Bass, Berry & Sims PLC (as to Tennessee law) and Andrew Buck, Senior Counsel and Vice President of PLC (as to Tennessee law), for the Purchasing Agents by Sidley Austin LLP (as to New York and U.S. federal law), and for Protective Life and the Issuer by Richards, Layton & Finger, P.A. (as to Delaware law). Certain U.S. federal income tax matters regarding the ownership and disposition of the Notes will be passed on for Protective Life and the Issuer by Willkie Farr & Gallagher LLP. Willkie Farr & Gallagher LLP has, from time to time, represented, currently represents, and may continue to represent, some or all of the Purchasing Agents in connection with various legal matters. Sidley Austin LLP has from time to time represented, is currently representing, and may continue to represent Protective Life and its affiliates in connection with various legal matters.

FORM OF PRICING SUPPLEMENT

The following is a form of Pricing Supplement for an issue of Notes by Protective Life Global Funding under the Global Note Issuance Program with a denomination of at least €100,000 (or its equivalent in another currency):

Pricing Supplement No. [●] dated [●]

Protective Life Global Funding

(Legal Entity Identifier: 635400EVYITCJYWL2I50)

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes] (the "*Notes*") secured by a Funding Agreement issued by

Protective Life Insurance Company ("Protective Life")

under the $5,000,000,000 Global Note Issuance Program

This Pricing Supplement should be read in conjunction with the accompanying Offering Memorandum dated April 5, 2019[, as supplemented on [●]] ([collectively, the "*Offering Memorandum*"), relating to the $5,000,000,000 Global Note Issuance Program of Protective Life Global Funding (the "*Issuer*"). Neither the Offering Memorandum nor this Pricing Supplement is a prospectus for the purposes of Directive 2003/71/EC (as amended or superseded), as implemented in the Member States of the EEA.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[MIFID II product governance / target market – [*appropriate target market legend to be included*.]][1]

Protective Life may from time to time make certain information available on its website at https://investor.protective.com/webcasts-presentations. The information contained on or connected to Protective Life's website is not a part of the Offering Memorandum, and you should not rely on any such information in making your decision whether to purchase Notes.

PART A — CONTRACTUAL TERMS

Terms used herein and not otherwise defined herein shall have the meanings ascribed in the Offering Memorandum. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Memorandum. Full information regarding the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum is available for viewing in physical format during normal business hours at the registered office of the Issuer located at c/o Wilmington Trust, National Association, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890, Attention: Corporate Trust Administration. In addition, copies of the Offering Memorandum and this Pricing Supplement will be available free of charge from the specified office of the Paying Agent with respect to Notes not listed on any securities exchange. In addition, the Offering Memorandum has been published on the website of Euronext Dublin at www.ise.ie.

[1] Only to be included if there are any Purchasing Agents acting as "manufacturers."

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement*.]

[*For Notes denominated in Sterling, if the Notes have a maturity of less than one year from the date of their issue, the minimum Specified Denomination of the Notes must be £100,000 or its equivalent in another currency at the time of issue*.]

1.	(i) Issuer:	Protective Life Global Funding
	(ii) Funding Agreement Provider:	Protective Life Insurance Company
2.	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	[(iii) Date on which Notes become fungible:	[Not Applicable/The Notes shall be consolidated to form a single Series and be interchangeable for trading purposes with the [*Insert description of the Series*] on [*Insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [*Insert date*]]].]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Principal Amount:	[●]
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5.	Issue Price:	[●]% of the Principal Amount of the Notes [plus accrued interest from [*Insert date*] (if applicable)]
6.	Specified Denominations:	[●] and integral multiples of [●] in excess thereof [up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify date* /Issue Date/Not Applicable]
8.	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Rate:	[[●]% Fixed Rate] [[CMT Rate/Commercial Paper Rate/EURIBOR/Federal Funds Rate/LIBOR/Prime Rate/Treasury Rate/Weighted Average SOFR][+/-][●]% Floating Rate] [Zero Coupon] (further particulars specified below in Item [15][16][17])

10.	Redemption/Payment Basis:	[Not Applicable] [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100% of the Principal Amount.]
11.	Change of Interest or Redemption/Payment Basis:	[Not Applicable] [*Specify the date when any fixed to floating rate change occurs or refer to paragraphs* [●] *and* [●] *below and identify there*.]
12.	Put/Call Options:	[Not Applicable] [Repayment at Option of Noteholder] [Optional Redemption by the Issuer] [(further particulars specified below in Item [18][19])]
13.	Status of the Notes:	Secured Limited Recourse Notes
14.	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (If Any) Payable

15.	Fixed Rate Notes Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Rate[(s)]:	[●]% *per annum* payable in arrears on each Interest Payment Date
	(ii) Interest Payment Date(s):	[●] of each [year/(*specify months*)/month] through and including the Maturity Date[, adjusted in accordance with the Business Day Convention and any applicable Relevant Financial Center(s) for the definition of "Business Day"]/[, not adjusted] [commencing on [●]]
	(iii) Fixed Coupon Amount[s]:	[●] per [●] in Specified Denominations
	(iv) Broken Amount(s):	[[●] per [●] in Specified Denominations, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
	(v) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ FRN Convention][Not Applicable]
	(vi) Day Count Convention:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / Actual/Actual (Bond)]
	(vii) Interest Determination Date(s):	[●] of each [year/*specify months*/month]
	(viii) Record Date(s):	[●] of each year
16.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub -paragraphs of this paragraph*.)

(i) Interest Payment Dates:	[[●] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/, not subject to adjustment]]
(ii) First Interest Payment Date:	[●]
(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ FRN Convention][Not Applicable]
(iv) Relevant Principal Centre(s):	[●]
(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi) Screen Rate Determination:	[Applicable/Not Applicable]
- Reference Rate:	[CMT Rate/Commercial Paper Rate/EURIBOR/Federal Funds Rate/LIBOR/Prime Rate/Weighted Average SOFR/Treasury Rate]
- Interest Determination Date(s):	[[●]/TARGET] [[Business/Banking] Days in [*specify city*] for [*specify currency*]/U.S. Government Securities Days] prior to [the first day in each Interest Accrual Period/each Interest Payment Date/each [Interest][SOFR] Reset Date]
- Relevant Screen Page:	[●]
- Specified Duration:	[●]
- [Interest][SOFR] Reset Date(s):	[●]
(vii) ISDA Determination:	[Applicable/Not Applicable]
- Floating Rate Option:	[●]
- Designated Maturity:	[●]
- Reset Date:	[●]
- [ISDA Definitions:	[2000/2006]
(viii) Relevant Margin:	[+/-] [●]% per annum
(ix) Minimum Interest Rate:	[●]% per annum
(x) Maximum Interest Rate:	[●]% per annum
(xi) Day Count Convention:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / Actual/Actual (Bond)]
(xii) Record Date(s):	[●] of each year

17.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) [Amortization/Accrual] Yield:	[●]% per annum

	(ii) Day Count Convention:	[Actual/365 / Actual/Actual (Historical) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / Actual/Actual (Bond)]
	(iii) Reference Price:	[●]

Provisions Relating to Redemption

18.	Optional Redemption by the Issuer:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Note of [●] Specified Denomination
	(iii) Notice period:	[●]
19.	Repayment at Option of Noteholder:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub -paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Note of [●] Specified Denomination
	(iii) Notice period:	[●]
20.	Early Redemption Amount:	
	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on Event of Default:	[Outstanding Principal Amount/Amortized Face Amount] [plus accrued and unpaid interest to the date fixed for redemption in accordance with Condition 8.02].

General Provisions Applicable to the Notes

21.	Form of Notes:	[Registered Notes: Rule 144A Permanent Global Registered Notes The Notes will initially be represented by one or more Rule 144A Permanent Global Registered Notes registered in the name of Cede & Co. as nominee of, and deposited with [●], as custodian of the Notes for DTC as depositary. Regulation S Global Registered Notes Notes sold outside of the United States in accordance with Regulation S will initially be represented by one or more Regulation S Temporary Global Registered Notes. Each Regulation S Temporary Global Registered Note will be exchangeable for a Regulation S Permanent Global Registered Note beginning after the later of (i) the Restriction Date ([●]) and (ii) the first date on which requisite certifications as to non-U.S. beneficial ownership of the relevant Notes are provided to

		the relevant Paying Agent. The Regulation S Temporary Global Registered Notes and the Regulation S Permanent Global Registered Notes will be registered in the name of [Cede & Co./[●]] as nominee of [DTC/a common depositary for Euroclear and Clearstream Luxembourg/a common safekeeper for Euroclear and Clearstream Luxembourg], and deposited with [●] as [custodian/depositary] of the Notes for [DTC/ Euroclear and Clearstream Luxembourg.]]
22.	Relevant Financial Center(s):	[●]
23.	Definitive Notes at Request of Holder:	[Applicable/Not Applicable]

Distribution

24.	(i) If syndicated, names of Managers and Relevant Purchasing Agent(s) / Lead Manager (if any):	[Not Applicable/*give names*]
	(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give names*]
25.	If non-syndicated, name of Purchasing Agent:	[Not Applicable/*give name*]
26.	Selling Restrictions:	The Selling Restrictions contained in "Subscription and Sale" in the Offering Memorandum are applicable.

Information Relating to the Funding Agreement

27.	Funding Agreement Number:	[●] (the "*Relevant Funding Agreement*")
28.	Funding Agreement Maturity Date:	[●]
29.	Funding Agreement Deposit Amount:	[●]

PART B — OTHER INFORMATION

1. LISTING

(i) Listing:	[Euronext Dublin/None]
(ii) Admission to trading:	[Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the GEM with effect from[●]][Not Applicable]
(iii) Expenses of admission to trading:	[[●]/Not applicable]

2. RATINGS

Rating of the Program:	The Program has been rated:
(i) Moody's:	[●]
(ii) S&P:	[●]
Ratings of the Series:	The Notes to be issued [have been rated/are expected to be rated]:
(i) Moody's:	[●]
(ii) S&P:	[●]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Except as discussed in "Subscription and Sale" in the Offering Memorandum or immediately below, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes. (*Amend as appropriate if there are other interests*)]

4. USE OF PROCEEDS

The proceeds from the current sale of the Notes, net of certain expenses, underwriting discounts and commissions or similar applicable compensation will be used by the Issuer to purchase the Relevant Funding Agreement from Protective Life.

5. DELAWARE TRUSTEE

It is acknowledged and agreed that (a) this Pricing Supplement is executed and delivered by Wilmington Trust, National Association, not individually or personally, but solely as Delaware Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement (as defined in the Offering Memorandum), (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, National Association but is made and intended for the purpose of binding only the Issuer, (c) nothing contained herein shall be construed as creating any liability on Wilmington Trust, National Association, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, (d) Wilmington Trust, National Association has made no investigation as to the accuracy or completeness of any representation, warranty or covenant of the Issuer and (e) under no circumstances shall Wilmington Trust, National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Pricing Supplement or any other related documents.

6. FIXED RATE NOTES ONLY - YIELD

Indication of yield:	[Not Applicable/[●]%. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. OPERATIONAL INFORMATION

ISIN:	[●]
Common Code:	[Not Applicable/[●]]
CUSIP Number:	[●]
CFI Code:	[Not Applicable/[●], as updated as set out on the website of the Association of National Number Agencies (ANNA)]
FISN Code:	[Not Applicable/[●], as updated as set out on the website of the Association of National Number Agencies (ANNA)] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable."*)
Delivery:	Delivery [against/free of] payment
Additional Paying Agent(s) if any:	[●]

8. AUTHORIZATION

The Issuer authorized the issuance and sale of the Notes on [●].

[LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list and have admitted to trading the issue of Notes described herein on Euronext Dublin pursuant to the $5,000,000,000 Global Note Issuance Program of the Issuer.]

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Pricing Supplement. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information given in this Pricing Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

Protective Life Global Funding

By: Wilmington Trust, National Association, not in its individual capacity, but solely as Delaware Trustee

By: ________________________________
Name:
Title:

ANNEX A

Protective Life's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission on March 25, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2018

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 001-31901

PROTECTIVE LIFE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

TENNESSEE	**63-0169720**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 HIGHWAY 280 SOUTH
BIRMINGHAM, ALABAMA 35223
(Address of principal executive offices and zip code)

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

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 every Interactive Data File required to be submitted 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 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 ☐	Accelerated filer ☐
Non-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, 2018: None

Number of shares of Common Stock, $1.00 Par Value, outstanding as of March 2, 2019: 5,000,000

Documents Incorporated by Reference: **None**

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) and (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM 10-K WITH THE REDUCED DISCLOSURE FORMAT WHERE NOTED HEREIN.

PROTECTIVE LIFE INSURANCE COMPANY
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2018

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PART I

Item 1. Business

Protective Life Insurance Company (the "Company"), a stock life insurance company, was founded in 1907. The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), an insurance holding company. The Company provides financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. Unless the context otherwise requires, the "Company," "we," "us," or "our" refers to the consolidated group of Protective Life Insurance Company 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 PLC'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 PLC, with PLC continuing as the surviving entity (the "Merger"). As a result of the Merger, PLC 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 not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above. 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's operating segments may be found in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 23, *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)
2018	$ 168
2017	172
2016	170
For the period of February 1, 2015 to December 31, 2015	144

Predecessor Company	
	Sales
	(Dollars In Millions)
For the period of January 1, 2015 to January 31, 2015	$ 12
For the year ended December 31, 2014	130

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 May 1, 2018, The Lincoln National Life Insurance Company ("Lincoln Life") completed the acquisition (the "Closing") of Liberty Mutual Group Inc.'s ("Liberty Mutual") 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"). In connection with the Closing and pursuant to the Master Transaction Agreement, dated January 18, 2018, the Company and Protective Life and Annuity Insurance Company ("PLAIC"), a wholly owned subsidiary, entered into reinsurance agreements (the "Reinsurance Agreements") and related ancillary documents (including administrative services agreements and transition services agreements) providing for the reinsurance and administration of the Life Business.

Pursuant to the Reinsurance Agreements, Liberty ceded to the Company and PLAIC the insurance policies related to the Life Business on a 100% coinsurance basis. The aggregate ceding commission for the reinsurance of the Life Business was $422.4 million, which is the purchase price. Other than cash received as part of the acquired Liberty investment portfolio as reflected in "amounts received from reinsurance transaction" in the Consolidated Statement of Cash Flows and as reflected in the table below, this was a non-cash transaction.

All policies issued in states other than New York were ceded to the Company under a reinsurance agreement between Liberty and the Company, and all policies issued in New York were ceded to PLAIC under a reinsurance agreement between Liberty and PLAIC. The aggregate statutory reserves of Liberty ceded to the Company and PLAIC as of the closing of the Transaction were approximately $13.2 billion, which amount was based on initial estimates and is subject to adjustment following the Closing. Pursuant to the terms of the Reinsurance Agreements, each of the Company and PLAIC are required to maintain assets in trust for the benefit of Liberty to secure their respective obligations to Liberty under the Reinsurance Agreements. The trust accounts were initially funded by each of the Company and PLAIC principally with the investment assets that were received from Liberty. Additionally, the Company and PLAIC have each agreed to provide, on behalf of Liberty, administration and policyholder servicing of the Life Business reinsured by it pursuant to administrative services agreements between Liberty and each of the Company and PLAIC.

On January 23, 2019, the Company entered into a Master Transaction Agreement (the "GWL&A Master Transaction Agreement") with Great-West Life & Annuity Insurance Company ("GWL&A"), Great-West Life & Annuity Insurance Company of New York ("GWL&A of NY"), The Canada Life Assurance Company ("CLAC") and The Great-West Life Assurance Company ("GWL" and, together with GWL&A, GWL&A of NY and CLAC, the "Sellers"), pursuant to which the Company will acquire via reinsurance (the "Transaction") substantially all of the Sellers' individual life insurance and annuity business (the "Individual Life Business"). Pursuant to the GWL&A Master Transaction Agreement, the Company and PLAIC will enter into reinsurance agreements (the "Reinsurance Agreements") and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the Reinsurance Agreements, the Sellers will cede to the Company and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance policies relating to the Individual Life Business. To support its obligations under the Reinsurance Agreements, the Company will establish trust accounts for the benefit of GWL&A, CLAC and GWL, and PLAIC will establish a trust account for the benefit of GWL&A of NY. The Sellers will retain a block of participating policies, which will be administered by PLC.

The Transaction is subject to the satisfaction or waiver of customary closing conditions, including regulatory approvals and the execution of the Reinsurance Agreements and related ancillary documents. The GWL&A Master Transaction Agreement and other transaction documents contain certain customary representations and warranties made by each of the parties, and certain customary covenants regarding the Sellers and the Individual Life Business, and provide for indemnification, among other things, for breaches of those representations, warranties and covenants.

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.

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)	
2018	$ 2,140	$ 298	$ 2,438
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			
	Fixed Annuities	**Variable Annuities**	**Total Annuities**
		(Dollars In Millions)	
For the period of January 1, 2015 to January 31, 2015	$ 28	$ 59	$ 87
For the year ended December 31, 2014	831	953	1,784

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. 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)	
2018	$ 89	$ 1,250	$ 1,339
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			
	GICs	**Funding Agreements**	**Total**
		(Dollars In Millions)	
For the period of January 1, 2015 to January 31, 2015	$ —	$ —	$ —
For the year ended December 31, 2014	42	50	92

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, watercraft, and recreational vehicles ("RV"). 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 7,825 automobile, marine, powersports 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)
2018	$	449
2017		504
2016		467
For the period of February 1, 2015 to December 31, 2015		451

Predecessor Company		
		Sales
		(Dollars In Millions)
For the period of January 1, 2015 to January 31, 2015	$	35
For the year ended December 31, 2014		458

In 2018, all of the segment's sales were through the automobile, RV, marine, and powersports dealer distribution channel and approximately 82.5% 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. 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, 2018 (Successor Company), the Company's investment portfolio was approximately $65.8 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				Realized Investment Gains (Losses)	
	Cash, Accrued Investment Income, and Investments as of December 31,	Net Investment Income	Percentage Earned on Average of Cash and Investments	Derivative Financial Instruments	All Other Investments
	(Dollars In Thousands)				
For The Year Ended December 31, 2018	$ 66,546,973	$ 2,338,902	3.7%	$ 79,097	$ (253,000)
For The Year Ended December 31, 2017	54,983,606	1,923,056	3.6%	(137,041)	111,975
For The Year Ended December 31, 2016	51,140,568	1,823,463	3.6%	49,790	72,882
February 1, 2015 to December 31, 2015	45,716,700	1,532,796	3.3%	58,436	(193,928)

Predecessor Company		Realized Investment Gains (Losses)	
For The Period of	Net Investment Income	Derivative Financial Instruments	All Other Investments
	(Dollars In Thousands)		
January 1, 2015 to January 31, 2015	$ 164,605	$ 22,031	$ 80,672

Predecessor Company				Realized Investment Gains (Losses)	
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	Derivative Financial Instruments	All Other Investments
	(Dollars In Thousands)				
2014	$ 46,326,345	$ 2,098,013	4.5%	$ (13,492)	$ 198,027

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of December 31, 2018 (Successor Company), the Company’s mortgage loan holdings were approximately $7.7 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 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 and its 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 and its 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,
	2018	2017	2016			2014
	(Dollars In Thousands)				(Dollars In Thousands)	
New Business Written						
Life Marketing	$ 59,716,949	$ 52,154,590	$ 48,654,140	$ 37,677,352	$ 3,425,214	$ 35,967,402
Asset Protection	373,765	483,299	646,225	641,794	58,345	878,671
Total	$ 60,090,714	$ 52,637,889	$ 49,300,365	$ 38,319,146	$ 3,483,559	$ 36,846,073

	Successor Company				Predecessor Company
	As of December 31,				As of December 31,
	2018	2017	2016	2015	2014
	(Dollars In Thousands)				(Dollars In Thousands)
Business Acquired Acquisitions	$ 31,127,401	$ —	$ 83,285,951	$ —	$ —
Insurance In-Force at End of Year (1)					
Life Marketing	$ 641,004,417	$ 613,752,209	$ 590,021,218	$ 565,858,830	$ 546,994,786
Acquisitions	259,168,414	246,499,115	263,771,251	199,482,477	215,223,031
Asset Protection	1,220,801	1,466,334	1,721,641	1,910,691	2,055,873
Total	$ 901,393,632	$ 861,717,658	$ 855,514,110	$ 767,251,998	$ 764,273,690

(1) Reinsurance assumed has been included, reinsurance ceded (Successor 2018 - $302,149,614; 2017 - $328,377,398; 2016 - $348,994,650; 2015 - $368,142,294); (Predecessor 2014 - $388,890,060) 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
2018	5.1%
2017	4.5
2016	4.9
2015	4.2

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

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)		
2018	$ 5,234,731	$ 13,720,081	$ 12,288,919
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

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, motor vehicle records, previous underwriting records, 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. 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 its 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. 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.

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 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, GICs, 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 generally exempts policyholders from current taxation on an increase in the 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 investment products. If tax laws are revised such that there is an elimination or scale-back of this favorable tax treatment, or competing investment products are granted similar tax treatment, 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. In December 2017, the Tax Cuts and Jobs Act (the "Tax Reform Act") was enacted. It significantly changed U.S. tax law. For example, it lowered the corporate income tax rate, beginning in 2018. This resulted in a decrease in the Company's effective tax rate. The Tax Reform Act increases the Company's taxable income, as a result of changes regarding policy 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 future income taxes due to the lower tax rate.

In addition, life insurance products are often used to fund estate tax obligations. Recent and possibly future changes to estate tax law may affect the demand for life insurance products.

The Company's insurance subsidiaries are generally taxed in the same manner as are other companies in the industry. Certain tax law restrictions prevent the immediate inclusion of recently-acquired life insurance companies in the Company's consolidated income tax return. Additionally, these restrictions limit the amount of life insurance income that can be offset by non-life-insurance losses. Overall, these restrictions may cause the Company's effective tax rate to increase.

The Company's decreased reliance on reinsurance for newly written traditional life products resulted in a reduction in the taxes which the Company currently pays, offset by an increase in its 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 of the Company products are dependent on the continuation of certain tax benefits which are provided by current 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's life insurance sales have been relatively flat, though the aging population has increased the demand for retirement savings products. The Company encounters significant competition in all lines of business, including in the Acquisitions segment.

The Company encounters competition for sales of life insurance and retirement products 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.

The Company encounters competition in its Acquisitions segment from other insurance companies as well as from other types of acquirers, including private equity investors. Many of these competitors may have greater financial resources than the

Company and may be willing to assume a greater level of risk, have lower operating or financing costs, or have lower profitability expectations.

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, hedging, 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

State 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, data security, 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 or its subsidiaries may be ongoing. From time to time, regulators raise issues during examinations or audits for the Company or its 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 in the state 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 and its insurance subsidiaries are domiciled also impose certain restrictions on their ability to pay dividends. 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 2019 is approximately, in the aggregate, to be $154.8 million. No assurance can be given that more stringent restrictions will not be adopted from time to time by states in which the Company and its 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. Furthermore, some NAIC pronouncements, particularly as they affect accounting issues, take effect automatically in various states without affirmative action by those states.

The NAIC is considering revisions to the Suitability in Annuity Transactions Model Regulation which, if adopted by regulators, could impose a stricter standard of care upon insurers who sell annuities. Likewise, several states are considering or have adopted legislation or regulatory measures that would implement new requirements and standards applicable to the sale of annuities and, in some cases, life insurance products. The NAIC and several states, including Connecticut, Nevada, New Jersey, and New York have passed laws or proposed regulations requiring insurers, investment advisers, broker-dealers, and/or agents to disclose conflicts of interest to clients or to meet standards that their advice be in the customer's best interest. 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 and impact the overall market for such products.

Federal Regulation

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, including by potentially treating small blocks of business the Company has offered or acquired over the years as health insurance, as well as by potentially affecting the benefit plans the Company sponsors for employees or retirees and their dependents and the Company's expenses and tax liabilities related to the provision of such benefits. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act, all of which 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 current 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. The Company and certain of its 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.

Sales of life insurance policies and annuity contracts offered by the Company are subject to regulations relating to sales practices adopted by a variety of federal and state regulatory authorities. Certain annuities and life insurance policies such as variable annuities and variable universal life insurance are regulated under the federal securities laws administered by the SEC. On April 18, 2018, the SEC voted to propose rulemakings and interpretations relating to the standard of conduct applicable to broker-dealers, investment advisers, and their representatives when making certain recommendations to retail customers. Specifically, under the proposed regulations, a broker-dealer would be required to act in the best interest of a retail customer when recommending any securities transaction or investment strategy involving securities to a retail customer. The SEC also proposed an interpretation reaffirming and, in some cases, clarifying its views of the fiduciary duty that investment advisers owe to their clients. Another SEC proposal would require broker-dealers and investment advisers to provide each customer with a summary of the nature of the customer's relationship with the investment professional, as well as a restriction on the use of the terms "adviser" and "advisor" by broker-dealers. The comment period on the proposals closed on August 7, 2018. The SEC has indicated that it will issue a final version of the regulations and the interpretation before the end of the third quarter 2019.

In addition, 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 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.

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, supervises, and supports sales of its annuities and, where applicable, life insurance products. 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. Any of the foregoing regulatory, legislative, or judicial measures or the reaction to such activity by consumers or other members of the insurance industry 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.

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.

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.

Cyber Security Regulation

In response to the growing threat of cyber attacks in the insurance industry, certain jurisdictions have begun to consider new cybersecurity measures, including the adoption of cybersecurity regulations that, among other things, would require insurance companies to establish and maintain a cybersecurity program and implement and maintain cybersecurity policies and procedures. On October 24, 2017, the NAIC adopted its Insurance Data Security Model Law (the "NAIC Model Law"), which is intended to serve as model legislation for states to enact in order to govern cybersecurity and data protection practices of insurers, insurance agents, and other licensed entities registered under state insurance laws. To date, South Carolina, Michigan, and Ohio have adopted cybersecurity regulations that are based, at least in part, on the NAIC's Model Law, and several other states have pending or are considering adopting regulations based on the NAIC Model Law. Additionally, the New York Department of Financial Services ("DFS") issued regulations governing cybersecurity requirements for financial services companies, which became effective in March 2017. The DFS regulations require insurance companies, among others, licensed in New York to assess their specific cyber risk profiles and design cybersecurity programs to address such risks, as well as file annually with DFS a program compliance certification pertaining to their compliance with DFS cybersecurity requirements. The Company continues to monitor whether the other states in which it conducts business, as well as federal governmental agencies, adopt data security laws.

The Company has implemented information security policies that are designed to address the security of the Company's information assets, which include personally identifiable information ("PII") and protected health information ("PHI"), as well as other proprietary and confidential information about the Company, its employees, customers, agents, and business partners. Additionally, the Company has an information risk management committee that, among other things, reviews emerging risks and monitors regulatory requirements and industry standards relating to the security of the Company's information assets, monitors the Company's cybersecurity initiatives, and approves the Company's cyber incident response plans. This committee meets regularly, and the Board of Directors receives reports regarding cybersecurity matters. Furthermore, as part of the Company's information security program, the Company has included security features in its systems that are intended to protect the privacy and integrity of the Company's information assets, including PII and PHI. Notwithstanding these efforts, cyber threats and related legal and regulatory standards applicable to the insurance industry are rapidly evolving, and the Company's and the Company's business partners' and service providers' systems may continue to be vulnerable to security breaches, viruses, programming errors, and other similar disruptive problems or incidents. Any such incident could have a material adverse effect on the Company's operations, reputation, customer relationships, and financial condition.

Other Regulation

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, 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, 2018, PLC and the Company had approximately 2,957 employees, of which 2,948 were full-time and 9 were part-time employees. Included in the total were approximately 1,568 employees in Birmingham, Alabama, of which 1,562 were full-time and 6 were part-time employees. None of the the Company's employees are represented by a union and the Company is not a party to any collective bargaining agreements. 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 2018 was approximately $17.8 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 17, *Employee Benefit Plans* to our consolidated financial statements for additional information.

Intellectual Property

The Company relies on a combination of intellectual property laws, confidentiality procedures and policies, and contractual provisions to protect its brand and its intellectual property, which includes copyrights, trademarks, patents, domain names, and trade secrets. The success of the Company's business depends on its continued ability to use and protect its intellectual property, including its trademark and service mark portfolio which is composed of both United States registered and common law trademarks and service marks, including the Company's Protective name and logo. The Company's intellectual property assets are valuable to the Company in maintaining its brand and marketing its products; thus, the Company maintains and protects its intellectual property assets from infringement and dilution.

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 Company is an electronic filer and the SEC maintains an internet site at http://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, http://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, http://investor.protective.com/corporate-governance/code-of-conduct.

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 exposed to risks related to natural and man-made disasters and catastrophes, such as 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 and such measures may not adequately predict the impact on the Company from such events. 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 effects 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.

A disruption or cyber attack affecting the electronic, communication and information technology systems or other technologies 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. 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.

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. Additionally, we may not become aware of sophisticated cyber attacks for some time after they occur, which could increase the Company's exposure. We may have to incur significant costs to address or remediate interruptions, threats, and vulnerabilities in our information and technology systems and to comply with existing and future regulatory requirements related thereto. These risks are heightened as the frequency and sophistication of cyber attacks increase.

The Company has relationships with vendors, distributors, and other third parties that provide operational or information technology services to us. Although the Company conducts due diligence, negotiates contractual provisions, and, in many cases, conducts periodic reviews of such third parties to confirm compliance with our information security standards, the failure of such third parties' computer systems and/or their disaster recovery plans for any reason might cause significant interruptions in our operations. While we maintain cyber liability insurance that provides both third-party liability and first party liability coverages, our insurance may not be sufficient to protect us against all losses.

Confidential information maintained in the systems of the Company or other parties upon which the Company relies could be compromised or misappropriated as a result of security breaches or other related lapses or incidents, 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 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 to attack technologies and data systems 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, through phishing, phone calls, or other efforts, to deliberately or inadvertently disclose sensitive information in order to gain access to our data or that of our customers or clients.

Additionally, 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 cyber attacks or other data security events or other technological failures or lapses, including unauthorized access to, loss of, or acquisition of information collected or maintained by the Company or its business partners or vendors, the Company 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-events and other data security events in the past, and to date the Company has not suffered any material harm or loss relating to such attacks, events, failures or lapses at the Company or third parties, there can be no assurance that the Company will not suffer such harm or losses in the future.

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

In the conduct of business, the Company makes certain assumptions and utilizes certain internal models 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 and models 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 and models 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 derived from the Company's models. 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.

Additionally, 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.

Models, 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 errors in the design, implementation, or use of its models, 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, a number of risks may arise in connection with businesses or blocks of insurance business that the Company acquires or reinsures, including unforeseen liabilities or asset impairments; rating agency reactions; and regulatory requirements that could impact our operations or capital requirements. 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.

The Company may experience competition in its acquisition segment.

The Company also faces significant competition in its acquisitions segment, including with respect to the acquisition of suitable target companies, business operations, and blocks of reinsurance business. Other market participants may have competitive advantages, including with respect to access to capital (whether on more favorable terms or at a lower cost), investment return requirements, taxation, and risk tolerances.

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, variable life and annuity deposits are invested in funds managed by third parties, certain modified coinsurance assets are managed by third parties, and the Company 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. 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.

Most of the Company's products are sold through independent third-party distribution channels. There can be no assurance that the terms of these relationships will remain acceptable to us or the distributors, as they are subject to change as a result of business combinations, mergers, consolidation, or changes in business models, compensation arrangements, or new distribution channels. If one or more key distributors terminated their relationship with us, increased the costs of selling our products, or reduced the amount of sales they produce for us, our results of operations could be adversely affected. If we are unsuccessful in attracting and retaining key associates who conduct our business, sales of our products could decline and our results of operations and financial condition could be materially adversely affected.

Because our products are distributed through unaffiliated third-party distributors, we may not be able to fully monitor or control the manner of their distribution despite our training and compliance programs. If our products are distributed by such firms in an inappropriate manner, or to customers for whom they are unsuitable, we may suffer reputational and other harm to our business. In addition, our distributors may also sell our competitors' products. If our competitors offer products that are more attractive than ours, or pay higher compensation than we do, these distributors may concentrate their efforts on selling our competitors' products instead of ours.

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 or the reputation of our industry 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, adverse media commentary, 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.

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 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.

Developments in technology may impact our business.

Technological developments and unforeseen changes in technology may impact our business. Technology changes are increasing customer choices about how to interact with companies generally. Evolving customer preferences may drive a need to redesign our products, and our distribution channels and customer service areas may need to change to become more automated and available at the place and time of the customer's choosing. Additionally, changes in technology may impact our operational effectiveness and could have an adverse effect on our unit cost competitiveness. Such changes have the potential to disrupt our business model.

Technology may also have a significant impact on the companies in which we invest. For example, consumers may change their purchasing behavior to favor online shopping activity, which may adversely affect the value of retail properties in which we invest.

Advancements in medical technologies may also impact our business. For example, genetic testing and the availability of that information unequally to consumers and insurers can result in anti-selection risks if data from genetic testing gives our prospective customers a clearer view into their future health and longevity expectations, allowing them to select products protecting them against likelihoods of mortality or longevity with more precision based on information that is not available to us. Also, advancements in medical technologies that extend lives may challenge our actuarial assumptions, especially in the annuity business.

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.

Additionally, changes or reforms to London Inter-Bank Offered Rate ("LIBOR"), or uncertainty regarding the reliability or continued use of LIBOR as a benchmark interest rate, may impact interest rates in the markets in which the Company conducts business. Alternative reference rates, including the Secured Overnight Funding Rate ("SOFR"), have been announced, and it is unclear how markets will respond to these new rates, the effect of changes or reforms to LIBOR, or discontinuation of LIBOR. If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, interest rates on certain derivatives and floating rate securities we hold, securities we have issued, real estate lending and related activities we conduct in our investment management business, and any other assets or liabilities whose value is tied to LIBOR, may be adversely affected. Further, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of such instruments.

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. 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.

Significant volatility or disruption in domestic or foreign credit markets, including as a result of social or political unrest or instability domestically or abroad, could have an adverse impact in several ways on either the Company's financial condition or results from operations. The Company's invested assets and derivative financial instruments are subject to risks of credit defaults and changes in market values which could be heightened by volatility or disruption. 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.

Credit market volatility or disruption could adversely impact 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. A widening of credit spreads will increase the unrealized losses 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.

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.

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, to pay its operating expenses, interest on our debt and dividends on our capital stock, to provide our subsidiaries with cash or collateral, maintain our securities lending activities and to replace certain maturing liabilities. 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. Without sufficient liquidity, we could be forced to curtail our operations and limit our investments, and our business and financial results may suffer. 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.

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

Volatility in equity markets may deter 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 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 of risks, 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.

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.

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.

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 which would otherwise be paid in cash. In general, the realization of deferred tax assets is dependent upon the generation of sufficient future ordinary and capital taxable income. Realization may also be limited for other reasons, including but not limited to changes in tax rules or regulations. If it is determined that a certain deferred tax asset cannot be realized, then a deferred tax valuation allowance is 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, it is more likely than not that the Company 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 $2.0 million and $4.7 million as of December 31, 2018 and December 31, 2017, respectively, related to certain deferred tax assets which are more likely than not to expire unutilized. These assets are state income tax-related. 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 lead to downgrades in our credit and financial strength ratings and have a material adverse effect on its liquidity 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, 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 National Association of Insurance Commissioners (the "NAIC") risk-based capital formulas. Most of these factors are outside of the Company's control.

At its June 2018 meeting, the NAIC's Capital Adequacy Task Force adopted a change to the formulas used to calculate risk-based capital to reflect a lower federal corporate income tax rate. The NAIC's risk-based capital formulas now employ a tax factor of 21%, instead of 35%. This change had a one-time lowering effect on the risk-based capital ratios of the Company and its subsidiaries when it became effective at the end of 2018.

A proposed change to the NAIC's risk-based capital formula that is currently under consideration would update the factors used to calculate required capital for bonds. While the extent and timing of this proposed change is unknown, if adopted, it would likely increase the Company's required capital and decrease the statutory risk-based capital ratios of 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 organizations 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.

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 rating organization 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 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. In addition, the amount of surplus that our insurance subsidiaries could pay as dividends is constrained by the amount of surplus they hold to maintain their financial strength ratings, to provide an additional layer of margin for risk protection and for future investment in our businesses.

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

Certain subsidiaries of the Company are members of the Federal Home Loan Bank (the "FHLB") of Cincinnati and the FHLB of New York. Membership provides these Company subsidiaries 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. The extent to which membership or the FHLB services are available could be impacted by legislative or regulatory action at the state or federal level. Any developments that limit access to FHLB financial services could have a material adverse effect on the Company.

In addition, the ability of the Company or its subsidiaries to access liquidity from the FHLB is impacted by other factors that are dependent on market conditions or policies established by the FHLB. Fluctuations in the market value of collateral can adversely impact available borrowing capacity. Changes in collateral haircuts established by the FHLB and what is deemed to be eligible collateral by the FHLB can also impact the amount and availability of funding.

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.

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 regulation by the United States Securities and Exchange Commission (the "SEC") and each of the states in which it conducts business. ProEquities, the Company's broker dealer, is subject to the Financial Industry Regulatory Authority ("FINRA"). In many instances, the regulatory models emanate from the NAIC and, at the state level, from the North American Securities Administrators Association. 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 or its 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. In addition, our broker-dealer subsidiary and our variable annuities and variable life insurance products are subject to regulation and supervision by the SEC and FINRA. These laws and regulations generally grant supervisory agencies and self-regulatory organizations broad administrative powers, including the power to limit or restrict the broker-dealer subsidiary from carrying on its businesses in the event that it fails to comply with such laws and regulations. The foregoing regulatory or governmental bodies, as well as the DOL and others, have the authority to review our products and business practices and those of our agents, registered representatives, associated persons, and employees. In recent years, there has been increased scrutiny of the insurance industry by these bodies, which has included more extensive examinations, regular sweep inquiries, and more detailed review of disclosure documents. These regulatory or governmental bodies may bring regulatory or other legal actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties, or prohibitions or restrictions on our business activities and could have a material adverse effect on our business, results of operations, or financial condition.

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 method 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 developing 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 may be updated periodically by the FSB. It is possible that due to the size and reach of the combined Dai-ichi Life group, or a change in the method of identifying G-SIIs, the combined group, including the Company, could be designated 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"). 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. The IAIS has also published a framework for assessing and mitigating global systemic risk. The framework proposes enhanced supervisory and corrective measures and disclosures for any build-up of systemic risk in liquidity risk, macroeconomic exposure, counterparty exposure and substitutability. It is likely that the combined Dai-ichi Life group will be deemed an IAIG, in which case it, and the Company, may be subject to supervision requirements, capital measurement standards, and enhanced disclosures 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 non-domiciliary state nor the action of the NAIC is binding on a 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 measure 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 has adopted a framework for changes to current rules and regulations applicable to the determination of variable annuity reserves and risk-based capital. The changes are intended to decrease incentives for insurers to establish variable annuities captives and will apply to both in-force and new business. The new rules and regulations will likely have a 2020 effective date and an optional 3- to 7-year transition period from current rules and regulations, beginning on the effective date. The changes could adversely affect our future financial condition and 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 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 in a manner which creates additional obligations for life insurance companies. The enactment or amendment 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, and state insurance regulators 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 treating an unreported death as giving rise to a policy benefit that would be subject to unclaimed property procedures. However, a number of life insurers have entered into resolution agreements with state treasury departments and administrators of unclaimed property or settlement or consent agreements with state insurance regulators. The amounts publicly reported to have been paid to beneficiaries, escheated to the states, and/or paid as administrative and/or examination fees to the insurance regulators in connection with the settlement or consent agreements have been substantial.

The Company and certain of its 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 and/or results of operations.

The Company has previously been subject to litigation regarding compliance with the West Virginia Uniform Unclaimed Property Act, but the Company does not believe that losses arising from the 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 revisions 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 which increases the cost of future assessments and/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.

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 to the Healthcare Act, or any regulatory pronouncement made under the Healthcare Act, 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. 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 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. 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.

Pursuant to the Dodd-Frank Act, in December 2013, the Federal Insurance Office ("FIO") issued a report on how to modernize and improve the system of insurance regulation in the United States and, 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 reinsurance 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 therefore affect the Company's business.

The Dodd-Frank Act also established the Financial Stability Oversight Council (the "FSOC"), which 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 Financial Stability Oversight Council (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.

The Consumer Financial Protection Bureau ("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.

The Company and certain of its 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.

New and amended regulations regarding the standard of care or standard of conduct applicable to investment professionals, insurance agencies, and financial institutions that recommend or sell annuities or life insurance products may have a material adverse impact on our ability to sell annuities and other products and to retain in-force business and on our financial condition or results of operations.

Sales of life insurance policies and annuity contracts offered by the Company are subject to regulations relating to sales practices adopted by a variety of federal and state regulatory authorities. Certain annuities and life insurance policies such as variable annuities and variable universal life insurance are regulated under the federal securities laws administered by the SEC. On April 18, 2018, the SEC voted to propose rulemakings and interpretations relating to the standard of conduct applicable to broker-dealers, investment advisers, and their representatives when making certain recommendations to retail customers. Specifically, under the proposed regulations, a broker-dealer would be required to act in the best interest of a retail customer when recommending any securities transaction or investment strategy involving securities to a retail customer. The SEC also proposed an interpretation reaffirming and, in some cases, clarifying its views of the fiduciary duty that investment advisers owe to their clients. Another SEC proposal would require broker-dealers and investment advisers to provide each customer with a summary of the nature of the customer's relationship with the investment professional, as well as a restriction on the use of the terms "adviser" and "advisor" by broker-dealers. The comment period on the proposals closed on August 7, 2018. The SEC has indicated that it will issue a final version of the regulations and the interpretation before the end of the third quarter 2019.

In addition, 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.

The NAIC is considering revisions to the Suitability in Annuity Transactions Model Regulation which, if adopted by regulators, could impose a stricter standard of care upon insurers who sell annuities. Likewise, several states are considering or have adopted legislation or regulatory measures that would implement new requirements and standards applicable to the sale of annuities and, in some cases, life insurance products. The NAIC and several states, including Connecticut, Nevada, New Jersey, and New York have passed laws or proposed regulations requiring insurers, investment advisers, broker-dealers, and/or agents to disclose conflicts of interest to clients or to meet standards that their advice be in the customer's best interest. 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 and impact the overall market for such products.

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, supervises, and supports sales of its annuities and, where applicable, life insurance products. 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. Any of the foregoing regulatory, legislative, or judicial measures or the reaction to such activity by consumers or other members of the insurance industry 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.

***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 FINRA examine or investigate the activities of broker-dealers, insurer's separate accounts and investment advisors, 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.

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, 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 favored status of life insurance and annuity products, or to establish the tax favored 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 provides certain benefits to the Company, such as the dividends-received deduction, the deferral of current taxation on derivatives' and securities' economic income and the current deduction for future policy benefits and claims. The Tax Cut and Jobs Act (the "Tax Reform Act"), enacted in December 2017, requires the Company to report higher amounts of taxable income both currently and in the future. However, it also significantly reduced the corporate income tax rate. Overall, the Company expects to pay less income tax in the future under the Tax Reform Act.

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 Tax Reform Act, 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 Company's ability to continue deducting its provision for future policy benefits and claims 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 regularly undertakes 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 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 in the state 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 with Dai-ichi Life. 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.

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 three buildings consisting of 620,000 square feet at the home office location. The first building was constructed in 1974, the second building was constructed in 1982, and the third building was constructed in 2004. The Company previously leased the third building, pursuant to a lease which expired in December 2018. At the end of the lease term in December 2018, the Company purchased the building for approximately $75.0 million. Parking is provided for approximately 2,594 vehicles.

The Company leases administrative and marketing office space in 17 cities (excluding the home office building), with most leases being for periods of three to ten years. The aggregate annualized rent is approximately $11.3 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 to which the Company or any of its subsidiaries is a party or of which any of our properties is the subject, other than as set forth in Note 15, *Commitments and Contingencies* of the notes to the consolidated financial statements, 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

The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), which also owns all of the preferred stock issued by the Company's subsidiary, Protective Life and Annuity Insurance Company ("PL&A"). Therefore, neither the Company's common stock nor PL&A's preferred stock is publicly traded.

As of December 31, 2018, approximately $1.5 billion of the Company's consolidated shareowner's equity excluding net unrealized gains and losses on investments represented restricted net assets of the Company's insurance subsidiaries that cannot be transferred to Protective Life Insurance Company in the form of dividends, loans, or advances.

Insurers are subject to various state statutory and regulatory restrictions on the insurers' ability to pay dividends. In general, dividends up to specific levels are considered ordinary and may be paid thirty days after written notice to the insurance commissioner of the state of domicile unless such commissioner objects to the dividend prior to the expiration of such period. Dividends in larger amounts are considered extraordinary and are subject to affirmative prior approval by such commissioner. The maximum amount that would qualify as ordinary dividends to the Company from its insurance subsidiaries in 2019 is estimated to be $154.8 million.

PL&A paid no dividends on its preferred stock in 2018 or 2017. The Company and its subsidiaries may pay cash dividends in the future, subject to their earnings and financial condition and other relevant factors.

Item 6. Selected Financial Data

The following selected financial data has been derived from the Company's audited consolidated financial statements. The income statement data for the years ended December 31, 2018, 2017, 2016 (Successor Company) and the balance sheet data as of December 31, 2018 and 2017 (Successor Company) have been derived from the Company's audited consolidated financial statements included elsewhere herein. The income statement data for the period of February 1, 2015 to December 31, 2015 (Successor Company), the period of January 1, 2015 to January 31, 2015 (Predecessor Company), and for the year ended December 31, 2014 (Predecessor Company), and the balance sheet data as of December 31, 2016 and 2015 (Successor Company) and as of December 31, 2014 (Predecessor Company), have been derived from the Company's audited consolidated financial statements not included herein.

See Note 3, *Significant Transactions* to the consolidated financial statements for a discussion of acquisitions and transactions during 2018.

The selected financial data set forth below should be read in conjunction with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the audited consolidated financial statements and related notes included elsewhere herein. Successor and Predecessor periods are not comparable.

	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,
	2018	2017	2016			2014
	(Dollars In Thousands)				(Dollars In Thousands)	
INCOME STATEMENT DATA						
Premiums and policy fees	$ 3,656,508	$ 3,456,362	$ 3,389,419	$ 2,992,822	$ 260,582	$ 3,283,069
Reinsurance ceded	(1,383,510)	(1,367,096)	(1,330,723)	(1,174,871)	(91,632)	(1,395,743)
Net of reinsurance ceded	2,272,998	2,089,266	2,058,696	1,817,951	168,950	1,887,326
Net investment income	2,338,902	1,923,056	1,823,463	1,532,796	164,605	2,098,013
Realized investment gains (losses):						
Derivative financial instruments	79,097	(137,041)	49,790	58,436	22,031	(13,492)
All other investments	(223,276)	121,087	90,630	(166,935)	81,153	205,302
Other-than-temporary impairment losses	(56,578)	(1,332)	(32,075)	(28,659)	(636)	(2,589)
Portion recognized in other comprehensive income (before taxes)	26,854	(7,780)	14,327	1,666	155	(4,686)
Net impairment losses recognized in earnings	(29,724)	(9,112)	(17,748)	(26,993)	(481)	(7,275)
Other income	321,019	325,411	288,878	271,787	23,388	294,333
Total revenues	4,759,016	4,312,667	4,293,709	3,487,042	459,646	4,464,207
Total benefits and expenses	4,511,428	3,848,659	3,771,028	3,232,854	326,799	3,725,418
Income before income tax	247,588	464,008	522,681	254,188	132,847	738,789
Income tax expense (benefit)	53,661	(718,409)	170,073	74,491	44,325	246,838
Net income	$ 193,927	$ 1,182,417	$ 352,608	$ 179,697	$ 88,522	$ 491,951

	Successor Company				Predecessor Company
	As of December 31,				As of December 31,
	2018	2017	2016	2015	2014
	(Dollars In Thousands)				(Dollars In Thousands)
BALANCE SHEET DATA					
Total assets	$ 89,383,069	$ 79,113,735	$ 74,465,132	$ 68,031,938	$ 69,992,118
Total stable value products and annuity account balances	18,954,812	15,619,561	14,143,751	12,851,684	12,910,217
Non-recourse funding obligations	2,888,329	2,952,822	2,973,829	1,951,563	1,527,752
Total shareowner’s equity	7,042,788	8,324,285	6,739,674	5,187,477	5,831,151

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

We are a wholly owned subsidiary of Protective Life Corporation ("PLC"). Founded in 1907, we are the largest operating subsidiary of PLC. On February 1, 2015, PLC 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 PLC (the "Merger"). Prior to February 1, 2015, PLC's stock was publicly traded on the New York Stock Exchange. Subsequent to the Merger, PLC and the Company remain SEC registrants for financial reporting purposes in the United States. We provide financial services through the production, distribution, and administration of insurance and investment products. Unless the context otherwise requires, the "Company," "we," "us," or "our" refers to the consolidated group of Protective Life Insurance Company 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, and Asset Protection. We have an additional reporting segment referred to as 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 and recreational vehicles. 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. 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 SIGNIFICANT TRANSACTIONS

The Lincoln National Life Insurance Company

On May 1, 2018, The Lincoln National Life Insurance Company ("Lincoln Life") completed the acquisition (the "Closing") of Liberty Mutual Group Inc.'s ("Liberty Mutual") 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"). In connection with the Closing and pursuant to the Master Transaction Agreement, dated January 18, 2018, the Company and Protective Life and Annuity Insurance Company ("PLAIC"), a wholly owned subsidiary, entered into reinsurance agreements (the "Reinsurance Agreements") and related ancillary documents (including administrative services agreements and transition services agreements) providing for the reinsurance and administration of the Life Business.

Pursuant to the Reinsurance Agreements, Liberty ceded to the Company and PLAIC the insurance policies related to the Life Business on a 100% coinsurance basis. The aggregate ceding commission for the reinsurance of the Life Business was $422.4 million. All policies issued in states other than New York were ceded to us under a reinsurance agreement between Liberty and the Company, and all policies issued in New York were ceded to PLAIC under a reinsurance agreement between Liberty and PLAIC. The aggregate statutory reserves of Liberty ceded to the Company and PLAIC as of the closing of the Transaction were approximately $13.2 billion, which amount was based on initial estimates and is subject to adjustment following the Closing. Pursuant to the terms of the Reinsurance Agreements, each of the Company and PLAIC are required to maintain assets in trust for the benefit of Liberty to secure their respective obligations to Liberty under the Reinsurance Agreements. The trust accounts were initially funded by each of the Company and PLAIC principally with the investment assets that were received from Liberty. Additionally, the Company and PLAIC have each agreed to provide, on behalf of Liberty, administration and policyholder servicing of the Life Business reinsured by it pursuant to administrative services agreements between Liberty and each of the Company and PLAIC.

Great-West Life & Annuity Insurance Company

On January 23, 2019, we entered into a Master Transaction Agreement (the " GWL&A Master Transaction Agreement") with Great-West Life & Annuity Insurance Company ("GWL&A"), Great-West Life & Annuity Insurance Company of New York ("GWL&A of NY"), The Canada Life Assurance Company ("CLAC") and The Great-West Life Assurance Company ("GWL" and, together with GWL&A, GWL&A of NY and CLAC, the "Sellers"), pursuant to which we will acquire via reinsurance (the "Transaction") substantially all of the Sellers' individual life insurance and annuity business (the "Individual Life Business"). Pursuant to the GWL&A Master Transaction Agreement, the Company and PLAIC, will enter into reinsurance agreements (the "Reinsurance Agreements") and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the Reinsurance Agreements, the Sellers will cede to us and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance policies relating to the Individual Life Business. To support its obligations under the Reinsurance Agreements, we will establish trust accounts for the benefit of GWL&A, CLAC and GWL, and PLAIC will establish a trust account for the benefit of GWL&A of NY. The Sellers will retain a block of participating policies, which will be administered by PLC.

The Transaction is subject to the satisfaction or waiver of customary closing conditions, including regulatory approvals and the execution of the Reinsurance Agreements and related ancillary documents. The GWL&A Master Transaction Agreement and other transaction documents contain certain customary representations and warranties made by each of the parties, and certain customary covenants regarding the Sellers and the Individual Life Business, and provide for indemnification, among other things, for breaches of those representations, warranties and covenants.

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

- exposure to risks related to natural and man-made disasters and catastrophes, such as diseases, epidemics, pandemics, malicious acts, cyber attacks, terrorist acts, and climate change, which could adversely affect our operations and results;
- a disruption or cyber attack affecting the electronic, communication and information technology systems or other technologies 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 we rely could be compromised or misappropriated as a result of security breaches or other related lapses or incidents, 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 models, assumptions, or estimates;
- we may not realize our anticipated financial results from our acquisitions strategy;
- we may experience competition in our acquisition segment;
- 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 or the reputation of our industry could adversely impact our business, results of operations, or financial condition;
- we may not be able to protect our intellectual property and may be subject to infringement claims;
- developments in technology may impact our business;

Financial Environment

- interest rate fluctuations and 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;
- credit market volatility or disruption could adversely impact the Company's financial condition or results from operations;
- disruption of the capital and credit markets could negatively affect the Company's ability to meet its liquidity and financial needs;
- 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;
- our ability to grow depends in large part upon the continued availability of capital;
- we could be forced to sell investments at a loss to cover policyholder withdrawals;
- 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;
- 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 could be adversely affected by a ratings downgrade or other negative action by a rating organization;
- we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations;
- 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;

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;
- new and amended regulations regarding the standard of care or standard of conduct applicable to investment professionals, insurance agencies, and financial institutions that recommend or sell annuities or life insurance products may have a material adverse impact on our ability to sell annuities and other products and 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, 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; and
- our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business.

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, 2018, $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, 2018, 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, 2018, the fair value of derivatives reported on our balance sheet in “other long-term investments” and “other liabilities” was $414.8 million and $658.8 million, respectively. Of those derivative assets and liabilities, $151.3 million and $438.1 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, 2018, we held $49.9 billion of available-for-sale investments, including $39.8 billion in investments with a gross unrealized loss of $2.7 million, and $2.6 billion of held-to-maturity investments with a gross unrecognized holding loss of $86.3 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, 2018, our third party reinsurance receivables amounted to $4.5 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, assumption changes generally do not affect current results. 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 for universal life products, changes are reflected in the income statement as part of an "unlocking" process. During the year ended December 31, 2018, we adjusted our estimates of future reinsurance costs in both the Acquisitions and Life Marketing segments, resulting in an approximate $31.5 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 7.1%. 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. Some examples of acquisition costs that are subject to deferral include commissions, underwriting testing fees, certain direct underwriting costs, and premium taxes. The determination of which costs are deferrable must be made on a contract-level basis. (All other acquisition-related costs, including market research, administration, management of distribution and underwriting functions, and product development, are considered non-deferrable acquisition costs and must be expensed in the period incurred.) The recovery of the deferred 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, 2018, we had a deferred acquisition costs ("DAC") and VOBA asset of $3.0 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 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 2018, we performed our annual qualitative evaluation of goodwill based on the circumstances that existed as of October 1, 2018 and determined that there was no indication that our segment goodwill was more likely than not impaired and no adjustment to impair goodwill was necessary. We have assessed whether events have occurred subsequent to October 1, 2018 that would impact our conclusion and no such events were identified. As of December 31, 2018, we increased our goodwill balance by approximately $32.0 million. Refer to Note 1, *Basis of Presentation* for additional information. As of December 31, 2018, we had goodwill of $825.5 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, premium payment patterns, 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. As of December 31, 2018, we had total policy liabilities and accruals of $42.7 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. A portion of our GMDB benefits are subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. We reinsure certain risks associated with the GMDB to Shades Creek Captive Insurance Company ("Shades Creek"), a direct wholly owned insurance subsidiary of PLC. As of December 31, 2018, the GMDB liability, including the impact of reinsurance, was $34.7 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 interest rates and 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 derivative 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 table adjusted 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, 2018, our net GLWB liability held was $43.3 million.

Pension and Other Postretirement Benefits - Determining PLC's obligations to employees under its pension plans and other postretirement benefit plans requires the use of assumptions. The calculation of the liability and expense related to PLC's 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 17, *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 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 have been recorded on a provisional basis. The final accounting was completed on December 22, 2018 and any adjustments to these provisional amounts are included in our consolidated financial statements for the year ended 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% was 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.

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. Assumptions may be updated as part of our annual assumption review process, as well as during our quarterly update of historical business activity. This periodic review and updating of assumptions is collectively referred to as "unlocking." When referring to unlocking the reference is to changes in all balance sheet components associated with these changes. The adjustments associated with unlocking can create significant variability from period to period in the profitability of certain of the Company's operating segments.

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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Adjusted Operating Income (Loss)			
Life Marketing	$ (13,726)	$ 55,152	$ 41,457
Acquisitions	282,715	249,749	260,511
Annuities	129,155	171,269	174,362
Stable Value Products	102,328	105,261	61,294
Asset Protection	24,371	17,638	11,309
Corporate and Other	(156,722)	(189,645)	(161,820)
Pre-tax adjusted operating income	368,121	409,424	387,113
Realized gains (losses) on investments and derivatives	(120,533)	54,584	135,568
Income before income tax	247,588	464,008	522,681
Income tax expense (benefit)	53,661	(718,409)	170,073
Net income	$ 193,927	$ 1,182,417	$ 352,608
Pre-tax adjusted operating income	$ 368,121	$ 409,424	$ 387,113
Adjusted operating income tax (expense) benefit	(78,973)	737,513	(122,624)
After-tax adjusted operating income	289,148	1,146,937	264,489
Realized gains (losses) on investments and derivatives	(120,533)	54,584	135,568
Income tax (expense) benefit on adjustments	25,312	(19,104)	(47,449)
Net income	$ 193,927	$ 1,182,417	$ 352,608
Realized investment (losses) gains:			
Derivative financial instruments	$ 79,097	$ (137,041)	$ 49,790
All other investments	(223,276)	121,087	90,630
Net impairment losses recognized in earnings	(29,724)	(9,112)	(17,748)
Less: related amortization[(1)]	(11,856)	(39,480)	24,360
Less: VA GLWB economic cost	(41,514)	(40,170)	(37,256)
Realized (losses) gains on investments and derivatives	$ (120,533)	$ 54,584	$ 135,568

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

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Net income for the year ended December 31, 2018 was $193.9 million which was a decrease of $988.5 million. The decrease in net income was primarily driven by an unfavorable change in income taxes of $772.1 million which was driven by the change in the corporate tax rate in 2017. Pre-tax adjusted operating income was $368.1 million which was a decrease of $41.3 million. The decrease in pre-tax adjusted operating income consisted of a $68.9 million decrease in the Life Marketing segment, a $42.1 million decrease in the Annuities segment, and a $2.9 million decrease in the Stable Value Product segment. These decreases were partially offset by a $33.0 million increase in the Acquisitions segment, a $32.9 million increase in the Corporate and Other segment, and a $6.7 million increase in the Asset Protection segment.

Net realized losses on investments and derivatives for the year ended December 31, 2018 was $120.5 million. These losses were primarily due to net impairments of $29.7 million, equity securities losses of $49.0 million, net losses of $19.1 million related to Modco trading portfolio activity and the associated embedded derivative, and net losses of $86.6 million on VA GLWB derivatives (after adjusting for economic cost and amortization). Our net impairments of $29.7 million were driven by impairments in the utility sector. The equity losses of $49.0 million were primarily driven by the overall decline in market prices during the period. The net losses on VA GLWB derivatives included a $25.8 million loss related to variations in actual sub-account fund performance from the indices included in our hedging program and a $8.5 million loss from changes to policyholder assumptions which was partially offset by a $17.2 million gain related to an increase in our non-performance risk during the period.

- Life Marketing segment pre-tax adjusted operating loss was $13.7 million for the year ended December 31, 2018, representing a decrease of $68.9 million from the year ended December 31, 2017. The decrease was primarily due to the impact of unlocking, higher reinsurance costs, and higher life claims for the year ended December 31, 2018, as compared to the prior year. The segment recorded an unfavorable $28.9 million of unlocking for the year ended December 31, 2018, as compared to an unfavorable $4.0 million of unlocking for the year ended December 31, 2017.

- Acquisitions segment pre-tax adjusted operating income was $282.7 million for the year ended December 31, 2018, an increase of $33.0 million as compared to the year ended December 31, 2017, primarily due to the favorable impact of $51.3 million from the Liberty reinsurance transaction completed on May 1, 2018, partly offset by the expected runoff of the in-force blocks of business.

- Annuities segment pre-tax adjusted operating income was $129.2 million for the year ended December 31, 2018, as compared to $171.3 million for the year ended December 31, 2017, a decrease of $42.1 million, or 24.6%. This variance was primarily the result of unfavorable unlocking, an unfavorable change in guaranteed benefit reserves, and lower VA fee income, partially offset by a favorable change in SPIA mortality. Segment results were negatively impacted by $25.0 million of unfavorable unlocking for the year ended December 31, 2018, as compared to $16.5 million of favorable unlocking for the year ended December 31, 2017.

- Stable Value Products pre-tax adjusted operating income was $102.3 million and decreased $2.9 million, or 2.8%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The decrease in adjusted operating earnings primarily resulted from lower interest spreads driven by higher credited rates on newly issued contracts. Participating mortgage income for the year ended December 31, 2018, was $26.3 million as compared to $33.5 million for the year ended December 31, 2017. The adjusted operating spread, which excludes participating income, decreased by 20 basis points for the year ended December 31, 2018, 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 $6.7 million, or 38.2%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Service contract earnings increased $5.6 million primarily due to favorable loss ratios and higher investment income. Earnings from the GAP and credit insurance product lines increased $0.5 million and $0.6 million, respectively, primarily due to lower expenses, somewhat offset by lower volume and higher loss ratios.

- The Corporate and Other segment pre-tax adjusted operating loss was $156.7 million for the year ended December 31, 2018, as compared to a pre-tax adjusted operating loss of $189.6 for the year ended December 31, 2017. The decrease in operating loss is primarily attributable to a decrease in corporate overhead expenses and an increase in investment income.

For The Year Ended December 31, 2017, as compared to The Year Ended December 31, 2016

Net income for the year ended December 31, 2017 was $1,182.4 million which was an increase of $829.8 million. The increase in net income was primarily driven by a favorable change in income taxes of $888.5 million which was driven by the change in the corporate tax rate. Pre-tax adjusted operating income was $409.4 million which was an increase of $22.3 million. The increase in pre-tax adjusted operating income consisted of an $13.7 million increase in Life Marketing segment, a $44.0 million increase in the Stable Value Products segment, and an increase of $6.3 million in the Asset Protection segment. These increases were partially offset by a $10.8 million decrease in the Acquisitions segment and a $27.8 million decrease in the Corporate and Other segment.

Income tax (benefit) expense decreased $888.5 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 $857.5 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 (154.8%) and 32.5% 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 19, *Income Taxes*.

Net realized gains on investments and derivatives for the year ended December 31, 2017 was $54.6 million. These gains were primarily due to net gains on derivatives with PLC of $42.7 million, net gains of $16.2 million related to Modco trading portfolio activity and the associated embedded derivative. and net gains from sales of securities of $10.5 million. Additionally, we had gains in the Annuities segment (after adjusting for economic cost and amortization) of $7.3 million which is primarily due to the impact of VA GLWB and FIA derivatives. These gains were partially offset by impairment losses on available-for-sale securities of $9.1 million.

- Life Marketing segment pre-tax adjusted operating income was $55.2 million for the year ended December 31, 2017, representing an increase of $13.7 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, as well as lower operating expenses. 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 $171.3 million for the year ended December 31, 2017, as compared to $174.4 million for the year ended December 31, 2016, a decrease of $3.1 million, or 1.8%. 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 $17.6 million, representing an increase of $6.3 million, or 56.0%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract earnings increased $12.2 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 $0.1 million primarily due to lower volume. Earnings from the GAP product line decreased $5.8 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 $189.6 million for the year ended December 31, 2017, as compared to a pre-tax adjusted operating loss of $161.8 million for the year ended December 31, 2016. The decrease was primarily attributable to a $30.9 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.

Life Marketing

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Gross premiums and policy fees	$ 1,917,190	$ 1,855,075	$ 1,772,523
Reinsurance ceded	(873,962)	(843,164)	(800,276)
Net premiums and policy fees	1,043,228	1,011,911	972,247
Net investment income	552,697	550,714	523,989
Other income	3,158	2,599	2,492
Total operating revenues	1,599,083	1,565,224	1,498,728
Realized gains (losses)- investments	(34,212)	(3,661)	5,679
Realized gains (losses)- derivatives	2,986	(5,356)	13,135
Total revenues	1,567,857	1,556,207	1,517,542
BENEFITS AND EXPENSES			
Benefits and settlement expenses	1,424,632	1,330,031	1,261,231
Amortization of DAC/VOBA	118,419	119,164	130,560
Other operating expenses	69,758	60,877	65,480
Operating benefits and expenses	1,612,809	1,510,072	1,457,271
Amortization related to benefits and settlement expenses	(12,631)	(10,893)	6,613
Amortization of DAC/VOBA related to realized gains (losses)- investments	(1,502)	1,589	148
Total benefits and expenses	1,598,676	1,500,768	1,464,032
INCOME (LOSS) BEFORE INCOME TAX	(30,819)	55,439	53,510
Less: realized gains (losses)	(31,226)	(9,017)	18,814
Less: amortization related to benefits and settlement expenses	12,631	10,893	(6,613)
Less: related amortization of DAC/VOBA	1,502	(1,589)	(148)
PRE-TAX ADJUSTED OPERATING INCOME (LOSS)	$ (13,726)	$ 55,152	$ 41,457

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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Sales By Product[(1)]			
Traditional	$ 51,505	$ 8,065	$ 1,035
Universal life	116,746	164,074	168,671
BOLI	—	—	—
	$ 168,251	$ 172,139	$ 169,706
Sales By Distribution Channel			
Traditional brokerage	$ 145,280	$ 147,023	$ 146,062
Institutional	14,064	16,291	16,294
Direct	8,907	8,825	7,350
	$ 168,251	$ 172,139	$ 169,706
Average Life Insurance In-force[(2)]			
Traditional	$ 350,398,022	$ 346,134,076	$ 361,976,539
Universal life	278,191,468	253,282,098	215,333,069
	$ 628,589,490	$ 599,416,174	$ 577,309,608
Average Account Values			
Universal life	$ 7,752,076	$ 7,626,868	$ 7,449,470
Variable universal life	762,812	718,890	624,022
	$ 8,514,888	$ 8,345,758	$ 8,073,492

(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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
First year commissions	$ 192,435	$ 197,815	$ 196,353
Renewal commissions	41,314	39,931	38,089
First year ceding allowances	(709)	(2,244)	(3,556)
Renewal ceding allowances	(175,261)	(185,255)	(165,614)
General & administrative	223,663	228,960	213,878
Taxes, licenses, and fees	39,044	36,045	33,068
Other operating expenses incurred	320,486	315,252	312,218
Less: commissions, allowances & expenses capitalized	(250,728)	(254,375)	(246,738)
Other operating expenses	$ 69,758	$ 60,877	$ 65,480

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating loss was $13.7 million for the year ended December 31, 2018, representing a decrease of $68.9 million from the year ended December 31, 2017. The decrease was primarily due to the impact of unlocking, higher reinsurance costs, and higher life claims for the year ended December 31, 2018, as compared to the prior year. The segment recorded an unfavorable $28.9 million of unlocking for the year ended December 31, 2018, as compared to an unfavorable $4.0 million of unlocking for the year ended December 31, 2017.

Operating revenues

Total operating revenues for the year ended December 31, 2018, increased $33.9 million, or 2.2%, as compared to the year ended December 31, 2017. This increase was driven by higher premiums and policy fees.

Net premiums and policy fees

Net premiums and policy fees increased by $31.3 million, or 3.1%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, 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 $2.0 million, or 0.4%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, driven by higher universal life investment income of $8.8 million, offset by lower traditional life investment income of $5.7 million.

Other income

Other income remained consistent for the year ended December 31, 2018, as compared to the year ended December 31, 2017.

Benefits and settlement expenses

Benefits and settlement expenses increased by $94.6 million, or 7.1%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, driven by unlocking and an increase in claims. For the year ended December 31, 2018, universal life unlocking increased policy benefits and settlement expenses $23.6 million, as compared to an increase of $8.6 million for the year ended December 31, 2017.

Amortization of DAC/VOBA

DAC/VOBA amortization decreased $0.7 million, or 0.6%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, due to lower VOBA amortization in the traditional life blocks, partially offset by higher VOBA amortization in the universal life block. For the year ended December 31, 2018, universal life unlocking increased amortization $5.3 million, as compared to a decrease of $4.6 million for the year ended December 31, 2017.

Other operating expenses

Other operating expenses increased $8.9 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The increase was driven by lower ceding allowances and a decrease in commissions.

Sales

Sales for the segment decreased $3.9 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to lower sales in the universal life block, offset by higher traditional life sales. The change between products was due in part to a shift in sales focus from a product within the universal life block to a new term life product.

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $55.2 million for the year ended December 31, 2017, representing an increase of $13.7 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, as well as lower operating expenses. 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 $66.5 million, or 4.4%, 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 $26.7 million, or 5.1%, 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 remained consistent for the year ended December 31, 2017, as compared to the year ended December 31, 2016.

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 decreased $4.6 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016. This decrease was driven by higher reinsurance allowances, partially offset by higher general and administrative expenses.

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 increased 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.

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

	For The Year Ended December 31, 2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Reinsurance ceded	$ (873,962)	$ (843,164)	$ (800,276)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(805,951)	(710,959)	(776,507)
Amortization of DAC/VOBA	(5,609)	(5,533)	(6,048)
Other operating expenses[(1)]	(168,583)	(180,435)	(161,352)
Total benefits and expenses	(980,143)	(896,927)	(943,907)
NET IMPACT OF REINSURANCE	$ 106,181	$ 53,763	$ 143,631
Allowances received	$ (175,970)	$ (187,499)	$ (169,170)
Less: Amount deferred	7,387	7,064	7,818
Allowances recognized (ceded other operating expenses)[(1)]	$ (168,583)	$ (180,435)	$ (161,352)

(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 265% to 480%. The Life Marketing segment's reinsurance programs do not materially impact the "other income" line of our income statement.

As shown above, reinsurance generally has a favorable impact on the Life Marketing segment's operating income results. 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, 2018 as compared to The Year Ended December 31, 2017

The higher ceded premium and policy fees for the year ended December 31, 2018, as compared to the year ended December 31, 2017, was caused primarily by higher universal life policy fees of $66.0 million, partially offset by lower ceded traditional life premiums of $35.3 million.

Ceded benefits and settlement expenses were higher for the year ended December 31, 2018, as compared to the year ended December 31, 2017, due to higher ceded claims, partly offset by lower ceded traditional life reserves. Universal life and traditional life ceded claims were $99.4 million and $11.5 million higher, respectively, as compared to the year ended December 31, 2017. Traditional life ceded reserves decreased $28.4 million as compared to the year ended December 31, 2017.

Ceded amortization of DAC and VOBA increased slightly for the year ended December 31, 2018, as compared to the year ended December 31, 2017.

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

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

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.

Acquisitions

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Gross premiums and policy fees	$ 1,270,045	$ 1,113,355	$ 1,180,376
Reinsurance ceded	(317,730)	(328,167)	(348,293)
Net premiums and policy fees	952,315	785,188	832,083
Net investment income	1,108,218	752,520	764,571
Other income	14,313	11,423	10,805
Total operating revenues	2,074,846	1,549,131	1,607,459
Realized gains (losses) - investments	(215,199)	121,036	69,018
Realized gains (losses) - derivatives	167,548	(101,084)	(460)
Total revenues	2,027,195	1,569,083	1,676,017
BENEFITS AND EXPENSES			
Benefits and settlement expenses	1,629,590	1,195,105	1,220,674
Amortization of VOBA	18,843	(6,330)	8,218
Other operating expenses	143,698	110,607	118,056
Operating benefits and expenses	1,792,131	1,299,382	1,346,948
Amortization related to benefits and settlement expenses	7,107	8,979	11,467
Amortization of VOBA related to realized gains (losses) - investments	(153)	(609)	(40)
Total benefits and expenses	1,799,085	1,307,752	1,358,375
INCOME BEFORE INCOME TAX	228,110	261,331	317,642
Less: realized gains (losses)	(47,651)	19,952	68,558
Less: amortization related to benefits and settlement expenses	(7,107)	(8,979)	(11,467)
Less: related amortization of VOBA	153	609	40
PRE-TAX ADJUSTED OPERATING INCOME	$ 282,715	$ 249,749	$ 260,511

The following table summarizes key data for the Acquisitions segment:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Average Life Insurance In-Force(1)			
Traditional	$ 226,695,252	$ 227,487,175	$ 233,303,794
Universal life	30,153,143	27,473,477	29,598,014
	$ 256,848,395	$ 254,960,652	$ 262,901,808
Average Account Values			
Universal life	$ 6,643,469	$ 4,199,568	$ 4,267,697
Fixed annuity(2)	8,736,331	3,538,204	3,560,389
Variable annuity	1,176,023	1,189,695	1,181,332
	$ 16,555,823	$ 8,927,467	$ 9,009,418
Interest Spread - Fixed Annuities			
Net investment income yield	4.18%	4.07%	3.97%
Interest credited to policyholders	3.55	3.28	3.27
Interest spread(3)	0.63%	0.79%	0.70%

(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% cessions.

For the Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Pre-tax adjusted operating income

Pre-tax adjusted operating income was $282.7 million for the year ended December 31, 2018, an increase of $33.0 million as compared to the year ended December 31, 2017, primarily due to the favorable impact of $51.3 million from the Liberty reinsurance transaction completed on May 1, 2018, partly offset by the expected runoff of the in-force blocks of business.

Operating revenues

Net premiums and policy fees increased $167.1 million, or 21.3%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to the premiums associated with the Liberty reinsurance transaction more than offsetting the expected runoff of the in-force blocks of business. Net investment income increased $355.7 million, 47.3%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, due to the $374.4 million impact of the Liberty reinsurance transaction, partly offset by the expected runoff of the in-force blocks of business.

Total benefits and expenses

Total benefits and expenses increased $491.3 million, or 37.6%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The increase was primarily due to the Liberty reinsurance transaction, which increased benefits and expenses $528.3 million. This was partly offset by the expected runoff of the in-force blocks of business.

For the Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

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.

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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Reinsurance ceded	$ (317,730)	$ (328,167)	$ (348,293)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(267,998)	(275,698)	(276,947)
Amortization of VOBA	(635)	(580)	(438)
Other operating expenses	(35,940)	(40,005)	(43,463)
Total benefits and expenses	(304,573)	(316,283)	(320,848)
NET IMPACT OF REINSURANCE(1)	$ (13,157)	$ (11,884)	$ (27,445)

(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 less favorable by $1.3 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to lower ceded benefits and expenses partly offset by lower ceded revenue. For the year ended December 31, 2018, ceded revenues decreased by $10.4 million, while ceded benefits and expenses decreased by $11.7 million primarily due to lower benefit and settlement expenses.

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

Annuities

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Gross premiums and policy fees	$ 148,033	$ 152,701	$ 146,458
Reinsurance ceded	(76,712)	(79,084)	(80,244)
Net premiums and policy fees	71,321	73,617	66,214
Net investment income	335,382	316,582	318,511
Realized gains (losses) - derivatives	(41,514)	(40,170)	(37,256)
Other income	165,444	168,046	160,042
Total operating revenues	530,633	518,075	507,511
Realized gains (losses) - investments	(4,353)	28	(4,256)
Realized gains (losses) - derivatives, net of economic cost	(48,166)	(31,256)	44,257
Total revenues	478,114	486,847	547,512
BENEFITS AND EXPENSES			
Benefits and settlement expenses	224,437	212,228	211,816
Amortization of DAC/VOBA	28,426	(11,829)	(16,284)
Other operating expenses	148,615	146,407	137,617
Operating benefits and expenses	401,478	346,806	333,149
Amortization related to benefits and settlement expenses	(525)	4,096	919
Amortization of DAC/VOBA related to realized gains (losses) - investments	(4,152)	(42,642)	5,253
Total benefits and expenses	396,801	308,260	339,321
INCOME BEFORE INCOME TAX	81,313	178,587	208,191
Less: realized gains (losses) - investments	(4,353)	28	(4,256)
Less: realized gains (losses) - derivatives, net of economic cost	(48,166)	(31,256)	44,257
Less: amortization related to benefits and settlement expenses	525	(4,096)	(919)
Less: related amortization of DAC/VOBA	4,152	42,642	(5,253)
PRE-TAX ADJUSTED OPERATING INCOME	$ 129,155	$ 171,269	$ 174,362

The following table summarizes key data for the Annuities segment:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Sales[1]			
Fixed annuity	$ 2,139,616	$ 1,130,843	$ 726,640
Variable annuity	298,314	426,353	593,409
	$ 2,437,930	$ 1,557,196	$ 1,320,049
Average Account Values			
Fixed annuity[2]	$ 9,018,539	$ 8,245,382	$ 8,191,841
Variable annuity	12,820,420	13,050,411	12,328,057
	$ 21,838,959	$ 21,295,793	$ 20,519,898
Interest Spread—Fixed Annuities[2]			
Net investment income yield	3.64%	3.67%	3.69%
Interest credited to policyholders	2.50	2.54	2.65
Interest spread[3]	1.14%	1.13%	1.04%

(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.

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Derivatives related to VA contracts:			
Interest rate futures	$ (25,473)	$ 26,015	$ (3,450)
Equity futures	(88,208)	(91,776)	(106,431)
Currency futures	10,275	(23,176)	33,836
Equity options	38,083	(94,791)	(60,962)
Interest rate swaptions	(14)	(2,490)	(1,161)
Interest rate swaps	(45,185)	27,981	20,420
Total return swaps	77,225	(32,240)	—
Embedded derivative - GLWB[1]	(27,761)	(8,526)	13,306
Funds withheld derivative	(25,541)	138,228	115,540
Total derivatives related to VA contracts	(86,599)	(60,775)	11,098
Derivatives related to FIA contracts:			
Embedded derivative	35,397	(55,878)	(16,494)
Equity futures	330	642	4,248
Volatility futures	—	—	—
Equity options	(38,885)	44,585	8,149
Total derivatives related to FIA contracts	(3,158)	(10,651)	(4,097)
Other	77	—	—
Economic cost - VA GLWB[2]	41,514	40,170	37,256
Realized gains (losses) - derivatives, net of economic cost	$ (48,166)	$ (31,256)	$ 44,257

(1) Includes impact of nonperformance risk of $17.7 million, (15.4) million, and $2.1 million for the years ended December 31, 2018, 2017, and 2016, 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.).

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
GMDB—Net amount at risk[1]	$ 152,047	$ 68,536
GMDB Reserves	29,619	23,795
GLWB and GMAB Reserves	43,307	15,548
Account value subject to GLWB rider	8,399,300	9,718,263
GLWB Benefit Base	10,265,545	10,560,893
GMAB Benefit Base	1,238	3,298
S&P 500® Index	2,507	2,674

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

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $129.2 million for the year ended December 31, 2018, as compared to $171.3 million for the year ended December 31, 2017, a decrease of $42.1 million, or 24.6%. This variance was primarily the result of unfavorable unlocking, an unfavorable change in guaranteed benefit reserves, and lower VA fee income, partially offset by a favorable change in SPIA mortality. Segment results were negatively impacted by $25.0 million of unfavorable unlocking for the year ended December 31, 2018, as compared to $16.5 million of favorable unlocking for the year ended December 31, 2017.

Operating revenues

Segment operating revenues increased $12.6 million, or 2.4%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to higher investment income, partially offset by lower policy fees and other income from the VA line of business. Average fixed account balances increased 9.4% and average variable account balances decreased 1.8% for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

Benefits and settlement expenses

Benefits and settlement expenses increased $12.2 million, or 5.8%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. This increase was primarily the result of higher credited interest, an unfavorable change in guaranteed benefit reserves, and unfavorable unlocking, partially offset by a favorable change in SPIA mortality. Included in benefits and settlement expenses was $3.4 million of unfavorable unlocking for the year ended December 31, 2018, as compared to $0.2 million of favorable unlocking for the year ended December 31, 2017.

Amortization of DAC and VOBA

DAC and VOBA amortization unfavorably changed by $40.3 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The unfavorable changes in DAC and VOBA amortization were primarily due to an unfavorable change in unlocking which was $21.6 million unfavorable for the year ended December 31, 2018, as compared to $16.3 million favorable for the year ended December 31, 2017.

Other operating expenses

Other operating expenses increased $2.2 million, or 1.5%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. This increase was the result of higher non-deferred acquisition costs, partially offset by lower non-deferred maintenance and overhead, and commission expenses.

Sales

Total sales increased $880.7 million, or 56.6%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Sales of variable annuities decreased $128.0 million, or 30.0% for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to the relative competitiveness of our product within the market. Sales of fixed annuities increased by $1.0 billion, or 89.2%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017, primarily due to an increase in SPDA sales.

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $171.3 million for the year ended December 31, 2017, as compared to $174.4 million for the year ended December 31, 2016, a decrease of $3.1 million, or 1.8%. 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 $10.6 million, or 2.1%, 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 and lower investment income. 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 increased $0.4 million, or 0.2%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. This increase was primarily the result of an unfavorable change in SPIA mortality partially offset by lower credited interest. 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 6.4%, 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.

Reinsurance

During the year ended December 31, 2013, the Annuity segment began reinsuring certain risks associated with the GLWB and GMDB riders to Shades Creek, a subsidiary of PLC. The cost of reinsurance to the segment is reflected in the chart shown below. Prior to April 1, 2013, we paid as a dividend all of Shades Creek's outstanding common stock to its parent, PLC. 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 Annuities segment line items as shown in the following table:

Annuities Segment
Line Item Impact of Reinsurance

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Reinsurance ceded	$ (76,712)	$ (79,084)	$ (80,244)
Realized gains (losses)- derivatives	43,498	44,657	45,109
Total operating revenues	(33,214)	(34,427)	(35,135)
Realized gains (losses)- derivatives, net of economic cost	(24,487)	81,431	15,681
Total revenues	(57,701)	47,004	(19,454)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(2,792)	(305)	(1,366)
Amortization of DAC/VOBA	—	—	—
Other operating expenses	(1,695)	(1,825)	(1,936)
Operating benefits and expenses	(4,487)	(2,130)	(3,302)
Amortization of DAC/VOBA related to realized gain (loss) investments	—	—	—
Total benefit and expenses	(4,487)	(2,130)	(3,302)
NET IMPACT OF REINSURANCE	$ (53,214)	$ 49,134	$ (16,152)

The table above does not reflect the impact of reinsurance on our net investment income. The net investment income impact to us and the assuming company has been quantified and is immaterial. The Annuities segment's reinsurance programs do not materially impact the "other income" line of our income statement.

The net impact of reinsurance was less favorable by $102.3 million for the year December 31, 2018, as compared to the year ended December 31, 2017, primarily due to realized losses on derivatives that were ceded.

The net impact of reinsurance was more favorable by $65.3 million for the year December 31, 2017, as compared to the year ended December 31, 2016, primarily due to realized gains on derivatives that were ceded.

Stable Value Products

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Net investment income	$ 217,778	$ 186,576	$ 107,010
Other income	296	24	229
Total operating revenues	218,074	186,600	107,239
Realized gains (losses)	1,427	3,406	7,341
Total revenues	219,501	190,006	114,580
BENEFITS AND EXPENSES			
Benefits and settlement expenses	109,747	74,578	41,736
Amortization of DAC	3,201	2,354	1,176
Other operating expenses	2,798	4,407	3,033
Total benefits and expenses	115,746	81,339	45,945
INCOME BEFORE INCOME TAX	103,755	108,667	68,635
Less: realized gains (losses)	1,427	3,406	7,341
PRE-TAX ADJUSTED OPERATING INCOME	$ 102,328	$ 105,261	$ 61,294

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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Sales(1)			
GIC	$ 88,500	$ 115,500	$ 189,800
GFA	1,250,000	1,650,000	1,667,178
	$ 1,338,500	$ 1,765,500	$ 1,856,978
Average Account Values	$ 4,946,953	$ 4,143,568	$ 2,753,636
Ending Account Values	$ 5,234,731	$ 4,698,371	$ 3,501,636
Operating Spread			
Net investment income yield	4.40%	4.50%	3.96%
Other income yield	—	—	0.01
Interest credited	2.21	1.79	1.53
Operating expenses	0.12	0.16	0.15
Operating spread	2.07%	2.55%	2.29%
Adjusted operating spread(2)	1.54%	1.74%	1.82%

(1) Sales are measured at the time the purchase payments are received.
(2) Excludes participating mortgage loan income.

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $102.3 million and decreased $2.9 million, or 2.8%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The decrease in adjusted operating earnings primarily resulted from lower interest spreads driven by higher credited rates on newly issued contracts. Participating mortgage income for the year ended December 31, 2018, was $26.3 million as compared to $33.5 million for the year ended December 31, 2017. The adjusted operating spread, which excludes participating income, decreased by 20 basis points for the year ended December 31, 2018, from the prior year, due primarily to an increase in credited interest.

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

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 8 basis points for the year ended December 31, 2017, from the prior year, due primarily to an increase in credited interest.

Asset Protection

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Gross premiums and policy fees	$ 308,527	$ 322,416	$ 276,076
Reinsurance ceded	(114,591)	(116,602)	(101,664)
Net premiums and policy fees	193,936	205,814	174,412
Net investment income	25,070	22,298	17,591
Other income	136,495	142,338	114,234
Realized gains (losses)	—	(1)	—
Total operating revenues	355,501	370,449	306,237
BENEFITS AND EXPENSES			
Benefits and settlement expenses	111,249	124,487	104,327
Amortization of DAC and VOBA	62,984	17,746	21,267
Other operating expenses	156,897	210,579	169,334
Total benefits and expenses	331,130	352,812	294,928
INCOME BEFORE INCOME TAX	24,371	17,637	11,309
Less: realized gains (losses) - investments	—	(1)	—
PRE-TAX ADJUSTED OPERATING INCOME	$ 24,371	$ 17,638	$ 11,309

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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Sales(1)			
Credit insurance	$ 11,782	$ 15,292	$ 21,310
Service contracts	370,540	379,048	341,696
GAP	66,748	109,532	104,105
	$ 449,070	$ 503,872	$ 467,111
Loss Ratios(2)			
Credit insurance	27.2%	20.5%	32.1%
Service contracts	34.5	37.3	44.8
GAP	140.5	124.9	109.7

(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, 2018 as compared to The Year Ended December 31, 2017

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $24.4 million, representing an increase of $6.7 million, or 38.2%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Service contract earnings increased $5.6 million primarily due to favorable loss ratios and higher investment income. Earnings from the GAP and credit insurance product lines increased $0.5 million and $0.6 million, respectively, primarily due to lower expenses, somewhat offset by lower volume and higher loss ratios.

Net premiums and policy fees

Net premiums and policy fees decreased $11.9 million, or 5.8%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. GAP premiums decreased $14.3 million and credit insurance premiums decreased $2.7 million as a result of lower sales. The decrease was partly offset by an increase in service contract premiums of $5.1 million.

Other income

Other income decreased $5.8 million, or 4.1%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The change was primarily due to lower volume and the impact of an accounting change implemented in conjunction with the adoption of ASU No. 2014-09.

Benefits and settlement expenses

Benefits and settlement expenses decreased $13.2 million, or 10.6%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. GAP claims decreased $11.1 million due to lower volume. Service contract claims decreased $2.1 million primarily due to lower loss ratios. Credit insurance claims were consistent with the prior year.

Amortization of DAC and VOBA and Other Operating Expenses

Amortization of DAC and VOBA increased $45.2 million and other operating expenses decreased $53.7 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The changes were primarily due to the impact of an accounting change implemented in conjunction with the adoption of ASU No. 2014-09.

Sales

Total segment sales decreased $54.8 million, or 10.9%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Service contract sales decreased $8.5 million due to lower volume resulting from the impact of previous price increases. GAP sales decreased $42.8 million due to discontinuing the relationship with a significant distribution partner. Credit insurance sales decreased $3.5 million due to decreasing demand for the product.

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income was $17.6 million, representing an increase of $6.3 million, or 56.0%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract earnings increased $12.2 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 $0.1 million primarily due to lower volume. Earnings from the GAP product line decreased $5.8 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 $31.4 million, or 18.0%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract premiums increased $19.3 million primarily due to the addition of US Warranty business, somewhat offset by higher ceded premiums in existing distribution channels. GAP premiums increased $13.8 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 $28.1 million, or 24.6%, 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 $20.2 million, or 19.3%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. GAP claims increased $23.7 million due to higher loss ratios and the acquisition of US Warranty. Service contract claims decreased $1.7 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 16.6%, lower for the 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 $41.2 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 $36.8 million, or 7.9%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract sales increased $37.4 million due to the 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.

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 the segment's exposure and allow the PARCs to share in the underwriting income of the product. Reinsurance contracts do not relieve the Asset Protection segment from obligations to policyholders. The Asset Protection segment also carries a catastrophic reinsurance policy for the GAP program. Losses incurred as a result of the recent hurricanes are covered under this policy. The Asset Protection segment believes losses from these catastrophes, net of reinsurance, will have an immaterial impact on the segment's 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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Reinsurance ceded	$ (114,591)	$ (116,602)	$ (101,664)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(74,165)	(72,559)	(66,024)
Amortization of DAC/VOBA	(3,060)	(2,170)	(978)
Other operating expenses	(4,465)	(5,475)	(5,882)
Total benefits and expenses	(81,690)	(80,204)	(72,884)
NET IMPACT OF REINSURANCE(1)	$ (32,901)	$ (36,398)	$ (28,780)

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

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

Reinsurance premiums ceded decreased $2.0 million, or 1.7%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Service contract ceded premiums increased $0.3 million, or 0.3%. GAP ceded premiums decreased $1.0 million, or 3.8%. Ceded premiums in the credit line decreased $1.3 million, or 9.8%.

Benefits and settlement expenses ceded increased $1.6 million, or 2.2%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Service contracts ceded claims increased $4.8 million due to higher ceded loss ratios. The increase was partially offset by a $3.1 million decrease in ceded claims in the GAP product line as a result of Hurricane Harvey claims incurred in 2017 and a $0.1 million decrease in ceded claims in the credit product line.

Amortization of DAC and VOBA ceded increased $0.9 million for the year ended December 31, 2018, as compared to the year ended December 31, 2017, as the result of ceded activity in all product lines. Other operating expenses ceded decreased $1.0 million, or 18.4%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017 as the result of ceded activity 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 Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

Reinsurance premiums ceded increased $14.9 million, or 14.7%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. Service contract ceded premiums increased $11.4 million, or 17.2%. GAP ceded premiums increased $5.9 million, or 29.6%. Ceded premiums in the credit line decreased $2.4 million, or 15.6%.

Benefits and settlement expenses ceded increased $6.5 million, or 9.9%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016. GAP ceded claims increased $8.9 million primarily due ceded claims related to Hurricane Harvey. The increase was partially offset by a $1.4 million decrease in ceded claims in the service contract product line and $1.0 million decrease in ceded claims in the credit product line.

Amortization of DAC and VOBA ceded increased $1.2 million for the year ended December 31, 2017, as compared to the year ended December 31, 2016, as the result of ceded activity in all product lines. Other operating expenses ceded decreased $0.4 million, or 6.9%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016 mainly due to ceded activity in the credit 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 financial statements.

Corporate and Other

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
REVENUES			
Gross premiums and policy fees	$ 12,713	$ 12,815	$ 13,986
Reinsurance ceded	(515)	(79)	(246)
Net premiums and policy fees	12,198	12,736	13,740
Net investment income	99,757	94,366	91,791
Other income	1,313	981	1,076
Total operating revenues	113,268	108,083	106,607
Realized gains (losses)—investments	(663)	(8,833)	(4,900)
Realized gains (losses)—derivatives	(1,757)	40,825	30,114
Total revenues	110,848	140,075	131,821
BENEFITS AND EXPENSES			
Benefits and settlement expenses	17,646	16,394	17,943
Amortization of DAC/VOBA	—	—	—
Other operating expenses	252,344	281,334	250,484
Total benefits and expenses	269,990	297,728	268,427
INCOME (LOSS) BEFORE INCOME TAX	(159,142)	(157,653)	(136,606)
Less: realized gains (losses)—investments	(663)	(8,833)	(4,900)
Less: realized gains (losses)—derivatives	(1,757)	40,825	30,114
PRE-TAX ADJUSTED OPERATING INCOME (LOSS)	$ (156,722)	$ (189,645)	$ (161,820)

For The Year Ended December 31, 2018, as compared to The Year Ended December 31, 2017

Pre-tax Adjusted Operating Income (Loss)

Pre-tax adjusted operating loss was $156.7 million for the year ended December 31, 2018, as compared to a pre-tax adjusted operating loss of $189.6 million for the year ended December 31, 2017. The decrease in operating loss is primarily attributable to a decrease in corporate overhead expenses and an increase in investment income.

Operating revenues

Net investment income for the segment increased $5.4 million, or 5.7%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. The increase in net investment income was primarily due to an increase in invested assets and investment yields.

Total benefits and expenses

Total benefits and expenses decreased $27.7 million or 9.3%, for the year ended December 31, 2018, as compared to the year ended December 31, 2017. Other operating expenses were higher during the year ended December 31, 2017 as certain compensation expenses were elevated due to the positive impact on performance metrics as a result of tax reform. This decrease was partially offset by increased interest expense during the year ended December 31, 2018.

For The Year Ended December 31, 2017, as compared to The Year Ended December 31, 2016

Pre-tax Adjusted Operating Income (Loss)

Pre-tax adjusted operating loss was $189.6 million for the year ended December 31, 2017, as compared to a pre-tax adjusted operating loss of $161.8 million for the year ended December 31, 2016. The decrease was primarily attributable to a $30.9 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 $2.6 million, or 2.8%, 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.

Total benefits and expenses

Total benefits and expenses increased $29.3 million or 10.9%, for the year ended December 31, 2017, as compared to the year ended December 31, 2016, primarily due to increases in invested assets and investment yields.

CONSOLIDATED INVESTMENTS

As of December 31, 2018, our investment portfolio was approximately $65.8 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.

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 $49.3 billion, or 90.8%, of our fixed maturities as "available-for-sale" as of December 31, 2018. 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 $2.4 billion, or 4.4%, of our fixed maturities and $30.9 million of short-term investments as of December 31, 2018. The change in fair value of the trading portfolio is 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 $2.6 billion, or 4.8%, of our fixed maturities as "held-to-maturity" as of December 31, 2018. 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 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:

	As of December 31,			
	2018		2017	
	(Dollars In Thousands)			
Publicly issued bonds (amortized cost: 2018 - $40,324,531; 2017 - $30,735,009)	$ 38,180,736	58.1%	$ 30,712,511	56.6%
Privately issued bonds (amortized cost: 2018 - $16,436,455; 2017 - $12,838,740)	16,037,885	24.4	12,883,461	23.7
Redeemable preferred stock (amortized cost: 2018 - $105,639; 2017 - $97,690)	94,079	0.1	94,418	0.2
Fixed maturities	54,312,700	82.6	43,690,390	80.5
Equity securities (cost: 2018 - $589,221; 2017 - $701,951)	557,708	0.8	715,498	1.3
Mortgage loans	7,724,733	11.8	6,817,723	12.5
Investment real estate	6,816	—	8,355	—
Policy loans	1,695,886	2.6	1,615,615	3.0
Other long-term investments	798,342	1.2	940,047	1.7
Short-term investments	666,301	1.0	527,144	1.0
Total investments	$ 65,762,486	100.0%	$ 54,314,772	100.0%

Included in the preceding table are $2.4 billion and $2.7 billion of fixed maturities and $30.9 million and $56.3 million of short-term investments classified as trading securities as of December 31, 2018 and 2017, respectively. All of the fixed maturities in the trading portfolio are invested assets that are held pursuant to Modco arrangements under which the economic risks and benefits of the investments are passed to third party reinsurers.

Fixed Maturity Investments

As of December 31, 2018, our fixed maturity investment holdings were approximately $54.3 billion. The approximate percentage distribution of our fixed maturity investments by quality rating is as follows:

Rating	As of December 31, 2018		2017	
	(Dollars in Thousands)			
AAA	$ 6,811,487	12.5%	$ 5,729,332	13.1%
AA	6,196,062	11.4	3,553,140	8.1
A	17,582,219	32.4	13,871,438	31.7
BBB	19,380,611	35.7	15,688,958	35.9
Below investment grade	1,708,847	3.2	2,128,618	5.0
Not rated[1]	2,633,474	4.8	2,718,904	6.2
	$ 54,312,700	100.0%	$ 43,690,390	100.0%

(1) Our "not rated" securities are $2.6 billion or 4.8% 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	As of December 31, 2018	2017
	(Dollars In Thousands)	
Corporate securities	$ 37,625,411	$ 31,235,729
Residential mortgage-backed securities	3,844,827	2,578,187
Commercial mortgage-backed securities	2,455,312	2,007,292
Other asset-backed securities	1,551,800	1,387,646
U.S. government-related securities	1,674,299	1,250,486
Other government-related securities	558,244	349,158
States, municipals, and political subdivisions	3,875,254	2,068,570
Redeemable preferred stock	94,079	94,418
Securities issued by affiliates	2,633,474	2,718,904
Total fixed income portfolio	$ 54,312,700	$ 43,690,390

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:

	As of December 31, 2018	% Fair Value	As of December 31, 2017	% Fair Value
	(Dollars In Thousands)			
Banking	$ 5,201,916	9.6%	$ 4,245,896	9.7%
Other finance	255,445	0.5	60,697	0.1
Electric utility	4,547,998	8.4	3,971,653	9.1
Energy	4,058,561	7.5	4,001,011	9.2
Natural gas	829,685	1.5	736,626	1.7
Insurance	3,901,365	7.2	3,675,251	8.4
Communications	2,083,723	3.8	1,688,865	3.9
Basic industrial	1,739,119	3.2	1,624,327	3.7
Consumer noncyclical	5,198,741	9.6	3,795,507	8.7
Consumer cyclical	1,841,391	3.4	1,224,401	2.8
Finance companies	190,712	0.4	161,683	0.4
Capital goods	2,705,035	5.0	1,904,768	4.4
Transportation	1,662,502	3.1	1,202,481	2.8
Other industrial	382,138	0.7	239,368	0.5
Brokerage	990,628	1.8	911,917	2.1
Technology	1,891,176	3.5	1,737,807	4.0
Real estate	206,795	0.4	82,125	0.2
Other utility	32,560	—	65,764	—
Commercial mortgage-backed securities	2,455,312	4.5	2,007,292	4.6
Other asset-backed securities	1,551,800	2.9	1,387,646	3.2
Residential mortgage-backed non-agency securities	3,008,465	5.5	1,853,164	4.2
Residential mortgage-backed agency securities	836,362	1.5	725,023	1.7
U.S. government-related securities	1,674,299	3.1	1,250,486	2.9
Other government-related securities	558,244	1.0	349,158	0.8
State, municipals, and political divisions	3,875,254	7.1	2,068,570	4.7
Securities issued by affiliates	2,633,474	4.8	2,718,904	6.2
Total	$ 54,312,700	100.0%	$ 43,690,390	100.0%

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

Rating	As of December 31, 2018	As of December 31, 2017
	(Dollars In Thousands)	
AAA	$ 301,155	$ 355,719
AA	299,438	277,984
A	798,691	911,490
BBB	872,613	890,101
Below investment grade	144,295	228,895
Total Modco trading fixed maturities	$ 2,416,192	$ 2,664,189

A portion of our bond portfolio is invested in RMBS, CMBS, and ABS. ABS are securities that are backed by a pool of assets. These holdings as of December 31, 2018, were approximately $7.9 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 categorize the estimated fair value by year of security origination for our Prime, Non-Prime, Commercial, and Other asset-backed securities as of December 31, 2018 and 2017:

	As of December 31, 2018									
	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	$ 2,891.9	$ 2,921.8	$ —	$ —	$ 1,396.7	$ 1,425.1	$ 533.3	$ 536.3	$ 4,821.9	$ 4,883.2
AA	2.9	2.9	0.2	0.2	527.0	545.8	209.8	207.2	739.9	756.1
A	837.9	846.6	19.0	19.0	493.0	499.1	671.1	687.5	2,021.0	2,052.2
BBB	3.7	3.7	3.1	3.1	38.6	38.5	99.5	100.4	144.9	145.7
Below	22.4	22.4	63.7	63.7	—	—	38.1	38.6	124.2	124.7
	$ 3,758.8	$ 3,797.4	$ 86.0	$ 86.0	$ 2,455.3	$ 2,508.5	$ 1,551.8	$ 1,570.0	$ 7,851.9	$ 7,961.9
Rating %										
AAA	76.9%	76.9%	—%	—%	56.8%	56.8%	34.4%	34.1%	61.4%	61.3%
AA	0.1	0.1	0.3	0.3	21.5	21.8	13.5	13.2	9.4	9.5
A	22.3	22.3	22.1	22.1	20.1	19.9	43.2	43.8	25.7	25.8
BBB	0.1	0.1	3.6	3.6	1.6	1.5	6.4	6.4	1.8	1.8
Below	0.6	0.6	74.0	74.0	—	—	2.5	2.5	1.7	1.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Estimated Fair Value of Security by Year of Security Origination									
2014 and prior	$ 1,113.5	$ 1,120.9	$ 86.0	$ 86.0	$ 1,501.8	$ 1,530.0	$ 729.0	$ 730.7	$ 3,430.3	$ 3,467.6
2015	579.1	586.5	—	—	297.7	302.0	64.4	66.2	941.2	954.7
2016	332.8	340.1	—	—	422.1	440.3	227.5	230.0	982.4	1,010.4
2017	666.6	689.1	—	—	123.0	126.4	406.1	415.5	1,195.7	1,231.0
2018	1,066.8	1,060.8	—	—	110.7	109.8	124.8	127.6	1,302.3	1,298.2
Total	$ 3,758.8	$ 3,797.4	$ 86.0	$ 86.0	$ 2,455.3	$ 2,508.5	$ 1,551.8	$ 1,570.0	$ 7,851.9	$ 7,961.9

(1) Included in Residential Mortgage-Backed securities.

	As of December 31, 2017									
	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	$ 2,255.5	$ 2,259.1	$ —	$ —	$ 1,256.1	$ 1,269.0	$ 591.5	$ 590.5	$ 4,103.1	$ 4,118.6
AA	1.5	1.4	—	—	506.4	516.6	158.5	150.1	666.4	668.1
A	1.1	1.1	15.9	15.9	241.5	243.0	512.9	508.6	771.4	768.6
BBB	1.5	1.5	1.5	1.5	3.3	3.3	50.2	49.6	56.5	55.9
Below	92.4	92.0	208.8	209.0	—	—	74.5	73.7	375.7	374.7
	$ 2,352.0	$ 2,355.1	$ 226.2	$ 226.4	$ 2,007.3	$ 2,031.9	$ 1,387.6	$ 1,372.5	$ 5,973.1	$ 5,985.9
Rating %										
AAA	95.9%	95.9%	—%	—%	62.6%	62.4%	42.6%	43.0%	68.7%	68.8%
AA	0.1	0.1	—	—	25.2	25.4	11.4	10.9	11.2	11.2
A	—	—	7.0	7.0	12.0	12.0	37.0	37.1	12.9	12.8
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
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Estimated Fair Value of Security by Year of Security Origination									
2013 and prior	$ 897.4	$ 898.7	$ 226.2	$ 226.4	$ 1,020.5	$ 1,034.6	$ 761.2	$ 752.4	$ 2,905.3	$ 2,912.1
2014	202.8	201.9	—	—	234.9	239.7	31.2	31.6	468.9	473.2
2015	456.4	458.4	—	—	212.6	210.8	29.4	28.7	698.4	697.9
2016	229.2	232.0	—	—	436.8	443.9	232.9	230.3	898.9	906.2
2017	566.2	564.1	—	—	102.5	102.9	332.9	329.5	1,001.6	996.5
Total	$ 2,352.0	$ 2,355.1	$ 226.2	$ 226.4	$ 2,007.3	$ 2,031.9	$ 1,387.6	$ 1,372.5	$ 5,973.1	$ 5,985.9

(1) Included in Residential Mortgage-Backed securities

The majority of our RMBS holdings as of December 31, 2018 were super senior or senior bonds in the capital structure. Our total non-agency portfolio has a weighted-average life of 14.79 years. The following table categorizes the weighted-average life for our non-agency portfolio, by category of material holdings, as of December 31, 2018:

Non-agency portfolio	Weighted-Average Life
Prime	14.84
Alt-A	3.05
Sub-prime	3.47

Mortgage Loans

We invest a portion of our investment portfolio in commercial mortgage loans. As of December 31, 2018, our mortgage loan holdings were approximately $7.7 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 an allowance for loan losses. 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.

Certain of the mortgage loans have call options that occur within the next 10 years. However, if interest rates were to significantly increase, we may be unable to exercise the call options on our existing mortgage loans commensurate with the significantly increased market rates. As of December 31, 2018, assuming the loans are called at their next call dates, approximately $109.8 million will be due in 2019, $819.4 million in 2020 through 2024, and $61.2 million in 2025 through 2029.

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, 2018 and December 31, 2017, approximately $700.6 million and $669.3 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 years ended December 31, 2018, 2017, and 2016, we recognized, $29.4 million, $37.2 million, and $16.7 million, respectively, of participating mortgage loan income.

The following table includes a breakdown of our commercial mortgage loan portfolio:

Commercial Mortgage Loan Portfolio Profile

	As of December 31,	
	2018	**2017**
	(Dollars in Thousands)	
Total number of loans	1,732	1,668
Total amortized cost	7,724,733	6,817,723
Total unpaid principal balance	7,602,389	6,616,181
Current allowance for loan losses	(1,296)	—
Average loan size	4,389	3,967
Weighted-average amortization	22.5 years	22.5 years
Weighted-average coupon	4.60%	4.76%
Weighted-average LTV	55.39%	56.10%
Weighted-average debt coverage ratio	1.55	1.55%

While our mortgage loans do not have quoted market values, as of December 31, 2018, we estimated the fair value of our mortgage loans to be $7.4 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 3.59% 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, 2018, approximately $3.0 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, 2018, 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, 2018, we recognized one troubled debt restructuring as a result of granting a concession to a borrower which included loan terms unavailable from other lenders. This concession was the result of an agreement between the creditor and the debtor. We did not identify any loans whose principal was permanently impaired during the year ended December 31, 2018.

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.

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, 2018. 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 loss of $2.6 billion, prior to income tax and the related impact of certain insurance assets and liabilities offsets, as of December 31, 2018, and an overall net unrealized gain of $32.5 million as of December 31, 2017.

For fixed maturity held that are in an unrealized loss position as of December 31, 2018, 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	$ 6,371,836	16.0%	$ 6,554,520	15.4%	$ (182,684)	6.8%
>90 days but <= 180 days	4,277,371	10.8	4,459,503	10.5	(182,132)	6.6
>180 days but <= 270 days	3,764,361	9.5	3,968,150	9.3	(203,789)	7.4
>270 days but <= 1 year	7,803,759	19.6	8,323,165	19.6	(519,406)	18.9
>1 year but <= 2 years	5,160,719	13.0	5,375,379	12.6	(214,660)	7.8
>2 years but <= 3 years	5,786,095	14.5	6,239,818	14.7	(453,723)	16.5
>3 years but <= 4 years	6,615,567	16.6	7,601,720	17.9	(986,153)	36.0
>4 years but <= 5 years	—	—	—	—	—	—
>5 years	—	—	—	—	—	—
Total	$ 39,779,708	100.0%	$ 42,522,255	100.0%	$ (2,742,547)	100.0%

The range of maturity dates for securities in an unrealized loss position as of December 31, 2018 varies, with 21.4% maturing in less than 5 years, 17.1% maturing between 5 and 10 years, and 61.5% maturing after 10 years. The following table shows the credit rating of securities in an unrealized loss position as of December 31, 2018:

S&P or Equivalent Designation	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
AAA/AA/A	$ 22,112,399	55.6%	$ 23,254,531	54.7%	$ (1,142,132)	41.6%
BBB	16,383,843	41.2	17,777,378	41.8	(1,393,535)	50.8
Investment grade	38,496,242	96.8	41,031,909	96.5	(2,535,667)	92.4
BB	956,555	2.4	1,067,847	2.5	(111,292)	4.1
B	188,521	0.5	243,607	0.6	(55,086)	2.0
CCC or lower	138,390	0.3	178,892	0.4	(40,502)	1.5
Below investment grade	1,283,466	3.2	1,490,346	3.5	(206,880)	7.6
Total	$ 39,779,708	100.0%	$ 42,522,255	100.0%	$ (2,742,547)	100.0%

As of December 31, 2018, the Barclays Investment Grade Index was priced at 143.3 basis points versus a 10 year average of 154.3 basis points. Similarly, the Barclays High Yield Index was priced at 541.0 basis points versus a 10 year average of 586.4 basis points. As of December 31, 2018, the five, ten, and thirty-year U.S. Treasury obligations were trading at levels of 2.5%, 2.7%, and 3.0%, as compared to 10 year averages of 1.7%, 2.5%, and 3.3%, respectively.

As of December 31, 2018, 92.4% 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, 2018, we held a total of 4,005 positions that were in an unrealized loss position. Included in that amount were 235 positions of below investment grade securities with a fair value of $1.3 billion that were in an unrealized loss position. Total unrealized losses related to below investment grade securities were $206.9 million, $154.1 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 2.0% of invested assets.

As of December 31, 2018, securities in an unrealized loss position that were rated as below investment grade represented 3.2% of the total fair value and 7.5% 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, 2018:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
<= 90 days	$ 434,881	34.0%	$ 456,011	30.6%	$ (21,130)	10.3%
>90 days but <= 180 days	45,416	3.5	50,317	3.4	(4,901)	2.4
>180 days but <= 270 days	145,266	11.3	161,435	10.8	(16,169)	7.8
>270 days but <= 1 year	97,674	7.6	108,281	7.3	(10,607)	5.1
>1 year but <= 2 years	170,023	13.2	199,912	13.4	(29,889)	14.4
>2 years but <= 3 years	32,011	2.5	38,502	2.6	(6,491)	3.1
>3 years but <= 4 years	358,195	27.9	475,888	31.9	(117,693)	56.9
>4 years but <= 5 years	—	—	—	—	—	—
>5 years	—	—	—	—	—	—
Total	$ 1,283,466	100.0%	$ 1,490,346	100.0%	$ (206,880)	100.0%

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, 2018 is presented in the following table:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
	(Dollars In Thousands)					
Banking	$ 4,396,876	10.7%	$ 4,601,424	10.8%	$ (204,548)	7.3%
Other finance	106,041	0.3	111,260	0.3	(5,219)	0.2
Electric utility	4,067,195	10.2	4,423,607	10.4	(356,412)	13.0
Energy	3,375,774	8.5	3,674,053	8.6	(298,279)	10.9
Natural gas	723,330	1.8	782,418	1.8	(59,088)	2.2
Insurance	3,404,781	8.6	3,683,699	8.7	(278,918)	10.2
Communications	1,831,159	4.6	2,027,570	4.8	(196,411)	7.2
Basic industrial	1,389,231	3.5	1,504,195	3.5	(114,964)	4.2
Consumer noncyclical	4,238,899	10.7	4,610,843	10.8	(371,944)	13.6
Consumer cyclical	1,383,892	3.5	1,487,892	3.5	(104,000)	3.8
Finance companies	142,317	0.4	153,477	0.4	(11,160)	0.4
Capital goods	2,253,972	5.7	2,401,711	5.6	(147,739)	5.4
Transportation	1,387,012	3.5	1,482,184	3.5	(95,172)	3.5
Other industrial	191,055	0.5	203,221	0.5	(12,166)	0.4
Brokerage	801,822	2.0	842,210	2.0	(40,388)	1.5
Technology	1,347,590	3.4	1,438,149	3.4	(90,559)	3.3
Real estate	73,098	0.2	74,323	0.2	(1,225)	—
Other utility	18,440	—	20,048	0.1	(1,608)	—
Commercial mortgage-backed securities	1,825,110	4.6	1,882,110	4.4	(57,000)	2.1
Other asset-backed securities	836,141	2.1	871,539	2.0	(35,398)	1.3
Residential mortgage-backed non-agency securities	1,740,878	4.4	1,789,956	4.2	(49,078)	1.8
Residential mortgage-backed agency securities	539,896	1.4	552,753	1.3	(12,857)	0.5
U.S. government-related securities	1,215,944	3.1	1,261,666	3.0	(45,722)	1.7
Other government-related securities	355,842	0.9	389,632	0.9	(33,790)	1.2
States, municipals, and political divisions	2,133,413	5.4	2,252,315	5.3	(118,902)	4.3
Total	$39,779,708	100.0%	$42,522,255	100.0%	$(2,742,547)	100.0%

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 is presented in the following table:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
Banking	$ 1,719,714	8.0%	$ 1,744,888	7.8%	$ (25,174)	3.7%
Other finance	54,454	0.3	58,198	0.3	(3,744)	0.6
Electric utility	3,110,720	14.4	3,241,952	14.5	(131,232)	19.3
Energy	1,397,312	6.5	1,458,690	6.5	(61,378)	9.0
Natural gas	604,431	2.8	624,203	2.8	(19,772)	2.9
Insurance	1,690,250	7.8	1,736,099	7.8	(45,849)	6.7
Communications	1,236,092	5.7	1,301,272	5.8	(65,180)	9.6
Basic industrial	581,249	2.7	603,248	2.7	(21,999)	3.2
Consumer noncyclical	2,009,655	9.3	2,070,956	9.3	(61,301)	9.0
Consumer cyclical	625,082	2.9	645,122	2.9	(20,040)	2.9
Finance companies	38,721	0.2	39,585	0.2	(864)	0.1
Capital goods	1,120,906	5.2	1,145,532	5.1	(24,626)	3.6
Transportation	786,922	3.6	807,468	3.6	(20,546)	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	575,617	2.7	596,855	2.7	(21,238)	3.1
Real estate	43,096	0.2	43,610	0.2	(514)	0.1
Other utility	46,729	—	47,514	0.3	(785)	0.4
Commercial mortgage-backed securities	1,529,729	7.1	1,559,281	7.0	(29,552)	4.3
Other asset-backed securities	220,822	1.0	226,586	1.0	(5,764)	0.8
Residential mortgage-backed non-agency securities	814,076	3.8	829,825	3.7	(15,749)	2.3
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	0.7	(4,947)	0.7
States, municipals, and political divisions	1,198,015	5.5	1,243,628	5.6	(45,613)	6.7
Total	$21,625,211	100.0%	$22,305,669	100.0%	$ (680,458)	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, 2018:

Rating	Fair Value	Percent of Fair Value
	(Dollars In Thousands)	
AAA	$ 6,510,332	13.2%
AA	5,896,625	12.0
A	16,783,529	34.1
BBB	18,507,998	37.5
Investment grade	47,698,484	96.8
BB	1,167,305	2.4
B	244,669	0.5
CCC or lower	152,575	0.3
Below investment grade	1,564,549	3.2
Total	$ 49,263,033	100.0%

Not included in the table above are $2.3 billion of investment grade and $144.3 million of below investment grade fixed maturities classified as trading securities and $2.6 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, 2018. The following table summarizes our ten largest maturity exposures to an individual creditor group as of December 31, 2018:

	Fair Value of		
Creditor	Funded Securities	Unfunded Exposures	Total Fair Value
		(Dollars In Millions)	
Federal Home Loan Bank	$ 332.5	$ —	$ 332.5
AT&T, Inc.	270.5	—	270.5
Wells Fargo & Co	249.6	3.2	252.8
Berkshire Hathaway Inc.	252.5	—	252.5
Duke Energy Corp	245.9	—	245.9
Morgan Stanley	232.0	—	232.0
Comcast Corp	228.0	—	228.0
Exelon Corp	216.7	—	216.7
The Goldman Sachs Group Inc.	216.2	—	216.2
UnitedHealth Group Inc.	215.9	—	215.9
Total	$ 2,459.8	$ 3.2	$ 2,463.0

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, 2018, we recognized approximately $29.7 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.

Certain European countries have experienced varying degrees of financial stress, which could have a detrimental impact on regional or global economic conditions and on sovereign and non sovereign obligations. The chart shown below includes our non-sovereign fair value exposures in these countries as of December 31, 2018 . As of December 31, 2018, we had no material unfunded exposure and had no material direct sovereign fair value exposure.

Financial Instrument and Country	Non-sovereign Debt		Total Gross Funded Exposure
	Financial	Non-financial	
	(Dollars In Millions)		
Securities:			
United Kingdom	$ 764.3	$ 1,002.7	$ 1,767.0
France	321.7	401.0	722.7
Netherlands	287.7	282.2	569.9
Switzerland	314.1	225.9	540.0
Germany	107.3	421.5	528.8
Spain	64.5	274.5	339.0
Belgium	—	196.9	196.9
Norway	4.0	139.6	143.6
Ireland	38.0	84.6	122.6
Italy	9.9	108.1	118.0
Finland	114.4	—	114.4
Luxembourg	—	67.5	67.5
Sweden	39.8	19.3	59.1
Denmark	29.1	—	29.1
Portugal	—	22.6	22.6
Slovenia	—	0.5	0.5
Total securities	2,094.8	3,246.9	5,341.7
Derivatives:			
United Kingdom	24.6	—	24.6
Germany	21.3	—	21.3
France	1.3	—	1.3
Switzerland	1.1	—	1.1
Total derivatives	48.3	—	48.3
Total securities and derivatives	$ 2,143.1	$ 3,246.9	$ 5,390.0

Realized Gains and Losses

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

	For The Year Ended December 31, 2018	2017	2016
		(Dollars In Thousands)	
Fixed maturity gains - sales	$ 28,034	$ 18,790	$ 41,671
Fixed maturity losses - sales	(18,183)	(6,007)	(9,488)
Equity gains and losses	(49,275)	(2,330)	92
Impairments on fixed maturity securities	(29,724)	(9,112)	(17,748)
Modco trading portfolio	(185,900)	119,206	67,583
Other	2,048	(8,572)	(9,228)
Total realized gains (losses) - investments	$ (253,000)	$ 111,975	$ 72,882
Derivatives related to VA contracts:			
Interest rate futures	$ (25,473)	$ 26,015	$ (3,450)
Equity futures	(88,208)	(91,776)	(106,431)
Currency futures	10,275	(23,176)	33,836
Equity options	38,083	(94,791)	(60,962)
Interest rate swaptions	(14)	(2,490)	(1,161)
Interest rate swaps	(45,185)	27,981	20,420
Total return swaps	77,225	(32,240)	—
Embedded derivative - GLWB	(27,761)	(8,526)	13,306
Funds withheld derivative	(25,541)	138,228	115,540
Total derivatives related to VA contracts	(86,599)	(60,775)	11,098
Derivatives related to FIA contracts:			
Embedded derivative	35,397	(55,878)	(16,494)
Equity futures	330	642	4,248
Volatility futures	—	—	—
Equity options	(38,885)	44,585	8,149
Total derivatives related to FIA contracts	(3,158)	(10,651)	(4,097)
Derivatives related to IUL contracts:			
Embedded derivative	9,062	(14,117)	9,529
Equity futures	261	(818)	129
Equity options	(6,338)	9,580	3,477
Total derivatives related to IUL contracts	2,985	(5,355)	13,135
Embedded derivative - Modco reinsurance treaties	166,757	(103,009)	390
Derivatives with PLC[1]	(902)	42,699	29,289
Other derivatives	14	50	(25)
Total realized gains (losses) - derivatives	$ 79,097	$ (137,041)	$ 49,790

(1) These derivatives include an interest support, a yearly renewable term ("YRT") premium support, and portfolio maintenance agreements between certain of our subsidiaries and PLC.

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 net realized investment gains (losses), excluding impairments, equities, and Modco trading portfolio activity during the year ended December 31, 2018, 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.

Realized losses include 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:

	For The Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Other MBS	$ (169)	$ (81)	$ (178)
Corporate securities	(29,555)	(8,031)	(16,830)
Other	—	(1,000)	(740)
Total	$ (29,724)	$ (9,112)	$ (17,748)

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, 2018, we sold securities in an unrealized loss position with a fair value of $472.4 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:

	Proceeds	% Proceeds	Realized Loss	% Realized Loss
	(Dollars In Thousands)			
<= 90 days	$ 293,156	62.1%	$ (6,886)	37.9%
>90 days but <= 180 days	81,639	17.3	(7,488)	41.2
>180 days but <= 270 days	36,239	7.7	(1,481)	8.1
>270 days but <= 1 year	17,711	3.7	(233)	1.3
>1 year	43,626	9.2	(2,095)	11.5
Total	$ 472,371	100.0%	$ (18,183)	100.0%

For the year ended December 31, 2018, we sold securities in an unrealized loss position with a fair value (proceeds) of $472.4 million. The loss realized on the sale of these securities was $18.2 million. We made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the year ended December 31, 2018, we sold securities in an unrealized gain position with a fair value of $1.3 billion. The gain realized on the sale of these securities was $28.0 million.

For the year ended December 31, 2018, net losses of $185.9 million related to changes in fair value on our Modco trading portfolios were included in realized gains and losses. Of this amount, approximately $8.7 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 gains of $166.8 million during the year ended December 31, 2018. The gains on the embedded derivatives were due to treasury yields increasing and credit spreads widening.

Realized investment gains and losses related to equity securities is primarily driven by changes in fair value due to market fluctuations as changes in fair value of equity securities are recorded in net income. During 2018, both common and preferred equity markets experienced significant volatility and declining prices during the fourth quarter. The realized losses during the period on our equity securities were primarily the result of these market declines.

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, structured annuity products, and indexed universal life products. During the year ended December 31, 2018, we experienced net realized losses on derivatives related to VA contracts of approximately $86.6 million. These net losses on derivatives related to VA contracts were affected by capital market impacts, changes in the our 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, 2018.

The Funds Withheld derivative associated with Shades Creek had pre-tax realized losses of $25.5 million for the year ended December 31, 2018.

Certain of our subsidiaries have derivatives with PLC. These derivatives consist of an interest support agreement, two YRT premium support agreements, and three portfolio maintenance agreements with PLC. We recognized losses of $0.3 million related to the interest support agreement for the year ended December 31, 2018. We recognized gains of $1.3 million related to the YRT premium support agreements for the year ended December 31, 2018.

We entered into two separate portfolio maintenance agreements in October 2012 and one portfolio maintenance agreement in January 2016. We recognized pre-tax losses of $2.0 million for the year ended December 31, 2018.

We also use various swaps and other types of derivatives to mitigate risk related to other exposures. These contracts generated gains of $0.1 million for the year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of funding are from our insurance operations and revenues from investments. These sources of cash support our operations and are used to pay dividends to PLC.

The states in which we and our insurance subsidiaries are domiciled impose certain restrictions on the ability to pay dividends. These restrictions are based in part on the prior year's statutory income and/or surplus.

Other capital resources

Our primary sources of capital are from retained income from our insurance operations and capital infusions from our parent, PLC. Additionally, we have access to the Credit Facility discussed below.

On May 3, 2018, we amended the Credit Facility (as amended the "Credit Facility"). We have the ability to borrow under a Credit Facility arrangement on an unsecured basis up to an aggregated 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 $1.5 billion. We are not aware of any non-compliance with the financial debt covenants of the Credit Facility as of December 31, 2018. PLC did not have an outstanding balance on the Credit Facility of December 31, 2018.

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 primarily relate to the liabilities associated with our 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.

We 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, we 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. We were committed as of December 31, 2018, to fund mortgage loans in the amount of $685.3 million.

Our cash flows from operations 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. As of December 31, 2018, we held cash and short-term investments of $859.4 million.

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

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Net cash (used in) provided by operating activities	$ (63,909)	$ 173,695	$ 173,761
Net cash used in investing activities	(1,863,432)	(2,536,181)	(4,233,554)
Net cash provided by financing activities	1,899,886	2,326,902	4,061,874
Total	$ (27,455)	$ (35,584)	$ 2,081

For The Year Ended December 31, 2018 as compared to The Year Ended December 31, 2017

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

Net cash provided by financing activities - Changes in cash from financing activities included $522.4 million of outflows from secured financing liabilities for the year ended December 31, 2018, as compared to the $220.0 million of inflows for the year ended December 31, 2017 and $2.4 billion inflows of investment product and universal life net activity as compared to $2.4 billion in the prior year. Net repayment of non-recourse funding obligations equaled $81.0 million during the year ended December 31, 2018, as compared to net repayment of $47.0 million during the year ended December 31, 2017. Net activity related to the subordinated debt resulted in inflows of $110.0 million for the year ended December 31, 2018. The Company did not pay a dividend during the year ended December 31, 2018, as compared to a dividend of $259.1 million during the year ended December 31, 2017.

For The Year Ended December 31, 2017 as compared to The Year Ended December 31, 2016

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

Net cash provided by (used in) 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, as compared to the $359.5 million of inflows for the year ended December 31, 2016 and $2.4 billion inflows of investment product and universal life net activity as compared to $2.1 billion in the prior year. Net repayment of non-recourse funding obligations equaled $47.0 million during the year ended December 31, 2017, as compared to net issuances of $2.1 billion during the year ended December 31, 2016. The Company paid a dividend during the year ended December 31, 2017 of $259.1 million, as compared to a dividend of $540.0 million during the year ended December 31, 2016.

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, 2018, we had $650.9 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, 2018, the fair value of securities pledged under the repurchase program was $451.9 million and the repurchase obligation of $418.1 million was included in our consolidated balance sheets (at an average borrowing rate of 245 basis points). During the year ended December 31, 2018, the maximum balance outstanding at any one point in time related to these programs was $885.0 million. The average daily balance was $511.4 million (at an average borrowing rate of 184 basis points) during the year ended December 31, 2018. As of December 31, 2017, 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, 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.

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, 2018, securities with a market value of $72.2 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, 2018, the fair value of the collateral related to this program was $77.2 million and we had an obligation to return $77.2 million of collateral to the securities borrowers.

Pending Transaction with Great-West Life & Annuity Insurance Company

As discussed in Note 25, *Subsequent Events*, to the consolidated financial statements included herein, on January 23, 2019, we entered into an agreement to acquire via reinsurance substantially all of GWL&A's individual life insurance and annuity business. Entry into the reinsurance agreements at closing will represent an estimated capital investment by PLC of approximately $1.2 billion, subject to adjustment. The transaction is expected to close in the first half of 2019, subject to the receipt of regulatory approvals and satisfaction of customary closing conditions. PLC intends to fund the acquisition through a combination of a new term loan facility, a capital contribution from Dai-ichi Life and available cash on hand. The timing of the borrowings and the amounts to be drawn from a new term loan facility and our existing facility are to be determined and will depend on the timing of the expected closing of the transaction and market conditions at such time.

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 from our insurance subsidiaries in 2019 is approximately $154.8 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, 2018, our total adjusted capital and company action level RBC were approximately $4.7 billion and $1.0 billion, respectively, providing an RBC ratio of approximately 459%.

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 negative impact to our statutory surplus of approximately $67 million on a pre-tax basis for the year ended December 31, 2018, as compared to a positive impact to our statutory surplus of approximately $12 million on a pre-tax basis for the year ended December 31, 2017.

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, 2018, we ceded premiums to third party reinsurers amounting to $1.4 billion. In addition, we had receivables from reinsurers amounting to $4.5 billion as of December 31, 2018. 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, which could adversely affect our future financial condition and results of operations if adopted.

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, we reinsure these risks to Shades Creek. The purpose of Shades Creek is to reduce the volatility in RBC due to non-economic variables included within the RBC calculation.

During 2012, PLC entered into an intercompany capital support agreement with Shades Creek. The agreement provides through a guarantee that PLC 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. Also in accordance with this support agreement, $120 million of additional capital was provided to Shades Creek by PLC through cash capital contributions during the period February 1, 2015 to December 31, 2015 (Successor Company). As of December 31, 2018 and 2017, 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 us and 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 our financial strength ratings or those 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 debt and financial strength ratings of PLC and its subsidiaries, including as a result of PLC's status as a subsidiary of Dai-ichi Life.

Rating organizations also publish credit ratings for the issuers of debt securities, including PLC. 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 PLC's 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 PLC's 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, 2018, we had policy liabilities and accruals of approximately $42.7 billion. Our interest-sensitive life insurance policies have a weighted average minimum credited interest rate of approximately 3.47%.

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, 2018, we carried a $7.1 million liability for uncertain tax positions. 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)			
Non-recourse funding obligations(1)	$ 4,985,761	$ 299,092	$ 679,159	$ 633,668	$ 3,373,842
Subordinated debt	$ 185,497	3,905	7,810	7,810	165,972
Stable value products(2)	5,528,162	1,357,412	3,183,833	849,743	137,174
Operating leases(3)	24,272	5,454	7,100	6,300	5,418
Mortgage loan and investment commitments	790,235	651,159	139,076	—	—
Secured financing liabilities(5)	495,673	495,673	—	—	—
Policyholder obligations(6)	56,390,320	3,495,632	7,513,970	5,764,184	39,616,534
Total	$ 68,399,920	$ 6,308,327	$ 11,530,948	$ 7,261,705	$ 43,298,940

(1) 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, $2.6 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 nonconsolidated entity and third parties. 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.
(2) Anticipated stable value products cash flows including interest.
(3) Includes all lease payments required under operating lease agreements.
(4) The lease payments shown assume we exercise our option to purchase the building at the end of the lease term. Additionally, the payments due by the periods above were computed based on the terms of the renegotiated lease agreement, which was entered in December 2013.
(5) Represents secured borrowings and accrued interest as part of our repurchase program as well as liabilities associated with securities lending transactions.
(6) 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.

Employee Benefit Plans

PLC sponsors a tax-qualified defined benefit pension plan (“Qualified Pension Plan”) covering substantially all of its employees. In addition, PLC sponsors an unfunded, nonqualified excess benefit pension plan (“Nonqualified Excess Pension Plan”) and provide other postretirement benefits to eligible employees.

PLC reports the net funded status of its 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.

PLC’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 it 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. PLC 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.

PLC has not yet determined the total amount it will fund during 2019, but may contribute an amount that would eliminate the PBGC variable-rate premiums payable in 2019. PLC currently estimates that amount will be between $10 million and $20 million.

For a complete discussion of PLC's benefit plans, additional information related to the funded status of its benefit plans, and its funding policy, see Note 17, *Employee Benefit Plans*, to the consolidated financial statements included in this report.

OFF-BALANCE SHEET ARRANGEMENTS

We have entered into 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, 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. The primary focus of our asset/liability program is the management of interest rate risk within the insurance operations. 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 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. See Note 7, *Derivative Financial Instruments*, to the consolidated financial statements included in this report for additional information on our financial instruments.

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.

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, fixed indexed annuities, and indexed universal life:

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

Other Derivatives

Certain of our subsidiaries have derivatives with PLC. These derivatives consist of an interest support agreement, YRT premium support arrangements, and portfolio maintenance agreements with PLC.

We have a funds withheld account that consists of various derivative instruments held by us that is used to hedge the GLWB and GMDB riders. The economic performance of derivatives in the funds withheld account is ceded to Shades Creek. The funds withheld account is accounted for as a derivative financial instrument.

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, 2018 and 2017, and the percent change in fair value the following estimated fair values would represent:

As of December 31,	Amount	Percent Change
	(Dollars In Millions)	
2018		
Fixed maturities	$ 49,935.1	(8.1)%
Mortgage loans	7,035.1	(5.5)
2017		
Fixed maturities	$ 40,099.0	(8.2)%
Mortgage loans	6,369.5	(5.5)

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, 2018 and 2017, we had outstanding mortgage loan commitments of $685.3 million at an average rate of 4.4% and $572.3 million at an average rate of 4.1%, respectively, with estimated fair values of $671.3 million and $583.0 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, 2018 and 2017, and the percent change in fair value that the following estimated fair values would represent:

As of December 31,	Amount	Percent Change
	(Dollars In Millions)	
2018	$ 638.8	(4.8)%
2017	$ 557.0	(4.5)%

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.

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, 2018, total derivative contracts with a notional amount of $31.5 billion were in a $491.2 million net loss position. Included in the $31.5 billion is a notional amount of $2.4 billion in a $25.8 million net loss position that relates to our Modco trading portfolio. Also included in the total, is $2.0 billion in a $95.1 million net loss position that relates to our funds withheld derivative, $6.0 billion in a $43.3 million net loss position that relates to our GLWB embedded derivatives, $2.6 billion in a $217.3 million net loss position that relates to our FIA embedded derivatives, and $233.5 million in a $90.2 million net loss position that relates to our IUL embedded derivatives, and $3.3 million in a $0.3 million net loss position that relates to our other derivatives.

As of December 31, 2017, total derivative contracts with a notional amount of $25.1 billion were in a $526.9 million net loss position. Included in the $25.1 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 $1.5 billion in a $61.7 million net loss position that relates to our funds withheld derivative, $4.1 billion in a $15.5 million net loss position that relates to our GLWB embedded derivatives, $2.0 billion in a $218.7 million net loss position that relates to our FIA embedded derivatives, and $168.3 million in a $80.2 million net loss position that relates to our IUL embedded derivatives.

We recognized gains of $79.1 million, $137.0 million, and $49.8 million related to derivative financial instruments for the years ended December 31, 2018, 2017, and 2016, 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:

	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/– 100 bps Change in the Underlying Reference Interest Rates(1)(2)	
			+100 bps	–100 bps
		(Dollars In Millions)		
2018				
Futures	$ 1,149.9	$ (9.8)	$ 13.1	$ (33.3)
Rec floating pay fixed swaps	400.0	—	12.9	(14.5)
Rec fixed pay floating swaps	2,240.5	17.1	(223.0)	302.0
GLWB embedded derivative	5,991.2	(43.3)	65.0	(185.5)
Total	$ 9,781.6	$ (36.0)	$ (132.0)	$ 68.7
2017				
Futures	$ 1,302.3	$ 2.3	$ (41.2)	$ 57.8
Swaptions	225.0	—	2.3	—
Rec floating pay fixed swaps	—	—	—	—
Rec fixed pay floating swaps	1,862.5	52.5	(145.9)	290.8
GLWB embedded derivative	4,056.3	(15.5)	24.4	(68.4)
Total	$ 7,446.1	$ 39.3	$ (160.4)	$ 280.2

(1) Interest rate change scenario subject to floor, based on treasury rates as of December 31, 2018 and 2017.
(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:

	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/– 10% Change in the Underlying Reference Index Equity Level	
			+10%	–10%
	(Dollars In Millions)			
2018				
Futures	$ 672.0	$ (33.3)	$ 27.0	$ (93.5)
Options	9,823.9	186.0	179.2	240.3
Rec floating pay asset swaps	768.2	(23.1)	(102.3)	56.2
Rec asset pay floating swaps	138.1	4.0	18.2	(10.2)
GLWB embedded derivative	5,991.2	(43.3)	(31.7)	(55.9)
FIA embedded derivative	2,576.1	(217.3)	(261.2)	(212.7)
IUL embedded derivative	233.6	(90.2)	(96.4)	(87.4)
Total	$ 20,203.1	$ (217.2)	$ (267.2)	$ (163.2)
2017				
Futures	$ 381.1	$ (2.4)	$ (32.2)	$ 27.3
Options	7,549.4	166.4	157.7	177.0
Rec floating pay asset swaps	434.3	(0.2)	(43.6)	43.2
GLWB embedded derivative	4,056.3	(15.5)	(1.7)	(33.9)
FIA embedded derivative	1,951.7	(218.7)	(232.9)	(186.7)
IUL embedded derivative	168.3	(80.2)	82.7	70.4
Total	$ 14,541.1	$ (150.6)	$ (70.0)	$ 97.3

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:

	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)			
2018				
Futures	$ 202.7	$ (2.2)	$ (22.6)	$ 18.2
Rec fixed pay fixed swaps	117.2	(0.9)	11.6	(13.4)
	$ 319.9	$ (3.1)	$ (11.0)	$ 4.8
2017				
Futures	$ 256.4	$ (2.1)	$ (27.9)	$ 23.7
Rec fixed pay fixed swaps	117.2	6.0	19.7	(7.7)
	$ 373.6	$ 3.9	$ (8.2)	$ 16.0

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 non-annuity 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 $0.7 billion of our stable value contracts have no early termination rights.

As of December 31, 2018, we had $5.2 billion of stable value product account balances with an estimated fair value of $5.2 billion (using discounted cash flows) and $13.7 billion of annuity account balances with an estimated fair value of $13.3 billion (using discounted cash flows). As of December 31, 2017, 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).

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:

	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)		
2018			
Stable value product account balances	$ 5,200.7	$ 5,106.1	$ 5,295.4
Annuity account balances	13,272.2	13,018.3	13,419.2
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

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.

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:

Credited Rate Summary
As of December 31, 2018

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%	$ 2,392	$ 1,322	$ 2,031	$ 5,745
>3% - 4%	4,512	924	499	5,935
>4% - 5%	2,445	435	1	2,881
>5% - 6%	188	—	—	188
Subtotal	9,537	2,681	2,531	14,749
Fixed Annuities				
1%	$ 341	$ 584	$ 2,278	$ 3,203
>1% - 2%	370	165	1,145	1,680
>2% - 3%	1,686	102	3	1,791
>3% - 4%	261	4	—	265
>4% - 5%	260	—	—	260
>5% - 6%	2	—	—	2
Subtotal	2,920	855	3,426	7,201
Total	$ 12,457	$ 3,536	$ 5,957	$ 21,950
Percentage of Total	57%	16%	27%	100%

Credited Rate Summary
As of December 31, 2017

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%

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 PLC's obligations to employees under its pension plan and other postretirement benefit plans, PLC is required to make a number of assumptions to estimate related liabilities and expenses. PLC's 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 PLC's estimates of the hypothetical impact to the December 31, 2018 benefit obligation and to the 2018 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	$ (25,695)	$ (3,861)
100 basis point decrease	30,740	4,540
Increase (Decrease) in Benefit Cost:		
100 basis point increase	$ 346	$ (43)
100 basis point decrease	(451)	85

(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 PLC's defined benefit pension plan, PLC received evaluations of market performance based on PLC's asset allocation as provided by external consultants.

For PLC's postretirement life insurance plan, PLC 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 PLC's estimates of the hypothetical impact to the 2018 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	$ (2,532)	$ (49)
100 basis point decrease	2,531	49

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.

For supplemental quarterly financial information, please see Note 24, *Consolidated Quarterly Results-Unaudited* of the notes to consolidated financial statements included herein.

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Revenues			
Premiums and policy fees	$ 3,656,508	$ 3,456,362	$ 3,389,419
Reinsurance ceded	(1,383,510)	(1,367,096)	(1,330,723)
Net of reinsurance ceded	2,272,998	2,089,266	2,058,696
Net investment income	2,338,902	1,923,056	1,823,463
Realized investment gains (losses):			
Derivative financial instruments	79,097	(137,041)	49,790
All other investments	(223,276)	121,087	90,630
Other-than-temporary impairment losses	(56,578)	(1,332)	(32,075)
Portion recognized in other comprehensive income (before taxes)	26,854	(7,780)	14,327
Net impairment losses recognized in earnings	(29,724)	(9,112)	(17,748)
Other income	321,019	325,411	288,878
Total revenues	4,759,016	4,312,667	4,293,709
Benefits and expenses			
Benefits and settlement expenses, net of reinsurance ceded: (2018 - $1,185,929; 2017 - $1,235,227; 2016 - $1,176,609)	3,511,252	2,955,005	2,876,726
Amortization of deferred policy acquisition costs and value of business acquired	226,066	79,443	150,298
Other operating expenses, net of reinsurance ceded: (2018 - $210,816; 2017 - $226,578; 2016 - $210,270)	774,110	814,211	744,004
Total benefits and expenses	4,511,428	3,848,659	3,771,028
Income before income tax	247,588	464,008	522,681
Income tax (benefit) expense			
Current	123,624	36,565	(38,663)
Deferred	(69,963)	(754,974)	208,736
Total income tax expense (benefit)	53,661	(718,409)	170,073
Net income	$ 193,927	$ 1,182,417	$ 352,608

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Net income	$ 193,927	$ 1,182,417	$ 352,608
Other comprehensive income (loss):			
Change in net unrealized gains (losses) on investments, net of income tax: (2018 - $(375,256); 2017 - $332,593; 2016 - $324,195)	(1,411,674)	705,859	602,074
Reclassification adjustment for investment amounts included in net income, net of income tax: (2018 - $4,174; 2017 - $(397); 2016 - $(5,085))	15,699	(944)	(9,442)
Change in net unrealized gains (losses) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2018 - $(5,517); 2017 - $762; 2016 - $(1,081))	(20,751)	391	(2,008)
Change in accumulated (loss) gain - derivatives, net of income tax: (2018 - $(501); 2017 - $(303); 2016 - $370)	(1,884)	(563)	688
Reclassification adjustment for derivative amounts included in net income, net of income tax: (2018 - $301; 2017 - $243; 2016 - $21)	1,130	451	39
Total other comprehensive income (loss)	(1,417,480)	705,194	591,351
Total comprehensive income (loss)	$ (1,223,553)	$ 1,887,611	$ 943,959

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Assets		
Fixed maturities, at fair value (amortized cost: 2018 - $54,233,151; 2017 - $40,952,535)	$ 51,679,226	$ 40,971,486
Fixed maturities, at amortized cost (fair value: 2018 - $2,547,210; 2017 - $2,776,327)	2,633,474	2,718,904
Equity securities, at fair value (cost: 2018 - $589,221; 2017 - $701,951)	557,708	715,498
Mortgage loans (related to securitizations: 2018 - $134; 2017 - $226,409)	7,724,733	6,817,723
Investment real estate, net of accumulated depreciation (2018 - $251; 2017 - $132)	6,816	8,355
Policy loans	1,695,886	1,615,615
Other long-term investments	798,342	940,047
Short-term investments	666,301	527,144
Total investments	65,762,486	54,314,772
Cash	151,400	178,855
Accrued investment income	633,087	489,979
Accounts and premiums receivable	97,033	152,086
Reinsurance receivables	4,486,029	4,800,891
Deferred policy acquisition costs and value of business acquired	3,026,330	2,205,401
Goodwill	825,511	793,470
Other intangibles, net of accumulated amortization (2018 - $197,368; 2017 - $140,232)	612,854	662,916
Property and equipment, net of accumulated depreciation (2018 - $30,989; 2017 - $21,305)	183,843	109,711
Other assets	377,845	337,395
Income tax receivable	—	76,986
Assets related to separate accounts		
Variable annuity	12,288,919	13,956,071
Variable universal life	937,732	1,035,202
Total assets	$ 89,383,069	$ 79,113,735

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS
(continued)

	As of December 31, 2018	As of December 31, 2017
	(Dollars In Thousands)	
Liabilities		
Future policy benefits and claims	$ 41,900,618	$ 30,956,792
Unearned premiums	769,620	751,130
Total policy liabilities and accruals	42,670,238	31,707,922
Stable value product account balances	5,234,731	4,698,371
Annuity account balances	13,720,081	10,921,190
Other policyholders' funds	1,128,379	1,267,198
Other liabilities	1,939,718	1,859,254
Income tax payable	27,189	—
Deferred income taxes	898,339	1,371,989
Debt	1,319	1,682
Subordinated debt	110,000	—
Non-recourse funding obligations	2,888,329	2,952,822
Secured financing liabilities	495,307	1,017,749
Liabilities related to separate accounts		
Variable annuity	12,288,919	13,956,071
Variable universal life	937,732	1,035,202
Total liabilities	82,340,281	70,789,450
Commitments and contingencies - Note 15		
Shareowner's equity		
Preferred Stock; $1 par value, shares authorized: 2,000; Liquidation preference: $2,000	2	2
Common Stock, $1 par value, shares authorized and issued: 2018 and 2017 - 5,000,000	5,000	5,000
Additional paid-in-capital	7,410,537	7,378,496
Retained earnings	1,031,465	916,971
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2018 - $(367,217); 2017 - $6,860)	(1,381,436)	25,091
Net unrealized losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2018 - $(6,054); 2017 - $(537))	(22,773)	(2,022)
Accumulated gain (loss) - derivatives, net of income tax: (2018 - $(2); 2017 - $198)	(7)	747
Total shareowner's equity	7,042,788	8,324,285
Total liabilities and shareowner's equity	$ 89,383,069	$ 79,113,735

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF SHAREOWNER'S EQUITY

	Preferred Stock	Common Stock	Additional Paid-In-Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's equity
	(Dollars In Thousands)					
Balance, December 31, 2015	$ 2	$ 5,000	$ 6,274,169	$ 154,697	$ (1,246,391)	$ 5,187,477
Net income for 2016				352,608		352,608
Other comprehensive income					591,351	591,351
Comprehensive income for 2016						943,959
Dividends paid to the parent company				(540,000)		(540,000)
Capital contributions			1,148,238			1,148,238
Balance, December 31, 2016	$ 2	$ 5,000	$ 7,422,407	$ (32,695)	$ (655,040)	$ 6,739,674
Net income for 2017				1,182,417		1,182,417
Other comprehensive income					705,194	705,194
Comprehensive income for 2017						1,887,611
Cumulative effect adjustments				26,338	(26,338)	—
Dividends paid to the parent company				(259,089)		(259,089)
Return of capital			(43,911)			(43,911)
Balance, December 31, 2017	$ 2	$ 5,000	$ 7,378,496	$ 916,971	$ 23,816	$ 8,324,285
Net income for 2018				193,927		193,927
Other comprehensive income					(1,417,480)	(1,417,480)
Comprehensive income for 2018						(1,223,553)
Cumulative effect adjustments				(79,433)	(10,552)	(89,985)
Prior period adjustment			32,041			32,041
Balance, December 31, 2018	$ 2	$ 5,000	$ 7,410,537	$1,031,465	$ (1,404,216)	$ 7,042,788

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Cash flows from operating activities			
Net income	$ 193,927	$ 1,182,417	$ 352,608
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment losses (gains)	173,903	25,066	(122,672)
Amortization of deferred policy acquisition costs and value of business acquired	226,066	79,443	150,298
Capitalization of deferred policy acquisition costs	(446,594)	(335,603)	(330,302)
Depreciation and amortization expense	67,125	61,740	36,942
Deferred income tax	(69,963)	(754,974)	208,736
Accrued income tax	104,175	19,377	(168,786)
Interest credited to universal life and investment products	882,904	692,993	699,227
Policy fees assessed on universal life and investment products	(1,558,868)	(1,354,685)	(1,262,166)
Change in reinsurance receivables	315,134	269,294	246,768
Change in accrued investment income and other receivables	50,112	(19,148)	(58,493)
Change in policy liabilities and other policyholders' funds of traditional life and health products	(495,846)	(331,880)	(222,438)
Trading securities:			
Maturities and principal reductions of investments	155,692	165,575	154,633
Sale of investments	493,141	281,441	459,802
Cost of investments acquired	(589,379)	(355,410)	(532,429)
Other net change in trading securities	38,346	9,151	22,427
Amortization of premiums and accretion of discounts on investments and mortgage loans	308,407	319,264	374,726
Change in other liabilities	103,465	265,595	182,973
Other, net	(15,656)	(45,961)	(18,093)
Net cash (used in) provided by operating activities	(63,909)	173,695	173,761

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Cash flows from investing activities			
Maturities and principal reductions of investments, available-for-sale	1,189,366	695,349	1,299,324
Sale of investments, available-for-sale	2,573,826	1,801,173	1,952,696
Cost of investments acquired, available-for-sale	(4,865,104)	(4,013,245)	(4,858,159)
Change in investments, held-to-maturity	81,000	47,000	(2,181,000)
Mortgage loans:			
New lendings	(1,589,459)	(1,671,929)	(1,396,283)
Repayments	1,068,552	923,347	863,873
Change in investment real estate, net	978	(104)	2,851
Change in policy loans, net	51,218	34,625	49,268
Change in other long-term investments, net	(169,293)	(91,934)	(251,987)
Change in short-term investments, net	(164,384)	(207,722)	(61,094)
Net unsettled security transactions	13,384	(19,023)	28,853
Purchase of property and equipment	(91,972)	(33,718)	(2,863)
Cash received from or paid for acquisitions, net of cash acquired	38,456	—	320,967
Net cash used in investing activities	(1,863,432)	(2,536,181)	(4,233,554)
Cash flows from financing activities			
Borrowings under subordinated debt	110,000	—	—
Issuance (repayment) of non-recourse funding obligations	(63,890)	(16,070)	2,169,700
Secured financing liabilities	(522,442)	220,028	359,536
Dividends/Return of capital to the parent company	—	(303,000)	(540,000)
Investment product and universal life deposits	5,689,944	4,683,121	4,393,596
Investment product and universal life withdrawals	(3,313,338)	(2,256,981)	(2,320,958)
Other financing activities, net	(388)	(196)	—
Net cash provided by financing activities	1,899,886	2,326,902	4,061,874
Change in cash	(27,455)	(35,584)	2,081
Cash at beginning of period	178,855	214,439	212,358
Cash at end of period	$ 151,400	$ 178,855	$ 214,439

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE INSURANCE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Insurance Company (the "Company"), a stock life insurance company, was founded in 1907. The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), an insurance holding company. On February 1, 2015, PLC 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 PLC (the "Merger"). Prior to February 1, 2015, and for the periods reported as "predecessor," PLC's stock was publicly traded on the New York Stock Exchange. Subsequent to the Merger date, PLC and the Company remain as SEC registrants within the United States. 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. PLC is a holding company with subsidiaries that provide financial services through the production, distribution, and administration of insurance and investment products.

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 22, *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 Insurance Company and its affiliate companies in which the Company holds a majority voting or economic interest. Intercompany balances and transactions have been eliminated.

During the fourth quarter of 2018, the Company recorded an adjustment related to prior periods to correct an error pertaining to the tax deductibility of certain deferred compensation following the Dai-ichi acquisition and application of purchase accounting in 2015. The adjustment resulted in a $32.0 million increase to goodwill, with a corresponding increase in additional paid-in-capital. The Company concluded that the adjustment was not quantitatively or qualitatively material to previously reported annual or interim periods or the current interim period. As a result, this adjustment was recorded by the Company within the presented annual consolidated financial statements for the year ended December 31, 2018.

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.

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 $153.3 million as of December 31, 2018 and $132.7 million as of December 31, 2017, 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 7.1%) 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, account values, 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):

	As of December 31,		Estimated
	2018	2017	Useful Life
	(Dollars In Thousands)		(In Years)
Distribution relationships	$ 377,441	$ 402,975	14-22
Trade names	78,629	85,340	13-17
Technology	93,433	107,343	7-14
Other	31,351	35,258	
Total intangible assets subject to amortization	580,854	630,916	
Insurance licenses	32,000	32,000	Indefinite
Total intangible assets	$ 612,854	$ 662,916	

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)
2019	$ 55,220
2020	52,219
2021	49,614
2022	46,356
2023	45,056

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 four 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:

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Home office building	$ 144,669	$ 68,123
Data processing equipment	28,793	24,102
Other, principally furniture and equipment	16,450	13,871
Total property and equipment subject to depreciation	189,912	106,096
Accumulated depreciation	(30,989)	(21,305)
Land	24,920	24,920
Total property and equipment	$ 183,843	$ 109,711

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 the Company as the seller of the contracts. Stable value product account balances include GICs and funding agreements the Company has issued. As of December 31, 2018 and 2017, the Company had $4,083.8 million and $3,337.9 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, 2018, future maturities of stable value products were as follows:

Year of Maturity	Amount
	(Dollars In Millions)
2019	$ 1,253.9
2020 - 2021	3,042.5
2022 - 2023	818.7
Thereafter	118.7

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 interest rates and 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 derivative 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 table adjusted for company experience. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. The Company reinsures certain risks associated with the GLWB to Shades Creek Captive Insurance ("Shades Creek"), a direct wholly owned insurance subsidiary of PLC. As of December 31, 2018, the Company's net GLWB liability held, including the impact of reinsurance, was $43.3 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 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's income tax returns, except for MONY which files separately, are included in PLC's consolidated U.S. income 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 19, *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 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 19, *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:

	As of December 31,			
	2018	2017	2018	2017
	Total Policy Liabilities and Accruals		Reinsurance Receivable	
	(Dollars In Thousands)			
Life and annuity benefit reserves	$ 40,883,229	$ 29,972,938	$ 3,573,500	$ 3,885,546
Unpaid life claim liabilities	654,077	595,188	383,620	362,833
Life and annuity future policy benefits	41,537,306	30,568,126	3,957,120	4,248,379
Other policy benefits reserves	142,855	157,101	80,688	92,330
Other policy benefits unpaid claim liabilities	220,457	231,565	175,591	185,366
Future policy benefits and claims and associated reinsurance receivable	$ 41,900,618	$ 30,956,792	$ 4,213,399	$ 4,526,075
Unearned premiums	769,620	751,130	272,630	274,816
Total policy liabilities and accruals and associated reinsurance receivable	$ 42,670,238	$ 31,707,922	$ 4,486,029	$ 4,800,891

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, 2018, range from approximately 2.00% to 5.50%. 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 net 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 0.19% to 11.25% in 2018.

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 UL - Type insurance contract 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 accrued using the effective yield method.

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 accrued 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, 2018, are subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. The Company reinsures certain risks associated with the GMDB to Shades Creek. As of December 31, 2018, the GMDB reserve, including the impact of reinsurance, was $34.7 million.

Property and Casualty Insurance Products

Property and casualty insurance products include service contract business, surety bonds, and guaranteed asset protection ("GAP"). Premiums and fees associated with 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. Commissions and fee income associated with other products are recognized as earned when the related services are provided to the customer. 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.

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. In consideration of the amendments in this Update, the Company revised its recognition pattern for 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. The Company will recognize these fees on a claims occurrence basis in future periods. To reflect this change in accounting principle, the Company recorded a cumulative effect adjustment as of January 1, 2018 that resulted in a decrease in retained earnings of $90.0 million. The pre-tax impact to each affected line item on the Company's financial statements is reflected in the table below:

	As of December 31, 2018	
	As Reported	Previous Accounting Method
	(Dollars In Millions)	
Financial Statement Line Item:		
Balance Sheet		
Deferred policy acquisition costs and value of business acquired	$ 3,026.3	$ 2,887.3
Other liabilities	$ 1,939.7	$ 1,683.3

	For The Year Ended December 31, 2018	
	As Reported	Previous Accounting Method
	(Dollars In Millions)	
Financial Statement Line Item:		
Statements of Income		
Other income	$ 321.0	$ 322.1
Amortization of deferred policy acquisition costs and value of business acquired	$ 226.1	$ 178.1
Other operating expenses, net of reinsurance ceded	$ 774.1	$ 825.1

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

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 adopted 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, impacted 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. The lines of business to which the revised guidance applies are not material to the Company's financial statements. In consideration of the amendments in this Update, the Company revised its recognition pattern for 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. The Company will recognize these fees on a claims occurrence basis in future periods. To reflect this change in accounting principle, the Company recorded a cumulative effect adjustment as of January 1, 2018 that resulted in a decrease in retained earnings of $90.0 million. The Company also implemented minor changes to its accounting and disclosures with respect to the lines of business referenced above to ensure compliance with the revised guidance. See above for additional discussion.

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 were effective the interim periods beginning after December 15, 2017 and were applied on a modified retrospective basis. The Company recorded a cumulative-effect adjustment at 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 $10.6 million increase to retained earnings and a corresponding decrease to accumulated other comprehensive income, resulting in no net impact to consolidated shareowner's equity. The Company has updated its disclosures in Note 5, *Investment Operations* and Note 6, *Fair Value of Financial Instruments* in accordance with the ASU.

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 was effective for the interim periods beginning after December 15, 2017 using the retrospective method. There was no financial impact.

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 was 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 applied 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 did not impact the Company's financial position, results of operations, or current disclosures.

Accounting Pronouncements Not Yet Adopted

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 amendments in the Update are effective for annual and interim periods beginning after December 15, 2018 on a modified retrospective basis. The Company expects to record a cumulative effect adjustment as of the date of adoption, January 1, 2019, establishing a right of use asset and lease liability of $21.5 million on its consolidated balance sheet to be reflected in the *property and equipment* and *other liabilities* line items, respectively. The Company will make updates to its disclosures in the first quarter in order to comply with the new guidance.

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 15, 2018. The Company recorded a cumulative effect adjustment as of the adoption date, January 1, 2019, resulting in a $50.8 million reduction to retained earnings, net of income tax.

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. There was no impact to the Company on adoption.

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. 2018-12 - Financial Services - Insurance (Topic 944): Targeted Improvements to Accounting for Long-Duration Contracts. The amendments in this Update are designed to make improvements to the existing recognition, measurement, presentation, and disclosure requirements for certain long-duration contracts issued by an insurance company. The new amendments require insurance entities to provide a more current measure of the liability for future policy benefits for traditional and limited-payment contracts by regularly refining the liability for actual past experience and updated future assumptions. This differs from current requirements where assumptions are locked-in at contract issuance for these contract types. In addition, the updated liability will be discounted using an upper-medium grade (low-credit-risk) fixed income instrument yield that reflects the characteristics of the liability which differs from currently used rates based on the invested assets supporting the liability. In addition, the amendments introduce new requirements to assess market-based insurance contract options and guarantees for Market Risk Benefits and measure them at fair value. This Update also requires insurance entities to amortize deferred acquisition costs on a constant-level basis over the expected life of the contract. Finally this Update requires new disclosures including liability rollforwards and information about significant inputs, judgements, assumptions, and methods used in the measurement. The amendments in this Update are effective for annual and interim periods beginning after December 15, 2020 with early adoption permitted. The Company is currently reviewing its policies, processes, and applicable systems to determine the impact this standard will have on its operations and financial results.

3. SIGNIFICANT TRANSACTIONS

On May 1, 2018, The Lincoln National Life Insurance Company ("Lincoln Life") completed the acquisition (the "Closing") of Liberty Mutual Group Inc.'s ("Liberty Mutual") 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"). In connection with the Closing and pursuant to the Master Transaction Agreement, dated January 18, 2018 (the "Master Transaction Agreement"), previously reported in PLC's Current Report on Form 8-K filed on January 23, 2018, the Company and Protective Life and Annuity Insurance Company ("PLAIC"), a wholly owned subsidiary, entered into reinsurance agreements (the "Reinsurance Agreements") and related ancillary documents (including administrative services agreements and transition services agreements) providing for the reinsurance and administration of the Life Business.

Pursuant to the Reinsurance Agreements, Liberty ceded to the Company and PLAIC the insurance policies related to the Life Business on a 100% coinsurance basis. The aggregate ceding commission for the reinsurance of the Life Business was$422.4 million, which is the purchase price. Other than cash received as part of the acquired Liberty investment portfolio as reflected in "amounts received from reinsurance transaction" in the Consolidated Condensed Statement of Cash Flows and as reflected in the table below, this was a non-cash transaction.

All policies issued in states other than New York were ceded to the Company under a reinsurance agreement between Liberty and the Company, and all policies issued in New York were ceded to PLAIC under a reinsurance agreement between Liberty and PLAIC. The aggregate statutory reserves of Liberty ceded to the Company and PLAIC as of the closing of the Transaction were approximately $13.2 billion, which amount was based on initial estimates and is subject to adjustment following the Closing. Pursuant to the terms of the Reinsurance Agreements, each of the Company and PLAIC are required to maintain assets in trust for the benefit of Liberty to secure their respective obligations to Liberty under the Reinsurance Agreements. The trust accounts were initially funded by each of the Company and PLAIC principally with the investment assets that were received from Liberty. Additionally, the Company and PLAIC have each agreed to provide, on behalf of Liberty, administration and policyholder servicing of the Life Business reinsured by it pursuant to administrative services agreements between Liberty and each of the Company and PLAIC.

The terms of the Reinsurance Agreements resulted in an acquisition of the Life Business by the Company in accordance with ASC Topic 805, *Business Combinations*.

The following table details the purchase consideration and preliminary allocation of assets acquired and liabilities assumed from the Life Business reinsurance transaction as of the transaction date. These estimates remain preliminary and are subject to adjustment. While they are not expected to be materially different than those shown, any material adjustments to the estimates will be reflected, retroactively, as of the date of the acquisition.

	Fair Value As of May 1, 2018
	(Dollars in Thousands)
Assets	
Fixed maturities	$ 12,588,512
Mortgage loans	435,405
Policy loans	131,489
Total investments	13,155,406
Cash	38,456
Accrued investment income	152,030
Reinsurance receivables	272
Value of business acquired	336,862
Other assets	916
Total assets	13,683,942
Liabilities	
Future policy benefits and claims	$ 11,747,501
Unearned premiums	—
Total policy liabilities and accruals	11,747,501
Annuity account balances	1,823,444
Other policyholders' funds	41,936
Other liabilities	71,061
Total liabilities	13,683,942
Net assets acquired	$ —

The following unaudited pro forma condensed consolidated results of operations assumes that the aforementioned transactions of the Life Business were completed as of January 1, 2017. The unaudited pro forma condensed results of operations are presented solely for information purposes and are not necessarily indicative of the consolidated condensed results of operations that might have been achieved had the transaction been completed as of the date indicated:

	Unaudited	
	For The Year Ended December 31, 2018	For The Year Ended December 31, 2017
	(Dollars In Thousands)	
Revenue	$ 5,082,755	$ 5,548,132
Net income	$ 240,071	$ 1,309,876

The amount of revenue and income before income tax of the Life Business since the transaction date, May 1, 2018, included in the consolidated statements of income for the year ended December 31, 2018, amounted to $578.0 million and $49.8 million. Also, included in the income before income tax for the year ended December 31, 2018, is approximately $5.5 million of non-recurring transaction costs.

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 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, 2018 and December 31, 2017 and is as follows:

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Closed block liabilities		
Future policy benefits, policyholders' account balances and other policyholder liabilities	$ 5,679,732	$ 5,791,867
Policyholder dividend obligation	—	160,712
Other liabilities	22,505	30,764
Total closed block liabilities	5,702,237	5,983,343
Closed block assets		
Fixed maturities, available-for-sale, at fair value	4,257,437	4,669,856
Mortgage loans on real estate	75,838	108,934
Policy loans	672,213	700,769
Cash and other invested assets	116,225	31,182
Other assets	136,388	122,637
Total closed block assets	5,258,101	5,633,378
Excess of reported closed block liabilities over closed block assets	444,136	349,965
Portion of above representing accumulated other comprehensive income:		
Net unrealized investments gains (losses) net of policyholder dividend obligation: $(141,128) and $(13,429); and net of income tax: $61,676 and $2,820	(120,528)	—
Future earnings to be recognized from closed block assets and closed block liabilities	$ 323,608	$ 349,965

Reconciliation of the policyholder dividend obligation is as follows:

	For The Year Ended December 31,	
	2018	2017
	(Dollars In Thousands)	
Policyholder dividend obligation, beginning balance	$ 160,712	$ 31,932
Applicable to net revenue (losses)	(33,014)	(55,241)
Change in net unrealized investment gains (losses) allocated to policyholder dividend obligation	(127,698)	184,021
Policyholder dividend obligation, ending balance	$ —	$ 160,712

Closed Block revenues and expenses were as follows:

	For The Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Revenues			
Premiums and other income	$ 171,117	$ 180,097	$ 189,700
Net investment income	202,282	203,964	211,175
Net investment gains	(1,970)	910	1,524
Total revenues	371,429	384,971	402,399
Benefits and other deductions			
Benefits and settlement expenses	337,352	335,200	353,488
Other operating expenses	714	1,940	2,804
Total benefits and other deductions	338,066	337,140	356,292
Net revenues before income taxes	33,363	47,831	46,107
Income tax expense	7,006	27,718	16,137
Net revenues	$ 26,357	$ 20,113	$ 29,970

5. INVESTMENT OPERATIONS

Major categories of net investment income are summarized as follows:

	For The Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Fixed maturities	$ 2,043,183	$ 1,610,768	$ 1,547,346
Equity securities	35,282	40,506	38,838
Mortgage loans	322,206	298,387	270,749
Investment real estate	1,778	2,405	2,152
Short-term investments	103,676	114,280	99,979
	2,506,125	2,066,346	1,959,064
Other investment expenses	167,223	143,290	135,601
Net investment income	$ 2,338,902	$ 1,923,056	$ 1,823,463

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

	For The Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Fixed maturities	$ 9,851	$ 12,783	$ 32,183
Equity gains and losses(1)	(49,275)	(2,330)	92
Impairments	(29,724)	(9,112)	(17,748)
Modco trading portfolio	(185,900)	119,206	67,583
Other investments	2,048	(8,572)	(9,228)
Total realized gains (losses) - investments	$ (253,000)	$ 111,975	$ 72,882

(1) Beginning January 1, 2018, all changes in the fair market value of equity securities are recorded as a realized gain (loss) as a result of the adoption of ASU No. 2016-01.

Gross realized gains and gross realized losses on investments available-for-sale (fixed maturities and short-term investments) are as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Gross realized gains	$ 28,034	$ 18,868	$ 42,058
Gross realized losses			
Impairments losses	$ (29,724)	$ (9,112)	$ (17,748)
Other realized losses	$ (18,183)	$ (8,257)	$ (9,783)

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.

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Securities in an unrealized gain position:			
Fair value (proceeds)	$ 1,291,826	$ 879,181	$ 1,194,808
Gains realized	$ 28,034	$ 18,868	$ 42,058
Securities in an unrealized loss position(1):			
Fair value (proceeds)	$ 472,371	$ 185,157	$ 85,835
Losses realized	$ (18,183)	$ (8,257)	$ (9,783)

(1) The Company made the decision to exit these holdings in conjunction with its overall asset liability management process.

The chart below summarizes the realized gains (losses) on equity securities sold during the period and equity securities still held at the reporting date.

	For The Year Ended December 31, 2018
	(Dollars In Thousands)
Net gains (losses) recognized during the period on equity securities	$ (49,275)
Less: net gains (losses) recognized on equity securities sold during the period	$ (6,165)
Gains (losses) recognized during the period on equity securities still held	$ (43,110)

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)				
As of December 31, 2018					
Fixed maturities:					
Residential mortgage-backed securities	$ 3,641,678	$ 23,248	$ (61,935)	$ 3,602,991	$ (18)
Commercial mortgage-backed securities	2,319,476	3,911	(57,000)	2,266,387	—
Other asset-backed securities	1,410,059	17,232	(35,398)	1,391,893	—
U.S. government-related securities	1,658,433	1,794	(45,722)	1,614,505	—
Other government-related securities	543,534	4,292	(33,790)	514,036	—
States, municipals, and political subdivisions	3,682,037	25,706	(118,902)	3,588,841	876
Corporate securities	38,467,380	112,438	(2,378,240)	36,201,578	(29,685)
Redeemable preferred stock	94,362	—	(11,560)	82,802	—
	51,816,959	188,621	(2,742,547)	49,263,033	(28,827)
Short-term investments	635,375	—	—	635,375	—
	$ 52,452,334	$ 188,621	$ (2,742,547)	$ 49,898,408	$ (28,827)
As of December 31, 2017					
Fixed maturities:					
Residential mortgage-backed securities	$ 2,321,811	$ 19,412	$ (22,730)	$ 2,318,493	$ 41
Commercial mortgage-backed securities	1,885,109	4,931	(29,552)	1,860,488	—
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	280,780	9,401	(4,948)	285,233	—
States, municipals, and political subdivisions	1,770,299	16,959	(45,613)	1,741,645	(37)
Corporate securities	29,446,365	618,582	(527,401)	29,537,546	(2,563)
Redeemable preferred stock	94,362	232	(3,503)	91,091	—
	38,288,346	690,638	(671,687)	38,307,297	(2,559)
Equity securities	696,706	22,319	(8,771)	710,254	—
Short-term investments	470,883	—	—	470,883	—
	$ 39,455,935	$ 712,957	$ (680,458)	$ 39,488,434	$ (2,559)

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

The Company holds certain investments pursuant to certain modified coinsurance ("Modco") arrangements. The fixed maturities held as part of these arrangements are classified as trading securities. The fair value of the investments held pursuant to these Modco arrangements are as follows:

	As of December 31, 2018	As of December 31, 2017
	(Dollars In Thousands)	
Fixed maturities:		
Residential mortgage-backed securities	$ 241,836	$ 259,694
Commercial mortgage-backed securities	188,925	146,804
Other asset-backed securities	159,907	138,097
U.S. government-related securities	59,794	27,234
Other government-related securities	44,207	63,925
States, municipals, and political subdivisions	286,413	326,925
Corporate securities	1,423,833	1,698,183
Redeemable preferred stock	11,277	3,327
	2,416,192	2,664,189
Equity securities	9,892	5,244
Short-term investments	30,926	56,261
	$ 2,457,010	$ 2,725,694

The amortized cost and fair value of available-for-sale and held-to-maturity fixed maturities as of December 31, 2018, 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)			
Due in one year or less	$ 1,121,731	$ 1,117,140	$ —	$ —
Due after one year through five years	9,255,369	9,102,884	—	—
Due after five years through ten years	9,037,543	8,790,872	—	—
Due after ten years	32,402,316	30,252,137	2,633,474	2,547,210
	$ 51,816,959	$ 49,263,033	$ 2,633,474	$ 2,547,210

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, 2018			
Other-than-temporary impairments	$ (56,578)	$ —	$ (56,578)
Non-credit impairment losses recorded in other comprehensive income	26,854	—	26,854
Net impairment losses recognized in earnings	$ (29,724)	$ —	$ (29,724)
For The Year Ended December 31, 2017			
Other-than-temporary impairments	$ (1,332)	$ —	$ (1,332)
Non-credit impairment losses recorded in other comprehensive income	(7,780)	—	(7,780)
Net impairment losses recognized in earnings	$ (9,112)	$ —	$ (9,112)
For The Year Ended December 31, 2016			
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	$ (17,748)	$ —	$ (17,748)

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 years ended December 31, 2018, 2017, and 2016.

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):

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Beginning balance	$ 3,268	$ 12,685	$ 22,761
Additions for newly impaired securities	24,858	734	14,876
Additions for previously impaired securities	12	3,175	2,063
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	(3,270)	(600)	(2,619)
Ending balance	$ 24,868	$ 3,268	$ 12,685

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, 2018:

	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	$ 1,485,009	$ (31,302)	$ 795,765	$ (30,633)	$ 2,280,774	$ (61,935)
Commercial mortgage-backed securities	419,420	(7,398)	1,405,690	(49,602)	1,825,110	(57,000)
Other asset-backed securities	687,271	(30,963)	148,871	(4,435)	836,142	(35,398)
U.S. government-related securities	130,290	(4,668)	1,085,654	(41,054)	1,215,944	(45,722)
Other government-related securities	224,273	(15,207)	131,569	(18,583)	355,842	(33,790)
States, municipalities, and political subdivisions	1,004,262	(27,180)	1,129,152	(91,722)	2,133,414	(118,902)
Corporate securities	18,225,656	(966,825)	12,824,024	(1,411,415)	31,049,680	(2,378,240)
Redeemable preferred stock	41,147	(4,467)	41,655	(7,093)	82,802	(11,560)
	$ 22,217,328	$ (1,088,010)	$ 17,562,380	$ (1,654,537)	$ 39,779,708	$ (2,742,547)

RMBS and CMBS had gross unrealized losses greater than twelve months of $30.6 million and $49.6 million, respectively, as of December 31, 2018. 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 $4.4 million as of December 31, 2018. 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 $41.1 million and $18.6 million as of December 31, 2018, 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 $91.7 million as of December 31, 2018. The aggregate decline in market value of these securities was deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the issuer to capital markets, and other pertinent information.

The corporate securities category has gross unrealized losses greater than twelve months of $1.4 billion as of December 31, 2018. 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, 2018, the Company had a total of 4,005 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, 2017:

	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	$ 765,641	$ (9,666)	$ 408,460	$ (13,064)	$ 1,174,101	$ (22,730)
Commercial mortgage-backed securities	750,643	(8,521)	779,086	(21,031)	1,529,729	(29,552)
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	(4,779)	140,124	(4,948)
States, municipalities, and political subdivisions	170,268	(1,738)	1,027,747	(43,875)	1,198,015	(45,613)
Corporate securities	5,026,417	(55,649)	10,947,027	(471,752)	15,973,444	(527,401)
Redeemable preferred stock	22,048	(1,120)	23,197	(2,383)	45,245	(3,503)
Equities	86,194	(1,400)	91,195	(7,371)	177,389	(8,771)
	$ 7,026,657	$ (79,273)	$ 14,598,554	$ (601,185)	$ 21,625,211	$ (680,458)

RMBS and CMBS had gross unrealized losses greater than twelve months of $13.1 million and $21.0 million, respectively, as of December 31, 2017. 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. This category predominately includes student-loan backed auction rate securities, the underlying collateral, of which is at least 97% guaranteed by the 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 $31.5 million and $4.8 million as of December 31, 2017, 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. These declines were related to changes in interest rates.

The corporate securities category has gross unrealized losses greater than twelve months of $471.8 million as of December 31, 2017. 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, 2018, the Company had securities in its available-for-sale portfolio which were rated below investment grade with a fair value of $1.6 billion and had an amortized cost of $1.8 billion. In addition, included in the Company's trading portfolio, the Company held $144.3 million of securities which were rated below investment grade. Approximately $262.8 million of the below investment grade securities held by the Company were not publicly traded.

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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Fixed maturities	$ (2,032,573)	$ 1,083,865	$ 802,248

The amortized cost and fair value of the Company's investments classified as held-to-maturity as of December 31, 2018 and 2017, are as follows:

As of December 31, 2018	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Fair Value	Total OTTI Recognized in OCI
			(Dollars In Thousands)		
Fixed maturities:					
Securities issued by affiliates:					
Red Mountain LLC	$ 750,474	$ —	$ (81,657)	$ 668,817	$ —
Steel City LLC	1,883,000	—	(4,607)	1,878,393	—
	$ 2,633,474	$ —	$ (86,264)	$ 2,547,210	$ —

As of December 31, 2017	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Fair Value	Total OTTI Recognized in OCI
			(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	—
	$ 2,718,904	$ 76,586	$ (19,163)	$ 2,776,327	$ —

During the years ended December 31, 2018, 2017, and 2016, the Company did not record any other-than-temporary impairments on held-to-maturity securities.

The Company's held-to-maturity securities had $86.3 million of gross unrecognized holding losses by maturity as of December 31, 2018. 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 $76.6 million of gross unrecognized holding gains and $19.2 million of gross unrecognized holding losses by maturity as of December 31, 2017. 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 $140.5 million of non-income producing securities for the year ended December 31, 2018.

Included in the Company's invested assets are $1.7 billion of policy loans as of December 31, 2018. 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 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.

Based on this analysis, the Company had an interest in one wholly owned subsidiary, Red Mountain, LLC ("Red Mountain"), that was determined to be a VIE as of December 31, 2018 and 2017.

The activity most significant to Red Mountain is the issuance of a note in connection with a financing transaction involving Golden Gate V Vermont Captive Insurance Company ("Golden Gate V") and the Company in which Golden Gate V issued non-recourse funding obligations to Red Mountain and Red Mountain issued the note to Golden Gate V. Credit enhancement on the

Red Mountain Note is provided by an unrelated third party. For details of this transaction, see Note 14, *Debt and Other Obligations*. The Company has the power, via its 100% ownership, to direct the activities of the VIE, but does not have the obligation to absorb losses related to the primary risks or sources of variability to the VIE. The variability of loss would be borne primarily by the third party in its function as provider of credit enhancement on the Red Mountain Note. Accordingly, it was determined that the Company is not the primary beneficiary of the VIE. The Company's risk of loss related to the VIE is limited to its investment of $10,000. Additionally, PLC, the holding company, has guaranteed Red Mountain's payment obligation for the credit enhancement fee to the unrelated third party provider. As of December 31, 2018, 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.

- **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 estimates 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, 2018:

	Measurement Category	Level 1	Level 2	Level 3	Total
			(Dollars In Thousands)		
Assets:					
Fixed maturity securities - available-for-sale					
Residential mortgage-backed securities	4	$ —	$ 3,602,991	$ —	$ 3,602,991
Commercial mortgage-backed securities	4	—	2,266,387	—	2,266,387
Other asset-backed securities	4	—	970,251	421,642	1,391,893
U.S. government-related securities	4	985,485	629,020	—	1,614,505
State, municipalities, and political subdivisions	4	—	3,588,841	—	3,588,841
Other government-related securities	4	—	514,036	—	514,036
Corporate securities	4	—	35,563,302	638,276	36,201,578
Redeemable preferred stock	4	65,536	17,266	—	82,802
Total fixed maturity securities - available-for-sale		1,051,021	47,152,094	1,059,918	49,263,033
Fixed maturity securities - trading					
Residential mortgage-backed securities	3	—	241,836	—	241,836
Commercial mortgage-backed securities	3	—	188,925	—	188,925
Other asset-backed securities	3	—	133,851	26,056	159,907
U.S. government-related securities	3	27,453	32,341	—	59,794
State, municipalities, and political subdivisions	3	—	286,413	—	286,413
Other government-related securities	3	—	44,207	—	44,207
Corporate securities	3	—	1,417,591	6,242	1,423,833
Redeemable preferred stock	3	11,277	—	—	11,277
Total fixed maturity securities - trading		38,730	2,345,164	32,298	2,416,192
Total fixed maturity securities		1,089,751	49,497,258	1,092,216	51,679,225
Equity securities	3	494,287	—	63,421	557,708
Other long-term investments (1)	3&4	83,047	180,438	151,342	414,827
Short-term investments	3	589,084	77,217	—	666,301
Total investments		2,256,169	49,754,913	1,306,979	53,318,061
Cash	3	151,400	—	—	151,400
Assets related to separate accounts	3				
Variable annuity		12,288,919	—	—	12,288,919
Variable universal life	3	937,732	—	—	937,732
Total assets measured at fair value on a recurring basis	3	$ 15,634,220	$ 49,754,913	$ 1,306,979	$ 66,696,112
Liabilities:					
Annuity account balances(2)	3	$ —	$ —	$ 76,119	$ 76,119
Other liabilities(1)	3&4	56,018	164,643	438,127	658,788
Total liabilities measured at fair value on a recurring basis		$ 56,018	$ 164,643	$ 514,246	$ 734,907

(1) Includes certain freestanding and embedded derivatives.
(2) Represents liabilities related to fixed indexed annuities.
(3) Fair Value through Net Income.
(4) Fair Value through Other Comprehensive Income.

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:

	Level 1	Level 2	Level 3	Total
		(Dollars In Thousands)		
Assets:				
Fixed maturity securities - available-for-sale				
Residential mortgage-backed securities	$ —	$ 2,318,493	$ —	$ 2,318,493
Commercial mortgage-backed securities	—	1,860,488	—	1,860,488
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		285,233	—	285,233
Corporate securities	—	28,910,645	626,901	29,537,546
Redeemable preferred stock	72,471	18,620	—	91,091
Total fixed maturity securities - available-for-sale	1,031,246	36,144,785	1,131,266	38,307,297
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	38,743,800	1,171,930	40,971,486
Equity securities	649,981	—	65,517	715,498
Other long-term investments (1)	51,102	417,969	160,466	629,537
Short-term investments	394,394	132,750	—	527,144
Total investments	2,151,233	39,294,519	1,397,913	42,843,665
Cash	178,855	—	—	178,855
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	$ 17,321,361	$ 39,294,519	$ 1,397,913	$ 58,013,793
Liabilities:				
Annuity account balances (2)	$ —	$ —	$ 83,472	$ 83,472
Other liabilities (1)	5,755	302,656	597,562	905,973
Total liabilities measured at fair value on a recurring basis	$ 5,755	$ 302,656	$ 681,034	$ 989,445

(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 93.6% 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, 2018.

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, 2018, the Company held $7.4 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, 2018, the Company held $447.7 million of Level 3 ABS, which included $421.6 million of other asset-backed securities classified as available-for-sale and $26.1 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, Redeemable Preferred Stock, U.S. Government-Related Securities, States, Municipals, and Political Subdivisions, and Other Government Related Securities

As of December 31, 2018, the Company classified approximately $42.1 billion of corporate securities, redeemable preferred stock, 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, 2018, the Company classified approximately $644.5 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, 2018, the Company held approximately $63.4 million of equity securities classified as Level 2 and Level 3. Of this total, $63.4 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, 2018, 84.5% 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 2015 ALB table with attained age factors varying from 87.0% - 100%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR plus a credit spread (to represent the Company's non-performance risk). As a result of using significant unobservable inputs, the GLWB embedded derivative is categorized as Level 3. Policyholder assumptions are reviewed on an annual 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 2015 Ruark ALB mortality table modified with company experience, with attained age factors varying from 87% - 100%. 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 37% - 577%. 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, 2018, the fair value of the embedded derivative is based upon the relationship between the statutory policy liabilities (net of policy loans) of $2.3 billion and the statutory unrealized gain (loss) of the securities of $25.8 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.

The Company and certain of its subsidiaries have entered into interest support, yearly renewable term ("YRT") premium support, and portfolio maintenance agreements with PLC. These agreements meet the definition of a derivative and are accounted for at fair value and are considered Level 3 valuations. The fair value of these derivatives as of December 31, 2018, was $90.0 million and is included in *Other long-term investments*. For information regarding realized gains on these derivatives please refer to Note 7, *Derivative Financial Instruments*.

The Interest Support Agreement provides that PLC will make payments to Golden Gate II if actual investment income on certain of Golden Gate II's asset portfolios falls below a calculated investment income amount as defined in the Interest Support Agreement. The calculated investment income amount is a level of investment income deemed to be sufficient to support certain of Golden Gate II's obligations under a reinsurance agreement with the Company, dated July 1, 2007. The derivative is valued using an internal valuation model that assumes a conservative projection of investment income under an adverse interest rate scenario and the probability that the expectation falls below the calculated investment income amount. This derivative had a fair value of $37.6 million as of December 31, 2018 however interest support agreement obligations to Golden Gate II of approximately $4.9 million have been collateralized by PLC. Re-evaluation, if necessary, adjustments of any support agreement collateralization amounts occur annually during the first quarter pursuant to the terms of the support agreement. For the year ended December 31, 2018, Golden Gate II recognized $0.6 million in gains related to payments made under this agreement.

The YRT Premium support agreements provide that PLC will make payments to Golden Gate and Golden Gate II in the event that YRT premium rates increase. The derivatives are valued using an internal valuation model. The valuation model is a probability weighted discounted cash flow model. The value is primarily a function of the likelihood and severity of future YRT premium increases. The fair value of these derivatives as of December 31, 2018, was $50.0 million. As of December 31, 2018, no payments have been triggered under this agreement.

The portfolio maintenance agreements provide that PLC will make payments to Golden Gate, Golden Gate V, and WCL in the event of other-than-temporary impairments on investments that exceed defined thresholds. The derivatives are valued using an internal discounted cash flow model. The significant unobservable inputs are the projected probability and severity of credit losses used to project future cash flows on the investment portfolios. The fair value of the portfolio maintenance agreements as of December 31, 2018, was $2.5 million. As of December 31, 2018, no payments have been triggered under this agreement.

The Funds Withheld derivative results from a reinsurance agreement with Shades Creek where the economic performance of certain hedging instruments held by the Company is ceded to Shades Creek. The value of the Funds Withheld derivative is directly tied to the value of the hedging instruments held in the funds withheld account. The hedging instruments predominantly consist of derivative instruments the fair values of which are classified as a Level 2 measurement; as such, the fair value of the Funds Withheld derivative has been classified as a Level 2 measurement. The fair value of the Funds Withheld derivative as of December 31, 2018, was a liability of $95.1 million.

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, 2018 is $76.1 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:

	Fair Value As of December 31, 2018		Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars In Thousands)				
Assets:					
Other asset-backed securities	$	421,458	Liquidation	Liquidation value	$85.75 - $99.99 ($95.36)
			Discounted cash flow	Liquidity premium	0.02% - 1.25% (0.64%)
				Paydown Rate	10.96% - 13.11% (12.03%)
Corporate securities		631,068	Discounted cash flow	Spread over treasury	0.84% - 3.00% (1.84%)
Liabilities:[1]					
Embedded derivatives—GLWB[2]	$	43,307	Actuarial cash flow model	Mortality	87% to 100% of Ruark 2015 ALB Table
				Lapse	Ruark Predictive Model
				Utilization	99%. 10% of policies have a one-time over-utilization of 400%
				Nonperformance risk	0.21% - 1.16%
Embedded derivative—FIA		217,288	Actuarial cash flow model	Expenses	$145 per policy
				Withdrawal rate	1.5% prior to age 70, 100% of the RMD for ages 70+
				Mortality	87% to 100% of Ruark 2015 ALB table
				Lapse	1.0% - 30.0%, depending on duration/surrender charge period
				Nonperformance risk	0.21% - 1.16%
Embedded derivative—IUL		90,231	Actuarial cash flow model	Mortality	37% - 577% of 2015 VBT Primary Tables
				Lapse	0.5% - 10%, depending on duration/ distribution channel and smoking class
				Nonperformance risk	0.21% - 1.16%

(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, 2018, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $39.7 million of financial instruments being classified as Level 3 as of December 31, 2018 . Of the $39.7 million, $26.2 million are other asset-backed securities, and $13.5 million are corporate securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2018, the Company held $63.4 million of financial instruments where book value approximates fair value which are predominantly FHLB stock.

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

		Fair Value As of December 31, 2017	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Thousands)			
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)	$	15,554	Actuarial cash flow model	Mortality	91.4% 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, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $50.0 million of financial instruments being classified as Level 3 as of December 31, 2017. Of the $50.0 million, $35.4 million are other asset backed securities, and $14.6 million are corporate securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2017, the Company held $65.5 million of financial instruments where book value approximates fair value which are 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 nonperformance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

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

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2018, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included In Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ —	$ —	$ —	$ —	$ (995)	$ 22,225	$ —	$ —	$ —	$ (21,281)	$ 51	$ —	$ —
Commercial mortgage-backed securities	—	—	50	—	(2,497)	48,621	(292)	—	—	(45,832)	(50)	—	—
Other asset-backed securities	504,365	3,716	16,503	(159)	(25,578)	—	(80,050)	—	—	222	2,623	421,642	—
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals, and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate securities	626,901	—	12,537	—	(29,017)	108,491	(97,676)	—	—	20,721	(3,681)	638,276	—
Total fixed maturity securities - available-for-sale	1,131,266	3,716	29,090	(159)	(58,087)	179,337	(178,018)	—	—	(46,170)	(1,057)	1,059,918	—
Fixed maturity securities - trading													
Residential mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	35,222	464	—	(3,798)	—	8,728	(14,511)	—	—	164	(213)	26,056	(3,179)
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate securities	5,442	45	—	(145)	—	999	—	—	—	—	(99)	6,242	(101)
Total fixed maturity securities - trading	40,664	509	—	(3,943)	—	9,727	(14,511)	—	—	164	(312)	32,298	(3,280)
Total fixed maturity securities	1,171,930	4,225	29,090	(4,102)	(58,087)	189,064	(192,529)	—	—	(46,006)	(1,369)	1,092,216	(3,280)
Equity securities	65,518	1	—	(30)	—	36	(2,103)	—	—	—	(1)	63,421	282
Other long-term investments(1)	160,466	39,118	—	(47,615)	—	—	—	—	(627)	—	—	151,342	(9,124)
Short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total investments	1,397,914	43,344	29,090	(51,747)	(58,087)	189,100	(194,632)	—	(627)	(46,006)	(1,370)	1,306,979	(12,122)
Total assets measured at fair value on a recurring basis	$ 1,397,914	$ 43,344	$ 29,090	$ (51,747)	$ (58,087)	$ 189,100	$ (194,632)	$ —	$ (627)	$ (46,006)	$ (1,370)	$ 1,306,979	$ (12,122)
Liabilities:													
Annuity account balances(2)	$ 83,472	$ —	$ —	$ (3,505)	$ —	$ —	$ —	$ 623	$ 11,481	$ —	$ —	$ 76,119	$ —
Other liabilities(1)	597,562	299,366	—	(139,931)	—	—	—	—	—	—	—	438,127	159,435
Total liabilities measured at fair value on a recurring basis	$ 681,034	$ 299,366	$ —	$ (143,436)	$ —	$ —	$ —	$ 623	$ 11,481	$ —	$ —	$ 514,246	$ 159,435

(1) Represents certain freestanding and embedded derivatives.
(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2018, $39.7 million of securities were transferred into Level 3.

For the year ended December 31, 2018, $85.7 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, 2018.

For the year ended December 31, 2018, there were no transfers from Level 2 to Level 1.

For the year ended December 31, 2018, no securities were transferred from Level 1.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2017, for which the Company has used significant unobservable inputs (Level 3):

	Beginning Balance	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
		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	1,410	15,136	—	(10,931)	100	(59,176)	—	—	(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	1,410	42,856	—	(24,020)	143,784	(228,181)	—	—	(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	5,279	42,856	(1,215)	(24,020)	143,784	(281,016)	—	—	(28,940)	(1,506)	1,171,930	3,527
Equity securities	65,786	2	—	—	—	—	(273)	—	—	3	—	65,518	3
Other long-term investments(1)	115,516	73,253	—	(28,303)	—	—	—	—	—	—	—	160,466	44,950
Short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total investments	1,498,010	78,534	42,856	(29,518)	(24,020)	143,784	(281,289)	—	—	(28,937)	(1,506)	1,397,914	48,480
Total assets measured at fair value on a recurring basis	$ 1,498,010	$ 78,534	$ 42,856	$ (29,518)	$ (24,020)	$ 143,784	$(281,289)	$ —	$ —	$ (28,937)	$ (1,506)	$ 1,397,914	$ 48,480
Liabilities:													
Annuity account balances(2)	$ 87,616	$ —	$ —	$ (4,001)	$ —	$ —	$ —	$ 623	$ 8,768	$ —	$ —	$ 83,472	$ —
Other liabilities(1)	405,803	35,703	—	(227,462)	—	—	—	—	—	—	—	597,562	(191,759)
Total liabilities measured at fair value on a recurring basis	$ 493,419	$ 35,703	$ —	$ (231,463)	$ —	$ —	$ —	$ 623	$ 8,768	$ —	$ —	$ 681,034	$ (191,759)

(1) Represents certain freestanding and embedded derivatives.
(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2017, there were an immaterial amount of transfers of securities into Level 3.

For the year ended December 31, 2017, $28.9 million transfers 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.

For the year ended December 31, 2017, there were no transfers from Level 2 to Level 1.

For the year ended December 31, 2017, no securities were transferred out of Level 1.

Total realized and unrealized gains (losses) on Level 3 assets and liabilities are primarily reported in either realized investment gains (losses) within the consolidated 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:

		As of December 31,			
		2018		2017	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Thousands)			
Assets:					
Mortgage loans on real estate	3	$ 7,724,733	$ 7,447,702	$ 6,817,723	$ 6,740,177
Policy loans	3	1,695,886	1,695,886	1,615,615	1,615,615
Fixed maturities, held-to-maturity(1)	3	2,633,474	2,547,210	2,718,904	2,776,327
Liabilities:					
Stable value product account balances	3	$ 5,234,731	$ 5,200,723	$ 4,698,371	$ 4,698,868
Future policy benefits and claims(2)	3	1,671,414	1,671,434	220,498	220,498
Other policyholders' funds(3)	3	131,150	131,782	133,508	134,253
Debt:(4)					
Non-recourse funding obligations(5)	3	$ 2,888,329	$ 2,801,399	$ 2,952,822	$ 2,980,495
Subordinated funding obligations	3	110,000	95,476	—	—

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 $1.3 million and $1.7 million as of December 31, 2018 and 2017, respectively.
(5) As of December 31, 2018, carrying amount $2.6 billion and a fair value of $2.5 billion related to non-recourse funding obligations issued by Golden Gate and Golden Gate V. As of December 31, 2017, carrying amount of $2.7 billion and fair value of $2.8 billion 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 policyholders 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 carrying value of policy loans approximates fair 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 were based on a current market rate for similar financial instruments.

Funding Obligations

The Company estimates the fair value of its subordinated and non-recourse funding obligations using internal discounted cash flow models. The discount rates used in the model were 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 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
- Funds Withheld Agreement
- Total Return Swaps

Other Derivatives

The Company and certain of its subsidiaries have derivatives with PLC. These derivatives consist of an interest support agreement, YRT premium support agreements, and portfolio maintenance agreements with PLC.

The Company has a funds withheld account that consists of various derivative instruments held by us that is used to hedge the GLWB and GMDB riders. The economic performance of derivatives in the funds withheld account is ceded to Shades Creek. The funds withheld account is accounted for as a derivative financial instrument.

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.

It is the Company's policy not to offset assets and liabilities associated with open derivative contracts. However, the Chicago Mercantile Exchange ("CME") rules characterize variation margin transfers as settlement payments, as opposed to adjustments to collateral. As a result, derivative assets and liabilities associated with centrally cleared derivatives for which the CME serves as the central clearing party are presented as if these derivatives had been settled as of the reporting date.

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.
- To hedge a floating rate note, the Company entered into an interest rate swap to exchange the floating rate on the note for a fixed rate in order to hedge the interest rate risk associated with the note. The cash flows received on the swap are identical to the cash flow variability 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.
- The Company has a funds withheld account that consists of various derivative instruments held by the Company that are used to hedge the GLWB and GMDB riders. The economic performance of derivatives in the funds withheld account is ceded to Shades Creek. The funds withheld account is accounted for as a derivative financial instrument.

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 and certain of its subsidiaries have an interest support agreement, YRT premium support agreements, and portfolio maintenance agreements with PLC.
- 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 investments gains and losses for the periods shown:

Realized investment gains (losses) - derivative financial instruments

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Derivatives related to VA contracts:			
Interest rate futures	$ (25,473)	$ 26,015	$ (3,450)
Equity futures	(88,208)	(91,776)	(106,431)
Currency futures	10,275	(23,176)	33,836
Equity options	38,083	(94,791)	(60,962)
Interest rate swaptions	(14)	(2,490)	(1,161)
Interest rate swaps	(45,185)	27,981	20,420
Total return swaps	77,225	(32,240)	—
Embedded derivative - GLWB	(27,761)	(8,526)	13,306
Funds withheld derivative	(25,541)	138,227	115,540
Total derivatives related to VA contracts	(86,599)	(60,776)	11,098
Derivatives related to FIA contracts:			
Embedded derivative	35,397	(55,878)	(16,494)
Equity futures	330	642	4,248
Volatility futures	—	—	—
Equity options	(38,885)	44,585	8,149
Total derivatives related to FIA contracts	(3,158)	(10,651)	(4,097)
Derivatives related to IUL contracts:			
Embedded derivative	9,062	(14,117)	9,529
Equity futures	261	(818)	129
Equity options	(6,338)	9,580	3,477
Total derivatives related to IUL contracts	2,985	(5,355)	13,135
Embedded derivative - Modco reinsurance treaties	166,757	(103,009)	390
Derivatives with PLC[1]	(902)	42,699	29,289
Other derivatives	14	50	(25)
Total realized gains (losses) - derivatives	$ 79,097	$ (137,042)	$ 49,790

(1) These derivatives include an interest support, YRT premium support, and portfolio maintenance agreements between certain of the Company's subsidiaries and PLC.

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)	(Ineffective Portion)
	(Effective Portion)	Benefits and settlement expenses	Realized investment gains (losses)
		(Dollars In Thousands)	
For The Year Ended December 31, 2018			
Foreign currency swaps	$ (812)	$ (798)	$ —
Interest rate swaps	(1,574)	(633)	—
Total	$ (2,386)	$ (1,431)	$ —
For The Year Ended December 31, 2017			
Foreign currency swaps	$ (867)	$ (694)	$ —
Total	$ (867)	$ (694)	$ —
For The Year Ended December 31, 2016			
Foreign currency swaps	$ 1,058	$ (60)	$ —
Total	$ 1,058	$ (60)	$ —

Based on expected cash flows of the underlying hedged items, the Company expects to reclassify $0.1 million out of accumulated other comprehensive income into earnings during the next twelve months.

The table below presents 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:

	As of December 31,			
	2018		2017	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Thousands)		(Dollars In Thousands)	
Other long-term investments				
Cash flow hedges:				
Foreign currency swaps	$ —	$ —	$ 117,178	$ 6,016
Derivatives not designated as hedging instruments:				
Interest rate swaps	1,515,500	28,501	1,265,000	55,411
Total return swaps	138,070	3,971	190,938	135
Derivatives with PLC[(1)]	2,856,351	90,049	2,810,469	91,578
Embedded derivative - Modco reinsurance treaties	585,294	7,072	64,472	1,009
Embedded derivative - GLWB	1,919,861	54,221	2,116,935	67,879
Interest rate futures	286,208	10,302	1,071,870	3,178
Equity futures	12,633	483	62,266	154
Currency futures	—	—	1,117	2
Equity options	5,624,081	220,092	4,436,467	403,961
Interest rate swaptions	—	—	225,000	14
Other	157	136	157	200
	$ 12,938,155	$ 414,827	$ 12,361,869	$ 629,537
Other liabilities				
Cash flow hedges:				
Interest rate swaps	$ 350,000	$ —	$ —	$ —
Foreign currency swaps	117,178	904	—	—
Derivatives not designated as hedging instruments:				
Interest rate swaps	775,000	11,367	597,500	2,960
Total return swaps	768,177	23,054	243,388	318
Embedded derivative - Modco reinsurance treaties	1,795,287	32,828	2,390,539	215,247
Funds withheld derivative	1,992,562	95,142	1,502,726	61,729
Embedded derivative - GLWB	4,071,322	97,528	1,939,320	83,427
Embedded derivative - FIA	2,576,033	217,288	1,951,650	218,676
Embedded derivative - IUL	233,550	90,231	168,349	80,212
Interest rate futures	863,706	20,100	230,404	917
Equity futures	659,357	33,753	318,795	2,593
Currency futures	202,747	2,163	255,248	2,087
Equity options	4,199,687	34,178	3,112,812	237,807
Other	3,288	252	—	—
	$ 18,607,894	$ 658,788	$ 12,710,731	$ 905,973

(1) These derivatives include an interest support, YRT premium support, and portfolio maintenance agreements between certain of the Company's subsidiaries and PLC.

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.

Collateral received includes both cash and non-cash collateral. Cash collateral received by the Company is recorded on the consolidated balance sheet as "cash", with a corresponding amount recorded in "other liabilities" to represent the Company's obligation to return the collateral. Non-cash collateral received by the Company is not recognized on the consolidated balance sheet unless the Company exercises its right to sell or re-pledge the underlying asset. As of December 31, 2018, the fair value of non-cash collateral received was $45.0 million. As of December 31, 2017, the Company had not received any non-cash collateral.

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2018:

	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	$ 263,349	$ —	$ 263,349	$ 70,322	$ 99,199	$ 93,828
Total derivatives, subject to a master netting arrangement or similar arrangement	263,349	—	263,349	70,322	99,199	93,828
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	7,072	—	7,072	—	—	7,072
Embedded derivative - GLWB	54,221	—	54,221	—	—	54,221
Derivatives with PLC	90,049	—	90,049	—	—	90,049
Other	136	—	136	—	—	136
Total derivatives, not subject to a master netting arrangement or similar arrangement	151,478	—	151,478	—	—	151,478
Total derivatives	414,827	—	414,827	70,322	99,199	245,306
Total Assets	$ 414,827	$ —	$ 414,827	$ 70,322	$ 99,199	$ 245,306

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Collateral Posted	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	$ 125,519	$ —	$ 125,519	$ 70,322	$ 47,856	$ 7,341
Total derivatives, subject to a master netting arrangement or similar arrangement	125,519	—	125,519	70,322	47,856	7,341
Derivatives not subject to a master netting arrangement or similar arrangement						
Embedded derivative - Modco reinsurance treaties	32,828	—	32,828	—	—	32,828
Funds withheld derivative	95,142	—	95,142	—	—	95,142
Embedded derivative - GLWB	97,528	—	97,528	—	—	97,528
Embedded derivative - FIA	217,288	—	217,288	—	—	217,288
Embedded derivative - IUL	90,231	—	90,231	—	—	90,231
Other	252	—	252	—	—	252
Total derivatives, not subject to a master netting arrangement or similar arrangement	533,269	—	533,269	—	—	533,269
Total derivatives	658,788	—	658,788	70,322	47,856	540,610
Repurchase agreements[1]	418,090	—	418,090	—	—	418,090
Total Liabilities	$ 1,076,878	$ —	$ 1,076,878	$ 70,322	$ 47,856	$ 958,700

(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, 2017.

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Collateral Received	Net Amount
	(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	67,879	—	67,879	—	—	67,879
Derivatives with PLC	91,578	—	91,578	—	—	91,578
Other	200	—	200	—	—	200
Total derivatives, not subject to a master netting arrangement or similar arrangement	160,666	—	160,666	—	—	160,666
Total derivatives	629,537	—	629,537	242,105	108,830	278,602
Total Assets	$ 629,537	$ —	$ 629,537	$ 242,105	$ 108,830	$ 278,602

	Gross Amounts of Recognized Liabilities		Gross Amounts Offset in the Statement of Financial Position		Net Amounts of Liabilities Presented in the Statement of Financial Position		Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments		Collateral Posted		Net Amount	
					(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
Funds withheld derivative		61,729		—		61,729		—		—		61,729
Embedded derivative - GLWB		83,427		—		83,427		—		—		83,427
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		659,291		—		659,291		—		—		659,291
Total derivatives		905,973		—		905,973		242,105		4,577		659,291
Repurchase agreements[(1)]		885,000		—		885,000		—		—		885,000
Total Liabilities	$	1,790,973	$	—	$	1,790,973	$	242,105	$	4,577	$	1,544,291

(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, 2018, the Company’s mortgage loan holdings were approximately $7.7 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 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.

The following table includes a breakdown of the Company’s commercial mortgage loan portfolio by property type as of December 31, 2018:

Type	Percentage of Mortgage Loans on Real Estate
Retail	45.0%
Office Buildings	13.2
Apartments	10.2
Warehouses	11.3
Senior housing	15.8
Other	4.5
	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 1.2% of mortgage loans. Approximately 62.5% of the mortgage loans are on properties located in the following states:

State	Percentage of Mortgage Loans on Real Estate
Florida	8.8%
Alabama	8.6
Texas	7.5
Georgia	7.3
California	7.2
Michigan	4.8
Tennessee	4.7
Utah	4.7
Ohio	4.5
North Carolina	4.4
	62.5%

During the year ended December 31, 2018, the Company funded approximately $1.5 billion of new loans, with an average loan size of $9.1 million. The average size mortgage loan in the portfolio as of December 31, 2018, was $4.4 million and the weighted-average interest rate was 4.6%. The largest single mortgage loan at December 31, 2018 was $48.8 million.

Certain of the mortgage loans have call options that occur within the next 10 years. However, if interest rates were to significantly increase, we may be unable to exercise the call options on our existing mortgage loans commensurate with the significantly increased market rates. Assuming the loans are called at their next call dates, approximately $109.8 million would become due in 2019, $819.4 million in 2020 through 2024, and $61.2 million in 2025 through 2029.

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, 2018 and 2017, approximately $700.6 million and $669.3 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 years ended December 31, 2018, 2017, and 2016, the Company recognized $29.4 million, $37.2 million, and $16.7 million of participating mortgage loan income, respectively.

As of December 31, 2018, approximately $3.0 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, 2018, 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, 2018, the Company recognized one troubled debt restructuring transaction as a result of the Company granting a concession to a borrower which included loan terms unavailable from other lenders. The 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, 2018.

As of December 31, 2017, approximately $6.5 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, 2017, 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, the Company recognized two troubled debt restructurings as a result of the Company granting concessions to borrowers 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.

As of December 31, 2016, approximately $1.5 million 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, 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, 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.

As of December 31, 2018, there was an allowance for mortgage loan credit losses of $1.3 million and as of December 31, 2017 , there were no allowances 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 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:

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Beginning balance	$ —	$ 724
Charge offs	—	(6,708)
Recoveries	(209)	(731)
Provision	1,505	6,715
Ending balance	$ 1,296	$ —

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)			
As of December 31, 2018				
Commercial mortgage loans	$ 1,044	$ —	$ 1,234	$ 2,278
Number of delinquent commercial mortgage loans	4	—	1	5
As of December 31, 2017				
Commercial mortgage loans	$ 1,817	$ —	$ —	$ 1,817
Number of delinquent commercial mortgage loans	2	—	—	2

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)					
As of December 31, 2018						
Commercial mortgage loans:						
With no related allowance recorded	$ —	$ —	$ —	$ —	$ —	$ —
With an allowance recorded	5,684	5,309	1,296	1,895	267	293
As of December 31, 2017						
Commercial mortgage loans:						
With no related allowance recorded	$ —	$ —	$ —	$ —	$ —	$ —
With an allowance recorded	—	—	—	—	—	—

Mortgage loans that were modified in a troubled debt restructuring as of December 31, 2018 and 2017 were as follows:

	Number of contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		(Dollars In Thousands)	
As of December 31, 2018			
Troubled debt restructuring:			
Commercial mortgage loans	1	$ 2,688	$ 1,742
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:

	As of December 31, 2018	As of December 31, 2017
	(Dollars In Thousands)	
Balance, beginning of period	$ 843,448	$ 576,685
Capitalization of commissions, sales, and issue expenses	446,593	335,601
Amortization	(133,500)	(53,604)
Change due to unrealized investment gains and losses	56,153	(15,234)
Implementation of ASU 2014-09	135,919	—
Balance, end of period	$ 1,348,613	$ 843,448

Value of Business Acquired

The balances and changes in VOBA are as follows:

	As of December 31, 2018	As of December 31, 2017
	(Dollars In Thousands)	
Balance, beginning of period	$ 1,361,953	$ 1,447,839
Acquisitions	336,862	—
Amortization	(92,566)	(25,839)
Change due to unrealized investment gains and losses	71,468	(60,047)
Balance, end of period	$ 1,677,717	$ 1,361,953

Based on the balance recorded as of December 31, 2018, the expected amortization of VOBA for the next five years is as follows:

Years	Expected Amortization
	(Dollars In Thousands)
2019	$ 140,445
2020	128,876
2021	114,252
2022	104,148
2023	94,741

11. GOODWILL

During the fourth quarter of 2018, the Company performed its annual qualitative evaluation of goodwill based on the circumstances that existed as of October 1, 2018 and determined that there was no indication that its segment goodwill was more likely than not impaired and no adjustment to impair goodwill was necessary. The Company has assessed whether events have occurred subsequent to October 1, 2018 that would impact the Company's conclusion and no such events were identified. After consideration of applicable factors and circumstances noted as part of the annual assessment, the Company determined that no triggering events had occurred and 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.

As of December 31, 2018, the Company increased its goodwill balance by approximately $32.0 million. Refer to Note 1, *Basis of Presentation* for additional information. As of December 31, 2018, the balance of goodwill for the Company was $825.5 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 $8.4 billion and $9.7 billion as of December 31, 2018 and 2017, respectively. 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 6.51%, 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 4.8%. 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 $11.8 billion and $13.7 billion as of December 31, 2018 and 2017, respectively. The total GMDB amount payable based on VA account balances as of December 31, 2018, was $340.6 million (including $274.4 million in the Annuities segment and $66.2 million in the Acquisitions segment) with a GMDB reserve of $39.2 million and $5.1 million in the Annuities and Acquisitions segment, respectively. The average attained age of contract holders as of December 31, 2018 for the Company was 71 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 $12.3 million and is included in the Acquisitions segment. The average attained age of contract holders as of December 31, 2018, was 68 years.

Activity relating to GMDB reserves (excluding those 100% reinsured under the Modco agreement) is as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Beginning balance	$ 26,934	$ 27,835	$ 29,931
Incurred guarantee benefits	11,065	(181)	(682)
Less: Paid guarantee benefits	3,299	720	1,414
Ending balance	$ 34,700	$ 26,934	$ 27,835

Account balances of variable annuities with guarantees invested in variable annuity separate accounts are as follows:

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Equity mutual funds	$ 5,300,024	$ 8,914,637
Fixed income mutual funds	6,568,575	4,820,349
Total	$ 11,868,599	$ 13,734,986

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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Deferred asset, beginning of period	$ 30,956	$ 22,497	$ 11,756
Amounts deferred	13,336	14,246	16,212
Amortization	(4,715)	(5,787)	(5,471)
Deferred asset, end of period	$ 39,577	$ 30,956	$ 22,497

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, 2018, the Company had reinsured approximately 34% of the face value of its life insurance in-force. The Company has reinsured approximately 15% 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, 2018, 2017, or 2016 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:

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Direct life insurance in-force	$ 765,986,223	$ 751,512,468
Amounts assumed from other companies	135,407,408	110,205,190
Amounts ceded to other companies	(302,149,614)	(328,377,398)
Net life insurance in-force	$ 599,244,017	$ 533,340,260
Percentage of amount assumed to net	23%	21%

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)				
For The Year Ended December 31, 2018					
Premiums and policy fees:					
Life insurance	$ 2,681,191	$ (1,249,906)	$ 626,283	$ 2,057,568	(1)
Accident/health insurance	47,028	(30,126)	12,826	29,728	
Property and liability insurance	284,323	(103,478)	4,857	185,702	
Total	$ 3,012,542	$ (1,383,510)	$ 643,966	$ 2,272,998	
For The Year Ended December 31, 2017					
Premiums and policy fees:					
Life insurance	$ 2,655,846	$ (1,230,258)	$ 435,113	$ 1,860,701	(1)
Accident/health insurance	51,991	(33,052)	14,946	33,885	
Property and liability insurance	288,809	(103,786)	9,657	194,680	
Total	$ 2,996,646	$ (1,367,096)	$ 459,716	$ 2,089,266	
For The Year Ended December 31, 2016					
Premiums and policy fees:					
Life insurance	$ 2,610,682	$ (1,207,159)	$ 454,999	$ 1,858,522	(1)
Accident/health insurance	58,076	(36,935)	17,439	38,580	
Property and liability insurance	242,517	(86,629)	5,706	161,594	
Total	$ 2,911,275	$ (1,330,723)	$ 478,144	$ 2,058,696	

(1) Includes annuity policy fees of $177.1 million, $173.5 million, and $80.1 million, for the years ended December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018 and 2017, policy and claim reserves relating to insurance ceded of $4.5 billion and $4.8 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, 2018 and 2017, the Company had paid $116.1 million and $96.6 million, respectively, of ceded benefits which are recoverable from reinsurers. In addition, as of December 31, 2018 and 2017, the Company had receivables of $64.8 million and $65.1 million, respectively, related to insurance assumed.

The Company's third party reinsurance receivables amounted to $4.5 billion and $4.8 billion as of December 31, 2018 and 2017, 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:

	As of December 31,			
	2018		2017	
	Reinsurance Receivable	A.M. Best Rating	Reinsurance Receivable	A.M. Best Rating
	(Dollars In Millions)			
Security Life of Denver Insurance Company	$ 722.2	A	$ 740.8	A
Swiss Re Life & Health America, Inc.	603.8	A+	614.8	A+
Lincoln National Life Insurance Co.	461.1	A+	489.1	A+
SCOR Global Life [1]	317.2	A+	331.8	A+
Transamerica Life Insurance Co.	301.0	A+	335.6	A+
RGA Reinsurance Company	260.5	A+	278.3	A+
American United Life Insurance Company	242.8	A+	266.7	A+
Centre Reinsurance (Bermuda) Ltd	197.4	NR	212.2	NR
The Canada Life Assurance Company	188.2	A+	186.1	A+
Employers Reassurance Corporation	178.4	B+	193.9	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

Under a revolving line of credit arrangement that was in effect until May 3, 2018 (the "2015 Credit Facility"), the Company had the ability to borrow on an unsecured basis up to an aggregate principal amount of $1.0 billion. The Company had the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.25 billion. Balances outstanding under the 2015 Credit Facility accrued interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of PLC'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 PLC's Senior Debt. The 2015 Credit Facility also provided for a facility fee at a rate that varies with the ratings of the Company's Senior Debt and that is calculated on the aggregate amount of commitments under the 2015 Credit Facility, whether used or unused. The annual facility fee rate was 0.125% of the aggregate principal amount. The Credit Facility provided that PLC was liable for the full amount of any obligations for borrowings or letters of credit, including those of the Company, under the 2015 Credit Facility. The maturity date of the 2015 Credit Facility was February 2, 2020.

On May 3, 2018, the Company amended the 2015 Credit Facility (as amended, the "Credit Facility"). Under the Credit Facility, the Company has the ability to borrow on an unsecured basis up to an aggregate principal amount of $1.0 billion. The Company has the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.5 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 PLC'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 PLC's Senior Debt. The Credit Facility also provided for a facility fee at a rate that varies with the ratings of PLC'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 PLC is liable for the full amount of any obligations for borrowings or letters of credit, including those of the Company, under the Credit Facility. The maturity date of the Credit Facility is May 3, 2023. The Company is not aware of any non-compliance with the financial debt covenants of the Credit Facility as of December 31, 2018. PLC did not have an outstanding balance on the Credit Facility as of December 31, 2018.

During 2018, PLICO issued $110.0 million of Subordinated Funding Obligations at a rate of 3.55% due 2038. These obligations are non-recourse to the Company.

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 the Company, and Steel City, LLC ("Steel City"), a newly formed wholly owned subsidiary of PLC, 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 the Company and WCL, a direct wholly owned subsidiary of the Company. Steel City issued notes (the "Steel City 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 PLC, 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, 2018, the aggregate principal balance of the Steel City Notes was $1.883 billion. In connection with this transaction, PLC 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 PLC 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, PLC 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, 2018, no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate had a $1.883 billion outstanding non-recourse funding obligation as of December 31, 2018. 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 wholly owned subsidiary, had $575 million of non-recourse funding obligations as of December 31, 2018 . 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, 2018, securities related to $20.6 million of the balance of the non-recourse funding obligations were held by external parties, securities related to $309.3 million of the non-recourse funding obligations were held by nonconsolidated affiliates, and $245.1 million were held by consolidated subsidiaries of the Company. PLC has entered into certain support agreements with Golden Gate II obligating it to make capital contributions or provide support related to certain of Golden Gate II's expenses and in certain circumstances, to collateralize certain of PLC's obligations to Golden Gate II. These support agreements provide that amounts would become payable by PLC 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. The Company made a payment of $0.6 million under the Interest Support Agreement during the second quarter of 2018. In addition, certain Interest Support Agreement obligations to the Company of approximately $4.9 million have been collateralized by PLC under the terms of that agreement. As of December 31, 2018, no payments have been received under the YRT Premium Support Agreement. 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, 2018, the Company and its affiliates repurchased $38.0 million of its outstanding non-recourse obligations, at a discount. During the year ended December 31, 2017, the Company and its affiliates did not repurchase any of its outstanding non-recourse funding obligations.

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, 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 the Company and its 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 the Company. 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, PLC, 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, 2018, the principal balance of the Red Mountain note was $670 million. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately $114.8 million and will be paid in annual installments through 2031. In connection with the transaction, PLC 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 PLC 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, PLC 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, 2018, no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate V had a $670 million outstanding non-recourse funding obligation as of December 31, 2018. 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, 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)			
As of December 31, 2018				
Golden Gate Captive Insurance Company[(2)(3)]	$ 1,883,000	$ 1,883,000	2039	4.75%
Golden Gate II Captive Insurance Company	329,949	273,535	2052	4.24%
Golden Gate V Vermont Captive Insurance Company[(2)(3)]	670,000	729,454	2037	5.12%
MONY Life Insurance Company[(3)]	1,091	2,340	2024	6.19%
Total	$ 2,884,040	$ 2,888,329		

Issuer	Outstanding Principal	Carrying Value[(1)]	Maturity Year	Year-to-Date Weighted-Avg Interest Rate
	(Dollars In Thousands)			
As of December 31, 2017				
Golden Gate Captive Insurance Company[(3)]	$ 2,014,000	$ 2,014,000	2039	4.75%
Golden Gate II Captive Insurance Company	309,849	255,132	2052	1.30%
Golden Gate V Vermont Captive Insurance Company[(3)]	620,000	681,285	2037	5.12%
MONY Life Insurance Company[(3)]	1,091	2,405	2024	6.19%
Total	$ 2,944,940	$ 2,952,822		

(1) Carrying values include premiums and discounts and do no represent unpaid principal balances.
(2) Obligations are issued to non-consolidated subsidiaries of PLC. These obligations collateralize certain held-to-maturity securities issued by wholly owned subsidiaries of the Company.
(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, 2018, the LOC balance was $860 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, PLC, and the Company, meaning that none of these companies other than Golden Gate III are liable for reimbursement on a draw of the LOC. PLC has entered into certain support agreements with Golden Gate III obligating PLC to make capital contributions or provide support related to certain of Golden Gate III's expenses and in certain circumstances, to collateralize certain of PLC'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 PLC to Golden Gate III if Golden Gate III's 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, PLC has continued to guarantee the payment of fees to UBS as specified in the Reimbursement Agreement. As of December 31, 2018, 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, 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, 2018, the LOC balance was $770 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 the Company. This transaction is “non-recourse” to WCL, PLC, and the Company, meaning that none of these companies other than Golden Gate IV are liable for reimbursement on a draw of the LOC. PLC has entered into certain support agreements with Golden Gate IV obligating PLC to make capital contributions or provide support related to certain of Golden Gate IV’s expenses and in certain circumstances, to collateralize certain of PLC’s obligations to Golden Gate IV. The support agreements provide that amounts would become payable by PLC to Golden Gate IV if Golden Gate IV’s 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. PLC 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, 2018, 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, 2018, the fair value of securities pledged under the repurchase program was $451.9 million and the repurchase obligation of $418.1 million was included in the Company’s consolidated balance sheets (at an average borrowing rate of 245 basis points). During the year ended December 31, 2018, the maximum balance outstanding at any one point in time related to these programs was $885.0 million. The average daily balance was $511.4 million (at an average borrowing rate of 184 basis points) during the year ended December 31, 2018. During the year ended December 31, 2017, 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.

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, 2018, securities with a market value of $72.2 million were loaned under this program. As collateral for the loaned securities, the Company receives 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, 2018, the fair value of the collateral related to this program was $77.2 million and the Company has an obligation to return $77.2 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, 2018 and December 31, 2017:

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, 2018 (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	$ 433,182	$ 18,713	$ —	$ —	$ 451,895
Mortgage loans	—	—	—	—	—
Total repurchase agreements and repurchase-to-maturity transactions	$ 433,182	$ 18,713	$ —	$ —	$ 451,895
Securities lending transactions					
Fixed maturity securities	71,285	—	—	—	71,285
Equity securities	891	—	—	—	891
Redeemable preferred stock	—	—	—	—	—
Total securities lending transactions	72,176	—	—	—	72,176
Total securities	$ 505,358	$ 18,713	$ —	$ —	$ 524,071

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 (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

Other Obligations

The Company routinely receives from or pays to affiliates under the control of PLC reimbursements for expenses incurred on one another's behalf. Receivables and payables among affiliates are generally settled monthly.

Interest Expense

Interest expense is summarized as follows:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Millions)	
Subordinated funding obligations	$ 2.6	$ —	$ —
Non-recourse funding obligations, other obligations, and repurchase agreements	$ 181.9	$ 177.7	$ 170.8
Total interest expense	$ 184.5	$ 177.7	$ 170.8

15. COMMITMENTS AND CONTINGENCIES

The Company leases administrative and marketing office space in approximately 17 cities (excluding the home office building), with most leases being for periods less than one year to nine years. The Company had rental expense of $11.3 million, and $11.7 million, and $11.4 million for the years ended December 31, 2018, 2017, and 2016, respectively. The aggregate annualized rent was approximately $11.3 million for the year ended December 31, 2018. The following is a schedule by year of future minimum rental payments required under these leases:

Year	Amount
	(Dollars In Thousands)
2019	$ 5,454
2020	3,707
2021	3,393
2022	3,129
2023	3,171
Thereafter	5,418

Additionally, the Company previously leased 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 in December 2018, the Company purchased the building for approximately $75 million. The building is recorded in *property and equipment* on the consolidated balance sheet.

As of December 31, 2018 and 2017, the Company had outstanding mortgage loan commitments of $685.3 million at an average rate of 4.42% and $572.3 million at an average rate of 4.14%, 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.

The Company and certain of its 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.

The Company and certain of its 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.

Advance Trust & Life Escrow Services, LTA, as Securities Intermediary of Life Partners Position Holder Trust v. Protective Life Insurance Company, Case No. 2:18-CV-01290, is a putative class action that was filed on August 13, 2018 in the United States District Court for the Northern District of Alabama. Plaintiff alleges that the Company required policyholders to pay unlawful and excessive cost of insurance charges. Plaintiff seeks to represent all owners of universal life and variable universal life policies issued or administered by the Company or its predecessors that provide that cost of insurance rates are to be determined based on expectations of future mortality experience. The plaintiff seeks class certification, compensatory damages, pre-judgment and post-judgment interest, costs, and other unspecified relief. The Company is vigorously defending this matter and cannot predict the outcome of or reasonably estimate the possible loss or range of loss that might result from this litigation.

16. SHAREOWNER'S EQUITY

PLC owns all of the 2,000 shares of non-voting preferred stock issued by the Company's subsidiary, Protective Life and Annuity Insurance Company ("PL&A"). The stock pays, when and if declared, noncumulative participating dividends to the extent PL&A's statutory earnings for the immediately preceding fiscal year exceeded $1.0 million. In 2018, 2017, and 2016, PL&A paid no dividends to PLC on its preferred stock.

17. EMPLOYEE BENEFIT PLANS

Qualified Pension Plan and Nonqualified Excess Pension Plan

PLC sponsors the Qualified Pension Plan covering substantially all of its employees, including those of the Company. Benefits are based on years of service and the employee's compensation.

Effective January 1, 2008, PLC 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.

PLC also sponsors a 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.

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 PLC's defined benefit pension plan and unfunded excess benefit plan as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Qualified Pension Plan	Nonqualified Excess Pension Plan	Qualified Pension Plan	Nonqualified Excess Pension Plan
	(Dollars In Thousands)			
Accumulated benefit obligation, end of year	$ 269,802	$ 46,299	$ 278,084	$ 50,149
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 300,423	$ 54,590	$ 265,848	$ 47,802
Service cost	13,185	1,415	12,011	1,350
Interest cost	9,830	1,436	9,846	1,480
Amendments	—	—	—	—
Actuarial (gain)/loss	(15,608)	(2,001)	26,539	7,861
Benefits paid	(19,701)	(8,095)	(13,821)	(3,903)
Projected benefit obligation at end of year	288,129	47,345	300,423	54,590
Change in plan assets:				
Fair value of plan assets at beginning of year	260,926	—	201,843	—
Actual return on plan assets	(6,070)	—	29,404	—
Employer contributions[1]	18,800	8,095	43,500	3,903
Benefits paid[2]	(19,701)	(8,095)	(13,821)	(3,903)
Fair value of plan assets at end of year	253,955	—	260,926	—
After reflecting FASB guidance:				
Funded status	(34,174)	(47,345)	(39,497)	(54,590)
Amounts recognized in the balance sheet:				
Other liabilities	(34,174)	(47,345)	(39,497)	(54,590)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial (gain)/loss	10,370	9,025	2,850	13,521
Prior service cost/(credit)	—	—	—	—
Total amounts recognized in AOCI	$ 10,370	$ 9,025	$ 2,850	$ 13,521

(1) Employer contributions are shown based on the calendar year in which contributions were made to each plan.

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	Qualified Pension Plan		Nonqualified Excess Pension Plan	
	2018	2017	2018	2017
Discount rate	4.21%	3.55%	3.93%	3.26%
Rate of compensation increase	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

Weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2018, 2017, and 2016, are as follows:

	Qualified Pension Plan			Nonqualified Excess Pension Plan		
	For The Year Ended December 31,					
	2018	2017	2016	2018	2017	2016
Discount rate	3.55%	4.04%	4.29%	3.25%	3.60%	3.63%
Rate of compensation increase	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
Expected long-term return on plan assets	7.00%	7.00%	7.25%	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, PLC received evaluations of market performance based on its asset allocation as provided by external consultants.

Components of the net periodic benefit cost for the years ended December 31, 2018, 2017, and 2016 are as follows:

	Qualified Pension Plan			Nonqualified Excess Pension Plan		
	For The Year Ended December 31,					
	2018	2017	2016	2018	2017	2016
	(Dollars In Thousands)					
Service cost — benefits earned during the period	$ 13,185	$ 12,011	$ 12,791	$ 1,415	$ 1,350	$ 1,413
Interest cost on projected benefit obligation	9,830	9,846	9,751	1,436	1,480	1,353
Expected return on plan assets	(17,058)	(13,570)	(13,780)	—	—	—
Amortization of prior service cost/(credit)	—	—	—	—	—	—
Amortization of actuarial loss/(gain)(1)	—	—	—	969	634	178
Preliminary net periodic benefit cost	5,957	8,287	8,762	3,820	3,464	2,944
Settlement/curtailment expense(2)(3)(4)	—	—	(964)	1,526	—	2,135
Total net periodic benefit cost	$ 5,957	$ 8,287	$ 7,798	$ 5,346	$ 3,464	$ 5,079

(1) 2018 average remaining service period used is 9.17 years and for the unfunded excess benefit plan was 7.73 years from January 1, 2018 to June 30, 2018 and 7.87 years from July 1, 2018 to December 31, 2018.

(2) In 2016, PLC 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 PLC and resulted in the recognition of $1.0 million of settlement income for the twelve months ended December 31, 2016.

(3) The Nonqualified Excess Pension Plan triggered settlement accounting for the year ended December 31, 2018 since the total lump sum payments exceeded the settlement threshold of service cost plus interest cost.

(4) 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, PLC'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 PLC'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 PLC after March 31, 2016. The conversion event required PLC 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.

For the Qualified Pension Plan, PLC does not expect to amortize any net actuarial loss/(gain) from other comprehensive income into net periodic benefit cost during 2019 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, PLC expects to amortize approximately $0.6 million of net actuarial loss from other comprehensive income into net periodic benefit cost during 2019.

Estimated future benefit payments under the Qualified Pension Plan and Nonqualified Excess Pension Plan are as follows:

Years	Qualified Pension Plan	Nonqualified Excess Pension Plan
	(Dollars In Thousands)	
2019	$ 19,544	$ 6,788
2020	20,723	5,196
2021	21,153	5,286
2022	22,538	5,583
2023	22,765	4,754
2024 - 2028	120,355	19,586

Qualified Pension Plan Assets

Allocation of plan assets of the Qualified Pension Plan by category as of December 31, 2017 are as follows:

Asset Category	Target Allocation for 2017	2017(1)
Cash and cash equivalents	2%	15%
Equity securities	60	55
Fixed income	38	30
Total	100%	100%

(1) During 2017, PLC 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 was complete.

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.

During 2018, PLC completed an asset and liability study of its defined benefit pension plan and the associated investment portfolio. As a result, the Plan's investment policy statement and investment portfolio were updated. These changes are reflected in the disclosures below.

Allocation of plan assets of the defined benefit pension plan by category, as of December 31, 2018 are as follows:

Asset Category	Target Allocation for 2018	2018
Return-Seeking	60%	61%
Liability-Hedging Fixed Income	40	39
Total	100%	100%

PLC's target asset allocation is designed to provide an acceptable level of risk and balance between return-seeking assets and liability-hedging fixed income assets. The weighting towards return-seeking securities is designed to help provide for an increased level of asset growth potential and liquidity.

PLC'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 Qualified Pension Plan's return seeking assets are in a Russell 3000 index fund that invests in a domestic equity index collective trust managed by Northern Trust Corporation, a Spartan 500 index fund managed by Fidelity, and a Collective All Country World ex-US index fund managed by Northern Trust. The Plan's cash is invested in a collective trust managed by Northern Trust Corporation. The Plan's liability-hedging fixed income assets are invested in a group deposit administration annuity contract with the Company and a Long Government Credit Bond index fund managed by BlackRock. The Northern Trust Collective All Country World ex-US index fund and the BlackRock Long Government Credit Bond index fund were added to the Plan's investment portfolio during 2018.

Plan assets of the Qualified Pension Plan by category as of December 31, 2018 and 2017 are as follows:

Asset Category	As of December 31, 2018	2017
	(Dollars In Thousands)	
Cash and cash equivalents	$ 1,225	$ 39,897
Equity securities:		
Collective Russell 3000 equity index fund	70,599	74,511
Fidelity Spartan 500 index fund	46,300	71,632
Northern Trust ACWI ex-US Fund	41,924	—
Liability-hedging fixed income:		
Group Deposit Administration Annuity Contract	78,707	74,886
BlackRock Long Government Credit Bond Index Fund	15,200	—
Total investments	253,955	260,926
Employer contribution receivable	—	—
Total	$ 253,955	$ 260,926

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 the Company is recorded at contract value, which PLC believes approximates fair value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities. For the remaining investments, PLC determines the fair values based on quoted market prices. While PLC 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, 2018:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Cash	$ 1,225	$ —	$ —	$ 1,225
Equity securities	158,823	—	—	158,823
Fixed income	15,200	—	—	15,200
Group deposit administration annuity contract	—	—	78,707	78,707
Total investments	$ 175,248	$ —	$ 78,707	$ 253,955

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:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Cash	$ 39,897	$ —	$ —	$ 39,897
Equity securities	146,143	—	—	146,143
Group deposit administration annuity contract	—	—	74,886	74,886
Total investments	$ 186,040	$ —	$ 74,886	$ 260,926

For the year ended December 31, 2018 and December 31, 2017, there were no transfers between levels.

The following table presents a reconciliation of the beginning and ending balances for the fair value measurements for the year ended December 31, 2018 and for the year ended December 31, 2017 for which PLC has used significant unobservable inputs (Level 3):

	December 31, 2018	December 31, 2017
	(Dollars In Thousands)	
Balance, beginning of year	$ 74,886	$ 71,226
Interest income	3,821	3,660
Transfers from collective short-term investments fund	—	—
Transfers to collective short-term investments fund	—	—
Balance, end of year	$ 78,707	$ 74,886

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, 2018:

Instrument	Fair Value	Principal Valuation Technique	Significant Unobservable Inputs	Range of Significant Input Values
	(Dollars In Thousands)			
Group deposit administration annuity contract	$ 78,707	Contract Value	Contract Rate	5.06% - 5.14%

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

PLC'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 PLC 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, PLC 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. HAFTA 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. Since the funding stabilization provisions of MAP-21 and HATFA do not apply for Pension Benefit Guaranty Corporation ("PBGC") reporting purposes, PLC may also make additional contributions in future periods to avoid certain PBGC reporting triggers.

During the twelve months ended December 31, 2018, PLC contributed $18.8 million to the Qualified Pension Plan for the 2017 plan year. PLC has not yet determined what amount it will fund during 2019, but may contribute an amount that would eliminate the PBGC variable-rate premium payable in 2019. PLC currently estimates that amount will be between $10 million and $20 million.

Other Postretirement Benefits

In addition to pension benefits, PLC provides limited healthcare benefits to eligible retired employees until age 65. This postretirement benefit is provided by an unfunded plan. As of December 31, 2018 and 2017, the accumulated postretirement benefit obligation and projected benefit obligation were immaterial.

For a closed group of retirees over age 65, PLC provides a prescription drug benefit. As of December 31, 2018 and December 31, 2017, PLC's liability related to this benefit was immaterial.

PLC 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	As of December 31, 2018	2017
	(Dollars In Thousands)	
Change in Benefit Obligation		
Benefit obligation, beginning of year	$ 10,978	$ 9,634
Service cost	153	122
Interest cost	366	354
Actuarial (gain)/loss	(1,045)	1,347
Benefits paid	(440)	(479)
Benefit obligation, end of year	$ 10,012	$ 10,978

For the postretirement life insurance plan, PLC's discount rate assumption used to determine the benefit obligation and the net periodic benefit cost as of December 31, 2018 is 4.38% and 3.74%, respectively.

PLC's expected long-term rate of return assumption used to determine the net periodic benefit cost as of December 31, 2018 is 2.75%. To determine an appropriate long-term rate of return assumption, PLC utilized 25 year average and annualized return results on the Barclay's short treasury index.

Investments of PLC's group life insurance plan are held by Wells Fargo Bank, N.A. and are invested in a money market fund.

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 PLC 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 life insurance plan's assets at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
		(Dollars In Thousands)		
Money market fund	$ 4,854	$ —	$ —	$ 4,854

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:

	Level 1	Level 2	Level 3	Total
		(Dollars In Thousands)		
Money market fund	$ 5,104	$ —	$ —	$ 5,104

For the year ended December 31, 2018 and 2017, 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

PLC 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 ($18,500 for 2018). 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 2018). PLC 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, 2018 and December 31, 2017, the Company recorded an expense of $9.2 million and $8.2 million associated with 401(k) Plan matching contributions, respectively.

PLC 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 PLC for this employee benefit was $1.3 million, $1.1 million, and $0.6 million, respectively, in 2018, 2017, and 2016.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of AOCI as of December 31, 2018, 2017, and 2016.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Unrealized Gains and Losses on Investments[2]	Accumulated Gain and Loss on Derivatives	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Thousands, Net of Tax)		
Balance, December 31, 2015	$ (1,246,391)	$ —	$ (1,246,391)
Other comprehensive income (loss) before reclassifications	602,074	688	602,762
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	(2,008)	—	(2,008)
Amounts reclassified from accumulated other comprehensive income (loss)(1)	(9,442)	39	(9,403)
Balance, December 31, 2016	$ (655,767)	$ 727	$ (655,040)
Other comprehensive income (loss) before reclassifications	705,859	(563)	705,296
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	391	—	391
Amounts reclassified from accumulated other comprehensive income (loss)(1)	(944)	451	(493)
Cumulative effect adjustments	(26,470)	132	(26,338)
Balance, December 31, 2017	$ 23,069	$ 747	$ 23,816
Other comprehensive income (loss) before reclassifications	(1,411,674)	(1,884)	(1,413,558)
Other comprehensive income (loss) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings	(20,751)	—	(20,751)
Amounts reclassified from accumulated other comprehensive income (loss)(1)	15,699	1,130	16,829
Cumulative effect adjustments	(10,552)	—	(10,552)
Balance, December 31, 2018	$ (1,404,209)	$ (7)	$ (1,404,216)

(1) See Reclassification table below for details.
(2) As of December 31, 2015, 2016, 2017 and 2018, net unrealized losses reported in AOCI were offset by$623.0 million, $424.1 million, $(6.3) million and $613.4 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 years ended December 31, 2018, 2017, and 2016.

Gains/(losses) in net income:	Affected Line Item in the Consolidated Statements of Income	For The Year Ended December 31,		
		2018	2017	2016
		(Dollars In Thousands)		
Derivative instruments	Benefits and settlement expenses, net of reinsurance ceded[1]	$ (1,431)	$ (694)	$ (60)
	Tax (expense) benefit	301	243	21
		$ (1,130)	$ (451)	$ (39)
Unrealized gains and losses on available-for-sale securities	Realized investment gains (losses): All other investments	$ 9,851	$ 10,453	$ 32,275
	Net impairment losses recognized in earnings	(29,724)	(9,112)	(17,748)
	Tax (expense) or benefit	4,174	(397)	(5,085)
		$ (15,699)	$ 944	$ 9,442

(1) See Note 7, *Derivative Financial Instruments* for additional information

19. INCOME TAXES

The Company's effective income tax rate related to continuing operations varied from the maximum federal income tax rate as follows:

	For The Year Ended December, 31		
	2018	2017	2016
Statutory federal income tax rate applied to pre-tax income	21.0%	35.0 %	35.0%
State income taxes	4.2	0.3	0.6
Investment income not subject to tax	(4.5)	(4.7)	(3.1)
Prior period adjustments	1.6	(1.1)	(1.6)
Federal Tax law changes	—	(184.8)	—
Other	(0.6)	0.5	1.6
	21.7%	(154.8)%	32.5%

The prior period adjustments shown in the effective tax rate reconciliation above include re-measurement adjustments associated with certain MONY deferred tax assets as described below.

The annual provision for federal income tax in these financial statements differs from the annual amounts of income tax expense reported in the respective 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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Current income tax expense:			
Federal	$ 113,925	$ 39,042	$ (41,244)
State	9,699	(2,477)	2,581
Total current	$ 123,624	$ 36,565	$ (38,663)
Deferred income tax expense:			
Federal	$ (73,364)	$ (757,748)	$ 204,810
State	3,401	2,774	3,926
Total deferred	$ (69,963)	$ (754,974)	$ 208,736

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

	As of December 31,	
	2018	2017
	(Dollars In Thousands)	
Deferred income tax assets:		
Loss and credit carryforwards	$ 120,128	$ 240,419
Deferred compensation	58,533	64,677
Deferred policy acquisition costs	113,959	23,113
Premium on non-recourse funding obligations	905	1,666
Net unrealized loss on investments	373,292	—
Valuation allowance	(1,589)	(3,682)
	665,228	326,193
Deferred income tax liabilities:		
Premium receivables and policy liabilities	339,555	538,465
VOBA and other intangibles	478,561	433,371
Invested assets (other than unrealized gains (losses))	720,108	701,070
Net unrealized gains on investments	—	6,175
Other	25,343	19,101
	1,563,567	1,698,182
Net deferred income tax liability	$ (898,339)	$ (1,371,989)

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, 2018 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 $857.5 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 recognized the provisional tax impacts based on reasonable estimates made by the Company as to the effects of tax reform on deferred assets due to the application and interpretation of Section 162(m) and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The accounting was completed by December 22, 2018 and there were no material adjustments to the provisional tax benefit.

In management's judgment, the gross deferred income tax asset as of December 31, 2018 will more likely than not be fully realized. The Company has recognized a valuation allowance of $2.0 million and $4.7 million as of December 31, 2018 and 2017, respectively, related to state-based future deductible temporary differences that it has determined are more likely than not to expire unutilized. This resulting favorable change of $2.7 million, before federal income taxes, decreased state income tax expense in 2018 by the same amount.

At December 31, 2018, the Company has intercompany loss carryforwards of $558.7 million that are available to offset future taxable income of certain non-life subsidiaries under the terms of the tax sharing agreement with PLC. Approximately $133.8 million of these loss carryforwards will expire between 2036 and 2037 and the remaining loss carryforwards of $424.9 million have no expiration.

Included in the deferred income tax assets above are approximately $12.5 million in state net operating loss carryforwards attributable to certain jurisdictions, which are available to offset future taxable income in the respective state jurisdictions, expiring between 2019 and 2038.

As of December 31, 2018 and 2017, some of the Company's fixed maturities were reported at an unrealized loss, although the net amount is an unrealized gain at December 31, 2018. 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:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Balance, beginning of period	$ 11,353	$ 9,856	$ 8,937
Additions for tax positions of the current year	—	1,857	2,122
Additions for tax positions of prior years	—	70	1,318
Reductions of tax positions of prior years:			
Changes in judgment	(4,219)	(430)	(975)
Settlements during the period	—	—	(1,546)
Lapses of applicable statute of limitations	—	—	—
Balance, end of period	$ 7,134	$ 11,353	$ 9,856

Included in the end of period balance above, as of December 31, 2018, there were no unrecognized tax benefits for which the ultimate deductibility is certain but for which there is uncertainty about the timing of such deductions. As of December 31, 2017 and 2016, there were approximately $0.7 million, and $0.7 million, of such unrecognized tax benefits. 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 $7.1 million, $10.7 million, and $9.2 million, for the years ended December 31, 2018, 2017, and 2016, respectively.

Any accrued interest related to the unrecognized tax benefits and other accrued income taxes have been included in income tax expense. There were no amounts included in any period ending in 2018, 2017, or 2016, as the parent company maintains responsibility for the interest on unrecognized tax benefits.

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, none 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 has amended 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.

20. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow information:

	For The Year Ended December 31,		
	2018	2017	2016
		(Dollars In Thousands)	
Cash paid / (received) during the year:			
Interest expense	$ 186,295	$ 178,787	$ 142,463
Income taxes	11,703	20,507	127,615

21. RELATED PARTY TRANSACTIONS

The Company provides furnished office space and computers to affiliates through an intercompany agreement. Revenues from this agreement were $6.0 million, $6.2 million, and $5.8 million, for the years ended December 31, 2018, 2017, and 2016, respectively. The Company purchases data processing, legal, investment, and management services from affiliates. The costs of such services were $249.3 million, $240.9 million, and $258.0 million, for the years ended December 31, 2018, 2017, and 2016, respectively. In addition, the Company has an intercompany payable with affiliates as of December 31, 2018 and 2017 of $36.4 million and $68.3 million, respectively. There was a $11.3 million and $26.1 million intercompany receivable balance as of December 31, 2018 and 2017, respectively.

Certain corporations with which PLC'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 underwritings in which our affiliates participated. Such amounts totaled $6.8 million, $6.8 million, and $7.2 million, for the years ended December 31, 2018, 2017, and 2016, respectively. The Company and/or PLC paid commissions, interest on debt and investment products, and fees to these same corporations totaling $2.3 million, $2.4 million, and $2.7 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Prior to the Merger, PLC and the Company had no related party transactions with Dai-ichi Life. During the periods ending December 31, 2018 and 2017, PLC paid a management fee to Dai-ichi Life of $12.2 million and $10.9 million, respectively, for certain services provided to the company.

PLC has guaranteed the Company's obligations for borrowings or letters of credit under the revolving line of credit arrangement to which PLC is also a party. PLC 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.

PLC guaranteed the obligations of the Company under a synthetic lease entered into by the Company, as lessee, with a non-affiliated third party, as lessor. Under the terms of the synthetic lease, financing of $75 million was available to the Company 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 and extended to December 31, 2018. At the end of the lease term, the Company purchased the building for approximately $75 million.

The Company has agreements with certain of its subsidiaries under which it provides administrative services for a fee. These services include but are not limited to accounting, financial reporting, compliance, policy administration, reserve computations, and projections. In addition, the Company and its subsidiaries pay PLC for investment, legal and data processing services.

The Company and/or certain of its affiliates have reinsurance agreements in place with companies owned by PLC. These agreements relate to certain portions of our service contract business which is included within the Asset Protection segment. These transactions are eliminated at the PLC consolidated level.

The Company has reinsured GLWB and GMDB riders related to our variable annuity contracts to Shades Creek, a wholly owned insurance subsidiary of PLC. Also during 2012, PLC entered into an intercompany capital support agreement with Shades Creek which provides through a guarantee that PLC 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. No additional capital was provided to Shades Creek by PLC during the year ended December 31, 2018. As of December 31, 2018, 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.

22. STATUTORY REPORTING PRACTICES AND OTHER REGULATORY MATTERS

The Company and its 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, 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 the Company was $321.1 million, $731.2 million, and $(391.6) million for the years ended December 31, 2018, 2017, and 2016, respectively. Statutory capital and surplus for the Company was $4.3 billion and $4.3 billion as of December 31, 2018 and 2017, respectively. The Statutory net loss incurred by the Company 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 cession date.

The Company and its 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 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 ordinary dividends to the Company from our insurance subsidiaries in 2019 is approximately $154.8 million. Additionally, as of December 31, 2018, approximately $1.5 billion of consolidated shareowner's equity, excluding net unrealized gains on investments, represented restricted net assets of the Company's insurance subsidiaries needed to maintain the minimum capital required by the insurance subsidiaries' respective state insurance departments.

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.

Additionally, the Company has certain assets that are on deposit with state regulatory authorities and restricted from use. As of December 31, 2018, the Company and its insurance subsidiaries had on deposit with regulatory authorities, fixed maturity and short-term investments with a fair value of approximately $40.8 million.

The states of domicile of the Company and its 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 and permitted practices impact the statutory surplus of the Company. These practices include the non-admission of goodwill as an asset for statutory reporting.

The favorable (unfavorable) effects of the Company and its statutory surplus, compared to NAIC statutory surplus, from the use of these prescribed and permitted practices were as follows:

	As of December 31,	
	2018	2017
	(Dollars In Millions)	
Non-admission of goodwill	$ (181)	$ (219)
Total (net)	$ (181)	$ (219)

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 the Company. 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 notes issued by affiliates as an asset 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,	
	2018	2017
	(Dollars In Millions)	
Accounting for Letters of Credit as admitted assets	$ 1,630	$ 1,670
Accounting for certain notes as admitted assets	$ 2,553	$ 2,634
Reserving based on state specific actuarial practices	$ 121	$ 122
Reserving difference related to a captive insurance company	$ (50)	$ (37)

23. 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 and recreational vehicles. 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. 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.

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% was 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.

There were no significant intersegment transactions during the years ended December 31, 2018, 2017, and 2016.

The following tables present a summary of results and reconciles pre-tax adjusted operating income (loss) to consolidated income before income tax and net income:

	For The Year Ended December 31, 2018	2017	2016
		(Dollars In Thousands)	
Revenues			
Life Marketing	$ 1,567,857	$ 1,556,207	$ 1,517,542
Acquisitions	2,027,195	1,569,083	1,676,017
Annuities	478,114	486,847	547,512
Stable Value Products	219,501	190,006	114,580
Asset Protection	355,501	370,449	306,237
Corporate and Other	110,848	140,075	131,821
Total revenues	$ 4,759,016	$ 4,312,667	$ 4,293,709
Pre-tax Adjusted Operating Income (Loss)			
Life Marketing	$ (13,726)	$ 55,152	$ 41,457
Acquisitions	282,715	249,749	260,511
Annuities	129,155	171,269	174,362
Stable Value Products	102,328	105,261	61,294
Asset Protection	24,371	17,638	11,309
Corporate and Other	(156,722)	(189,645)	(161,820)
Pre-tax adjusted operating income	368,121	409,424	387,113
Realized gains (losses) on investments and derivatives	(120,533)	54,584	135,568
Income before income tax	247,588	464,008	522,681
Income tax expense (benefit)	53,661	(718,409)	170,073
Net income	$ 193,927	$ 1,182,417	$ 352,608
Pre-tax adjusted operating income	$ 368,121	$ 409,424	$ 387,113
Adjusted operating income tax (expense) benefit	(78,973)	737,513	(122,624)
After-tax adjusted operating income	289,148	1,146,937	264,489
Realized gains (losses) on investments and derivatives	(120,533)	54,584	135,568
Income tax benefit (expense) on adjustments	25,312	(19,104)	(47,449)
Net income	$ 193,927	$ 1,182,417	$ 352,608
Realized investment (losses) gains:			
Derivative financial instruments	$ 79,097	$ (137,041)	$ 49,790
All other investments	(223,276)	121,087	90,630
Net impairment losses recognized in earnings	(29,724)	(9,112)	(17,748)
Less: related amortization[1]	(11,856)	(39,480)	24,360
Less: VA GLWB economic cost	(41,514)	(40,170)	(37,256)
Realized (losses) gains on investments and derivatives	$ (120,533)	$ 54,584	$ 135,568

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

	For The Year Ended December 31,		
	2018	2017	2016
	(Dollars In Thousands)		
Net investment income			
Life Marketing	$ 552,697	$ 550,714	$ 523,989
Acquisitions	1,108,218	752,520	764,571
Annuities	335,382	316,582	318,511
Stable Value Products	217,778	186,576	107,010
Asset Protection	25,070	22,298	17,591
Corporate and Other	99,757	94,366	91,791
Total net investment income	$ 2,338,902	$ 1,923,056	$ 1,823,463
Amortization of DAC and VOBA			
Life Marketing	$ 116,917	$ 120,753	$ 130,708
Acquisitions	18,690	(6,939)	8,178
Annuities	24,274	(54,471)	(11,031)
Stable Value Products	3,201	2,354	1,176
Asset Protection	62,984	17,746	21,267
Corporate and Other	—	—	—
Total amortization of DAC and VOBA	$ 226,066	$ 79,443	$ 150,298

	Operating Segment Assets As of December 31, 2018			
	(Dollars In Thousands)			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$ 14,607,822	$ 31,859,520	$ 20,160,279	$ 5,107,334
DAC and VOBA	1,499,386	458,977	889,697	6,121
Other intangibles	262,181	31,975	156,785	7,389
Goodwill	215,254	23,862	343,247	113,924
Total assets	$ 16,584,643	$ 32,374,334	$ 21,550,008	$ 5,234,768

	Asset Protection	Corporate and Other	Total Consolidated
Investments and other assets	$ 827,416	$ 12,356,003	$ 84,918,374
DAC and VOBA	172,149	—	3,026,330
Other intangibles	122,590	31,934	612,854
Goodwill	129,224	—	825,511
Total assets	$ 1,251,379	$ 12,387,937	$ 89,383,069

	Operating Segment Assets As of December 31, 2017 (Dollars In Thousands)			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$ 14,917,752	$ 19,588,133	$ 20,774,566	$ 4,569,639
DAC and VOBA	1,320,776	74,862	772,634	6,864
Other intangibles	281,705	34,548	170,117	8,056
Goodwill	200,274	14,524	336,677	113,813
Total assets	$ 16,720,507	$ 19,712,067	$ 22,053,994	$ 4,698,372

	Asset Protection	Corporate and Other	Total Consolidated
Investments and other assets	$ 708,605	$ 14,893,253	$ 75,451,948
DAC and VOBA	30,265	—	2,205,401
Other intangibles	133,234	35,256	662,916
Goodwill	128,182	—	793,470
Total assets	$ 1,000,286	$ 14,928,509	$ 79,113,735

24. CONSOLIDATED QUARTERLY RESULTS — UNAUDITED

The Company's unaudited consolidated quarterly operating data for the year ended December 31, 2018 and 2017 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)			
For The Year Ended December 31, 2018				
Premiums and policy fees	$ 883,413	$ 935,928	$ 871,892	$ 965,275
Reinsurance ceded	(345,624)	(391,864)	(267,910)	(378,112)
Net of reinsurance ceded	537,789	544,064	603,982	587,163
Net investment income	489,418	578,414	631,955	639,115
Realized investment gains (losses)	(40,725)	(32,583)	(46,866)	(24,005)
Net impairment losses recognized in earnings	(3,645)	(5)	(14)	(26,060)
Other income	80,674	79,754	80,906	79,685
Total revenues	1,063,511	1,169,644	1,269,963	1,255,898
Total benefits and expenses	1,041,575	1,108,750	1,174,793	1,186,310
Income before income tax	21,936	60,894	95,170	69,588
Income tax expense	3,661	8,626	16,646	24,728
Net income	$ 18,275	$ 52,268	$ 78,524	$ 44,860

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars In Thousands)			
For The Year Ended December 31, 2017				
Premiums and policy fees	$ 855,579	$ 862,906	$ 849,743	$ 888,134
Reinsurance ceded	(319,055)	(344,208)	(326,572)	(377,261)
Net of reinsurance ceded	536,524	518,698	523,171	510,873
Net investment income	474,709	475,722	477,011	495,614
Realized investment gains (losses)	(38,059)	(10,259)	23,452	8,912
Net impairment losses recognized in earnings	(5,201)	(2,785)	(273)	(853)
Other income	79,383	82,087	82,031	81,910
Total revenues	1,047,356	1,063,463	1,105,392	1,096,456
Total benefits and expenses	960,712	930,177	939,410	1,018,360
Income before income tax	86,644	133,286	165,982	78,096
Income tax expense	28,305	43,654	49,016	(839,384)
Net income	$ 58,339	$ 89,632	$ 116,966	$ 917,480

25. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to December 31, 2018, 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 23, 2019, the Company entered into a Master Transaction Agreement (the “GWL&A Master Transaction Agreement”) with Great-West Life & Annuity Insurance Company (“GWL&A”), Great-West Life & Annuity Insurance Company of New York (“GWL&A of NY”), The Canada Life Assurance Company (“CLAC”) and The Great-West Life Assurance Company (“GWL” and, together with GWL&A, GWL&A of NY and CLAC, the “Sellers”), pursuant to which the Company will acquire via reinsurance (the “Transaction”) substantially all of the Sellers’ individual life insurance and annuity business (the “Individual Life Business”). Pursuant to the GWL&A Master Transaction Agreement, the Company and Protective Life and Annuity Insurance Company (“PLAIC”), a wholly owned subsidiary of the Company, will enter into reinsurance agreements (the “Reinsurance Agreements”) and related ancillary documents at the closing of the Transaction. On the terms and subject to the conditions of the Reinsurance Agreements, the Sellers will cede to the Company and PLAIC, effective as of the closing of the Transaction, substantially all of the insurance policies relating to the Individual Life Business. To support its obligations under the Reinsurance Agreements, the Company will establish trust accounts for the benefit of GWL&A, CLAC and GWL, and PLAIC will establish a trust account for the benefit of GWL&A of NY. The Sellers will retain a block of participating policies, which will be administered by PLC.

The Transaction is subject to the satisfaction or waiver of customary closing conditions, including regulatory approvals and the execution of the Reinsurance Agreements and related ancillary documents. The GWL&A Master Transaction Agreement and other transaction documents contain certain customary representations and warranties made by each of the parties, and certain customary covenants regarding the Sellers and the Individual Life Business, and provide for indemnification, among other things, for breaches of those representations, warranties and covenants.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowner of Protective Life Insurance Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Protective Life Insurance Company and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income (loss), shareowner’s equity and cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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, 2018 and 2017**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 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, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for administrative fees associated with certain property and casualty insurance products in 2018.

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 Control 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.

As described in Management’s Report on Internal Control over Financial Reporting, management has excluded certain elements of the internal control over financial reporting of the individual life and annuity operations of Liberty Life Assurance Company of Boston (“Liberty Life”) from its assessment of the Company’s internal control over financial reporting as of December 31, 2018 because it was acquired by the Company in a purchase business combination during 2018. Subsequent to the acquisition, certain elements of the internal control over financial reporting of individual life and annuity operations of Liberty Life were integrated into the Company’s existing systems and internal control over financial reporting. Those controls that were not integrated have been excluded from management’s assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. We have also excluded these elements of the internal control over financial reporting of the individual life and annuity operations of Liberty Life from our audit of the Company’s internal control over financial reporting. The excluded elements represent controls over approximately $154 million of consolidated assets, $13,580 million of consolidated liabilities, $208 million of consolidated revenues and $479 million of consolidated benefits and expenses.

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.

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.

PricewaterhouseCoopers LLP

March 25, 2019

We have served as the Company's auditor since 1974.

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) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), except as otherwise noted below. Based on their evaluation as of December 31, 2018, 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) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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, 2018. 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).*

The Company entered into reinsurance agreements with Liberty Life Assurance Company of Boston ("Liberty Life") to acquire its individual life and annuity operations effective May 1, 2018 in a transaction accounted for as a purchase business combination. Subsequent to the acquisition, certain elements of the internal control over financial reporting of the individual life and annuity operations of Liberty Life were integrated into the Company's existing systems and internal control over financial reporting.

In conducting our evaluation of the effectiveness of internal control over financial reporting as of December 31, 2018, the Company has excluded those controls at Liberty Life that relate to systems and processes for assets and liabilities of the acquired business that were not integrated into our existing systems and internal control over financial reporting. The portion of the business not integrated into our existing systems and controls represents approximately $154 million of consolidated assets, approximately $208 million of consolidated revenue, approximately $479 million of consolidated benefits and expenses, and approximately $13,580 million of liabilities on the related consolidated financial statements.

Based on the Company's assessment of internal control over financial reporting, management has concluded that, as of December 31, 2018, 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, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their attestation report included in Item 8.

March 25, 2019

(c) Changes in Internal Control Over Financial Reporting

Other than the considerations noted in management's report, there have been no changes in the Company's internal control over financial reporting during the annual period ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, 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.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers and Corporate Governance

Information omitted in accordance with General Instruction I (2)(c).

Item 11. Executive Compensation

Information omitted in accordance with General Instruction I (2)(c).

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information omitted in accordance with General Instruction I (2)(c).

Item 13. Certain Relationships and Related Transactions and Director Independence

Information omitted in accordance with General Instruction I (2)(c).

Item 14. Principal Accountant Fees and Services

The following table shows the aggregate fees billed by PricewaterhouseCoopers LLP for 2018 and 2017 with respect to various services provided to PLC and its subsidiaries.

	For The Year Ended December 31,	
	2018	2017
	(Dollars in Millions)	
Audit fees	$ 7.2	$ 7.5
Audit-related fees	0.5	0.6
Tax fees	0.1	0.7
All other fees	—	—
Total	$ 7.8	$ 8.8

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.

The Audit Committee's policy is to pre-approve 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 2018.

PART IV

Item 15. Exhibits and 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.

The Report of Independent Registered Public Accounting Firm which covers the financial statement schedules appears on page 181 of this report. The following schedules are located in this report on the pages indicated.

3. Exhibits:

For a list of exhibits, refer to the "Exhibit Index" filed as part of this report beginning on the following page 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 investors, 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.

EXHIBIT INDEX

Exhibit Number	
† 2.1	Stock Purchase Agreement by and among Protective Life Insurance Company, United Investors Life Insurance Company, Liberty National Life Insurance Company and Torchmark Corporation, dated as of September 13, 2010, filed as Exhibit 2.01 to the Company's Current Report on Form 8-K filed September 17, 2010 (No. 001-31901).
† 2.2	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 12, 2013 (No. 001-31901).
† 2.3	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. 001-31901).
† 2.4	Master Transaction Agreement, dated as of January 23, 2019, by and among Protective Life Insurance Company, Great-West Life & Annuity Insurance Company, Great-West Life & Annuity Insurance Company of New York, The Canada Life Assurance Company and The Great-West Life Assurance Company, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed January 25, 2019 (No. 001-31901).
† 3.1	2011 Amended and Restated Charter of Protective Life Insurance Company dated as of June 27, 2011, filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed March 29, 2012 (No. 001-31901).
† 3.2	2011 Amended and Restated By-Laws of Protective Life Insurance Company dated as of June 27, 2011, filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed March 29, 2012 (No. 001-31901).
† 4.1	Group Modified Guaranteed Annuity Contract, filed as Exhibit 4(a) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.2	Individual Certificate, filed as Exhibit 4(b) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.3	Tax-Sheltered Annuity Endorsement, filed as Exhibit 4(c) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.4	Qualified Retirement Plan Endorsement, filed as Exhibit 4(d) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.5	Individual Retirement Annuity Endorsement, filed as Exhibit 4(e) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.6	Section 457 Deferred Compensation Plan Endorsement, filed as Exhibit 4(f) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.7	Qualified Plan Endorsement, filed as Exhibit 4(g) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.8	Adoption Agreement for Participation in Group Modified Guaranteed Annuity, filed as Exhibit 4(h) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.9	Individual Modified Guaranteed Annuity Contract, filed as Exhibit 4(i) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.10	Endorsement - Group Policy, filed as Exhibit 4(j) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.11	Endorsement - Certificate, filed as Exhibit 4(k) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.12	Endorsement - Individual Contract, filed as Exhibit 4(l) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.13	Endorsement (Annuity Deposits) - Group Policy, filed as Exhibit 4(m) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.14	Endorsement (Annuity Deposits) - Certificate, filed as Exhibit 4(n) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
† 4.15	Endorsement (Annuity Deposits) - Individual Contract, filed as Exhibit 4(o) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).

†	4.16	Endorsement - Individual, filed as Exhibit 4(p) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
†	4.17	Endorsement - Group Contract/Certificate, filed as Exhibit 4(q) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
†	4.18	Endorsement - Individual, filed as Exhibit 4(r) to the Company's Annual Report on Form 10-Q filed March 21, 2018 (No. 001-31901).
†	4.19	Endorsement - Group Contract, filed as Exhibit 4(s) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
†	4.20	Endorsement - Group Certificate, filed as Exhibit 4(t) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
†	4.21	Individual Modified Guaranteed Annuity Contract, filed as Exhibit 4(u) to the Company's Annual Report on Form 10-K filed March 21, 2018 (No. 001-31901).
†	4.22	Endorsement ("Free-Look") - Group/Individual, filed as Exhibit 4(jj) to the Company's Registration Statement on Form S-1 filed March 17, 2000 (No. 333-32784).
†	4.23	Group Modified Guaranteed Annuity Contract, filed as Exhibit 4(a) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.24	Individual Modified Guaranteed Annuity Contract, filed as Exhibit 4(b) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.25	Group Certificate, filed as Exhibit 4(c) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.26	Endorsement - Free Look, filed as Exhibit 4(e) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.27	Endorsement - Settlement Option, filed as Exhibit 4(f) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.28	Endorsement - Automatic Renewal, filed as Exhibit 4(g) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.29	Endorsement - Traditional IRA, filed as Exhibit 4(h) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.30	Endorsement - Roth IRA, filed as Exhibit 4(i) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.31	Endorsement - Qualified Retirement Plan, filed as Exhibit 4(j) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.32	Endorsement - Section 457 Deferred Compensation Plan, filed as Exhibit 4(k) to the Company's Registration Statement on Form S-1 filed December 18, 2008 (No. 333-156285).
†	4.33	Form of Individual Modified Guaranteed Annuity Contract, filed as Exhibit 2 to the Company's Registration Statement on Form S-3 filed December 15, 2017 (No. 333-222086).
†	4.34	Qualified Plan Endorsement, filed as Exhibit 4(b) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.35	Waiver of Withdrawal Charge and Market Value Adjustment (for Unemployment), filed as Exhibit 4(d) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.36	Waiver of Withdrawal Charge and Market Value Adjustment (for Terminal Condition or Nursing Facility Confinement), filed as Exhibit 4(e) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.37	Endorsement- Automatic Segment Renewal, filed as Exhibit 4(f) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.38	Endorsement- Traditional IRA, filed as Exhibit 4(g) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.39	Endorsement- Roth IRA, filed as Exhibit 4(h) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	4.40	Endorsement- Annuitization Bonus, filed as Exhibit 4(i) to the Company's Registration Statement on Form S-3/A filed June 28, 2018 (No. 333-222086).
†	10.1	Bond Purchase Agreement dated as of December 30, 1985, among Protective Life Corporation and National Westminster Bank USA, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q filed March 21, 2018 (No. 001-31901).

†	10.2	Escrow Agreement dated as of December 30, 1985, among Protective Life Corporation and National Westminster Bank USA, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed March 21, 2018 (No. 001-31901).
†	10.3(a)	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. 001-31901).
†	10.3(b)	First Amendment to Amended and Restated Credit Agreement, dated as of May 3, 2018, among Protective Life Corporation and Protective Life Insurance Company, as Borrowers, the several lenders from time to time thereto, and Regions Bank, as Administrative Agent for Lenders, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 9, 2018 (No. 001-31901).
†	10.4	Second Amended and Restated Guaranty dated as of December 19, 2013, between Protective Life Insurance Company and Wachovia Development Corporation, filed as Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed March 25, 2014 (No. 001-31901).
†	10.5	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(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed March 25, 2014 (No. 001-31901).
†	10.6	Amendment and Clarification of the Tax Allocation Agreement dated January 1, 1988 by and among Protective Life Corporation and its subsidiaries, filed as Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed March 31, 2005 (No. 001-31901).
†	10.7	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 to the Company's Quarterly Report on Form 10-Q filed August 13, 2014 (No. 001-31901). ±
†	10.8	Stock Purchase Agreement by and among RBC Insurance Holdings (USA), Inc., Athene Holding Ltd., Protective Life Insurance Company and RBC USA Holdco Corporation (solely for the purposes of Sections 5.14-5.17 and Articles 7, 8 and 10), dated as of October 22, 2010, filed as Exhibit 10.01 to the Company's Current Report on Form 8-K filed October 28, 2010 (No. 001-31901).
†	10.9	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(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed March 30, 2011 (No. 001-31901). ±
†	10.10	Form of Coinsurance Agreement by and between Liberty Life Insurance Company and Protective Life Insurance Company, filed as Exhibit 10.02 to the Company's Current Report on Form 8-K filed October 28, 2010 (No. 001-31901).
†	10.11	Master Agreement by and between Protective Life Insurance Company and Genworth Life and Annuity Insurance Company, dated as of September 30, 2015, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q filed November 10, 2015 (No. 001-31901).
†	10.12	Distribution Agreement by and between Protective Life Insurance Company and Investment Distributors, Inc., dated as of June 16, 2011, filed as Exhibit 1(a) to the Company's Registration Statement on Form S-3 filed December 15, 2017 (No. 333-222086).
†	10.13	Termination and Release Agreement among Protective Life Corporation, Protective Life Insurance Company, Wachovia Development Corporation, Wells Fargo Bank, National Association, SunTrust Bank and Citibank, N.A., filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 17, 2018.
†	14.1	Code of Business Conduct for Protective Life Corporation and all of its subsidiaries, revised June 11, 2018 filed as Exhibit 14.1 to Protective Life Corporation's Annual Report on Form 10-K for the year ended December 31, 2018 filed March 5, 2019 (No. 001-11339).
†	14.2	Supplemental Policy on Conflict of Interest for Protective Life Corporation and all of its subsidiaries, revised June 12, 2017, filed as Exhibit 14(b) to Protective Life Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 filed March 2, 2018 (No. 001-11339).
	23	Consent of Independent Registered Public Accounting Firm.
	31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	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 Insurance Company for the year ended December 31, 2018, filed on March 25, 2019, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Statements of Comprehensive Income (Loss) (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Shareowner's Equity, (v) the Consolidated Statement of Cash Flow, and (vi) the Notes to Consolidated Financial Statements.

† Incorporated by Reference

± 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.

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.

PROTECTIVE LIFE INSURANCE COMPANY

By: /s/ PAUL R. WELLS
Paul R. Wells
Senior Vice President, Chief Accounting Officer and Controller

March 25, 2019

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.

Signature	Capacity in Which Signed	Date
/s/ RICHARD J. BIELEN RICHARD J. BIELEN	Chairman of the Board, President, Chief Executive Officer (Principal Executive Officer) and Director	March 25, 2019
/s/ MICHAEL G. TEMPLE MICHAEL G. TEMPLE	Vice Chairman, Finance and Risk, and Director	March 25, 2019
/s/ CARL S. THIGPEN CARL S. THIGPEN	Executive Vice President, Chief Investment Officer and Director	March 25, 2019
/s/ STEVEN G. WALKER STEVEN G. WALKER	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 25, 2019
/s/ PAUL R. WELLS PAUL R. WELLS	Senior Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer/Controller)	March 25, 2019

SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

(Dollars In Thousands)

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 Acquisitions Costs and Value of Businesses Acquired	Other Operating Expenses(1)	Premiums Written(2)
For The Year Ended December 31, 2018										
Life Marketing	$ 1,499,386	$15,318,019	$ 98	$ 422,037	$ 1,043,228	$ 552,697	$ 1,412,001	$ 116,917	$ 69,758	$ 93
Acquisitions	458,976	25,427,730	2,206	6,018,954	952,315	1,108,218	1,636,697	18,690	143,698	13,864
Annuities	889,697	1,050,161	—	8,324,931	71,321	335,382	223,912	24,274	148,615	—
Stable Value Products	6,121	—	—	5,234,731	—	217,778	109,747	3,201	2,798	—
Asset Protection	172,150	51,702	766,641	—	193,936	25,070	111,249	62,984	156,897	189,283
Corporate and Other	—	53,006	675	82,538	12,198	99,757	17,646	—	252,344	12,191
Total	$ 3,026,330	$41,900,618	$ 769,620	$ 20,083,191	$ 2,272,998	$ 2,338,902	$ 3,511,252	$ 226,066	$ 774,110	$ 215,431
For The Year Ended December 31, 2017										
Life Marketing	$ 1,320,776	$15,438,739	$ 107	$ 424,204	$ 1,011,911	$ 550,714	$ 1,319,138	$ 120,753	$ 60,877	$ 111
Acquisitions	74,862	14,323,713	2,423	4,377,020	785,188	752,520	1,204,083	(6,939)	110,607	15,964
Annuities	772,633	1,080,629	—	7,308,354	73,617	316,582	216,324	(54,471)	146,407	—
Stable Value Products	6,864	—	—	4,698,371	—	186,576	74,578	2,354	4,407	—
Asset Protection	30,266	55,030	747,945	—	205,814	22,298	124,487	17,746	210,579	199,741
Corporate and Other	—	58,681	655	78,810	12,736	94,366	16,396	—	281,334	12,749
Total	$ 2,205,401	$30,956,792	$ 751,130	$ 16,886,759	$ 2,089,266	$ 1,923,056	$ 2,955,006	$ 79,443	$ 814,211	$ 228,565
For The Year Ended December 31, 2016										
Life Marketing	$ 1,218,944	$14,595,370	$ 119	$ 426,422	$ 972,247	$ 523,989	$ 1,267,844	$ 130,708	$ 65,480	$ 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	66,214	318,511	212,735	(11,031)	137,617	—
Stable Value Products	5,455	—	—	3,501,636	—	107,010	41,736	1,176	3,033	—
Asset Protection	37,975	59,947	758,361	—	174,412	17,591	104,327	21,267	169,334	167,544
Corporate and Other	—	63,208	723	75,301	13,740	91,791	17,943	—	250,484	13,689
Total	$ 2,024,524	$30,510,242	$ 761,937	$ 15,309,500	$ 2,058,696	$ 1,823,463	$ 2,876,726	$ 150,298	$ 744,004	$ 200,173

(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 INSURANCE COMPANY AND SUBSIDIARIES

	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, 2018:					
Life insurance in-force	$765,986,223	$(302,149,614)	$135,407,408	$599,244,017	23.0%
Premiums and policy fees:					
Life insurance	$ 2,681,191	$ (1,249,906)	$ 626,283	$ 2,057,568 (1)	30.4%
Accident/health insurance	47,028	(30,126)	12,826	29,728	43.1
Property and liability insurance	284,323	(103,478)	4,857	185,702	2.6
Total	$ 3,012,542	$ (1,383,510)	$ 643,966	$ 2,272,998	
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	$ (1,230,258)	$ 435,113	$ 1,860,701 (1)	23.4%
Accident/health insurance	51,991	(33,052)	14,946	33,885	44.1
Property and liability insurance	288,809	(103,786)	9,657	194,680	5.0
Total	$ 2,996,646	$ (1,367,096)	$ 459,716	$ 2,089,266	
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	$ (1,207,159)	$ 454,999	$ 1,858,522 (1)	24.5%
Accident/health insurance	58,076	(36,935)	17,439	38,580	45.2
Property and liability insurance	242,517	(86,629)	5,706	161,594	3.5
Total	$ 2,911,275	$ (1,330,723)	$ 478,144	$ 2,058,696	

(1) Includes annuity policy fees of $177.1 million, $173.5 million, and $80.1 million, and for the years ended December 31, 2018, 2017, and 2016, respectively.

SCHEDULE V — VALUATION AND QUALIFYING ACCOUNTS
PROTECTIVE LIFE INSURANCE COMPANY AND SUBSIDIARIES

Description	Balance at beginning of period	Additions: Charged to costs and expenses	Additions: Charges to other accounts	Deductions	Balance at end of period
	(Dollars In Thousands)				
As of December 31, 2018					
Allowance for losses on commercial mortgage loans	$ —	$ (209)	$ —	$ 1,505	$ 1,296
As of December 31, 2017					
Allowance for losses on commercial mortgage loans	$ 724	$ (7,439)	$ —	$ 6,715	$ —

ANNEX B

Protective Life’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

February 25, 2019

Date of Report (Date of earliest event reported)

Protective Life Insurance Company

(Exact name of registrant as specified in its charter)

Tennessee	**001-31901**	**63-0169720**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2801 Highway 280 South
Birmingham, Alabama 35223

(Address of principal executive offices and zip code)

(205) 268-1000

(Registrant’s telephone number, including area code)

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CF 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 4.01. Changes in Registrant’s Certifying Accountant.

(a) *Dismissal of Independent Registered Public Accounting Firm*

On February 25, 2019, Protective Life Insurance Company (the “Company”) dismissed PricewaterhouseCoopers LLP (“PwC”) as the Company’s independent registered public accounting firm. The Audit Committee (the “Audit Committee”) of the Board of Directors (the “Board”) of Protective Life Corporation (“PLC”) participated in and approved the decision to change the Company’s independent registered public accounting firm. Such dismissal will become effective upon completion by PwC of its procedures on the financial statements of the Company as of and for the year ended December 31, 2018 and the filing of the related Annual Report on Form 10-K (the “2018 Form 10-K”).

The reports of PwC on the Company’s financial statements for the fiscal years ended December 31, 2017 and 2016 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through February 25, 2019, there were no disagreements (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused PwC to make reference thereto in its reports on the Company’s financial statements for such years. During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through February 25, 2019, there were no reportable events (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

The Company requested that PwC furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether or not PwC agrees with the above statements. A copy of such letter, dated March 1, 2019, is filed as Exhibit 16.1 to this Form 8-K.

(b) *Engagement of new Independent Registered Public Accounting Firm*

On February 25, 2019, the Audit Committee approved the engagement of KPMG LLP (“KPMG”) as the Company’s new independent registered public accounting firm. Such engagement will become effective immediately following the filing of the Company’s 2018 Form 10-K.

During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through February 25, 2019, neither the Company nor anyone acting on its behalf consulted with KPMG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided to the Company that KPMG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; (ii) any matter that was the subject of a disagreement (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304); or (iii) any reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits:*

Exhibit No.	Description of Exhibit
16.1	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated March 1, 2019.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROTECTIVE LIFE INSURANCE COMPANY

/s/ Paul R. Wells

Paul R. Wells

Senior Vice President, Chief Accounting Officer and Controller

Dated: March 1, 2019

ANNEX C

Protective Life's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
March 25, 2019
Date of Report (Date of earliest event reported)
Protective Life Insurance Company
(Exact name of registrant as specified in its charter)

Tennessee	**001-31901**	**63-0169720**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2801 Highway 280 South
Birmingham, Alabama 35223
(Address of principal executive offices and zip code)
(205) 268-1000
(Registrant's telephone number, including area code)
N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CF 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 4.01. Changes in Registrant's Certifying Accountant.

(a) Dismissal of Independent Registered Public Accounting Firm

As previously disclosed in the Form 8-K that Protective Life Insurance Company (the "Company") filed with the Securities and Exchange Commission (the "SEC") on March 1, 2019 (the "Initial Form 8-K"), on February 25, 2019 the Company dismissed PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm, with such dismissal to become effective upon completion by PwC of its procedures on the financial statements of the Company as of and for the year ended December 31, 2018 and the filing of the related Annual Report on Form 10-K (the "2018 Form 10-K") with the SEC. The Audit Committee (the "Audit Committee") of the Board of Directors (the "Board") of Protective Life Corporation ("PLC") participated in and approved the decision to change the Company's independent registered public accounting firm. On March 25, 2019, when the Company filed its 2018 Form 10-K with the SEC, PwC completed its audit of the Company's consolidated financial statements as of and for the year ended December 31, 2018, and the Company's engagement of PwC as its independent registered public accounting firm ended as of that date.

The reports of PwC on the Company's financial statements for the fiscal years ended December 31, 2018 and 2017 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through March 25, 2019, there were no disagreements (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused PwC to make reference thereto in its reports on the Company's financial statements for such years. During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through March 25, 2019, there were no reportable events (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

The Company requested that PwC furnish the Company with a letter addressed to the SEC stating whether or not PwC agrees with the above statements. A copy of such letter, dated March 25, 2019, is filed as Exhibit 16.1 to this Form 8-K.

(b) Engagement of new Independent Registered Public Accounting Firm

As previously disclosed in the Initial Form 8-K, on February 25, 2019 the Audit Committee approved the engagement of KPMG as the Company's new independent registered public accounting firm, effective upon the filing of the 2018 Form 10-K with the SEC. Accordingly, such engagement became effective immediately following the filing of the 2018 Form 10-K with the SEC on March 25, 2019.

During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through March 25, 2019, neither the Company nor anyone acting on its behalf consulted with KPMG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that KPMG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; (ii) any matter that was the subject of a disagreement (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304); or (iii) any reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits:*

Exhibit No.	Description of Exhibit
16.1	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated March 25, 2019.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROTECTIVE LIFE INSURANCE COMPANY

/s/ Paul R. Wells

Paul R. Wells

Senior Vice President, Chief Accounting Officer and Controller

Dated: March 25, 2019

Registered Office of the Protective Life Global Funding
c/o Wilmington Trust, National Association
Rodney Square North, 1100 North Market Street
Wilmington, Delaware 19890
United States of America

Principal Executive Office of Protective Life Insurance Company
2801 Highway 280 South
Birmingham, Alabama 35223
United States of America

Purchasing Agents

U.S. Purchasing Agents

Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
United States of America

BBVA Securities Inc.
1345 Avenue of the Americas, 44th FL
New York, New York 10105
United States of America

Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019
United States of America

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013
United States of America

Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, New York 10010
United States of America

Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282
United States of America

European Purchasing Agents

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Banco Bilbao Vizcaya Argentaria, SA
One Canada Square, 44th Floor
Canary Wharf
London E14 5AA
United Kingdom

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179
United States of America

KeyBanc Capital Markets Inc.
127 Public Square
Cleveland, Ohio 44114
United States of America

Mizuho Securities USA LLC
320 Park Avenue, 12th Floor
New York, New York 10022
United States of America

Mizuho International plc
Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

Merrill Lynch, Pierce, Fenner & Smith
Incorporated
One Bryant Park
New York, New York 10036
United States of America

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. LLC
1585 Broadway, 29th Floor
New York, New York 10036
United States of America

Morgan Stanley & Co. International Plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

PNC Capital Markets LLC
Three PNC Plaza
225 Fifth Avenue
Pittsburgh, Pennsylvania 15222
United States of America

Regions Securities LLC
1180 West Peachtree Street, Suite 1400
Atlanta, Georgia 30309
United States of America

SMBC Nikko Securities America, Inc.
277 Park Avenue
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