ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Financial Statements and Schedule

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 3400
312 Walnut Street
Cincinnati, OH 45202

Independent Auditors' Report

The Board of Directors
ON Foreign Holdings, SMLLC and Subsidiaries:

Opinion

We have audited the consolidated financial statements of ON Foreign Holdings, SMLLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended December 31, 2023, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ KPMG LLP

Cincinnati, Ohio
March 26, 2024

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Balance Sheets

December 31, 2023 and 2022

(Dollars in thousands)

Assets		**2023**	**2022**
Investments:			
Securities available-for-sale, at fair value:			
Fixed maturity securities (allowances for credit losses of $1,814 in 2023)	$	806,216	953,978
Equity securities, at fair value		62,846	52,289
Mortgage loans on real estate (net of allowances for credit losses of $718 in 2023)		91,967	90,100
Real estate, net		33,591	28,923
Policy loans		4,127	4,662
Other long-term investments (net of allowances for credit losses of $793 in 2023)		97,305	105,000
Short-term investments		19,394	17,700
Total investments		1,115,446	1,252,652
Cash and cash equivalents		135,362	26,508
Deferred policy acquisition costs		10,361	9,757
Reinsurance recoverable (net of allowances for credit losses of $18 in 2023)		20,418	37,452
Other assets		44,639	39,922
Federal and foreign income tax recoverable		—	3,098
Deferred federal and foreign income taxes		2,312	—
Total assets	$	1,328,538	1,369,389
Liabilities and Member's Equity			
Future policy benefits and claims	$	918,287	981,460
Other policyholder funds		6,555	5,631
Short-term borrowings		216	46
Current federal and foreign income taxes		1,526	5,267
Deferred federal and foreign income taxes		—	5,582
Other liabilities		81,621	166,613
Total liabilities		1,008,205	1,164,599
Member's equity:			
Additional paid-in capital		239,025	127,084
Accumulated other comprehensive loss		(87,291)	(61,678)
Retained earnings		168,599	139,384
Total member's equity		320,333	204,790
Total liabilities and member's equity	$	1,328,538	1,369,389

See accompanying notes to consolidated financial statements.

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES
(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(Dollars in thousands)

		2023	2022
Revenues:			
Traditional life insurance premiums	$	39,592	39,157
Annuity premiums and charges		216	513
Universal life policy charges		4,354	3,312
Group life and health insurance premiums		97,929	58,065
Change in value of equity securities		6,530	(3,182)
Net investment income		92,294	162,145
Net realized gains		2,429	1,586
Derivative instruments		(1,131)	1,186
Other income		(4,928)	(12,553)
		237,285	250,229
Benefits and expenses:			
Benefits and claims		142,745	179,646
Amortization of deferred policy acquisition costs		1,875	939
Commissions, net		33,100	32,442
Other operating costs and expenses		23,225	19,858
		200,945	232,885
Income before foreign income taxes		36,340	17,344
Foreign income taxes:			
Current expense		4,392	5,144
Deferred expense (benefit)		1,009	(1,427)
		5,401	3,717
Net income	$	30,939	13,627

See accompanying notes to consolidated financial statements.

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Statements of Comprehensive Income

Years ended December 31, 2023 and 2022

(Dollars in thousands)

	Before tax	Foreign Tax (expense) benefit	After tax
2023			
Net income	$		30,939
Other comprehensive loss, net of taxes:			
Foreign currency translation adjustment	(4,658)	—	(4,658)
Net unrealized gains (losses) on securities available-for-sale arising during the year:			
Securities available-for-sale	(58,111)	15,990	(42,121)
Future policy benefits and claims	28,089	(7,584)	20,505
Less:			
Net gains (losses) on securities available-for-sale realized during the year	(905)	244	(661)
Total other comprehensive loss	(33,775)	8,162	(25,613)
Total comprehensive income			$ 5,326
2022			
Net income	$		13,627
Other comprehensive income, net of taxes:			
Foreign currency translation adjustment	(453)	—	(453)
Net unrealized gains (losses) on securities available-for-sale arising during the year:			
Securities available-for-sale	42,418	(11,519)	30,899
Future policy benefits and claims	10,639	(2,872)	7,767
Less:			
Net gains (losses) on securities available-for-sale realized during the year	1,493	(403)	1,090
Total other comprehensive income	51,111	(13,988)	37,123
Total comprehensive income			$ 50,750

See accompanying notes to consolidated financial statements.

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Statements of Changes in Member's Equity

Years ended December 31, 2023 and 2022

(Dollars in thousands)

		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total member's equity
Balance, December 31, 2021	$	127,084	(98,801)	125,757	154,040
Comprehensive income:					
Net income		—	—	13,627	13,627
Other comprehensive income		—	37,123	—	37,123
Total comprehensive income					50,750
Balance, December 31, 2022		127,084	(61,678)	139,384	204,790
Capital contribution from parent		111,941	—	—	111,941
Cumulative effect of adoption of new accounting standard*		—	—	(1,724)	(1,724)
Comprehensive income:					
Net income		—	—	30,939	30,939
Other comprehensive loss		—	(25,613)	—	(25,613)
Total comprehensive income					5,326
Balance, December 31, 2023	$	239,025	(87,291)	168,599	320,333

* Adoption of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (CECL)

See accompanying notes to consolidated financial statements.

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(Dollars in thousands)

		2023	2022
Cash flows from operating activities:			
Net income	$	30,939	13,627
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for credit losses on investments		142	—
Interest credited to policyholder account values		5,654	(8,159)
Universal life and investment-type product policy fees		(4,895)	(11,697)
Capitalization of deferred policy acquisition costs		(2,762)	(1,974)
Amortization of deferred policy acquisition costs		1,875	939
Amortization and depreciation		2,046	1,777
Net realized gains on investments and derivative instruments		(1,298)	(2,772)
Change in value of equity securities		(6,530)	3,182
Deferred income tax expense (benefit)		1,009	(1,427)
Monetary correction		(88,633)	(158,545)
Decrease in reinsurance recoverable		18,905	9,075
(Increase) decrease in other assets		(2,118)	33,526
(Decrease) increase in future policy benefits and claims		(27,330)	46,218
Increase in other policyholder funds		396	314
Decrease in federal and foreign income tax payable		(572)	(1,751)
Decrease in other liabilities		(79,319)	(81)
Other, net		(2)	73
Net cash used in operating activities		(152,493)	(77,675)
Cash flows from investing activities:			
Proceeds from maturity of fixed maturity available-for-sale securities		57,801	55,535
Proceeds from sales, calls, redemptions, prepayments, and paydowns of fixed maturity available-for-sale securities		106,131	82,604
Proceeds from sale of equity securities		20,098	313
Proceeds from repayment of mortgage loans on real estate		10,316	9,453
Proceeds from sale of real estate		19,586	3,603
Cost of fixed maturity available-for-sale securities acquired		(23,767)	(107,440)
Cost of equity securities acquired		(26,181)	(7,193)
Cost of mortgage loans on real estate acquired		(20,165)	(4,690)
Cost of real estate acquired		(6,612)	(9,491)
Cost of property, plant and equipment acquired		(3,256)	(613)
Derivative payments, net		1,356	4,520
Net (increase) decrease in short-term investments		(1,427)	7,898
Change in policy loans, net		425	(654)
Change in other invested assets, net		5,291	13,925
Net cash provided by investing activities		139,596	47,770

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES

(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Consolidated Statements of Cash Flows (Continued)

Years ended December 31, 2023 and 2022

(Dollars in thousands)

		2023	2022
Cash flows from financing activities:			
Universal life and investment product account deposits	$	17,417	22,813
Universal life and investment product account withdrawals		(8,978)	(6,153)
Change in reinsurance deposit asset		—	(5,473)
Capital contribution from parent		111,941	—
Change in short-term borrowings		181	(1,598)
Net cash provided by financing activities		120,561	9,589
Foreign currency translation adjustment		1,190	3,045
Net increase (decrease) in cash and cash equivalents		108,854	(17,271)
Cash and cash equivalents, beginning of year		26,508	43,779
Cash and cash equivalents, end of year	$	135,362	26,508

See accompanying notes to consolidated financial statements.

(1) Organization and Business Description

Organization
ON Foreign Holdings, SMLLC ("ONFH" or the "Company") is a Delaware holding company wholly owned by AuguStar Life Insurance Company ("ALIC"), formerly The Ohio National Life Insurance Company, a stock life insurance company. ALIC is 100% owned by Constellation Insurance, Inc. ("CII"), formerly Ohio National Financial Services, Inc. ("ONFS"), a stock holding company. CII is 100% owned by Constellation Insurance Holdings, Inc. ("CIHI"), formerly Ohio National Holdings, Inc. ("ONHI") and Ohio National Mutual Holdings, Inc. ("ONMH"), a stock holding company organized under Ohio insurance laws.

On March 22, 2021, the Board of Directors of ONMH unanimously approved an agreement with Constellation Insurance, LP ("Constellation'), whereby Constellation would acquire ONMH. On March 31, 2022, ONMH demutualized, converted to a stock company and changed its name to ONHI. ONHI is owned directly by ONLH Holdings LP ("ONLP"). ONLP is an insurance holding company under the control of Constellation. Constellation is ultimately backed by Caisse de dépôt et placement du Québec ("CDPQ") and Ontario Teachers' Pension Plan Board ("Ontario Teachers"), two of the world's largest, premier, long-term institutional investors. In November 2022, ONHI and ONFS changed their names to CIHI and CII, respectively.

All references to activity entered into while under the ONFS or ONMH/ONHI names impacting the Company throughout the remainder of these footnotes have been updated to the new names of CII and CIHI, respectively.

The Company owns 100% of ON Overseas Holdings B.V. ("ONOH"), a Dutch holding company which owns 100% of ON Netherlands B.V. ("ONNH"), a Dutch holding company. ONNH owns Ohio National Seguros de Vida S.A. ("ONSP"), a Peruvian insurance company, ON Global Holdings, SMLLC ("ONGH"), a Delaware holding company; and O.N. International do Brasil Participacoes, Ltda. ("OHIO"), which was formed to hold the equity method investment made when CII entered into a 50% joint venture agreement with a Brazilian insurance company. ONGH owns 92% of Ohio National Sudamerica S.A. ("ONSA"), a Chilean holding company; and ONNH owns 8%. ONSA owns 100% of Ohio National Seguros de Vida S.A. ("ONSV"), a Chilean insurance company.

In September 2023, ONFH formed a new wholly-owned subsidiary, AuguStar Lending, LLC ("ALL"). ALL was formed to act as a financial institution that will initiate commercial mortgage loans with external entities and a financing loan with ONSA in conjunction with the Zurich acquisition discussed below.

On May 8, 2023 ONSV entered into an agreement for the acquisition of the Zurich Insurance Group (Zurich) annuity portfolio of approximately $2.6 billion in reserves held in Chile. Zurich is a leading multi-line insurer serving people and businesses in more than 200 countries and territories. Founded 150 years ago, Zurich entered the Chilean market in 1991 when it acquired a majority participation on La Chilena Consolidada, a local insurance company founded in 1853. The transaction is subject to customary conditions including regulatory approvals and is expected to be completed in the second half of 2024.

Business

ONSV provides insurance and other retirement products to the Chilean market. The primary product ONSV has offered is a single premium immediate fixed annuity funded through pension contributions. ONSV also sells individual life, credit life, and disability and survival insurance in Chile. During 2019, the Company decided to cease sales of its single premium immediate fixed annuity product to exclusively focus on growing its life insurance product lines going forward. The decision followed a comprehensive strategic review of the Company's businesses, taking into account the continuously changing regulatory landscape, the then sustained low interest rate environment, and the increasing cost of doing business, as well as growth opportunities and the Company's competitive strengths.

ONSP provides universal and term life products to the Peruvian market. ONSP assumes group life (burial and survivorship) and health insurance (disability) sold through the Peruvian Social Security system as authorized by the Peruvian banking, insurance and pension fund regulator, Superintendencia de Banca, Seguros y AFP ("SBS").

Both the ONSV and ONSP activity related to their disability, survival and burial insurance transactions are referred to as SIS throughout the footnotes.

OHIO's joint venture investment operates in the benefits segment providing personal health insurance, pension/retirement products, vehicle liability insurance, and provides claims adjusting and processing services for other insurance carriers and brokers of vehicle liability insurance in the Brazilian marketplace.

(2) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany transactions and balances have been eliminated in consolidation.

(3) Summary of Significant Accounting Policies

The significant accounting policies followed by the Company that materially affect financial reporting are summarized below.

(a) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Actual results could differ from estimates.

The most significant estimates and assumptions include those used in determining the balance, amortization and recoverability of deferred policy acquisition costs; the liability for future policy benefits and claims; contingencies; provision for income taxes; deferred taxes; uncertain income tax positions and contingencies; allowance for loan losses for mortgage loans on real estate, allowance for credit losses on reinsurance recoverables and fixed maturity securities; and valuation of and impairment losses on investments. Although some variability is inherent in these estimates, the recorded amounts reflect management's best estimates based on facts and circumstances as of the consolidated balance sheet date. Management believes the amounts provided are appropriate.

(b) Fair Value

Certain assets and liabilities are measured at estimated fair value in the Company's Consolidated Balance Sheets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. Note 6 to the consolidated financial statements includes further disclosures of estimated fair values.

(c) Investments

Net Investment Income and Net Realized Gains
Income on investments is reported within Net investment income on the Consolidated Statements of Operations. Gains and losses on sales of investments, changes in allowance for credit losses, and impairment losses are reported within Net realized gains (losses) on the Consolidated Statements of Operations.

Fixed Maturity and Equity Securities
Fixed maturity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains and losses, net of adjustments to deferred policy acquisition costs, future policy benefits and claims and deferred income taxes, are recorded as a separate component of Accumulated other comprehensive loss in equity on the Consolidated Balance Sheets.

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13 *Financial Instruments — Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* as discussed further in Note 3(n). Management considers whether an impairment is due to credit or due to other factors. Factors considered include but are not limited to, the extent of fair value below cost, change in market value, credit rating, change in credit rating, yield on the security and delinquency. A credit loss is recognized in earnings within net realized gains (losses) when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security, or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized cost and the loss recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as a credit loss. Credit losses and recoveries are recorded through an allowance for expected credit losses with the corresponding charge to net realized gains (losses). The allowance is calculated using a discounted cash flows analysis at the security level and is limited to the total unrealized loss on the security (i.e. the fair value floor).

Prior to the guidance adoption, the Company evaluated its securities for other-than-temporary impairment ("OTTI"). OTTI was recorded when there was a decline in fair value below the amortized cost of the security and it was determined to be other-than-temporary. Factors considered in the other-than-temporary assessment included the credit quality of the security, severity of unrealized loss, the length of time a security was in an unrealized loss position, reasons for decline in fair value, expectations for the amount and timing of recovery, financial position of the issuer, rating agency downgrades, ability for the issuer to meet debt obligations, value of collateral securing the debt and the Company's intent to sell the security before the recovery of its amortized cost basis. OTTI on securities when the Company did not intend to sell the security were bifurcated, with the credit-related portion of OTTI recognized in the Consolidated Statements of Operations and the non-credit portion of OTTI recognized in the Consolidated Statements of Comprehensive Income.

Certain fixed maturity securities held by ONSV are denominated in Unidad de Fomento ("UF"), a unit of account developed during the 1960s whose value in pesos is indexed to Chilean inflation. UF are converted to the Chilean peso at each valuation date.

Certain fixed maturity securities held by ONSP include government bonds primarily denominated in Peruvian soles and the estimated fair value is based primarily on valuations from the SBS.

Equity Securities are reported at their estimated fair value in the Consolidated Balance Sheets. Unrealized gains and losses are recorded in Change in value of equity securities in the Consolidated Statements of Operations.

Realized gains (losses) on the sale of investments are determined based on specific security identification on the trade date.

For mortgage-backed securities, the Company recognizes income using a constant effective yield method based on prepayment assumptions and the estimated economic life of the securities. When estimated prepayments differ significantly from actual prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. Any resulting adjustment is included in Net investment income on the Consolidated Statements of Operations. All other investment income is recorded using the interest method without anticipating the impact of prepayments.

Dividends are recorded on the ex-dividend date and interest is accrued as earned using an effective yield method for the amortization of premiums and accretion of discounts.

Equity securities are reported at fair value with changes charged to Change in value of equity securities on the Consolidated Statements of Operations.

See Note 7 for management's description and analysis of the portfolios.

Mortgage Loans on Real Estate
Mortgage loans on real estate are carried at the unpaid principal balance less an allowance for loan losses for years prior to 2023. For December 31, 2023, the allowance is presented parenthetically on the Consolidated Balance Sheets.

As of January 1, 2023, the Company adopted the accounting guidance in *ASU 2022-02 Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures* that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, all loan modifications are evaluated according to the accounting guidance for loan refinancing and restructuring to determine whether the modification should be accounted for as a new loan or a continuation of the existing loan. The Company derecognizes the existing loan and accounts for the restructured loan as a new loan if the effective yield on the modified loan is at least equal to the effective yield for comparable loans with similar collection risks and the modifications to the original loan are more than minor. If a loan modification does not meet these conditions, the Company carries forward the existing loan's amortized cost basis and account for the restructured loan as a continuation of the existing loan. Substantially all of the Company's restructurings involving borrowers experiencing financial difficulty are accounted for as a continuation of the existing loan.

Changes associated with the initial adoption of the new allowance guidance were recorded directly to Retained earnings. Annual changes in the allowance are recorded in Net realized gains (losses) on the Consolidated Statements of Operations. Loans in foreclosure and loans considered to be impaired as of the consolidated balance sheet date are placed on nonaccrual status. Interest received on nonaccrual status mortgage loans is included in Net investment income on the Consolidated Statements of Operations in the period received.

Real Estate

Real estate is carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful life of the assets.

The Company had no non-income producing commercial and residential properties in 2023 and 2022.

The cost basis of the real estate was $40,758 and $35,485 at December 31, 2023 and 2022, respectively. Accumulated depreciation was $7,167 and $6,562 at December 31, 2023 and 2022, respectively. No impairment was recorded in 2023 or 2022. Related depreciation expenses were $833 and $697 for the years ended December 31, 2023 and 2022.

Policy Loans

Policy loans, which are collateralized by the related insurance policy, are held at the outstanding principal balance and do not exceed the net cash surrender value. As such, no allowance for credit loss for policy loans is required. Interest income on such loans is recorded as earned using the contractually agreed upon interest rate and included in Net investment income as reported on the Consolidated Statements of Operations. Generally, accrued interest is capitalized on the policy's anniversary date.

Other Long-term Investments

The direct financing leases entered into prior to the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), which consist principally of building and land purchase and leasing arrangements, will continue to be accounted for as capital leases under FASB ASC Topic 840, *Leases* ("ASC 840"). Direct financing leases are carried at minimum lease payments to be received less unearned income. Building leases have a 4% - 87% loan-to-value ("LTV") at inception and a 9 to 21 year repayment schedule. Land leases generally have a 45% - 84% LTV at inception, a five-year repayment schedule and have several principal and interest cash flow structures.

(Dollars in thousands)

Effective January 1, 2019, contracts under FASB ASC Topic 840 no longer qualify for lease accounting under Topic 842 and will be accounted for as financing receivables under Topic 310. Contracts originated prior to January 1, 2019, will continue to be presented as direct financing leases.

In 2014, the Company entered into a joint venture agreement, which is accounted for under the equity method. The financial statements of the joint venture are not received in time for the Company to apply the equity method at each reporting period. Therefore, the equity pick-up on this investment has been recorded on a three-month lag. Investment income from this investment is included in Net investment income on the Consolidated Statements of Operations. Management regularly reviews its limited partnerships to evaluate the necessity of recording impairment losses for other-than-temporary declines in fair value of investments, when indicators are present OTTI is recorded through Net investment income on the Consolidated Statements of Operations.

The components of Other long-term investments were as follows as of December 31:

		2023	2022
Direct financing leases	$	51,523	53,581
Financing receivables		24,257	28,700
Joint venture		21,047	20,910
Derivatives		478	1,809
Total	$	97,305	105,000

Short-term Investments
Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value.

(d) Derivatives

The Company enters into derivative transactions that do not meet the criteria for hedge accounting or have not been designated in hedging relationships by the Company pursuant to FASB ASC Topic 815, *Derivatives and Hedging*. The Company purchases cross currency swaps to hedge the cash flow risk associated with foreign-denominated bonds. The swap involves exchanging principal and fixed interest payments on a bond in one currency for principal and fixed interest payments on a similar loan in another currency. The parties to the swap exchange principal amounts at the beginning and the end of the swap. The two specified principal amounts are set to be approximately equal to one another given the exchange rate at the time the swap is initiated. As of December 31, 2023 and 2022, ONSV held five and eight, respectively, cross currency swaps to convert the cash flows from U.S. dollars- and Euro- denominated bonds into UF-denominated cash flows.

These transactions provide the Company with an economic hedge, which is used as part of its overall risk management strategies. The cross-currency swap instruments, with values of $478 and $1,809 as of December 31, 2023 and 2022, respectively, are carried at estimated fair value under Other long-term investments, with changes in estimated fair value recorded in Derivative instruments on the Consolidated Statements of Operations.

(e) Cash and Cash Equivalents

For the purposes of the Consolidated Statements of Cash Flows, the Company considers all short-term investments with original maturities of three months or less to be cash equivalents.

(f) Deferred Policy Acquisition Costs

The Company incurs costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as deferred acquisition costs (“DAC”). Such costs include:

- incremental direct costs of contract acquisitions;
- other costs related directly to the insurer’s acquisition activities noted above that would not have been incurred had the issuance of the contract not occurred; and
- certain advertising costs that meet the deferral criteria.

All other acquisition costs such as general advertising, market research, training, administration and unsuccessful acquisition efforts are expensed as incurred.

DAC is subject to recoverability testing in the year of policy issuance and loss recognition testing at the end of each reporting period.

For traditional nonparticipating life insurance products, DAC is amortized with interest over the premium paying period of the related policies in proportion to premium revenue. Such anticipated premium revenue is estimated using the same assumptions as were used for computing liabilities for future policy benefits.

For investment and variable universal life (“VUL”) and voluntary retirement savings (“APV”) products, DAC is amortized with interest over the lives of the policies in relation to the present value of the estimated future gross revenues (projected investment income, asset fees, cost of insurance charges, policy administration fees, and net realized gains and losses) or estimated future gross profits (gross revenues less interest credits, policy benefits and policy maintenance expenses).

The most significant assumptions that are involved in the estimation of future gross profits include investment performance, surrender/lapse rates, interest margins and mortality. The Company’s overall long-term assumption for gross investment performance is 4.32% for ONSV and 3.50% for ONSP, and is based on a blend of expected returns from mutual funds with underlying assets on stocks, equity, bonds and money market, money market and bond funds representative of the in-force block of contracts after deductions for policy charges.

Changes in assumptions can have a significant impact on the amount of DAC reported for investment products and universal life insurance products and their related amortization patterns. In the event actual experience differs from assumptions or assumptions are revised, the Company is required to record an increase or decrease in DAC amortization expense (“DAC unlocking”), which could be significant. In general, increases in the estimated investment returns will result in an increase in expected future profitability of the underlying business, leading to an increase in the remaining DAC at the valuation date and therefore higher amortization in the future and vice-versa. Any resulting DAC unlocking adjustments are reflected currently in the amortization of DAC on the Consolidated Statements of Operations.

(g) Other Assets

Other assets are primarily comprised of premiums receivables, miscellaneous receivables and fixed assets.

Premiums receivable consist of amounts receivable on individual life and annuity policies and group life and health products and are accrued and recognized when due under policy terms. The carrying value of premiums receivable approximates fair value at December 31, 2023 and 2022. The carrying value of miscellaneous receivables approximates fair value at December 31, 2023 and 2022.

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful life of the assets. The estimated useful life is 30 years for real estate, 2 to 10 years for equipment and 5 to 10 years for computer software and hardware. The estimated useful life for Company occupied real estate is 30 years.

The Company reviews the estimated useful lives of the long-lived fixed assets and assesses for impairment when certain events or changes in operations occur. No impairment losses were recognized in 2023 or 2022.

(h) Revenues and Benefits

Traditional Life Insurance Products
Traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of whole life, limited-payment life, term life, and certain annuities with life contingencies.

Premiums for traditional life insurance products are recognized as revenue when due. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the contract. This association is accomplished through the provision for future policy benefits and the deferral and amortization of policy acquisition costs.

Universal Life Insurance Products
Universal life insurance products include variable universal life. Revenues for universal life insurance products consist of cost of insurance charges, asset fees, policy administration fees, and surrender charges that have been earned and assessed against policy account balances during the period. The timing of revenue recognition as it relates to fees assessed on universal life contracts is determined based upon the nature of such fees. Cost of insurance charges and policy administrative fees are assessed on a daily or monthly basis, and recognized as revenue when assessed and earned. Certain amounts assessed that represent compensation for services to be provided in future periods, such as unearned front-end loads, are reported as unearned revenue and recognized in income over the life of the contract. Surrender charges are recognized upon surrender of a contract in accordance with contractual terms. Policy benefits and claims that are charged to expense include benefits and claims incurred in the period in excess of related policy account balances, maintenance costs, and interest credited to policy account balances.

Group Life and Health Insurance Products
Group life and health insurance premiums are recognized as revenue in accordance with the terms of the policies, which is generally ratably over the policy term. Policy claims are charged to expense in the period that the claims are incurred.

Service Fee Income
The Company acts as an agent for Chile's Group Life and Insurance program. The agreement requires the Company to receive and distribute funds associated with the program and record a fee to income for the services rendered. The Company determines if there is a receivable or a payable based on a formula indicated in the agreement. Amounts exceeding the guaranteed amounts, if any, are recognized as a payable and amounts below the guaranteed amounts decrease the payable or are recognized as a receivable. Amounts owed of $6,216 and $14,332 for the years ended December 31, 2023 and 2022, respectively, were recorded in Other income on the Consolidated Statements of Operations.

(i) Future Policy Benefits and Claims

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid and discounted maintenance expense reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards.

The process of calculating reserve amounts for a life insurance organization involves the use of a number of assumptions, including those related to persistency (how long a contract stays with a company), mortality (the relative incidence of death in a given time), morbidity (the relative incidence of disability resulting from disease or physical ailment) and interest rates (the rates expected to be paid or received on financial instruments). The methods used in determining the liability for unpaid losses and future policy benefits and claims are standard actuarial methods recognized by the American Academy of Actuaries.

Liabilities for traditional life insurance policies are calculated using a net level premium method based on estimates of mortality, investment yields, and withdrawals. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policyholder benefits are payable based on the Company's experience.

Liabilities for universal life insurance products are calculated based on participants' contributions plus changes in the market values of their invested shares less applicable contract charges.

Liabilities for payout annuities are calculated using the present value of the expected future benefit payments and maintenance costs discounted using an interest rate representative of the yields of the investment portfolio that support those liabilities. Claims liabilities for SIS products are calculated based on the expected payments at the time of valuation of known claims and an estimation of unreported claims using historical reporting information.

The Company regularly reviews its estimates of future policy benefits and claims liabilities and compares these estimates with actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the change occurs.

The reserve for the single premium annuities, which are accounted for as limited-payment policies under ASC 944, are established based on the best estimate mortality assumptions and the average investment return of the assets that support the reserve as of December 31, 2023 and 2022. These parameters will not change (locked-in) unless an updated set of reserve parameters (mortality and investment returns) reveal a reserve insufficiency. At least annually, the Company reviews its estimates for these parameters to determine their adequacy to provide for future obligations. If a reserve insufficiency is revealed, the reserve parameters are updated (unlocked) and a deficiency is recorded in benefit expenses affecting income in the period identified. To the extent that the annuity reserve, including any related premium deficiency, would be higher if the investment return on the available-for sale securities is replaced by current market yields of the same securities, the reserve is adjusted with an offset in other comprehensive income (loss) through a shadow reserve.

Certain policy benefits and claims liability is comprised of claims and expense reserves and of incurred but not reported claims or IBNR in the SIS program. The claims reserves have been calculated using the present values of expected future cash flows of known claims and the IBNR reserves have been estimated using historical claim reporting information.

(j) Reinsurance

Reinsurance is an agreement by which a reporting entity transfers all or part of its risk under a contract to another reporting entity. For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. The Company reviews all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. To the extent there are loss limiting features that preclude the reinsurer from assuming the risk of significant loss, the Company would account for such agreements using deposit accounting. There were no deposit agreements as of December 31, 2023 or 2022.

Accounting for reinsurance requires the use of significant management estimates and assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risk. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the strength of counterparties to its reinsurance agreements. Reinsurance does not discharge the Company from its primary liability to policyholders and to the extent that a reinsurer should be unable to meet its obligations, the Company would be liable to policyholders.

Amounts recoverable under reinsurance agreements, which totaled $20,418 and $37,452 as of December 31, 2023 and 2022, respectively, include ceded reserves, paid and unpaid claims, and certain other amounts. The entity estimates expected credit losses of reinsurance recoverables based on the credit risk of the reinsurer and based on whether assets are held in a trust collateralizing the assets. Credit losses are charged to benefits and claims expense. The allowance for credit losses reduces the carrying amount of the reinsurance recoverable asset to the net amount expected to be collected from the reinsurer. The allowance for credit losses for reinsurance recoverable as of December 31, 2023 is $18.

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts on the Consolidated Statements of Operations. Assets and liabilities related to reinsurance ceded are reported on a gross basis.

The Company enters into reinsurance agreements with affiliated and unaffiliated insurance companies. All intercompany transactions and balances have been eliminated in consolidation. See Note 12 for additional reinsurance disclosures and information.

(k) Income Taxes

The Company is a disregarded entity for federal income tax purposes which results in the Company and ALIC being considered one entity for federal income tax purposes. ALL is treated as a corporation for federal income tax purposes. The Company and ALL are both included in the CIHI consolidated federal tax return

The foreign life insurance subsidiaries ONSV and ONSP file tax returns in accordance with applicable foreign laws in their country of domestication. U.S. taxation of foreign affiliates may differ in timing and amount from taxation under foreign laws. The impact of returns filed subject to foreign tax law has been reflected in the provision for income tax expense and related liabilities.

ALL, ONSV and ONSP utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Valuation allowances are established when it is determined that it is more likely than not that the deferred tax asset will not be fully realized. Current income taxes are charged to operations based upon amounts estimated to be payable as a result of taxable operations for the current year.

In determining the need for a valuation allowance, ALL, ONSV and ONSP consider the carryback capacity to absorb capital losses, reversal of existing temporary differences, estimated future taxable income and prudent and feasible tax planning strategies. The determination of the valuation allowance for the Company’s deferred tax assets requires management to make certain judgments and assumptions regarding future operations that are based on historical experience and expectations of future performance. Management’s judgments are subject to change given the inherent uncertainty in predicting future performance, which is impacted by such factors as policyholder behavior, competitive pricing, and specific industry and market conditions.

On August 16, 2022, the Inflation Reduction Act was enacted and signed into Law. The Act included a number of tax-related provisions including a new corporate alternative minimum tax (“CAMT”). The Act will be effective for tax years beginning after 2022. The Company is not subject to CAMT in 2023.

(l) Litigation Contingencies

The Company may be subject to legal actions arising in the normal course of business. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company’s financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. Legal costs are recognized as incurred and for the estimated amount to be incurred.

On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company’s consolidated financial statements.

(m) Foreign Currency Translation

Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. The local currencies of foreign operations are the functional currencies. Assets and liabilities of foreign subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year end and income and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to other comprehensive income (loss), net of applicable taxes. Gains and losses from foreign currency transactions are reported as part of net investment gains (losses) in the period in which they occur.

The functional currency of ONSV and ONSA is the Chilean peso (“CLP$”) and the functional currency of ONSP is the Peruvian sole (“PENS/”). The balance sheets were translated at the December 31, 2023 exchange rates of CLP$884.59 and PENS/3.709 per $1 U.S. dollar (“US$") and December 31, 2022 exchange rates of CLP$859.51 and PENS/3.852 per US$1.

Most of ONSV’s assets and liabilities are initially expressed in index-linked units of account. Substantially all monetary assets and liabilities in Chile are denominated in (i) UF, (ii) nominal pesos, or (iii) foreign currencies. The UF is set once a month for daily adjustments in the period beginning the tenth day of such month through the ninth day of the succeeding month based on changes in the previous month’s consumer price index. One UF was equal to CLP$36,789.36 and CLP$35,110.98 at December 31, 2023 and 2022, respectively. Accounts denominated in UF have been converted to Chilean pesos upon settlement of each transaction with remeasurements at the end of each reporting date.

(n) Adoption and Future Adoption of New Accounting Pronouncements

The Company generally applies the “other public entity” requirements when adopting new accounting standards. Where the standard adoption timeframes differentiate between U.S. Securities and Exchange Commission (“SEC”) filers and other public business entities, the Company follows the adoption timelines for other public business entities as the Company does not meet the requirements of an SEC filer.

Adoption of New Accounting Pronouncements

Effective January 1 2023, the Company completed its adoption of *ASU 2016-13 Financial Instruments — Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after December 31, 2022 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this guidance did not significantly impact the Company's consolidated financial statements.

Effective January 1, 2022, the Company adopted ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. The new guidance provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The guidance also provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The adoption of this guidance did not significantly impact the Company's consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The new guidance is effective for annual periods beginning after December 15, 2025. The amendments require that all entities disclose on an annual basis, the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). There are various other disclosure requirements included in this new guidance that will be applicable to the Company.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, the new guidance effective date for each amendment will be two years after the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this Update should be applied prospectively. For all entities, if by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. This ASU incorporates certain SEC disclosure requirements into the Codification. The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the

SEC's regulations. Management is in the process of assessing the impact that this guidance may have on the consolidated financial statements but does not expect it to be material as it is disclosure only.

In August 2018, the FASB issued ASU 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, in November 2019, the FASB issued ASU 2019-09, *Financial Services – Insurance (Topic 944)* and in October 2020, the FASB issued ASU 2020-11, *Financial Services – Insurance (944)* and ASU 2022-05, *Financial Services – Insurance (Topic 944) Transition for Sold Contracts*. The new guidance is effective for fiscal years beginning after December 15, 2024 for Public Business Entities ("PBE") non-SEC filers. Early adoption is permitted. This new guidance impacts existing recognition, measurement, presentation, and disclosure requirements for long-duration insurance contracts issued by an insurance entity. Management is in the process of assessing the impact that this guidance may have on the consolidated financial statements, but expects it to be material.

(o) Subsequent Events

The Company has evaluated subsequent events through March 26, 2024, the date that the consolidated financial statements were available to be issued.

In March 2024, ALL returned contributed capital, as noted in Note 20, of $98,500 to ONFH and ONFH immediately returned the same amount to ALIC. The capital will be redeployed at a date closer to the closing of the acquisition discussed in Note 1.

(4) Business Risks and Uncertainties

The Company participates in an industry where there are risk factors that could have material adverse effects on the business and operating results. The following is a description of the various risk factors:

Legal/Regulatory Risk is the risk that changes in the legal or regulatory environment in which the Company operates could result in increased competition, reduced demand for the Company's products, or additional unanticipated expenses in the pricing of its products.

Changes in the regulatory environment and changes in laws in the countries of the Company's international insurance operations could have a material adverse effect on its results of operations. The Company's international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate.

Concentration Risk is the risk that arises from the Company's reliance upon certain key business relationships. As of December 31, 2023 and 2022, ONSP's largest product is its SIS insurance contracts. These contracts are acquired through a bid process on a two-year interval. It is possible that ONSP may not win future bids, which could result in the loss of existing business and a large outflow of the ONSP's general account assets along with the subsequent loss of the investment spread earned on those assets. ONSP attempts to reduce this risk through the diversification of other products.

Mortality Risk is the risk that overall life expectancy assumptions used by the Company in the pricing of its life insurance and annuity products prove to be too aggressive. This situation may occur, for example, as a result of pandemics, terrorism, natural disasters, or acts of war. The Company attempts to reduce this risk through geographical diversification and the purchase of reinsurance.

Reinsurance Risk is the risk that the reinsurance companies, where the Company has ceded a portion of its underwriting risk, may default on their obligation. The Company has entered into reinsurance agreements to cede a portion of its life insurance business. The Company attempts to mitigate this risk by monitoring the ratings of reinsurance companies to which it chooses to cede risk and follows up on any outstanding balances with reinsurance companies.

Ratings Risk is the risk that rating agencies change their outlook or rating of the Company. If such ratings were lowered significantly relative to our competitors, our ability to market products to new customers could be harmed as well as the retention of existing customers. The Company monitors risk-based capital and other ratios for adequacy and maintains regular communications with the rating agencies in an effort to minimize the adverse impact of this risk.

Civil Unrest and Political Risk is the risk that continued civil unrest and challenging political environments may cause significant volatility, declines in the value of investments, loss of life, property damage, additional disruption to commerce and reduce economic activity. Any significant civil unrest or political challenges could result in the decrease of the Company´s net income, revenue and assets under management and may adversely affect the Company´s investment portfolio.

Cyber-Security Risk is the potential for information and systems to be vulnerable to adverse events, such as breaches, thefts, compromised integrity, damage, fraud, or business disruption, caused by internal, external or third parties. The loss of confidentiality, integrity or availability for information and systems could disrupt operations, result in the loss of business, materially affect profitability and negatively impact the Company's reputation. The current working environment is unprecedented with wide-scale remote usage of the Company's networks and may expose the Company to increased cyber-security vulnerability. The Company utilizes a defense in depth approach to physically, administratively, and technically mitigate cyber-security risk. Multiple layers of security controls provide redundancy in the event a security control fails, or a vulnerability is exploited. The Company continually monitors cyber-security risk and implements new processes, controls and technology to address risks as they are identified. Despite these efforts, there is still a risk a cyber-security incident could happen.

Credit Risk is the risk that issuers of investment securities, mortgagees on mortgage loans or other parties, including reinsurers, default on their contractual obligations or experience adverse changes that would affect the Company. The Company attempts to minimize the adverse impact of this risk by monitoring the portfolio diversification, the Company's exposure to impairment, collectability of the loans, and the credit quality of reinsurers.

Interest Rate Risk is the risk that interest rates will change and impact the valuation of fixed maturity securities. A change in rates may cause certain interest sensitive products to become uncompetitive or may cause disintermediation. To the extent that liabilities come due more quickly than assets mature, an insurer would have to borrow funds or sell assets prior to maturity and potentially recognize a gain or loss.

Equity Market Risk is the risk of loss due to declines in the equity markets in which the Company participates. A decline in the stock market will affect the value of equity securities and the contract value of the Company's individual variable annuity contracts. Losses in the equity market could result in declines in assets under management thus affecting investment management fees revenue and may require the Company to accelerate the amortization of DAC. The Company attempts to minimize the adverse impact of equity market risk by monitoring the diversification of the Company's investment portfolio and through reinsurance arrangements with third parties.

The Company does not have any direct exposure within its investment portfolio to businesses in Russia, Ukraine, Israel or Palestine. However, the ongoing conflicts in these areas are impacting global economic and financial markets exacerbating ongoing economic challenges. The Company is actively monitoring the impact of these conflicts on its investment portfolio.

Inflation Risk is the risk that inflation will undermine the performance of investments. Times of rising inflation will cause interest rates to increase and may impact the valuation of the Company's investments. The long-term nature of the Company's business allows for the Company to mature through periods of change. The Company has the ability to hold securities until maturity and has the ability to adjust product crediting rates allowing the Company to mitigate the potential of liabilities coming due more quickly than the assets mature. The Company is monitoring the responsive monetary policy actions taken or anticipated to be taken by central banks to curb inflation and the corresponding impact on market interest rates.

Liquidity Risk is the risk that the Company may not have the ability to sell certain investments to meet obligations of the Company. In order to properly manage the matching of assets and liabilities, the Company prepares periodic reports that allow it to establish response levels against its obligations. The Company manages short-term liquidity risk in the areas of Investment and Treasury, who together analyze, manage and seek to maintain sufficient cash and cash equivalents to respond to contingent or short-term obligations.

Foreign Currency Risk is the risk that the Company's consolidated financial statements could be adversely impacted by fluctuations in exchange rates as the accounts of the Company's foreign subsidiaries are translated into US dollars. Additionally, the Company could be impacted by significant changes in global economic conditions. ONSV has investments denominated in national currency (CLP$), as well as instruments denominated in UF subject to re-adjustability risk, and investment, in instruments denominated in U.S. dollars.

Investment Risk – see Note 7 for additional risks specific to the investment portfolio.

(Dollars in thousands)

(5) Changes in Accumulated Other Comprehensive Loss

The following table shows the changes in accumulated other comprehensive loss, net of taxes, by component for the years ended December 31:

		Foreign Currency Translation Adjustment	Future Policy Benefits and Claims	Securities Available for Sale	Total
December 31, 2021	$	(72,263)	(28,931)	2,393	(98,801)
Other comprehensive (loss) income before reclassifications		(453)	7,767	30,899	38,213
Amounts reclassified from accumulated other comprehensive loss		—	—	(1,090)	(1,090)
Change		(453)	7,767	29,809	37,123
December 31, 2022	$	(72,716)	(21,164)	32,202	(61,678)
Other comprehensive (loss) income before reclassifications		(4,658)	20,505	(42,121)	(26,274)
Amounts reclassified from accumulated other comprehensive loss		—	—	661	661
Change		(4,658)	20,505	(41,460)	(25,613)
December 31, 2023	$	(77,374)	(659)	(9,258)	(87,291)

The following table shows the reclassifications out of accumulated other comprehensive income (loss), net of taxes, for the years ended December 31:

Details about accumulated other comprehensive income (loss) components		2023	2022	Consolidated statements of income location
Unrealized gains/(losses) on securities available-for-sale:				
	$	(906)	1,493	Realized (losses) gains, excluding other-than-ten impairment losses on securities
		245	(403)	Income tax current expense (benefit)
		(661)	1,090	Net (loss) income
Total reclassification for the year	$	(661)	1,090	Total net (loss) income

(6) Fair Value Measurements

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. The market approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses discounted cash flows to determine fair value. When applying either approach, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs reflect the assumptions market participants would use in valuing a financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's estimates about the assumptions market participants would use in valuing financial assets and financial liabilities based on the best information available in circumstances.

The Company is required to categorize its assets and liabilities that are carried at estimated fair value on the Consolidated Balance Sheets into a three-level hierarchy based on the priority of the inputs to the valuation technique. 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 estimated 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.

The levels of the fair value hierarchy are as follows:

- **Level 1** – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market at the measurement date. The types of assets and liabilities utilizing Level 1 valuations generally include cash and cash equivalents, money market funds, and actively traded equity securities.
- **Level 2 –** Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable in active markets or that are derived principally from, or corroborated by, observable market data through correlation or other means for identical or similar assets and liabilities. The types of assets and liabilities utilizing Level 2 valuations generally include government agency securities, corporate debt, asset-backed securities, and short-term investments.
- **Level 3 –** Fair value is based on unobservable inputs for the asset or liability for which there is little or no market activity at the measurement date. Unobservable inputs used in the valuation reflect management's best estimate about the assumptions market participants would use to price the asset or liability. The types of assets and liabilities utilizing Level 3 valuations generally include certain mortgage-backed securities and certain corporate debt.

(Dollars in thousands)

The following table presents the Company's hierarchy for its financial assets and liabilities measured at estimated fair value on a recurring basis at December 31, 2023:

Assets	Level 1	Level 2	Level 3	Total
Investments:				
Securities available-for-sale:				
Fixed maturity securities:				
Treasury securities and obligations of government	$ —	6,646	—	6,646
Corporate	—	764,179	—	764,179
Asset-backed	—	35,391	—	35,391
Equity securities	62,762	—	84	62,846
Short-term investments	8,376	11,018	—	19,394
Other long-term investments:				
Derivative assets:				
Cross currency swaps	—	478	—	478
Cash and cash equivalents	135,362	—	—	135,362
Total assets	$ 206,500	817,712	84	1,024,296

The following table presents the Company's hierarchy for its financial assets and liabilities measured at estimated fair value on a recurring basis at December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Investments:				
Securities available-for-sale:				
Fixed maturity securities:				
Treasury securities and obligations of government	$ —	3,673	—	3,673
Corporate	—	908,978	—	908,978
Asset-backed	—	41,327	—	41,327
Equity securities	52,289	—	—	52,289
Short-term investments	13,392	4,308	—	17,700
Other long-term investments:				
Derivative assets:				
Cross currency swaps	—	1,809	—	1,809
Cash and cash equivalents	26,508	—	—	26,508
Total assets	$ 92,189	960,095	—	1,052,284

Determination of Fair Values

The valuation methodologies used to determine the estimated fair values of assets and liabilities under the exit price notion of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, reflect market participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the estimated fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines estimated fair value based on future cash flows discounted at the appropriate current market rate. Estimated fair values include adjustments for credit-related and liquidity issues of the underlying issuer of the investment.

The Company has policies and guidelines that establish valuation methodologies and consistent application of such methodologies. These policies and guidelines provide controls around the valuation process. These controls include appropriate review and analysis of investment prices against market activity or price variances, secondary pricing sources, review of price source changes, and methodology changes.

The following is a discussion of the methodologies used to determine estimated fair values for the financial instruments listed in the above tables:

Fixed maturity securities - The estimated fair value of fixed maturity securities is generally obtained from independent pricing services based on market quotations of reported trades for identical or similar securities.

When there are no recent reported trades, the Company uses third party pricing services that use matrix or model processes to develop a security price using future cash flow expectations and collateral performance discounted at an estimated market rate. For the pricing of asset-backed and mortgage-backed securities, the models include estimates of future principal prepayments based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. Since these securities have been priced using market observable inputs that are obtained by the independent pricing services, the Company has classified these fixed maturity securities as Level 2 assets.

Certain fixed maturity securities include corporate, government and banking bonds primarily denominated in UF and converted to the CLP$ at each valuation date. Fixed maturity securities also include recognition bonds that were issued by the Pension Agencies of the Chilean government in the 1980's at the time that the Chilean pension system was changed from a defined benefit system to the current defined contribution system. These bonds are indexed and represent the government's stipulated pension funds possessed by the holder and mature when the holder reaches the Chilean government's defined retirement age.

Fixed maturities also include mortgage draft investment instruments issued primarily by Chilean banks denominated in UF. While Chilean securities law requires these instruments to be linked to an underlying mortgage loan funded by the issuer, their form is similar to a fixed maturity instrument. The issuer guarantees principal repayments on these mortgage drafts.

The estimated fair value of certain fixed maturity securities is based primarily on valuations obtained from the Comision para el Mercado Financiero ("CMF," formerly known as Superintendencia de

Valores y Seguros, "SVS"), the local insurance regulator, which bases the estimated fair value on the average market values from the previous month. Since these securities have been priced using market observable inputs that are obtained by the independent pricing services, the Company has classified these fixed maturity securities as Level 2 assets.

For certain fixed maturity securities not priced by the independent pricing services (generally private placement securities and securities that do not trade regularly), the Company uses an internally developed pricing model or "internal pricing matrix." The internal pricing matrix is developed by obtaining spreads for corporate securities with varying weighted average lives and bond ratings. The weighted average life and bond rating of a particular fixed maturity security to be priced using the internal matrix are important inputs into the model and are used to determine a corresponding spread that is added to the appropriate rate of the Central Bank of Chile to create an estimated market yield for that bond. The estimated market yield and other relevant factors are then used to estimate the fair value of the particular fixed maturity security. Since these securities have been priced using market observable inputs that are obtained by the independent pricing services, the Company has classified these fixed maturity securities as Level 2 assets.

The estimated fair value of certain fixed maturity securities including corporate and government bonds, denominated in Peruvian soles, is based primarily on valuations based upon a price vector provided by the SBS. Future cash flows are discounted to the present using the market interest rate disclosed in the vector. Since these securities have been priced using market observable inputs that are obtained by the independent pricing service, the Company has classified these fixed maturity securities as Level 2 assets.

When there are no recent reported trades, the Company uses third party pricing services that may use matrix or model processes to develop a security price using future cash flow expectations and collateral performance discounted at an estimated market rate. For the pricing of asset-backed securities, the models include estimates of future principal prepayments based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral.

Since these fair values have been priced using market observable inputs that are obtained by the independent pricing services, the Company has classified these fair values within Level 2.

In some instances, the independent pricing service will price securities using independent broker quotations from market makers and other broker/dealers recognized to be market participants, which utilize inputs that may be difficult to corroborate with observable market data and may be non-binding quotes. These fixed maturity securities are classified as Level 3 assets.

For any fixed maturity securities which are not priced by independent third parties, the Company determines the estimated fair value using modeling techniques, primarily commercial software applications utilized for valuing security investments with variable cash flows. These fixed maturity securities are classified as Level 3 assets.

Equity securities - Equity securities are comprised of mutual funds which are available in the Chilean public investment market. The Company has classified these as Level 1 assets.

(Dollars in thousands)

Derivative instruments – The Company enters into derivative transactions that do not meet the criteria for hedge accounting or have not been designated in hedging relationships by the Company pursuant to FASB ASC Topic 815, *Derivatives and Hedging*. The Company purchases cross currency swaps to hedge the cash flow risk associated with foreign-denominated bonds. The swap involves exchanging principal and fixed interest payments on a bond in one currency for principal and fixed interest payments on a similar loan in another currency. The parties to the swap exchange principal amounts at the beginning and the end of the swap. The two specified principal amounts are set to be approximately equal to one another given the exchange rate at the time the swap is initiated. The Company has classified the estimated fair values of the cross currency swaps as Level 2 assets.

Short-term investments - Short-term investments include fixed maturity securities that mature in less than one year and are valued in the same manner as the fixed maturity securities. Short-term investments are also bank deposits and money market funds that are classified as Level 1 assets since these investments are very liquid and not subject to valuation fluctuations.

Cash and cash equivalents - Cash is considered Level 1 as it is the most liquid form of an asset and not subject to valuation fluctuations.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following table summarizes the reconciliation of the beginning and ending balances and related changes in fair value measurements for which significant unobservable inputs were used in determining the estimated fair value for the years ended December 31:

	Investments
Assets	**Asset-backed**
December 31, 2021	$ —
Net Investments gains (losses):	
In earnings	
(realied and unrealized)[1]	—
December 31, 2022	—
Net Investments gains (losses):	
In earnings	
(realied and unrealized)[1]	84
December 31,2023	$ 84

[1] Unrealized investment gains and losses recorded in other comprehensive (loss) income include changes in market value and foreign currency translation of certain instruments.

During 2023 and 2022 there were no changes in fair value measurements for which significant unobservable inputs were used in determining the estimated fair value.

Asset Transfers Between Levels

(Dollars in thousands)

The Company reviews its fair value hierarchy classifications annually. Transfers into or out of Level 3 are primarily due to the availability of quoted market prices or changes in the Company's conclusion that pricing information received from a third party pricing service is not reflective of market activity. There were no transfers during 2023 or 2022.

Fair Value Measurement on a Nonrecurring Basis

The Company uses the same valuation methodologies for its fair value measurements on a nonrecurring basis. The Company reviews the real estate annually for other than temporary impairments. For real estate, the valuation techniques were primarily based on the estimated fair value of the underlying collateral. These values were determined using third-party appraisals. The Company did not impair any assets during the years ended December 31, 2023 and 2022.

Financial Instruments Not Carried at Fair Value

FASB ASC Topic 825, *Financial Instruments*, requires additional disclosure of the fair value information about existing on and off balance sheet financial instruments. ASC Topic 825 excludes certain assets and liabilities, including insurance contracts, other than policies such as annuities that are classified as investment contracts, from its disclosure requirements. The Company's assets and liabilities subject to ASC 825 disclosure that have not been presented at fair value in the ASC Topic 820 tables above are presented in the table below as follows:

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
2023					
Assets:					
Mortgage loans on real estate	$ 91,967	92,409	—	90,806	1,603
Policy loans	4,127	4,127	—	—	4,127
Other long-term investments	76,258	100,838	—	100,838	—
Liabilities:					
Investment contracts	744,360	745,264	—	745,264	—
2022					
Assets:					
Mortgage loans on real estate	$ 90,100	89,922	—	89,922	—
Policy loans	4,662	4,662	—	—	4,662
Other long-term investments	84,090	110,980	—	110,980	—
Liabilities:					
Investment contracts	773,569	802,562	—	802,562	—

(Dollars in thousands)

In estimating the fair value of financial instruments, the Company used the following methods and assumptions:

Mortgage loans on real estate – The fair value of mortgage loans on real estate is estimated using discounted cash flow analyses, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The Company has mortgage loans that are valued based on market observable quotes and are classified as Level 2. The Company also has mortgage loans that are valued using internally obtained credit ratings and are classified as Level 3 assets.

Policy loans – The fair value of policy loans is estimated using discounted cash flow calculations. The expected life of the loan is based on internal assumptions; therefore, the Company classifies these as Level 3 assets.

Other long-term investments – The fair value of other long-term investments is estimated using discounted cash flow analyses, using market observable interest rates currently being offered for similar leases to lessors with similar credit ratings. The Company classifies these as Level 2 assets.

Investment contracts – The fair value of the Company's liabilities under investment contracts is estimated using one of two methods. For investment contracts without defined maturities, fair value is the estimated amount payable on demand, net of certain surrender charges. For investment contracts with known or determined maturities, fair value is estimated using discounted cash flow analyses. Cash flows are discounted at a rate that reflects the nonperformance risk of the Company. The inputs are market observable; therefore, the Company classifies these as Level 2 liabilities.

FASB ASC Topic 825, *Financial Instruments*, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). The following table presents the Company's financial assets and liabilities contained in Other long-term investments on the Consolidated Balance Sheets:

	Carrying amount		
Financial assets identified in other long-term investments	**2023**	**2022**	
Joint venture	$ 21,047	20,910	Carrying value approximates fair value
Other[1]	76,258	84,090	
Total other long-term investments	$ 97,305	105,000	

1 Items included in "Other" are not in the scope of ASU 2016-01, but are presented for reconciliation purposes to agree to the balance sheet caption. Included in this category are financing receivables and direct financing leases, which are measured in accordance with the methodology described in Note 3. For all remaining items in this classification, carrying value approximates fair value.

(Dollars in thousands)

(7) Investments

Investment Risks and Uncertainties

Investments are exposed to various risks and uncertainties that affect the determination of estimated fair values, the ability to sell certain investments during strained market conditions, the recognition of impairments, and the recognition of income on certain investments. These risks and uncertainties include:

- the risk that the Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer;
- the risk that the economic outlook, including fluctuations in interest rates and inflationary pressures, will be worse than expected or have more of an impact on the issuer than anticipated;
- the risk that the Company obtains inaccurate information for the determination of the estimated fair value estimates and other-than-temporary impairments; and
- the risk that new information or changes in other facts and circumstances lead the Company to change its intent to hold the security to maturity or until it recovers in value.

Any of these situations are reasonably possible and could result in a charge to income in a future period.

The determination of impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with each asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments, including asset-backed and mortgage-backed securities, is dependent upon certain factors such as prepayments and defaults, and changes in factors could result in changes in amounts to be earned.

Fixed Maturity and Equity Securities

Fixed Maturity and Equity Securities by Sector
The amortized cost and estimated fair value of available-for-sale, trading and held-to-maturity securities for both fixed maturity and equity securities by sector as of December 31 is as follows:

	2023				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance For Credit Losses**	**Estimated Fair Value**
Securities available-for-sale:					
Fixed maturity securities:					
Treasury securities and obligations of government	$ 6,597	134	(85)	—	6,646
Corporate	780,214	23,023	(37,244)	(1,814)	764,179
Asset-backed	36,789	279	(1,677)	—	35,391
Total fixed maturity securities	$ 823,600	23,436	(39,006)	(1,814)	806,216

(Dollars in thousands)

		2022				
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Non-Credit OTTI
Securities available-for-sale:						
Fixed maturity securities:						
Treasury securities and obligations of government	$	3,891	4	(222)	3,673	—
Corporate		866,680	52,485	(10,187)	908,978	—
Asset-backed		41,768	507	(948)	41,327	—
Total fixed maturity securities	$	912,339	52,996	(11,357)	953,978	—

Prior to January 1, 2023, non-credit OTTI represents the amount of cumulative non-credit OTTI losses recognized in other comprehensive income on securities as of the date of OTTI that also had credit impairments.

As of January 1, 2023, the available-for-sale model has been modified and requires the recording of an Allowance for Credit Loss instead of a reduction of the amortized cost. Any improvements in expected future cash flows will be reflected as a reduction of the allowance for credit loss.

Maturities of Fixed Maturity Securities
The amortized cost and estimated fair value of fixed maturity securities available-for-sale as of December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset-backed securities are classified based on the last payment date of the underlying collateral with the longest contractual duration as of December 31, 2023:

		Fixed maturity securities Available-for-Sale	
		Amortized Cost	Estimated Fair Value
Due in one year or less	$	3,813	3,738
Due after one year through five years		61,070	59,616
Due after five years through ten years		311,997	305,617
Due after ten years		446,720	437,245
Total	$	823,600	806,216

(Dollars in thousands)

Continuous Gross Unrealized Losses for Fixed Maturity Available-for-Sale Securities

The following tables present the estimated fair value and gross unrealized loss of the Company's fixed maturity securities (aggregated by sector) in an unrealized loss position, aggregated by length of time the securities have been in a continuous unrealized loss position at December 31:

	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
2023						
Treasury securities and obligations of government	$ —	—	1,415	(85)	1,415	(85)
Corporate securities	12,272	(1,244)	390,189	(23,766)	402,461	(25,010)
Asset-backed	849	(228)	17,746	(1,449)	18,595	(1,677)
Total fixed maturity securities	$ 13,121	(1,472)	409,350	(25,300)	422,471	(26,772)
2022*						
Treasury securities and obligations of government	$ 237	(1)	1,248	(221)	1,485	(222)
Corporate securities	4,142	(42)	78,908	(10,145)	83,050	(10,187)
Asset-backed	—	—	9,057	(948)	9,057	(948)
Total fixed maturity securities	$ 4,379	(43)	89,213	(11,314)	93,592	(11,357)

* Prior year following OTTI guidance so no allowances for recorded activity

(Dollars in thousands)

Concentrations related to fixed maturity securities in an unrealized loss position are included in the table below. The table summarizes the fixed maturity securities by sector in an unrealized loss position for less than and greater than twelve months as of December 31:

Unrealized Losses		Less than 12 Months	More than 12 Months	Total	Number of Securities
2023					
99.9%-80%					
Corporate	$	(1,189)	(23,002)	(24,191)	738
Asset-backed		—	(470)	(470)	8
Below 80%					
Treasury securities and obligations of government		—	(85)	(85)	2
Corporate		(209)	(12,844)	(13,053)	49
Asset-backed		(228)	(979)	(1,207)	5
Total	$	(1,626)	(37,380)	(39,006)	802
2022					
99.9%-80%					
Treasury securities and obligations of government	$	(1)	(221)	(222)	4
Corporate		(42)	(7,624)	(7,666)	544
Asset-backed		—	(948)	(948)	25
Below 80%					
Corporate		—	(2,521)	(2,521)	31
Total	$	(43)	(11,314)	(11,357)	604

Allowance for credit losses on available-for-sale securities for the year ended December 31, 2023:

		Corporate	Total
Beginning balance	$	—	—
Allowance for credit losses at beginning of year		—	—
Net credit loss expense not previously recorded		2,391	2,391
Recoveries		(577)	(577)
Ending balance	$	1,814	1,814

Allowance for credit loss and Evaluation of Other-Than-Temporarily Impaired Investments
Prior to January 1, 2023 Management regularly reviewed its fixed maturity and equity securities portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in fair value of investments.

An analysis was prepared, which focused on the issuer's ability to service its debts and the extent and length of time the security has been valued below cost. This review process included an assessment of the credit quality and an assessment of the present value of future cash flows of the identified investment in the securities portfolio and for equity securities, an assessment of near-term recovery and whether the security would recover its amortized cost basis in a reasonable period of time.

For corporate securities, the Company evaluated the present value of cash flows using the financial performance of the issuer based upon credit performance and investment ratings. Residential mortgage-backed securities and asset-backed securities were assessed for impairment using default estimates based on the underlying collateral performance including default rates, recovery rates and prepayment speeds. Cash flows generated by the collateral were then utilized, along with consideration for the issue's position in the overall structure, to determine cash flows associated with the security.

For each security deemed by management that meets the criteria for additional analysis, the Company prepared an analysis of the present value of the expected cash flows, using the interest rate implicit in the investment at the date of acquisition. To the extent that the present value of cash flows generated by a security was less than the amortized cost, an OTTI was recognized in the statements of operations.

For those debt securities for which the Company has the intent to sell the security, or if it is more likely than not that it will be required to sell the security before recovery of the amortized cost, the entire unrealized loss (the amount that the amortized cost basis exceeds the estimated fair value) is recognized in the statements of operations. For those debt securities for which the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security, but the security has suffered a credit loss (the amortized cost basis exceeds the present value of the expected cash flows), the impairment charge (excess of amortized cost over estimated fair value) is bifurcated with the credit loss portion recorded in the statements of operations, and the remainder, or non-credit loss portion, is recorded in other comprehensive income (loss). For those fixed maturity securities for which the Company has recorded a portion of the OTTI in other comprehensive income (loss), the Company prospectively amortizes the amount of the loss that was recorded in other comprehensive income (loss) over the remaining life of the security to the statements of operations based on the timing of future cash flows.

The Company disclosed as part of the separate component of accumulated other comprehensive income the non-credit portion of any OTTI. Subsequent changes in estimated fair value that are not considered OTTI are not included in the separate component of accumulated other comprehensive income.

Beginning in 2023 and under ASC 326, the Company considers allowance for credit loss determined through the application of the probability of default (PD) model. Significant changes in the price of a security may indicate a potential credit loss. This screening process is effective in identifying securities that have experienced a credit loss or priced in a probability of loss that is more than insignificant. As a screening process, the Company will calculate an allowance for any securities which are 20% below amortized cost with a duration of one year or greater since fair value fell below amortized cost and 10% below amortized cost with a duration less than one year since fair value fell below amortized cost as of the reporting date.

(Dollars in thousands)

Current Year Evaluation
The Company has concluded securities in an unrealized loss position as of December 31, 2023 and 2022 reflect temporary fluctuations in economic factors that are not indicative of credit losses due to the Company's ability and intent to hold the fixed maturity security investments until recovery of estimated fair value or amortized cost, and anticipate a forecasted recovery in a reasonable period of time.

Total unrealized losses were impacted in the year ended December 31, 2023 by decreasing yields and related spreads benchmarked by the Central Bank. Accordingly, no write-downs were deemed necessary for the securities reflected in the tables above.

Mortgage Loans

Mortgage Loans by Portfolio Segment
Mortgage loans consist of both commercial and residential mortgage loans in Chile. Mortgage loans are collateralized by the underlying properties. Collateral on mortgage loans must meet or exceed 125% of the loan at the time the loan is made. The carrying amounts of our mortgage loan portfolio as of December 31 were as follows:

		2023	2022
Mortgage Loans			
Commerical mortgage loans - ONSV	$	32,765	36,320
Residential mortgage loans - ONSV		58,420	54,352
Commerical mortgage loans - ALL		1,500	—
Total amortized cost		92,685	90,672
Valuation allowance		718	572
Net carrying value	$	91,967	90,100

The Company has elected to present the accrued interest receivable balance with the amortized cost of the finance receivables under Mortgage loans on real estate, net. Accrued interest receivable was $204 and $396 as of December 31, 2023 and 2022, respectively, relating to loans. For mortgage loan investments, the accrual of interest is not discontinued when the contractual payment of principal or interest has become 120 days past due. Write-off of accrued interest receivables are recognized by reversing interest income. The Company wrote off $95 and $0 of loan accrued interest receivables for the years ended December 31, 2023 and 2022, respectively.

Unfunded Mortgage Loan Commitments
These commitments arise when the Company, based on review of a borrower's loan application, agrees to provide financing to a borrower. To estimate the loss, the Company manually forecasts the cash flows for these commitments, based on the committed loan terms, as they represent the contractual life that the Company will have credit exposure to the borrower. The forecasted cash flows have an estimate of expected credit loss calculated using the weighted average remaining maturity ("WARM") method. The resulting estimate is reduced by incorporating an estimate of the probability of commitments not funding, and recorded as a liability on the Consolidated Balance Sheets.

(Dollars in thousands)

ONSV Mortgage Loans
ONSV considers performing mortgages to be those loans that are either current on payments or delinquent by four payments or less. Upon missing the fifth payment, ONSV considers these loans nonperforming. In accordance with the mortgage agreement, performing mortgages continue to record principal, interest and monetary correction. Monetary correction is defined as an economic adjustment to functional currency amounts arising from changes in inflation. The principal, interest and monetary correction values of those missed payments are 100% provisioned for. All loans classified as nonperforming are considered impaired.

Management continually monitors mortgages to determine their status. Mortgages that are nonperforming are required to have an appraisal every two years. Based on the appraised value, management determines if an adjustment to the carrying value is necessary. All loans classified as nonperforming have been placed on nonaccrual status.

The following table summarizes ONSV's mortgage loan portfolio performing and nonperforming positions which was last updated as of December 31:

		2023	2022
Residential mortgage loans			
Performing	$	88,945	86,960
Nonperforming		2,240	3,712
Total	$	91,185	90,672

Commercial Mortgage Loans
ONSV currently holds a commercial mortgage portfolio with total amortized cost of $32,765 and $36,320 at December 31, 2023 and 2022, respectively. These loans are originated to borrowers primarily in Santiago, Chile. The borrowers are all commercial borrowers, and the loans are secured by collateral.

Management reviews a variety of factors, including the borrower's Directorio de Información Comercial ("DICOM") report (i.e., credit report) prior to originating these loans. At inception, the company will only select those DICOM reports with a metric of 999 (i.e., 1-999). A credit score closer to 999 demonstrates responsible credit behavior in the past.

As part of monitoring, ONSV generates a monthly delinquency report showing all payments which are 30, 60, 90, and 120 days past due. This report is prepared by the Investment Accounting Department and is reviewed by the Mortgage and Real Estate Department. Management follows up with the correspondents (servicers) as necessary. If a loan is delinquent for two months consecutively a new DICOM is generated. While management may act sooner, generally loans are not written down and/or foreclosed upon until management has exhausted all other options to bring the loan current. The timing of the foreclosure and write-down are dependent on the facts and circumstances surrounding each loan.

(Dollars in thousands)

The following table summarizes the amortized cost of the mortgage loan portfolio LTV ratios and credit score using available data as of December 31. The ratios are updated as information becomes available.

		DICOM Credit Score			
LTV		**1 to 100**	**101 to 500**	**501 to 999**	**Total**
2023					
0% - 50%	$	432	—	2,830	3,262
50% - 60%		—	—	2,544	2,544
60% - 70%		1,420	—	10,858	12,278
70% - 80%		2,819	243	11,619	14,681
Total	$	4,671	243	27,851	32,765
2022*					
0% - 50%	$	433	—	885	1,318
50% - 60%		—	—	2,039	2,039
60% - 70%		898	—	11,922	12,820
70% - 80%		3,831	245	16,067	20,143
Total	$	5,162	245	30,913	36,320

The company uses LTV and credit scores ratios in commercial real estate to determine the quality of a mortgage loan and are the Company's primary quality indicators. The LTV ratio is a comparison between the current loan balance and the value assigned to the property and is expressed as a percentage. If the LTV is greater than 100%, this would indicate that the loan amount exceeds the value of the property. It is preferred that the LTV be less than 100%. The Company's corporate policy directs that the LTV on new mortgages not exceed 80% for standard mortgages. The credit scores range from 1 to 999 and it is obtained from the borrower's credit report.

Residential Mortgage Loans
ONSV currently holds a portfolio of residential mortgages with total amortized cost of $58,420 and $54,352 at December 31, 2023 and 2022, respectively. The loans are secured by residential property, primarily in Santiago, Chile. These loans are all fully amortizing over a period of generally 20 – 25 years. Underwriting requirements include that individuals have at least one to two years of job stability, and a loan-to-value (LTV) of no more than 80% at origination. Additionally, a borrower's loan payment cannot be greater than 25% of their monthly income. Management reviews a variety of factors, including the borrower's DICOM report (i.e., credit report) prior to originating these loans.

Allowance for Loan Losses
Effective January 1, 2023, the Company adopted ASC 326. The Company's allowance for expected credit loss represents the portion of the amortized cost basis on mortgage loans that the Company does not expect to collect primarily based on current delinquency status. The mortgage loans are individually evaluated for impairment once a mortgage goes past due.

(Dollars in thousands)

The Company did not have any significant troubled debt restructurings (TDR) of mortgage loans during 2022. The adoption of ASC 326 eliminated the prior TDR guidance.

A rollforward of the allowance for loan losses is as follows:

Balance, December 31, 2021	$	539
Provision		233
Charge-offs		—
Recoveries		(261)
Effect of exchange rates		61
Balance, December 31, 2022		572
Cumulative effects from adoption of the CECL standard		(153)
Provision (reversal) for expected credit losses		288
Effect of exchange rates		11
Balance, December 31, 2023	$	718

The Company has other financing receivables with contractual maturities of one year or less such as reinsurance recoverables and premiums receivables. The Company does not record an allowance for these items since the Company has not had any significant collection issues related to these types of receivables. The Company writes off the receivable if it is deemed to be uncollectible.

Mortgage Loan Aging
The table below depicts the loan portfolio exposure, net of allowance, of the remaining principal balances (which equal the Company's recorded investment) as of December 31:

		30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total	Recorded Investment > 90 Days and Accruing	Non-Accruing Loans	Non-Accruing Loans With No Allowance	Interest Income on Non-Accruing Loans
2023	$	6,347	2,264	2,479	11,090	80,877	91,967	44	—	—	—
2022	$	5,784	744	3,140	9,668	80,432	90,100	37	—	—	—

Performance, Impairment, and Foreclosures
At December 31, 2023 there was one mortgage loan in the process of foreclosure. At December 31, 2022, the Company had no mortgage loans which were in the process of foreclosure. There was one mortgage loan write-down in 2023. There were no mortgage loan write-downs in 2022. The Company generally initiates foreclosure proceedings on mortgage loans when delinquent five months. There were six foreclosures of residential mortgage loans during 2023 and no foreclosures during 2022.

(Dollars in thousands)

Mortgages are placed on nonaccrual status once management believes the collection of accrued interest is doubtful. Once residential mortgages are classified as nonaccrual loans, interest income is recognized on a cash basis. The carrying value of mortgage loans on nonaccrual status as of December 31:

		2023	2022
Mortgage loans	$	2,240	3,712
Total	$	2,240	3,712

The recorded investment in and unpaid principal balance of impaired loans along with the related specific allowance for loan losses, if any, and the average recorded investment and interest income recognized during the time the loans were impaired as of December 31, were as follows:

		Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2023	$	2,951	2,240	(711)	2,976	—
2022	$	4,856	4,284	(572)	3,182	—

Other Long-Term Investments

The components of Other long-term investments were as follows as of December 31:

		2023	2022
Direct financing leases	$	52,316	53,581
Derivative instruments		478	1,809
Joint venture		21,047	20,911
Chilean financing receivables		24,257	28,699
Subtotal		98,098	105,000
Allowance for credit losses		(793)	—
Total	$	97,305	105,000

(Dollars in thousands)

The following table lists the components of the net investment in direct financing leases as of December 31:

		2023	2022
Total minimum lease payments to be received	$	70,684	74,431
Less unearned income		(19,161)	(20,850)
Net investment in direct financing leases	$	51,523	53,581

The minimum lease payments did not include executory costs, allowance for uncollectibles, or the unguaranteed residual value of leased property for 2023 and 2022. Past favorable payment experience, a minimum required LTV ratio of 80% at lease inception as well as the Company's right to repossess the property after two missed payments have resulted in not holding an allowance for uncollectibles by the Company and no leases are on nonaccrual status. Credit quality is monitored based on past payment history.

The table below depicts the direct financing leasing exposure of remaining principal balances (which equal the Company's recorded investment) by type as of December 31:

		30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total	Investment > 90 Days and Accruing
2023	$	2,103	—	—	2,103	49,420	51,523	—
2022	$	1,126	—	—	1,126	52,455	53,581	—

Effective January 1, 2019, contracts that previously qualified for direct financing lease classification under FASB ASC Topic 840 no longer qualify for lease accounting under Topic 842 and are accounted for as financing receivables under Topic 310. The Company carried $51,523 and $53,581 in financing receivables as of December 31, 2023 and 2022, respectively.

(Dollars in thousands)

Future undiscounted cash flows from direct financing leases as of December 31, 2023 are as follows:

	Cash Flow
2024	$ 6,793
2025	6,617
2026	4,952
2027	3,959
2028	3,560
Thereafter	45,596
Total undiscounted lease payments	71,477
Less imputed interest	(19,161)
Lease receivable subtotal	52,316
Less allowance for credit losses	(793)
Lease receivable total	$ 51,523

Joint Venture

In 2014, the Company acquired 50% ownership interest in a Brazilian life insurance company. The investment is accounted for using the equity method. The following table provides a rollforward of the Company's joint venture investment:

December 31, 2021	$ 21,175
Net loss from investment	(757)
Capital contributed	493
December 31, 2022	$ 20,911
Net income from investment	136
Capital contributed	—
December 31, 2023	$ 21,047

Variable Interest Entities ("VIE")

In the normal course of business, the Company invests in fixed maturity securities that could qualify as VIE. A VIE is a legal entity that lacks sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The primary beneficiary of a VIE is generally the enterprise that has both the power to direct the activities most significant to the VIE, and is the enterprise that will absorb a majority of the fund's expected losses or receive a majority of the fund's expected residual returns.

The Company evaluates its interest in certain fixed maturity securities, corporate securities, and asset-backed securities to determine if the entities meet the definition of a VIE and whether the Company is the primary beneficiary and should consolidate the entity based upon the variable interests it held both at inception and where there is a change in circumstances that requires a reconsideration.

(Dollars in thousands)

The Company has determined that it is not the primary beneficiary of these investments as the Company does not have the power to direct the activities that most significantly impact the entities' performance. The Company's maximum exposure to loss is limited to the carrying values of these securities. There are no liquidity arrangements, guarantees or other commitments by third parties that affect the fair value of the Company's interest in these assets.

Net Investment Income

Analysis of investment income by investment type follows for the year ended December 31:

		2023	2022
Gross investment income:			
Securities available-for-sale:			
Fixed maturity securities	$	72,601	134,247
Mortgage loans on real estate		8,410	14,530
Real estate		3,247	2,695
Policy loans		43	62
Short-term investments		3,769	1,345
Other long-term investments		8,693	13,701
Total gross investment income		96,763	166,580
Investment expenses		(4,469)	(4,435)
Net investment income	$	92,294	162,145

Net Realized Gains

Analysis of net realized gains (losses) by investment type follows for the year ended December 31:

		2023	2022
Securities available-for-sale:			
Fixed maturity securities	$	3,139	1,671
Equity securities, at fair value		51	—
Mortgage loans on real estate		(77)	(85)
Real estate		(612)	—
Other long-term investments		67	—
Total realized (losses) gains on investments		2,568	1,586
Change in allowance		(139)	—
Net realized gains on investments	$	2,429	1,586

(Dollars in thousands)

Sales of Fixed Maturity Securities, Available-for-Sale

The following table summarizes fixed maturity securities available-for-sale activity:

		2023	2022
Proceeds from sales	$	106,130	82,604
Gross realized gains on sales	$	1,546	1,516
Gross realized losses on sales	$	(1,598)	(18)

Net Unrealized Gains on Available-for-Sale Securities

An analysis by investment type of the change in unrealized gains, before taxes, on securities available-for-sale is as follows for the year ended December 31:

		2023	2022
Securities available-for-sale:			
Fixed maturity securities	$	(57,206)	40,923
Short-term securities		2	2
Change in net unrealized gains (losses)	$	(57,204)	40,925

The components of net unrealized gains (losses) on securities available-for-sale in AOCI arising during the period were as follows as of December 31:

		2023	2022	Change
Net unrealized gains, before adjusments and taxes:				
Securities available for sale	$	(15,570)	41,638	(57,208)
Unrealized losses on short-term investments		—	(2)	2
Future policy benefits and claims		(904)	(28,993)	28,089
Less:				
Deferred federal and foreign income tax provision		(6,556)	1,606	(8,162)
Net unrealized gains (losses)	$	(9,918)	11,037	(20,955)

(8) Derivative Financial Instruments

The Company entered into cross currency swap agreements, which do not qualify for hedge accounting as a cash flow hedge. The swap involves exchanging principal and fixed interest payments on a bond in one currency for principal and fixed interest payments on a similar loan in another currency. The parties to the swap exchange principal amounts at the beginning and the end of the swap. The two specified principal amounts are set to be approximately equal to one another given the exchange rate at the time the swap is initiated. ONSV held five and eight cross currency swaps as of December 31, 2023 and 2022, respectively, to convert the cash flows from U.S. and Euro denominated bonds into UF denominated cash flows. Since this does not meet the definition of a hedge, it is treated as a derivative with no hedging designation under ASC 815, with the gain or loss on the derivative instrument recognized in earnings.

(Dollars in thousands)

The detail, for the asset and liability positions of the five and eight swaps as of December 31, is presented in the tables below as follows:

Enetered Date	Maturity Date	Currency	Bond Value (USD)	Currency Issuacne Rate %	UF Issuance Rate %	Fair Valyue of the Assets (USD)	Fair Value of the Liability (USD)	* Swap Position (USD)
2023								
13/04/2018	21/02/2028	EURO	2,000	4.875	5.410	2,685	2,522	163
09/07/2019	24/04/2035	USD	2,000	6.375	3.580	1,839	1,894	(55)
07/08/2019	15/06/2035	USD	2,000	6.625	3.250	2,479	2,569	(90)
28/08/2019	30/03/2038	USD	1,000	6.375	3.180	890	894	(4)
27/04/2022	07/02/2032	USD	3,000	4.750	4.750	3,757	3,293	464
								478
2022								
13/04/2018	21/02/2028	EURO	2,000	4.875	5.410	2,736	2,435	301
06/12/2018	14/01/2025	EURO	2,000	4.750	4.790	2,512	2,303	209
22/03/2019	30/04/2025	USD	2,000	4.560	2.380	2,036	2,017	19
09/07/2019	24/04/2035	USD	2,000	6.375	3.580	2,024	2,035	(11)
07/08/2019	15/06/2035	USD	2,000	6.625	3.250	2,642	2,604	38
28/08/2019	30/03/2038	USD	1,000	6.375	3.180	967	942	25
27/04/2022	07/02/2032	USD	3,000	4.750	4.750	3,958	3,312	646
27/04/2022	16/09/2031	USD	3,000	3.450	3.450	3,569	2,988	582
								1,809

* Positive value signifies the swap is in an asset position

(9) Deferred Policy Acquisition Costs

The deferred policy acquisition costs and changes thereto for the years ended December 31:

	2023	2022
Balance - beginning of year	$ 9,757	8,722
Acquisition costs deferred	2,762	1,974
Amortization	(2,309)	(1,859)
Effect of foreign currency translation and other	151	920
Balance - end of year	$ 10,361	9,757

(10) Future Policy Benefits and Claims

The liability for future policy benefits and claims is comprised of basic and benefit reserves for universal life policies, traditional life products and investment contracts. The liability for future policy benefits and claims also includes SIS and IBNR reserves relating to the group life and health insurance policies.

Universal Life

The liability for future policy benefits for policy benefits for variable universal life policies represent approximately 4.70% and 4.75% of the total liability for future policy benefits as of December 31, 2023 and 2022, respectively. The liability for future policy benefits for universal life policies in the Chilean market has been established based on accumulated account values without reduction for surrender penalty provisions. The 5-year average return of the funds underlying VUL and APV are 0.03% and 3.30% for the year ended December 31, 2023 and 2022, respectively.

The liability for future policy benefits for universal life policies in the Peruvian market has been established based on accumulated account values without reduction for surrender penalty provisions. The average credited rate on these policies was 3.5% for the year ended December 31, 2023.

Traditional Life

The liability for future policy benefits for traditional life products in the Chilean market has been established based upon the net level premium method using interest rates varying from 2.0% to 5.0%.

Group Life and Health Insurance

The liability for future policy benefits for group life and health insurance policies is comprised of SIS and IBNR.

The size of the SIS claims that are still unpaid are calculated using the prescribed mortality and discount rates for the program. For the unreported SIS claims, reserves have been estimated using historical claim reporting information.

Reserves are calculated using withdrawal, mortality, and morbidity rates. Withdrawal rates vary by issue age, type of coverage and policy duration and are based on Company experience. Mortality and morbidity rates, which are guaranteed within insurance contracts, are based on published tables.

(Dollars in thousands)

The table below summarizes future policy benefits and claims reserves as of December 31:

		2023	2022
Annuity reserve	$	744,361	773,569
SIS reserves		104,021	114,823
Account value reserves		35,768	43,778
Benefit reserves		29,250	16,825
Shadow reserves		903	28,993
Other reserves		3,984	3,472
Total reserves	$	918,287	981,460

(11) Short Duration Contracts

The following table provides an analysis of the activity in the liability for unpaid claims and claim adjustment expenses at December 31, net of reinsurance:

		2023	2022
Claim reserves, beginning of year	$	115,578	127,008
Less reinsurance recoverables		(31,576)	(22,260)
Net claim reserves, beginning of year		84,002	104,748
Incurred related to:			
Current year		27,366	10,372
Prior years		13,397	37,880
Total incurred		40,763	48,252
Claims paid related to:			
Current year		(17,386)	(29,947)
Prior years		(21,646)	(39,051)
Total claims paid		(39,032)	(68,998)
Net claim reserves, end of year		85,733	84,002
Plus reinsurance recoverables		18,984	31,576
Claims reserves, end of year	$	104,717	115,578

Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The liability is regularly reviewed and revised to reflect current conditions and claims trends and any resulting adjustments are reflected in operating results in the year they are made.

ON FOREIGN HOLDINGS, SMLLC AND SUBSIDIARIES
(A Wholly Owned Subsidiary of AuguStar Life Insurance Company)

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(Dollars in thousands)

The following is information about the total of incurred and claims development and incurred but not reported ("IBNR") liabilities as of December 31:

ONSP - SIS (Burial, Survivorship and Disability Insurance)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31, Unaudited										As of December 31, 2023	
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total of IBNR Liabilities Plus Expected Development on Reported Claims**	**Cumulative Number of Reported Claims**
2014	58,749	52,070	53,544	56,387	54,849	55,864	52,075	47,565	49,652	50,931	496	668
2015		17,912	6,397	6,423	5,839	5,876	5,541	4,889	5,024	5,166	-	947
2016			30,064	32,169	32,072	33,121	32,933	30,425	31,619	32,286	944	1,225
2017				38,332	13,145	12,336	10,890	9,694	9,885	10,164	-	1,499
2018					68,700	69,865	64,498	59,704	62,473	64,649	2,854	1,796
2019						53,152	18,970	16,062	15,539	15,978	-	2,131
2020							92,168	94,696	96,299	98,696	8,089	3,012
2021								1,894	911	937	-	4,086
2022									1,134	1,245	317	4,425
2023										35,863	22,688	4,699
									Total	**$315,915**	**35,388**	

ONSP - SIS (Burial, Survivorship and Disability Insurance)

Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31, Unaudited									
Accident Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2014	20,517	38,946	48,121	53,014	52,837	54,645	50,248	46,310	48,791	50,435
2015		5,615	5,709	5,913	5,676	5,782	5,292	4,806	5,024	5,166
2016			14,422	24,991	27,919	30,497	29,120	27,596	29,796	31,342
2017				11,634	11,169	11,376	10,411	9,456	9,885	10,164
2018					30,615	54,455	55,628	54,115	58,310	61,795
2019						17,883	16,367	14,864	15,539	15,978
2020							35,537	68,229	83,321	90,607
2021								871	911	937
2022									656	928
2023										13,175
									Total	**$280,527**
									All outstanding liabilites before 2010, net of reinsurance	
									Liabilities for claims and claim adjustment expenses, net of reinsurance	**$35,388**

(Dollars in thousands)

ONSV - SIS (Burial, Survivorship and Disability insurance)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, Unaudited 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of December 31, 2023: Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014												
2015	$	20,028	36,630	39,507	37,154	34,116	38	44,612	48,963	41,800	41,800	
2016			20,892	8,069	17,378	16,371	18,331	16,422	18,358	18,693	-	
2017				65,713	54,320	49,751	50,758	38,359	41,633	42,334	85	
2018					40,519	35,282	64,688	49,079	49,220	44,906	3,454	13,746
2019						58,468	50,259	44,775	51,276	52,506	-	17,026
2020							48,114	35,263	58,718	59,720	4,516	12,411
2021								45,992	29,053	30,106	-	7,027
2022									3,012	7,005	-	4,218
2023										1,814	-	5,746
									Total $	**298,884**	**49,855**	(*)

ONSV - SIS (Burial, Survivorship and Disability insurance)

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, Unaudited 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014										
2015	$	5,815	20,080	31,769	32,812	31,465	-	-	-	-
2016			7,055	7,766	17,378	16,371	18,331	16,422	18,358	18,358
2017				39,606	38,673	36,546	41,267	36,826	41,479	42,249
2018					24,538	34,974	39,913	35,939	40,645	41,452
2019						28,537	50,259	44,775	51,276	52,506
2020							30,578	29,368	53,558	55,204
2021								45,992	29,053	30,106
2022									3,012	7,005
2023										1,814
									Total $	248,694
									All outstanding liabilites before 2018, net of reinsurance	-
									Liabilities for claims and claim adjustment expenses, net of reinsurance $	49,855

The SIS 1 and 2 total reserves was $1 and $1 as of December 31, 2023 and 2022, respectively. ONSV did not obtain reliable data from the Disability Survival Department, to populate the historical claims, therefore the reserve amount is shown in the 2015 accident year as of December 31, 2022. Also, in 2015 ONSV assumed reinsurance from ONSP's SIS 2 contract.

(Dollars in thousands)

Credit Life

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31
Unaudited

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	As of December 31, 2023: Total of IBNR Liabilities Plus Expected Development on Reported Claims	As of December 31, 2023: Cumulative Number of Reported Claims
2014	2,343	3,153	6,274	7,541	7,030	6,391	6,881	6,348	7,105	7,233	-	-
2015		2,171	3,961	7,248	6,823	6,204	6,680	6,162	6,897	7,022	-	-
2016			2,415	6,197	7,072	6,429	6,934	6,397	7,160	7,289	-	-
2017				3,251	7,682	6,979	7,521	6,975	7,816	7,959	-	-
2018					3,449	7,242	7,835	7,296	8,153	8,310	-	133,068
2019						2,916	7,934	7,377	8,223	8,390	-	144,462
2020							5,050	7,190	7,998	8,440	1	150,447
2021								3,650	3,991	4,300	2	156,555
2022									3,556	3,642	3	162,784
2023										2,233	25	169,205
									Total	$ 64,818	$ 31	

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31
Unaudited

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	2,140	3,140	6,257	7,541	7,030	6,391	6,881	6,348	7,105	7,233
2015	-	1,659	3,918	7,244	6,822	6,204	6,680	6,162	6,897	7,022
2016	-	-	2,049	6,174	7,065	6,429	6,934	6,397	7,160	7,289
2017	-	-	-	2,824	7,623	6,972	7,521	6,975	7,816	7,959
2018					3,032	7,196	7,834	7,283	8,153	8,310
2019						2,602	7,909	7,344	8,222	8,390
2020							4,748	7,113	7,974	8,439
2021								2,922	3,931	4,298
2022									2,887	3,639
2023										2,208
									Total	$ 64,787
All outstanding liabilites before 2008, net of reinsurance										
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 31

(Dollars in thousands)

Bancassurance

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31										As of December 31, 2023	
	Unaudited											
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	500	989	1,034	1,037	945	876	943	870	974	996	-	-
2015		929	1,227	1,238	1,126	1,047	1,128	1,040	1,164	1,187	-	-
2016			884	1,446	1,353	1,263	1,364	1,257	1,407	1,432	-	-
2017				712	890	850	914	840	950	967	-	-
2018					581	677	790	728	815	847	-	6,282
2019						347	557	546	617	635	-	6,772
2020							319	382	441	456	1	6,912
2021								250	375	397	2	7,204
2022									276	424	7	7,570
2023										218	28	7,892
									Total	$ 7,559	$ 38	

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31									
	Unaudited									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	551	963	1,028	1,036	945	876	943	870	974	996
2015	-	682	1,190	1,232	1,126	1,047	1,128	1,040	1,164	1,187
2016	-	-	780	1,429	1,352	1,262	1,363	1,257	1,407	1,432
2017	-	-	-	621	875	845	910	840	950	967
2018					471	666	786	728	815	847
2019						280	551	546	617	635
2020							288	379	440	455
2021								217	372	395
2022									247	417
2023										190
									Total	$ 7,521
All outstanding liabilites before 2008, net of reinsurance										
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 38

(Dollars in thousands)

The reconciliation of net incurred claims development tables to the liability for claims and claim adjustment expenses in the Consolidated Balance Sheets is as follows:

		Total	ONSP - SIS	ONSV - SIS	ONSV - Credit Life	ONSV - Bancassurance
Net outstanding liabilities						
Burial Survivorship and Disability Insurance	$	85,735	35,811	49,855	31	38
Other short-duration insurance lines		—	—	—	—	—
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance		85,735	35,811	49,855	31	38
Reinsurance recoverable on unpaid claims						
Burial Survivorship and Disability Insurance		60,780	57,884	2,268	602	26
Other short-duration insurance lines		—	—	—	—	—
Less Interco Reinsurance		(41,798)	(41,798)	—	—	—
Total reinsurance recoverable on unpaid claims		18,982	16,086	2,268	602	26
Insurance lines other than short-duration		—	—	—	—	—
Unallocated claims adjustment expenses		2,735	2,735	—	—	—
FX Adjustments		—	—	—	—	—
Discount		—	—	—	—	—
Other		—	—	—	—	—
		2,735	2,735	—	—	—
Total gross liability for unpaid claims and claim adjustment expense	$	107,452	54,632	52,123	633	64

The following is supplementary information about average historical claims duration as of December 31, 2023:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

Years	1	2	3	4	5	6	7
ONSP - SIS	48.4%	26.6%	3.8%	1.8%	0.0%	-0.9%	-1.1%
ONSV - SIS	66.2%	28.7%	22.4%	2.1%	1.9%	0.0%	0.0%
ONSV - Credit Life	45.4%	36.6%	20.2%	14.4%	7.7%	4.8%	6.3%
ONSV - Bancassurance	58.6%	37.4%	7.4%	3.8%	5.2%	7.3%	6.3%

(12) Reinsurance

The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth. The Company routinely enters into reinsurance transactions with other insurance companies, third parties and affiliates. This reinsurance involves either ceding certain risks to or assuming risks from other insurance companies. The Company's consolidated financial statements reflect the effects of assumed and ceded reinsurance transactions.

External Reinsurance
In September 2013, ONSV entered into quota share agreements with two unaffiliated insurance companies to cede the premiums and claims of the individual life business covering independent generations of policies in excess of a specified retention.

In July 2016, ONSV entered into a quota share agreement with an unaffiliated insurance company to cede the premiums and claims related to the disability and survival insurance business covering independent generations of policies in excess of a specified retention of SIS 5 block.

In January 2018, ONSP entered into an excess of retention reinsurance contract with an unaffiliated insurance company to cede the premiums and claims related to its universal life business.

In July 2018, ONSV entered into quota share agreements with two unaffiliated insurance companies to cede the premiums and claims related to the disability and survival insurance business covering independent generations of policies in excess of a specified retention of SIS 6 block.

In May 2020, ONSP entered into an excess of retention reinsurance contract with an unaffiliated reinsurer to cede the premiums and claims related to its term life business.

In July 2020, ONSV entered into a quota share agreement with an unaffiliated insurance company to cede the premiums and claims related to the disability and survival insurance business covering independent generations of policies in excess of a specified retention of SIS 7 block.

In September 2021, ONSV entered into a catastrophe excess of loss agreement with an unaffiliated insurance company to cede the premiums and claims related to disability and survival insurance business covering the assumed SIS 5 block of business.

During 2021, ONSP entered into proportional quota share reinsurance agreements with external reinsurers for the premiums and claims of yearly renewable group life and health insurance policies written between January 1, 2021 and December 31, 2022.

In January 2023, ONSP entered into a proportional quota share reinsurance agreement with external reinsurers for the premiums and claims of yearly renewable group life and health insurance policies written between January 1, 2023 and December 31, 2023.

In December 2023, ONSP entered into a proportional quota share reinsurance agreement with external reinsurers for the premiums and claims of yearly renewable group life and health insurance policies written between January 1, 2024 and December 31, 2024.

(Dollars in thousands)

Affiliate Reinsurance
In May 2021, ONSV entered into a proportional quota share agreement with ONSP whereby ONSV assumes 68% of the premiums and claims related to ONSP's participation in the Peruvian survival, disability and burial group insurance program. This agreement applies to premiums and claims incurred between January 1, 2021 and December 31, 2022.

In April 2022, ONSV entered into an intercompany reinsurance contract with ONSP whereby ONSV assumes 100% of the unreported claims related to ONSP's SIS I through IV participation in the Peruvian survival, disability and burial group insurance program. This agreement applies to unreported claims incurred starting on March 1, 2022 and onward.

In January 2023, ONSV entered into a proportional quota share reinsurance agreement with ONSP whereby ONSV assumes 40% of the premiums and claims related to ONSP's participation in the Peruvian survival disability and burial yearly renewable group life and health insurance program. This agreement applies to premiums and claims incurred between January 1, 2023 and December 31, 2023.

December 2023, ONSV entered into a proportional quota share reinsurance agreement with ONSP whereby ONSV assumes 40% of the premiums and claims related to ONSP's participation in the Peruvian survival disability and burial yearly renewable group life and health insurance program. This agreement applies to premiums and claims incurred between January 1, 2024 and December 31, 2024.

All of the affiliated reinsurance transactions eliminate in consolidation at the ONFH level.

The reconciliation of total premiums and charges to net premiums and charges and total benefits and claims to net benefits and claims for the years ended December 31, were as follows:

		2023	2022
Premiums and charges:			
Direct premiums and charges	$	153,326	131,308
Reinsurance ceded - external		(11,235)	(30,261)
Net premiums and charges	$	142,091	101,047
Benefits and claims:			
Direct benefits and claims	$	146,979	185,065
Reinsurance ceded - external		(4,234)	(5,419)
Net benefits and claims	$	142,745	179,646

(Dollars in thousands)

(13) Income Taxes

The Company is a disregarded entity for federal income tax purposes, as discussed in Note 3. Income tax amounts reflected in the financial statements represent the income provisions for the Company's foreign subsidiaries, ONSV, ONSP and U.S. subsidiary ALL.

ALL, ONSV and ONSP provide for income taxes based on amounts they believe they will ultimately owe in accordance with FASB ASC 740, *Income Taxes*. The need for reserves is reviewed regularly and is adjusted as events occur that they believe impact their liability for additional taxes. ALL, ONSV and ONSP believe that their income tax filing positions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on their financial condition, results of operations or cash flows. Therefore, no reserves for uncertain tax positions have been recorded pursuant to ASC 740.

The provision for income taxes is as follows:

		2023	2022
Current expense	$	4,392	5,144
Deferred expense (benefit)		1,009	(1,427)
Total income tax expense (benefit)	$	5,401	3,717

The following table is the reconciliation of the provision for income taxes based on country of domestication income tax rates to the total income tax expense provision reported in the Consolidated Statements of Operations for ALL, ONSV and ONSP for the years ended December 31:

		2023	2022
Pre-tax income times U.S. enacted tax rate	$	8,100	4,503
Foreign statutory tax differential		2,804	1,143
Other, net		(5,503)	(1,929)
Income taxes	$	5,401	3,717
Effective tax rate		14.0%	17.3%

(Dollars in thousands)

The tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities that give rise to significant components of the net deferred tax liability as of December 31:

	2023	2022
Deferred foreign tax assets:		
Mortgage loans on real estate	$ 158	197
Fixed maturity securities available-for-sale	368	441
Fixed assets	4,072	3,571
Net operating loss carryforwards	5,753	7,683
Other long term investments	5,234	5,061
Shadow reserve	—	7,828
Other	(342)	21,964
Total gross deferred foreign tax assets	15,243	46,745
Valuation allowance on deferred foreign tax assets	(5,753)	(7,683)
Net deferred foreign tax assets	9,490	39,062
Deferred foreign tax liabilities:		
Future policy benefits	9,223	23,027
Fixed maturity securities available-for-sale	(4,514)	19,211
Deferred policy acquisition costs	2,469	2,406
Total gross deferred foreign tax liabilties	7,178	44,644
Net deferred foreign tax asset (liability)	$ 2,312	(5,582)

ALL, ONSV and ONSP record net deferred tax assets to the extent that they believe these assets will be more likely than not realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. ALL, ONSV and ONSP consider the scheduled reversal of deferred tax liabilities, projected future income, and tax planning strategies under their country of domestication laws in making this assessment. In the event ALL, ONSV or ONSP were to determine that they would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, an adjustment would be made to the valuation allowance, which would reduce the provision for income taxes. ALL, ONSV and ONSP believe it is more likely than not that it will realize the benefits of these deductible differences, net of existing valuation allowances.

(14) Additional Financial Instruments Disclosure

Financial Instruments with Off Balance Sheet Risk

The Company is a party to financial instruments with off balance sheet risk in the normal course of business through management of its investment portfolio. The Company had no outstanding commitments to fund mortgage loans, bonds, common stocks and venture capital partnerships as of December 31, 2023 or 2022. These commitments involve, in varying degrees, elements of credit and market risk in excess of amounts recognized in the financial statements. The credit risk of all financial instruments, whether on or off balance sheet, is controlled through credit approvals, limits, and monitoring procedures.

(15) Contingencies

As of December 31, 2023, ONSP maintains letters of guarantees for $1,001 that have been issued in favor of the Private Pension System in guarantee of compliance with the obligations of the contract for the SIS program.

(16) Related Party Transactions

ONFH is a party to a cash pooling agreement with CIHI which includes most of CIHI's direct and indirect subsidiaries whereby ALIC maintains a common checking account. It is ALIC's duty to maintain sufficient funds to meet the reasonable needs of each party on demand. ALIC must account for the balances of each party daily. Such funds are deemed to be held in escrow by ALIC for the other parties. Settlement is made daily for each party's needs from or to the common account. It is ALIC's duty to invest excess funds in an interest bearing account and/or short term highly liquid investments. ALIC credits monthly interest using the average interest earned for positive cash balances during the period or charges interest on any negative balances to the parties in the agreement. The parties agree to indemnify one another for any losses of any nature relating to a party's breach of its duties under the terms of the agreement. At December 31, 2023 and 2022, ONFH's share of this common checking account was a liability of $1,630 and $314, respectively.

During 2023, ONFH's parent company ALIC made capital contributions totaling $111,941 to fund capital initiatives and operating activities of the Company's subsidiaries. In October and December 2023, ONFH made capital contributions of $2,000 and $99,000, respectively, to fund its new subsidiary ALL. ALL will lend the funds to ONSA to contribute to ONSV for the acquisition of the block of annuity business from Zurich Insurance Group discussed in Note 1. In November 2023, ONFH made capital contributions of $10,941 to its subsidiary ONOH to fund operating activities for its Dutch holdings companies ONOH and ONNH and to settle intercompany transactions between ONNH subsidiaries.