GWL&A Financial Inc.

(an indirect wholly-owned subsidiary of Great-West Lifeco Inc.)

Consolidated Balance Sheets as of December 31, 2016, and 2015, and Related Consolidated Statements of Income, Comprehensive Income, Stockholder's Equity and Cash Flows for Each of the Three Years in the Period Ended December 31, 2016, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
GWL&A Financial Inc.
Greenwood Village, Colorado

We have audited the accompanying consolidated financial statements of GWL&A Financial Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income (loss), stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWL&A Financial Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 22, 2017

GWL&A FINANCIAL INC.
Consolidated Balance Sheets
December 31, 2016, and 2015
(In Thousands, Except Share Amounts)

	December 31,	
	2016	**2015**
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $21,672,727 and $20,007,462)	$ 22,153,703	$ 20,531,627
Fixed maturities, held-for-trading, at fair value (amortized cost of $519,495 and $612,899)	514,738	615,839
Mortgage loans on real estate (net of valuation allowances of $2,882 and $2,890)	3,558,826	3,247,704
Policy loans	4,019,648	4,092,661
Short-term investments (amortized cost of $307,513 and $270,544)	307,513	270,544
Limited partnership and other corporation interests	34,895	40,980
Notes receivable from affiliates	1,174,558	1,211,610
Other investments	15,052	15,189
Total investments	31,778,933	30,026,154
Other assets:		
Cash	18,321	34,362
Reinsurance recoverable	598,864	604,946
Deferred acquisition costs (“DAC”) and value of business acquired (“VOBA”)	486,690	414,143
Investment income due and accrued	458,674	449,253
Due from parent and affiliates	1,813	11,949
Goodwill	137,683	137,683
Other intangible assets	20,087	23,819
Other assets	1,023,597	877,533
Assets of discontinued operations	17,652	21,910
Separate account assets	27,037,765	26,631,193
Total assets	$ 61,580,079	$ 59,232,945

See notes to consolidated financial statements.

(Continued)

GWL&A FINANCIAL INC.
Consolidated Balance Sheets
December 31, 2016, and 2015
(In Thousands, Except Share Amounts)

	December 31,	
	2016	**2015**
Liabilities and stockholder's equity		
Policy benefit liabilities:		
Future policy benefits	$ 28,872,899	$ 27,110,981
Policy and contract claims	372,259	354,899
Policyholders' funds	285,554	299,577
Provision for policyholders' dividends	49,521	55,481
Undistributed earnings on participating business	15,573	17,024
Total policy benefit liabilities	29,595,806	27,837,962
General liabilities:		
Due to parent and affiliates	70,117	90,299
Commercial paper	99,049	93,371
Long term debt to affiliates	608,455	588,677
Deferred income tax liabilities, net	191,911	137,116
Other liabilities	821,732	761,973
Liabilities of discontinued operations	17,652	21,910
Separate account liabilities	27,037,765	26,631,193
Total liabilities	58,442,487	56,162,501
Commitments and contingencies (See Note 21)		
Stockholder's equity:		
Preferred stock, $0 par value, 500,000 shares authorized; none issued and outstanding	—	—
Common stock, $0 par value, 500,000 shares authorized; 50,025 shares issued and outstanding	—	—
Additional paid-in capital	790,019	787,553
Accumulated other comprehensive income	235,875	233,438
Retained earnings	2,111,698	2,049,453
Total stockholder's equity	3,137,592	3,070,444
Total liabilities and stockholder's equity	$ 61,580,079	$ 59,232,945

See notes to consolidated financial statements. (Concluded)

GWL&A FINANCIAL INC.
Consolidated Statements of Income
Years Ended December 31, 2016, 2015, and 2014
(In Thousands, Except Share Amounts)

	Year ended December 31,		
	2016	**2015**	**2014**
Revenues:			
Premium income	$ 465,349	$ 445,550	$ 446,395
Fee income	956,817	944,526	729,179
Other revenue	12,261	13,563	7,506
Net investment income	1,293,911	1,265,923	1,240,798
Realized investment gains (losses), net:			
Total other-than-temporary losses	(4,963)	(1,044)	(4,334)
Other-than-temporary (gains) losses transferred to other comprehensive income	—	(78)	—
Other realized investment gains (losses), net	97,845	84,832	151,573
Total realized investment gains (losses), net	92,882	83,710	147,239
Total revenues	2,821,220	2,753,272	2,571,117
Benefits and expenses:			
Life and other policy benefits	709,333	636,855	643,420
Decrease in future policy benefits	(124,576)	(41,636)	(56,073)
Interest paid or credited to contractholders	608,803	583,319	575,400
Provision for policyholders' share of losses on participating business	(1,024)	(1,267)	(1,041)
Dividends to policyholders	48,487	57,356	60,739
Total benefits	1,241,023	1,234,627	1,222,445
General insurance expenses	1,181,227	1,078,996	780,991
Amortization of DAC and VOBA	31,309	100,589	44,845
Interest expense	40,877	45,187	43,975
Total benefits and expenses	2,494,436	2,459,399	2,092,256
Income before income taxes	326,784	293,873	478,861
Income tax expense	89,374	100,325	158,108
Net income	$ 237,410	$ 193,548	$ 320,753

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2015, 2014, and 2013

(In Thousands, Except Share Amounts)

	Year Ended December 31,		
	2016	**2015**	**2014**
Net income	$ 237,410	$ 193,548	$ 320,753
Components of other comprehensive income (loss)			
Unrealized holding gains (losses), net, arising on available-for-sale fixed maturity investments	20,295	(643,880)	586,458
Unrealized holding gains (losses), net, arising on cash flow hedges	44,776	31,061	20,137
Reclassification adjustment for (gains) losses, net, realized in net income	(74,271)	(52,597)	(56,027)
Net unrealized gains (losses) related to investments	(9,200)	(665,416)	550,568
Future policy benefits, DAC and VOBA adjustments	10,983	65,245	(58,760)
Employee benefit plan adjustment	1,966	31,586	(95,886)
Other, net	12,949	96,831	(154,646)
Other comprehensive income (loss) before income taxes	3,749	(568,585)	395,922
Income tax expense (benefit) related to items of other comprehensive income	1,312	(199,005)	138,572
Other comprehensive income (loss) [1]	2,437	(369,580)	257,350
Total comprehensive income (loss)	$ 239,847	$ (176,032)	$ 578,103

[1] Other comprehensive income (loss) includes the non-credit component of impaired losses on fixed maturities available-for-sale, net of future policy benefits, DAC and VOBA adjustments and income taxes, in the amounts of $(6,520), $(6,596), and $177 for the years ended December 31, 2016, 2015, and 2014, respectively.

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.
Consolidated Statements of Stockholder's Equity
Years Ended December 31, 2016, 2015, and 2014
(In Thousands, Except Share Amounts)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balances, January 1, 2014	$ 250	$ 781,147	$ 345,668	$ 1,991,083	$ 3,118,148
Net income	—	—	—	320,753	320,753
Reclassification of initial contributed capital	(250)	250	—	—	—
Other comprehensive income, net of income taxes	—	—	257,350	—	257,350
Dividends	—	—	—	(316,400)	(316,400)
Capital contribution - Share - based compensation	—	3,384	—	—	3,384
Income tax benefit on share-based compensation	—	165	—	—	165
Balances, December 31, 2014	—	784,946	603,018	1,995,436	3,383,400
Net income	—	—	—	193,548	193,548
Other comprehensive loss, net of income taxes	—	—	(369,580)	—	(369,580)
Dividends	—	—	—	(139,531)	(139,531)
Capital contribution - Share - based compensation	—	1,655	—	—	1,665
Income tax benefit on share-based compensation	—	952	—	—	952
Balances, December 31, 2015	—	787,553	233,438	2,049,453	3,070,444
Net income	—	—	—	237,410	237,410
Other comprehensive income, net of income taxes	—	—	2,437	—	2,437
Dividends	—	—	—	(175,166)	(175,166)
Capital contribution - Share - based compensation	—	2,190	—	—	2,190
Income tax benefit on share-based compensation	—	277	—	—	277
Balances, December 31, 2016	$ —	$ 790,020	$ 235,875	$ 2,111,697	$ 3,137,592

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2016, 2015, and 2014
(In Thousands, Except Share Amounts)

	Year ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 237,410	$ 193,548	$ 320,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Losses allocated to participating policyholders	(1,024)	(1,267)	(1,041)
Amortization of premiums (accretion of discounts) on investments, net	2,209	(12,213)	(42,022)
Net realized (gains) losses on investments	(75,472)	(73,331)	(64,237)
Net proceeds (purchases) of trading securities	107,770	(277,510)	11,478
Interest credited to contractholders	606,790	577,548	571,860
Depreciation and amortization	74,987	139,763	76,489
Deferral of acquisition costs	(93,621)	(64,709)	(110,843)
Deferred income taxes	53,481	21,682	78,060
Contingent consideration	(209)	(17,600)	—
Amortization of low-income housing partnerships	372	4,563	21,713
Other, net	(1,366)	(3,072)	(4,984)
Changes in assets and liabilities:			
Policy benefit liabilities	(231,952)	(273,507)	(151,096)
Reinsurance recoverable	10,340	8,738	(18,054)
Investment income due and accrued	(9,315)	(15,876)	(21,361)
Other assets	(19,986)	(12,872)	(5,478)
Other liabilities	(4,384)	22,094	(6,518)
Net cash provided by operating activities	656,030	215,979	654,719
Cash flows from investing activities:			
Proceeds from sales, maturities, and redemptions of investments:			
Fixed maturities, available-for-sale	6,229,209	5,470,124	4,124,159
Mortgage loans on real estate	389,663	594,497	384,306
Limited partnership interests, other corporation interests, and other investments	10,742	6,833	7,555
Notes receivable from affiliates	37,052	—	—
Purchases of investments:			
Fixed maturities, available-for-sale	(7,840,166)	(6,468,699)	(5,174,996)
Mortgage loans on real estate	(694,127)	(448,924)	(609,008)
Limited partnership interests, other corporation interests, and other investments	(5,766)	(1,527)	(2,983)
Net change in short-term investments	(39,684)	(2,236)	22,100
Policy loans, net	5,527	98,143	(11,169)
Acquisition payment	—	—	(28,356)
Purchases of furniture, equipment, and software	(44,644)	(78,778)	(35,537)
Net cash used in investing activities	(1,952,194)	(830,567)	(1,323,929)

See notes to consolidated financial statements.

(Continued)

GWL&A FINANCIAL INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2016, 2015, and 2014
(In Thousands, Except Share Amounts)

	Year ended December 31,		
	2016	2015	2014
Cash flows from financing activities:			
Contract deposits	$ 3,546,320	$ 2,527,039	$ 2,709,043
Contract withdrawals	(2,098,286)	(1,782,571)	(1,757,936)
Change in due to/from parent and affiliates	(10,047)	(14,266)	54,951
Proceeds from long term debt issuance to affiliates	19,778	60,803	—
Dividends paid	(175,166)	(139,531)	(316,400)
Proceeds from financing element derivatives	—	—	5,516
Payments for and interest paid on financing element derivatives, net	(6,744)	(9,383)	(8,392)
Payment of contingent consideration	(14,400)	—	—
Net commercial paper borrowings	5,678	(5,218)	(401)
Change in book overdrafts	12,713	(1,651)	(12,052)
Income tax benefit of stock option exercises	277	953	165
Net cash provided by financing activities	1,280,123	636,175	674,494
Net (decrease) increase in cash	(16,041)	21,587	5,284
Cash, beginning of year	34,362	12,775	7,491
Cash, end of year	$ 18,321	$ 34,362	$ 12,775
Supplemental disclosures of cash flow information:			
Net cash (paid) received during the year for:			
Income taxes	$ (1,543)	$ (4,093)	$ 46,447
Interest	(31,254)	(37,288)	(37,284)
Non-cash investing and financing transactions during the years:			
Share-based compensation expense	$ (2,190)	$ (1,655)	$ (3,384)
Contingent consideration	—	—	(32,209)

See notes to consolidated financial statements. (Concluded)

1. Organization and Significant Accounting Policies

Organization

GWL&A Financial Inc. and its subsidiaries (collectively, the "Company") is a direct wholly-owned subsidiary of Great-West Lifeco U.S. LLC ("Lifeco U.S."), a United States holding company and an indirect wholly-owned subsidiary of Great-West Lifeco Inc. ("Lifeco"), a Canadian holding company. The Company was incorporated in the state of Delaware on September 16, 1998 to act as a holding company for Great-West Life & Annuity Insurance Company ("GWL&A") and its subsidiaries and was capitalized through a $250 cash investment in exchange for shares of common stock. GWL&A, a Colorado life insurance company, offers a wide range of life insurance, retirement, and investment products to individuals, businesses, and other private and public organizations throughout the United States.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries over which it exercises control and are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to account for items and matters such as, but not limited to, the valuation of investments and derivatives in the absence of quoted market values, impairment of investments, accounting for derivative financial instruments, valuation of DAC and VOBA, valuation of policy benefit liabilities, valuation of employee benefits plan obligation, the valuation of deferred tax assets or liabilities, net, and valuation of contingent consideration. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Investments

Investments are reported as follows:

1. The Company classifies the majority of its fixed maturity investments as available-for-sale which are recorded at fair value with the related net unrealized gain or loss, net of policyholder related amounts, and deferred taxes, recorded in accumulated other comprehensive income (loss) ("AOCI"). Included in fixed maturities are perpetual debt investments which primarily consist of junior subordinated debt instruments that have no stated maturity date but pay fixed or floating interest in perpetuity. Also included in AOCI is net unrealized gain or loss resulting from foreign currency translations of fixed maturity investments denominated in foreign currencies.

   Premiums and discounts are recognized as a component of net investment income using the effective interest method. Realized gains and losses are included in net realized investment gains (losses), declines in value determined to be other-than-temporary are included in total other-than-temporary losses, and realized gains and losses from foreign currency translations are recorded in net investment income.

   The Company also classifies certain fixed maturity investments as held-for-trading. Assets in the held-for-trading category are carried at fair value with changes in fair value reported in net investment income.

   The recognition of income on certain investments (e.g. loan-backed securities, including mortgage-backed and asset-backed securities) is dependent upon market conditions, which may result in prepayments and changes in amounts to be earned. Prepayments on all mortgage-backed and asset-backed securities are monitored monthly, and amortization of the premium and/or the accretion of the discount associated with the purchase of such securities are adjusted by such prepayments.

   The Company recognizes the acquisition of its public fixed maturity investments on a trade date basis and its private placement investments on a funding date basis.

2. Mortgage loans on real estate consist primarily of domestic commercial collateralized loans and are carried at their unpaid principal balances adjusted for any unamortized premiums or discounts, origination fees, provision allowances, and foreign currency translations. Interest income is accrued on the unpaid principal balance for all loans, except for loans on non-accrual status. Premiums, discounts, and origination fees are amortized to net investment income using the effective interest method. Prepayment penalty fees are recognized in other realized investment gains upon receipt.

The Company actively manages its mortgage loan portfolio by completing ongoing comprehensive analysis of factors such as debt service coverage ratios, loan-to-value ratios, payment status, default or legal status, annual collateral property evaluations, and general market conditions. On a quarterly basis, the Company reviews the above primary credit quality indicators in its internal risk assessment of loan impairment and credit loss. Management's risk assessment process is subjective and includes the categorization of all loans, based on the above mentioned credit quality indicators, into one of the following categories:

- Performing - generally indicates the loan has standard market risk and is within its original underwriting guidelines.
- Non-performing - generally indicates there is a potential for loss due to the deterioration of financial/monetary default indicators or potential foreclosure. Due to the potential for loss, these loans are evaluated for impairment.

The adequacy of the Company's mortgage provision allowance is reviewed quarterly. The determination of the calculation and the adequacy of the mortgage provision allowance and mortgage impairments involve judgments that incorporate qualitative and quantitative Company and industry mortgage performance data. Management's periodic evaluation and assessment of the adequacy of the mortgage provision allowance and the need for mortgage impairments is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the fair value of the underlying collateral, composition of the loan portfolio, current economic conditions, loss experience, and other relevant factors. Loans included in the non-performing category and other loans with certain substandard credit quality indicators are individually reviewed to determine if a specific impairment is required. Risk is mitigated primarily through first position collateralization, guarantees, loan covenants, and borrower reporting requirements. Since the Company does not originate or hold uncollateralized mortgages, loans are generally not deemed fully uncollectable. Generally, unrecoverable amounts are written off during the final stage of the foreclosure process.

Loan balances are considered past due when payment has not been received based on contractually agreed upon terms. The accrual of interest is discontinued when concerns exist regarding the realization of loan principal or interest. The Company resumes interest accrual on loans when a loan returns to current status or under new terms when loans are restructured or modified.

On a quarterly basis, any loans with terms that were modified during that period are reviewed to determine if the loan modifications constitute a troubled debt restructuring ("TDR"). In evaluating whether a loan modification constitutes a TDR, it must be determined that the modification is a significant concession and the debtor is experiencing financial difficulties.

3. Limited partnership and other corporation interests are accounted for using either the cost or equity method of accounting. The Company uses the cost method on investments where it has a minor equity interest and no significant influence over the entity's operations. The Company uses the equity method when it has a partnership interest that is considered more than minor, although the Company has no significant influence over the entity's operations. Also included in limited partnership interests are limited partnerships established for the purpose of investing in low-income housing that qualify for federal and state tax credits. These interests are carried at amortized cost as determined using the effective yield method.

In the normal course of its activities, the Company is involved with other entities that are considered variable interest entities ("VIE"). The Company would be determined to be a primary beneficiary, and thus consolidate the VIE when the Company has both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company would also consolidate a VIE when it has, directly or indirectly, more than 50% of the outstanding voting shares (or more than 50% of the kick-out rights through voting interests for investments in limited partnerships). When the Company becomes involved with an entity and when the nature of the Company's involvement with the entity changes, in order to determine if the Company must consolidate the entity, it evaluates:

- The structure and purpose of the entity;

- The risks and rewards created by and shared through the entity;
- The entity's participants' ability to direct the activities, receive its benefits, and absorb its losses; and
- If the Company has more than 50% of the outstanding voting rights or can unilaterally exercise substantive kick-out rights.

The Company performs ongoing qualitative analyses of its involvement with VIEs to determine if consolidation is required.

4. Policy loans are carried at their unpaid balances. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned. Policy loans are fully collateralized by the cash surrender value of the associated insurance policy.

5. Short-term investments include securities purchased with investment intent and with initial maturities of one year or less, and are generally carried at fair value which is approximated from amortized cost. They also include highly liquid money market securities that are traded in an active market and are carried at fair value.

6. Notes receivable from affiliates are carried at cost.

7. The Company participates in a securities lending program in which the Company lends fixed maturity securities that are held as part of its general account investment portfolio to third parties. The Company does not enter into these types of transactions for liquidity purposes, but rather for yield enhancement on its investment portfolio. The borrower can return and the Company can request the loaned securities be returned at any time. The Company maintains ownership of the securities at all times and is entitled to receive from the borrower any payments for interest received on such securities during the loan term. Securities lending transactions are accounted for as secured borrowings. The securities on loan are included within fixed maturities and short-term investments in the accompanying consolidated balance sheets. The securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. The Company generally requires initial collateral in an amount greater than or equal to 102% of the fair value of domestic securities loaned and 105% of foreign securities loaned. Such collateral is used to replace the securities loaned in event of default by the borrower. Acceptable collateral is generally defined as government securities, letters of credit and/or cash collateral. Some cash collateral may be reinvested in short-term repurchase agreements which are also collateralized by U.S. Government or U.S. Government Agency securities. Reinvested cash collateral is recognized within collateral under securities lending agreements in the accompanying consolidated balance sheets. Non-cash collateral is not recognized as the Company does not have effective control.

8. The Company's other-than-temporary impairments ("OTTI") accounting policy requires that a decline in the value of a security below its cost or amortized cost basis be assessed to determine if the decline is other-than-temporary. The assessment of whether an OTTI has occurred on fixed maturity investments, where management does not intend to sell the fixed maturity investment and it is not more likely than not the Company will be required to sell the fixed maturity investment before recovery of its amortized cost basis, is based upon management's case-by-case evaluation of the underlying reasons for the decline in fair value of each individual security. Management considers a wide range of factors, as described below, regarding the security issuer and uses its best judgment in evaluating the cause of the decline in its estimated fair value and in assessing the prospects for near-term recovery.

   Considerations used by the Company in the impairment evaluation process include, but are not limited to, the following:

   - The extent to which estimated fair value is below cost;
   - Whether the decline in fair value is attributable to specific adverse conditions affecting a particular instrument, its issuer, an industry, or geographic area;
   - The length of time for which the estimated fair value has been below cost;
   - Downgrade of a fixed maturity investment by a credit rating agency;
   - Deterioration of the financial condition of the issuer;
   - The payment structure of the fixed maturity investment and the likelihood of the issuer being able to make payments in the future; and
   - Whether dividends have been reduced or eliminated or scheduled interest payments have not been made.

   If either (a) management has the intent to sell a fixed maturity investment or (b) it is more likely than not the Company will be required to sell a fixed maturity investment before its anticipated recovery, a charge is recorded in net realized investment

losses equal to the difference between the fair value and cost or amortized cost basis of the security. If management does not intend to sell the security and it is not more likely than not the Company will be required to sell the fixed maturity investment before recovery of its amortized cost basis, but the present value of the cash flows expected to be collected (discounted at the effective interest rate implicit in the fixed maturity investment prior to impairment) is less than the amortized cost basis of the fixed maturity investment (referred to as the credit loss portion), an OTTI is considered to have occurred. In this instance, total OTTI is bifurcated into two components: the amount related to the credit loss, which is recognized in current period earnings; and the amount attributed to other factors (referred to as the non-credit portion), which is recognized as a separate component in AOCI. The expected cash flows utilized during the impairment evaluation process are determined using judgment and the best information available to the Company including default rates, credit ratings, collateral characteristics, and current levels of subordination. After the recognition of an OTTI, a fixed maturity investment is accounted for as if it had been purchased on the measurement date of the OTTI, with an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. The difference between the new amortized cost basis and the future cash flows is accreted into net investment income. The Company continues to estimate the present value of cash flows expected to be collected over the life of the security.

Derivative financial instruments

The Company enters into derivative transactions which include the use of interest rate swaps, interest rate swaptions, cross-currency swaps, foreign currency forwards, U.S. government treasury futures, Eurodollar futures, futures on equity indices, interest rate swap futures, and other forward contracts. The Company uses these derivative instruments to manage various risks, including interest rate and foreign currency exchange rate risk associated with its invested assets and liabilities. Derivative instruments are not used for speculative reasons. Certain of the Company's over-the-counter ("OTC") derivatives are cleared and settled through a central clearing counterparty while others are bilateral contracts between the Company and a counterparty.

All derivatives, regardless of hedge accounting treatment, are recorded in other assets and other liabilities at fair value. Although some derivatives are executed under a master netting arrangement, the Company does not offset in the consolidated balance sheets the fair value of those derivative instruments and the related cash collateral or net derivative receivables and payables executed with the same counterparty under the same master netting arrangement. At inception of a derivative transaction, the hedge relationship and risk management objective is documented and the designation of the derivative is determined based on specific criteria of the transaction. Accounting for the ongoing changes in the fair value of a derivative depends on the intended use of the derivative. If the derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in AOCI and are recognized in the consolidated income statements when the hedged item affects earnings. Changes in fair value resulting from foreign currency translations are recorded in either AOCI or net investment income, consistent with where they are recorded on the underlying hedged asset or liability. If the derivative is designated as a fair value hedge, the changes in its fair value and of the fair value of the hedged item attributable to the hedged risk are recognized in earnings in net investment income. Changes in the fair value, including changes resulting from foreign currency translations, of derivatives not qualifying for hedge accounting or where hedge accounting is not elected and the over effective portion of cash flow hedges are recognized in net investment income in the period of the change. Realized foreign currency transactional gains and losses, regardless of hedge accounting treatment, are recorded in net investment income. Termination of derivative contracts prior to expiration generally result in investment gains and losses. Fluctuations in interest rates, foreign currencies, or equity markets may cause the Company to experience volatility in net income.

The Company uses forward settling to be announced ("TBA") securities to gain exposure to the investment risk and return of agency mortgage-backed securities (pass-throughs). These transactions are utilized to enhance the return of the Company's investment portfolio and are accounted for as derivative instruments not qualifying for hedge accounting. The Company purchases agency mortgage-backed TBAs yet does not always take physical delivery of a security but rather may roll the security into the next month. The Company generally takes physical delivery of a security before year end. Changes in fair value on open TBA transactions are recorded in net investment income while realized investment gains or losses are recorded once the Company cash settles or accepts physical delivery of a security.

As part of its hedging strategy, the Company may enter into certain derivative transactions where a cash investment is made by one party. Certain derivative instruments that contain a financing element at inception and where the Company is deemed to be the borrower are included in financing activities in the consolidated statements of cash flows. The cash flows from all other derivative transactions are included in operating activities.

The Company uses derivative financial instruments for risk management purposes associated with certain invested assets and policy liabilities. Derivatives are used to (a) hedge the economic effects of interest rate and stock market movements on the Company's guaranteed lifetime withdrawal benefit ("GLWB") liability, (b) hedge the economic effect of a large increase in interest rates on the Company's general account life insurance, group pension liabilities, and certain separate account life insurance liabilities, (c) hedge the economic risks of other transactions such as future asset acquisitions or dispositions, the timing of liability pricing, currency risks on non-U.S. dollar denominated assets, and (d) convert floating rate assets or debt obligations to fixed rate assets or debt obligations for asset/liability management purposes.

The Company controls the credit risk of its derivative contracts through credit approvals, limits, monitoring procedures, and in many cases, requiring collateral. The Company's exposure is limited to the portion of the fair value of derivative instruments that exceeds the value of the collateral held and not to the notional or contractual amounts of the derivatives.

Derivatives in a net asset position may have cash or securities pledged as collateral to the Company in accordance with the collateral support agreements with the counterparty. This collateral is held in a custodial account for the benefit of the Company. Unrestricted cash collateral is included in other assets and the obligation to return it is included in other liabilities. The cash collateral is reinvested in a government money market fund. Cash collateral pledged by the Company is included in other assets.

Fair Value

Certain assets and liabilities are recorded at fair value on 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 in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company categorizes its assets and liabilities measured at fair value on a recurring basis into a three-level hierarchy, based on the priority of the inputs to the respective 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). The Company's assets and liabilities recorded at fair value on a recurring basis have been categorized based upon the following fair value hierarchy:

- Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Financial assets and liabilities utilizing Level 1 inputs include certain money market funds.

- Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities are obtained from pricing services. The inputs used by the pricing services are reviewed at least quarterly or when the pricing vendor issues updates to its pricing methodology. For fixed maturity securities and separate account assets and liabilities, inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, evaluated bids, offers, and reference data including market research publications. Additional inputs utilized for assets and liabilities classified as Level 2 are:

    - Asset-backed, residential mortgage-backed, commercial mortgage-backed securities, and collateralized debt obligations - new issue data, monthly payment information, collateral performance, and third party real estate analysis.
    - U.S. states and their subdivisions - material event notices.
    - Short-term investments - valued based on amortized cost due to their short term nature and high credit quality of the issuers.
    - Derivative instruments - trading activity, swap curves, credit spreads, currency volatility, net present value of cash flows, and news sources.
    - Separate account assets and liabilities - various index data and news sources, amortized cost (which approximates fair value), trading activity, swap curves, credit spreads, recovery rates, restructuring, net present value of cash flows, and quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability. In general, the prices of Level 3 securities are obtained from single broker quotes and internal pricing models. If the broker's inputs are largely unobservable, the valuation is classified as a Level 3. Broker quotes are validated through an internal analyst review process, which includes validation through known market conditions and other relevant data, as noted below. Internal models are usually cash flow based utilizing characteristics of the underlying collateral of the security such as default rate and other relevant data. Inputs utilized for securities classified as Level 3 are as follows:

    - Corporate debt securities - unadjusted single broker quotes which may be in an illiquid market or otherwise deemed unobservable.
    - Asset-backed securities - internal models utilizing asset-backed securities index spreads.
    - GLWB - internal models utilizing long-term equity and interest rate implied volatility, mortality, and policyholder behavior assumptions, such as benefit utilization and partial withdrawals.

The fair value of certain investments in the separate accounts, limited partnerships, and common collective trusts are estimated using net asset value per unit as a practical expedient and are excluded from the fair value hierarchy tables in Notes 8 and 17. These net asset values are based on the fair value of the underlying investments less liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Overall, transfers between levels are attributable to a change in the observability of inputs. Assets and liabilities are transferred to a lower level in the hierarchy when a significant input cannot be corroborated with market observable data. This may occur when market activity decreases and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred to a higher level in the hierarchy when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity including recent trades, a specific event, or one or more significant input(s) becoming observable. All transfers between levels are recognized at the beginning of the reporting period in which the transfer occurred.

The policies and procedures utilized to review, account for, and report on the value and level of the Company's securities were determined and implemented by the Finance division. The Investments division is responsible for the processes related to security purchases and sales and provides valuation and leveling input to the Finance division when necessary. Both divisions within the Company have worked in conjunction to establish thorough pricing, review, approval, accounting, and reporting policies and procedures around the securities valuation process.

In some instances, securities are priced using external broker quotes. In most cases, when broker quotes are used as pricing inputs, more than one broker quote is obtained. External broker quotes are reviewed internally by comparing the quotes to similar securities in the public market and/or to vendor pricing, if available. Additionally, external broker quotes are compared to market reported trade activity to ascertain whether the price is reasonable, reflective of the current market prices, and takes into account the characteristics of the Company's securities.

Cash

Cash includes only amounts in demand deposit accounts.

Book overdrafts occur when checks have been issued by the Company, but have not been presented to the Company's disbursement bank accounts for payment. These bank accounts allow the Company to delay funding of the issued checks until they are presented for payment. This delay in funding results in a temporary source of financing. The activity related to book overdrafts is included in the financing activities in the consolidated statement of cash flows. The book overdrafts, in the amounts of $12,850 and $137, are included in other liabilities at December 31, 2016, and 2015, respectively.

Internal use software

Purchased software costs, as well as certain internal and external costs incurred to develop internal use computer software during the application development stage, are capitalized and amortized using the straight-line method over the software's estimated useful life up to five years. Capitalized internal use software development costs, net of accumulated amortization, in the amounts of $98,074 and $93,646, are included in other assets at December 31, 2016, and 2015, respectively. The Company capitalized $30,420, $47,895, and $31,473 of internal use software development costs during the years ended December 31, 2016, 2015, and 2014, respectively.

DAC and VOBA

The Company incurs costs in connection with the acquisition of new and renewal insurance business. Costs that vary directly with and relate to the successful production of new business are deferred as DAC. These costs consist primarily of commissions, costs associated with the Company's sales representatives, and policy issuance and underwriting expenses related to the production of successfully acquired new business. A success factor is derived from actual contracts issued by the Company from requests for proposals or applications received and applied to the deferrable costs. The recoverability of such costs is dependent upon the future profitability of the related business. Recoverability testing is performed for current issue year products to determine if gross revenues are sufficient to cover DAC and expenses. At least annually, loss recognition testing is performed on aggregated blocks of business to adjust the DAC balance.

VOBA represents the estimated fair value of insurance or annuity contracts acquired either directly through the acquisition of another insurance company or through the acquisition of insurance or annuity contracts through assumption reinsurance transactions.

DAC and VOBA associated with the annuity products and flexible premium universal life insurance products are being amortized over the life of the contracts in proportion to the emergence of gross profits. Retrospective adjustments of these amounts are made when the Company revises its estimates of current or future gross profits on an annual basis. DAC and VOBA associated with traditional life insurance are amortized over the premium-paying period of the related policies in proportion to premium revenues recognized. DAC and VOBA, for applicable products, are adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized, with corresponding credits or charges included in AOCI.

Goodwill and other intangible assets

Goodwill is the excess of cost over the fair value of assets acquired and liabilities assumed in connection with an acquisition. It is considered an indefinite lived asset and therefore is not amortized. The Company tests goodwill for impairment annually or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. If the carrying value of goodwill exceeds its fair value, the excess is recognized as an impairment and recorded as a charge against net income in the period in which the impairment is identified.

Other intangible assets represent the estimated fair value of the portion of the purchase price that was allocated to the value of customer relationships and non-competition intangible asset in various acquisitions. These intangible assets have been assigned values using various methodologies, including present value of projected future cash flows, analysis of similar transactions that have occurred or could be expected to occur in the market and replacement or reproduction cost. The initial valuations of these intangible assets were supported by an independent valuation study commissioned by the Company. Other identified intangible assets with finite lives are amortized over their estimated useful lives, which initially ranged from two to 18 years (weighted average 15 years), primarily based on the cash flows generated by these assets.

Separate accounts

Separate account assets and related liabilities are carried at fair value in the accompanying consolidated balance sheets. The Company issues variable annuity contracts and variable universal life contracts through separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder and therefore, are not included in the Company's consolidated statements of income.

Revenues to the Company from the separate accounts consist of contract maintenance fees, investment management fees, administrative fees, and mortality and expense risk charges.

The Company's separate accounts invest in shares of Great-West Funds, Inc. ("Great-West Funds") and Putnam Funds, open-end management investment companies, which are affiliates of the Company, and shares of other non-affiliated mutual funds and government and corporate bonds.

Future policy benefits liabilities

Life insurance and annuity future benefits liabilities with life contingencies in the amounts of $16,530,160 and $15,955,510 at December 31, 2016, and 2015, respectively, are computed on the basis of assumed investment yield, mortality, morbidity, and expenses, including a margin for adverse deviation. These future policy benefits are calculated as the present value of future benefits (including dividends) and expenses less the present value of future net premiums. The assumptions used in calculating the future policy benefits generally vary by plan, year of issue, and policy duration. Additionally, these future policy benefits are established for claims that have been incurred but not reported based on factors derived from past experience.

Annuity contract benefits liabilities without life contingencies in the amounts of $12,291,378 and $11,104,721 at December 31, 2016, and 2015, respectively, are established at the contract holder's account value, which is equal to cumulative deposits and credited interest, less withdrawals and mortality, and expense and/or administrative service charges. The Company's general account also has some immediate annuities. Future benefits for immediate annuities without life contingent payouts are computed on the basis of assumed investment yield and expenses.

Minimum guarantees

The Company calculates additional liabilities for certain variable annuity guaranteed death benefits. The additional reserve for such products recognizes the portion of contract assessments received to compensate the Company for death benefits. Reserves for annuity guaranteed minimum death benefits ("GMDB") are determined by estimating the present value of expected benefits in excess of the projected account balance. Expected experience is based on a range of inputs and scenarios. The assumptions of investment performance and volatility are consistent with the historical experience of the appropriate underlying equity index, such as the Standard & Poor's ("S&P") 500 Index.

The Company also offers GLWB through a variable annuity or a contingent deferred annuity. The GLWB is deemed to be an embedded derivative. The GLWB is recorded at fair value within future policy benefits on the consolidated balance sheets. Changes in fair value of GLWB are recorded in net investment income in the consolidated statements of income.

Reinsurance

In the normal course of its business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding risks to other insurance enterprises under excess coverage, quota share, yearly renewable term, coinsurance, and modified coinsurance contracts. The Company also assumes risk by participating in yearly renewable term and coinsurance agreements.

For each of its reinsurance agreements, the Company determines if the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. If the Company determines that a reinsurance agreement does not provide indemnification against loss or liability relating to insurance risk, the Company records the agreement using the deposit method of accounting. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

Policy benefits, and policy and contract claims ceded to (assumed from) other insurance companies, are carried as a reinsurance recoverable (payable) in the accompanying consolidated balance sheets. Premiums, fee income, and policyholder benefits are reported net of reinsurance ceded (assumed) in the accompanying consolidated statements of income. The cost of reinsurance related to long duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

The Company strives to cede risks to highly rated, well-capitalized reinsurers. The Company monitors and evaluates the financial condition of reinsurers to minimize exposure to credit risk.

Policy and contract claims

Policy and contract claims include provisions for claims incurred but not reported and claims in the process of settlement. The provision for claims incurred but not reported is valued based primarily on the Company's prior experience. Claims in the process of settlement are valued in accordance with the terms of the related policies and contracts.

Participating business

The Company has participating policies in which the policyholder shares in the Company's earnings through policyholder dividends that reflect the difference between the assumptions used in the premium charged and the actual experience on those policies. The amount of dividends to be paid is determined by the Board of Directors.

Participating life and annuity policy benefit liabilities were $6,844,640 and $6,890,616 at December 31, 2016, and 2015, respectively. Participating business composed approximately 10% and 10% of the Company's individual life insurance in-force at December 31, 2016, and 2015, respectively, and 18%, 20%, and 21% of individual life insurance premium income for the years ended December 31, 2016, 2015, and 2014, respectively. The policyholder's share of net income on participating policies that cannot be distributed to the Company's stockholder is excluded from stockholder's equity and recorded as undistributed earnings on participating business in the consolidated balance sheet.

Revenue recognition

Life insurance premiums are recognized when due. Annuity contract premiums with life contingencies are recognized as received. Revenues for annuity and other contracts without significant life contingencies consist of contract charges for the cost of insurance, and contract administration and surrender fees that have been assessed against the contract account balance during the period and are recognized when earned in fee income. Fees from assets under management, assets under administration, shareholder servicing, mortality and expense risk charges, administration and recordkeeping services, and investment advisory services are recognized when earned in fee income.

Net investment income

Interest income from fixed maturities, mortgage loans on real estate, and policy loans is recognized when earned.

Realized investment gains (losses)

Realized investment gains and losses are reported as a component of revenues and are determined on a specific identification basis. Realized investment gains and losses also result from the termination of derivative contracts prior to expiration that are not designated as hedges for accounting purposes and certain fair-value hedge relationships.

Benefits and expenses

Benefits and expenses on policies with life contingencies are associated with earned premiums so as to result in recognition of profits over the life of the contracts.

Income taxes

Income taxes are recorded using the asset and liability method in which deferred tax assets and liabilities are recorded for expected future tax consequences of events that have been recognized in either the Company's consolidated financial statements or consolidated tax returns. In estimating future tax consequences, all expected future events, other than enactments or changes in the tax laws or rules, are considered. A valuation allowance is provided to the extent that it is more likely than not that deferred tax assets will not be realized. Although realization is not assured, management believes it is more likely than not that the deferred tax asset will be realized. The effect on deferred taxes from a change in tax rates is recognized in income in the period that includes the enactment date.

2. Acquisition

Putnam Retirement Business

Description of transaction

On January 1, 2015, the Company acquired the retirement business of Putnam Investments, LLC ("Putnam"), an affiliate of the Company. The transaction was accounted for as a combination between entities under common control. As such, the assets and liabilities acquired from Putnam were recorded at historical cost as of January 1, 2015. In exchange for cash paid in the amount of $4,114, the Company acquired $11,501 of other assets, assumed $7,717 of other liabilities, and recognized a dividend of $330. The 2016 and 2015 amounts presented are aligned with the new business structure which includes the Putnam retirement business. The 2014 consolidated statement of income amounts reflect the previous structure which excludes the Putnam retirement business as the amounts were considered immaterial.

J.P. Morgan Retirement Plan Services

Description of transaction

On August 29, 2014, the Company completed the acquisition of all of the voting equity interests in the J.P. Morgan Retirement Plan Services ("RPS") large-market recordkeeping business for a total purchase price of $59,776. The Company incurred $2,859 of acquisition costs for the year ended December 31, 2014, which are included in general insurance expenses. This acquisition transformed the Company, together with Putnam, into the second largest provider based on number of participants in the U.S. defined contribution market.

Contingent consideration

The Company was obligated to make an additional earnout payment up to $50,000 based on the retention of aggregated revenue, as defined in the Purchase and Sale Agreement, 24 months after the close date. As such, an earnout payment of $14,400 was paid in 2016.

The Company recorded adjustments to general insurance expense to recognize the liability at its fair value of $209, $17,600, and zero for the years ended December 31, 2016, 2015, and 2014, respectively. The contingent consideration liability was zero and $14,609 for the years-ended December 31, 2016, and 2015, respectively.

Revenues and earnings of the acquiree

RPS contributed revenue and net income (loss), included in the consolidated statements of income, as follows:

	Year Ended December 31,	
	2015	2014
Revenue	$ 182,759	$ 54,267
Net loss	(944)	(3,416)

Pro-forma information

Supplementary pro-forma revenues and net earnings for the combined entity, as though the acquisition date for this business combination had been as of January 1, 2014 have not been included as it is impracticable since historical records are not available.

3. Application of Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*. The update primarily amends the criteria used to evaluate whether certain VIEs should be consolidated. The update also modifies the criteria used to

determine whether partnerships and similar entities are VIEs. The update is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company early adopted this standard for the year ended December 31, 2016. The adoption of this ASU did not have a material effect on the Company's consolidated financial position or results of operations; however, the Company has additional investments that meet the definition of VIE under this update. As such, the guidance was retrospectively applied and the December 31, 2015 carrying value and maximum exposure to loss in relation to the activities of the VIEs disclosed in Note 5 includes an additional $35,776 to conform to the current period presentation.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"). The update required assets being valued using net asset value ("NAV") as a practical expedient to be excluded from the fair value hierarchy table. The update is effective for annual periods beginning after December 15, 2016. The Company early adopted this standard for the year ended December 31, 2016. The adoption of this ASU did not have an impact on the Company's consolidated financial position or results of operations; however, the Company has investments in separate accounts, limited partnerships and common collective trust funds for which fair value is estimated using NAV as a practical expedient. As such, the Company has retroactively applied this guidance as required by the ASU and made the following updates to conform to the current year presentation:

- Note 8 - removed $533,961 from the December 31, 2015, Level 2 investments in separate accounts in the fair value hierarchy table.
- Note 17 - removed $286,000 from the Level 2 investments in common collective trust funds and $7,654 from Level 3 investments in limited partnership investments in the December 31, 2015 fair value hierarchy table and removed the $7,654 from the December 31, 2015, Level 3 fair value rollforward.

In May 2015, the FASB issued ASU 2015-09, *Financial Services-Insurance: Disclosures about Short-Duration Contracts*. The update requires that all years in the claims development table that precede the current reporting period and the related disclosure about the history of claims duration should be presented as required supplementary information. The update also includes a disclosure objective of providing information about claim frequency along with a description of methodologies for determining claim frequency information, unless it is impracticable to do so. The update is effective for annual reporting periods beginning after December 15, 2016 with early adoption permitted. The Company early adopted this standard for the year ended December 31, 2016. The adoption of this ASU did not have a material effect on the Company's consolidated financial position or results of operations.

Future adoption of new accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The update outlines a comprehensive accounting model for revenue arising from customer contracts and supersedes most current revenue recognition guidance, including industry-specific guidance. While the update does not apply to insurance contracts within the scope of Topic 944, it does apply to fee income earned by the Company which includes fees from assets under management, assets under administration, shareholder servicing, administration and recordkeeping services, and investment advisory services. The core principle of the model requires that an entity recognizes revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The update also requires increased disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. The FASB has also issued several updates to ASU 2014-09 including ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations* (improving the operability and understandability of the implementation guidance on principal versus agent considerations), ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing* (reducing the cost and complexity of applying the guidance on identifying promised goods or services and to improve the operability and understandability of the licensing implementation guidance), ASU 2016-12*, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* (amending the guidance on collectability, non cash consideration, presentation of sales tax, and transition) and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (amending the guidance on contract costs, certain disclosure requirements, etc.). In adopting ASU 2014-09, the Company may use either a full retrospective or a modified retrospective approach. The update is effective for annual periods beginning after December 15, 2018. Early adoption is permitted as of accounting periods beginning after December 15, 2016. The FASB has issued and may issue in the future, interpretative guidance, which may cause the evaluation to change. While the Company anticipates some changes to revenue recognition, its evaluation of ASU 2014-09 is ongoing and not complete.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10).* The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments by requiring equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income, simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost, separate presentation of financial assets and liabilities by measurement category and form of financial assets (i.e. securities or loans and receivables) on the balance sheet or notes to the financial statements, requiring entities to present separately in other comprehensive income the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (i.e. "own credit") when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, and clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The update is effective for fiscal years beginning after December 15, 2018. The ASU also permits earlier adoption for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This update requires organizations to recognize lease assets and lease liabilities on the balance sheet and also disclose key information about leasing arrangements. This ASU is effective for annual reporting periods beginning on or after December 15, 2019 and earlier application is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Account*. This update simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, statutory tax withholding requirements, and cash flow statements. The update is effective for fiscal years beginning after December 15, 2017. The Company does not believe this ASU will have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13*, Financial Instruments: Credit Losses: Measurement of Credit Losses on Financial Instruments*. This update amends guidance on the impairment of financial instruments by adding an impairment model that is based on expected losses rather than incurred losses and is intended to result in more timely recognition of losses. The standard also simplifies the accounting by decreasing the number of credit impairment models that an entity can use to account for debt instruments. The update is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*. This update amends the guidance on the classification of certain cash receipts and payments on the statement of cash flows including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate and bank-owned life insurance policies, distributions from equity method investees, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. The update is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (a consensus of the Emerging Issues Task Force)*. This update requires organizations to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result organizations will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other.* The update eliminates Step 2 from the goodwill impairment test and will require management to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Any amount by which the carrying amount exceeds the reporting unit's fair value (not to exceed the goodwill allocated to that reporting unit) is recognized as an impairment charge. The update is effective for

annual or any interim goodwill impairment tests after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits*. This update requires companies to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU is effective for annual reporting periods beginning on or after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual period. The Company is currently evaluating the impact of this update on its consolidated financial statements.

4. Related Party Transactions

In the normal course of its business, the Company enters into reinsurance agreements with related parties. Included in the consolidated balance sheets are the following amounts related to reinsurance ceded to and assumed from related parties:

	December 31,	
	2016	2015
Reinsurance recoverable	$ 522,950	$ 530,213
Future policy benefits	1,608,884	1,724,797

Included in the consolidated statements of income are the following related party amounts:

	Year Ended December 31,		
	2016	2015	2014
Premium income, net of related party premiums ceded of $17,774, $15,731, and $13,901	$ 66,928	$ 68,722	$ 71,453
Life and other policy benefits, net of reinsurance recoveries of $8,862, $6,494, and $4,594	189,125	193,215	209,102
Decrease in future policy benefits	(88,639)	(52,842)	(46,915)

In the normal course of business the Company enters into agreements with related parties whereby it provides and/or receives recordkeeping services, investment advisory services, and tax-related services, as well as corporate support services which include general and administrative services, information technology services, and marketing services. The following table presents revenue, expenses incurred and expense reimbursement from related parties for services provided and/or received pursuant to these service agreements. These amounts, in accordance with the terms of the contracts, are based upon market price, estimated costs incurred or resources expended as determined by number of policies, number of participants, certificates in-force, administered assets, or other similar drivers.

Description	Related party	Year Ended December 31,			Financial statement line
		2016	2015	2014	
Receives corporate support services	CLAC [1], Great-West Life [1], Great West Global [3], and Putnam [2]	$ 18,763	$ 12,609	$ 4,053	General insurance expense
Provides recordkeeping services	CLAC [1] and Putnam [2]	245	377	13,956	Fee income
Provides shareholder services	Putnam [2]	15,852	5,531	—	Fee income
Receives reimbursement from tax sharing indemnification related to state and local tax liabilities	Putnam [2]	12,261	13,563	7,506	Other revenue
Provides advisory, trustee, recordkeeping and administrative services	Great-West Funds, Inc. and Collective Income Trusts [4]	140,455	138,936	126,726	Fee income

[1] An indirect wholly-owned subsidiary of Lifeco
[2] A wholly-owned subsidiary of Lifeco U.S.
[3] An indirect wholly-owned subsidiary of Lifeco U.S.
[4] Great-West Capital Management, LLC, a subsidiary of the Company, serves as a Registered Investment Advisor to Great-West Funds, Inc., an affiliated open-end management investment company, and to Great-West Trust Company, LLC, an affiliated trust company. Great-West Trust Company, LLC, serves as trustee to several collective investment trusts. The Company provides Great-West Funds, Inc. recordkeeping and administrative services to shareholders and account owners.

The following table summarizes amounts due from parent and affiliates:

Related party	Indebtedness	Due date	December 31, 2016	December 31, 2015
Putnam	On account	On demand	$ —	$ 9,547
Great-West Lifeco Finance LP II	On account	On demand	1,100	875
Great West Global	On account	On demand	—	754
Great-West Lifeco Finance LP	On account	On demand	700	740
Other related party receivables	On account	On demand	13	33
Total			$ 1,813	$ 11,949

The following table summarizes amounts due to parent and affiliates:

Related party	Indebtedness	Due date	December 31, 2016	December 31, 2015
Lifeco U.S.	On account	On demand	$ 63,218	$ 82,564
Other related party payables	On account	On demand	6,899	7,735
Total			$ 70,117	$ 90,299

The Company has issued the following long-term debt to affiliated entities which is classified on the balance sheet as long term debt to affiliates:

- On May 19, 2006, the Company issued a $300,000 deferrable debenture (the “Great-West LP II Debentures”) through an affiliated limited partnership (“Great-West LP II”) to qualified institutional investors. Also on May 19, 2006, Lifeco and 2023308 Ontario Inc. (“Ontario”), a wholly-owned subsidiary of Lifeco, made equity contributions in the combined amount of $35,000 to Great-West LP II. Great-West LP II in turn invested the proceeds from the sale of the Great-West LP II Debentures together with a portion of the equity contributions from Lifeco and Ontario in certain junior subordinated deferrable debentures of the Company (the “GWLAFI II Debentures”). The GWLAFI II Debentures have a face and carrying amount of $333,400 at December 31, 2016 and 2015. The GWLAFI II Debentures bear an interest rate of 2.588% plus the then current three-month London Interbank Offering Rate (“LIBOR”) per annum and mature on May 16, 2046. The GWLAFI II Debentures became redeemable by the Company at the principal amount plus any accrued and unpaid interest after May 16, 2016. The Company used the proceeds from the sale of the GWLAFI II Debentures for general corporate purposes.

- On November 15, 2004, the Company issued a $175,000 deferrable debenture (the “Great-West LP Debentures”) through an affiliated limited partnership (“Great-West LP”) to qualified institutional investors. Also on November 15, 2004, Lifeco and Ontario, made equity contributions in the combined amount of $23,000 to Great-West LP. Great-West LP in turn invested the proceeds from the sale of the Great-West LP Debentures together with a portion of the equity contributions from Lifeco and Ontario in certain junior subordinated deferrable debentures of the Company (the “GWLAFI Debentures”). The GWLAFI Debentures have a face amount of $195,000 and carrying amounts of $194,502 and $194,474 at December 31, 2016 and 2015, respectively. The GWLAFI Debentures bear interest at the rate of 6.675% per annum and mature on November 15, 2034.

- On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP, with a carrying amount of $5,890 at December 31, 2016 and 2015. The promissory note bears interest at the rate of 2.614% per annum and matures on November 24, 2018.

- On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP II, with a carrying amount of $9,345 December 31, 2016 and 2015. The promissory note bears interest at the rate of 2.614% per annum and matures on November 24, 2018.

- On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life Lifeco Finance (Delaware) LLC, with a carrying amount of $21,323 at December 31, 2016 and 2015. The promissory note bears interest at the rate of 0.49% per annum and matures on November 24, 2018.

- On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life Lifeco Finance (Delaware) LLC II, with a carrying amount of $24,245 at December 31, 2016 and 2015. The promissory note bears interest at the rate of 0.49% per annum and matures on November 24, 2018.

- On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP (Delaware), with a carrying amount of $1,100 at December 31, 2016. The promissory note bears interest at the rate of 3.322% per annum and matures on December 28, 2019.

- On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP II (Delaware), with a carrying amount of $1,900 at December 31, 2016. The promissory note bears interest at the rate of 3.322% per annum and matures on December 28, 2019.

- On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Life Lifeco Finance (Delaware) LLC, with a carrying amount of $4,000 at December 31, 2016. The promissory note bears interest at the rate of 0.74% per annum and matures on December 28, 2019.

- On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC, with a carrying amount of $2,000 at December 31, 2016. The promissory note bears interest at the rate of 5.595% per annum and matures on December 28, 2026.

- On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC II, with a carrying amount of $10,750 at December 31, 2016. The promissory note bears interest at the rate of 0.74% per annum and matures on December 28, 2019.

As stated in Note 14, GWL&A is subject to restrictions on the amount of dividends which can be paid to the Company. Payments of principal and interest on the debentures are paid with cash that has been provided through the form of a dividend from GWL&A.

Interest expense attributable to these related party debt obligations was $29,811, $37,059, and $37,059 for the years ended December 31, 2016, 2015, and 2014, respectively. Included in other liabilities on the consolidated balance sheets is $3,845 and $4,701 of interest payable attributable to these related party debt obligations for the years ended December 31, 2016, and 2015, respectively.

A note receivable from Putnam Acquisition Financing LLC was issued on October 31, 2007, with a carrying amount of zero and $37,052 at December 31, 2016 and 2015, respectively. The note bears interest at the rate of 1.5% per annum. The principal and interest shall be payable in full on the earlier of (i) the maturity date or (ii) demand by lender given on or after February 3, 2009. The original note matured on October 31, 2009, and the note was extended to July 31, 2017. Final payment for the note receivable was paid on June 1, 2016.

A note receivable from Lifeco U.S. was issued on March 19, 2008, with a carrying amount of $265,000 at December 31, 2016 and 2015. The note bears interest at the rate of 1.77% per annum. The principal and interest shall be payable in full on the earlier of (i) the maturity date or (ii) demand by lender given on or after September 19, 2009. The original note matured on March 19, 2010, and the note was extended to March 19, 2018. On September 30, 2009, $35,000 of this note was canceled and distributed to Lifeco U.S. in the form of a dividend.

A note receivable from Lifeco U.S. was issued on April 18, 2008, with a carrying amount of $909,558 at December 31, 2016 and 2015. The note bears interest at the rate of 1.59% per annum. The principal and interest shall be payable in full on the earlier of (i) the maturity date or (ii) demand by lender given on or after April 18, 2009. The original note matured on April 18, 2016, and the note was extended to April 18, 2018.

The interest income and accrued interest income on the above notes receivable is included within net investment income in the consolidated statements of income and investment income due and accrued in the consolidated balance sheets, respectively. Interest income attributable to these related party notes was $17,344, $11,491, and $12,409 for the years ended December 31, 2016, 2015, and 2014, respectively. Included in investment income due and accrued on the consolidated balance sheets at December 31, 2016 and 2015 is $170,992 and $166,070, respectively, of accrued interest income attributable to these related party notes.

The Company's wholly owned subsidiary Great-West Life & Annuity Insurance Company of South Carolina ("GWSC") and CLAC are parties to a reinsurance agreement pursuant to which GWSC assumes term life insurance from CLAC. GWL&A Financial obtained two letters of credit for the benefit of the Company as collateral under the GWSC and CLAC reinsurance agreement for policy liabilities and capital support. The first letter of credit is for $1,165,030 and renews annually until it expires on July 3, 2027. The second letter of credit is for $70,000 and renews annually until it expires on December 31, 2017. At December 31, 2016, and 2015 there were no outstanding amounts related to the letters of credit.

Included within reinsurance recoverable in the consolidated balance sheets are $511,575 and $520,753 of funds withheld assets as of December 31, 2016, and 2015, respectively. CLAC pays the Company, on a quarterly basis, interest on the funds withheld balance at a rate of 4.55% per annum. The interest income, in the amount of $22,045, $22,165, and $21,295, is included in net investment income for the years ended December 31, 2016, 2015, and 2014, respectively.

The Company's separate accounts invest in shares of Great-West Funds, Inc. and Putnam Funds, which are affiliates of the Company and shares of other non-affiliated mutual funds and government and corporate bonds. The Company's separate accounts include mutual funds or other investment options that purchase guaranteed interest annuity contracts issued by the Company. During the years ended December 31, 2016, 2015, and 2014, these purchases totaled $183,365, $146,547, and $132,961, respectively. As the general account investment contracts are also included in the separate account balances in the accompanying consolidated balance sheets, the Company has reduced the separate account assets and liabilities by $302,898 and $309,108 at December 31, 2016, and 2015, respectively, to eliminate these amounts in its consolidated balance sheets at those dates.

5. Summary of Investments

The following tables summarize fixed maturity investments classified as available-for-sale and the non-credit-related component of OTTI in AOCI:

	December 31, 2016				
Fixed maturities:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value and carrying value	OTTI (gain) loss included in AOCI [1]
U.S. government direct obligations and U.S. agencies	$ 3,022,279	$ 47,791	$ 34,958	$ 3,035,112	$ —
Obligations of U.S. states and their subdivisions	1,890,568	214,411	6,317	2,098,662	—
Corporate debt securities [2]	13,811,597	477,316	309,164	13,979,749	(1,488)
Asset-backed securities	1,226,493	104,274	18,388	1,312,379	(72,464)
Residential mortgage-backed securities	138,292	3,867	1,167	140,992	23
Commercial mortgage-backed securities	1,222,257	23,207	20,182	1,225,282	—
Collateralized debt obligations	361,241	339	53	361,527	—
Total fixed maturities	$21,672,727	$ 871,205	$ 390,229	$ 22,153,703	$ (73,929)

[1] Indicates the amount of any OTTI (gain) loss included in AOCI that is included in gross unrealized gains and losses. OTTI (gain) loss included in AOCI, as presented above, includes both the initial recognition of non-credit losses and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities with previous non-credit impairment. The non-credit loss component of OTTI (gain) loss was in an unrealized gain position due to increases in estimated fair value subsequent to initial recognition of non-credit losses on such securities.
[2] Includes perpetual debt investments with amortized cost of $135,187 and estimated fair value of $113,239.

	December 31, 2015				
Fixed maturities:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value and carrying value	OTTI (gain) loss included in AOCI [1]
U.S. government direct obligations and U.S. agencies	$ 3,291,167	$ 55,193	$ 4,608	$ 3,341,752	$ —
Obligations of U.S. states and their subdivisions	1,988,214	238,862	7,903	2,219,173	50
Foreign government securities	2,291	—	5	2,286	—
Corporate debt securities [2]	12,388,886	437,207	320,381	12,505,712	(1,810)
Asset-backed securities	1,196,326	128,406	13,362	1,311,370	(86,474)
Residential mortgage-backed securities	122,146	4,734	1,508	125,372	(123)
Commercial mortgage-backed securities	1,009,320	19,117	11,529	1,016,908	—
Collateralized debt obligations	9,112	—	58	9,054	—
Total fixed maturities	$20,007,462	$ 883,519	$ 359,354	$ 20,531,627	$ (88,357)

[1] Indicates the amount of any OTTI (gain) loss included in AOCI that is included in gross unrealized gains and losses. OTTI (gain) loss included in AOCI, as presented above, includes both the initial recognition of non-credit losses and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities with previous non-credit impairment. The non-credit loss component of OTTI (gain) loss was in an unrealized gain position due to increases in estimated fair value subsequent to initial recognition of non-credit losses on such securities.
[2] Includes perpetual debt investments with amortized cost of $149,062 and estimated fair value of $116,423.

See Note 8 for additional discussion regarding fair value measurements.

The amortized cost and estimated fair value of fixed maturity investments classified as available-for-sale, based on estimated cash flows, are shown in the table below. Actual maturities will likely differ from these projections because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2016	
	Amortized Cost	Estimated fair value
Maturing in one year or less	$ 668,305	$ 690,369
Maturing after one year through five years	3,741,043	3,917,479
Maturing after five years through ten years	6,570,148	6,650,854
Maturing after ten years	5,088,280	5,208,071
Mortgage-backed and asset-backed securities	5,604,951	5,686,930
Total fixed maturities	$ 21,672,727	$ 22,153,703

Mortgage-backed (commercial and residential) and asset-backed securities include those issued by the U.S. government and U.S. agencies.

The following table summarizes information regarding the sales of securities classified as available-for-sale:

	Year Ended December 31,		
	2016	2015	2014
Proceeds from sales	$ 4,541,303	$ 4,187,547	$ 2,705,999
Gross realized gains from sales	84,305	47,965	47,852
Gross realized losses from sales	16,858	6,476	1,229

Mortgage loans on real estate - The following table summarizes the carrying value of the mortgage loan portfolio by component:

	December 31, 2016	December 31, 2015
Principal	$ 3,558,863	$ 3,242,627
Unamortized premium (discount) and fees, net	5,541	7,967
Foreign exchange translation	(2,696)	—
Mortgage provision allowance	(2,882)	(2,890)
Total mortgage loans	$ 3,558,826	$ 3,247,704

The following table summarizes the recorded investment of the mortgage loan portfolio by risk assessment category as of December 31, 2016, and 2015, respectively.

	December 31, 2016	December 31, 2015
Performing	$ 3,560,243	$ 3,249,129
Non-performing	1,465	1,465
Total	$ 3,561,708	$ 3,250,594

The following table summarizes activity in the mortgage provision allowance:

	Year Ended December 31,		
	2016	2015	2014
	Commercial mortgages	Commercial mortgages	Commercial mortgages
Beginning balance	$ 2,890	$ 2,890	$ 2,890
Provision increases	536	—	—
Provision decreases	(544)	—	—
Ending balance	$ 2,882	$ 2,890	$ 2,890
Allowance ending balance by basis of impairment method:			
Individually evaluated for impairment	$ 536	$ —	$ —
Collectively evaluated for impairment	2,346	2,890	2,890
Recorded investment balance in the mortgage loan portfolio, gross of allowance, by basis of impairment method:	$ 3,561,708	$ 3,250,594	$ 3,366,460
Individually evaluated for impairment	1,465	14,031	12,986
Collectively evaluated for impairment	3,560,243	3,236,563	3,353,474

Limited partnership and other corporation interests - At December 31, 2016, and 2015, the Company had $34,895 and $40,980, respectively, invested in limited partnership and other corporation interests. Limited partnership interests represent the Company's minority ownership interests in pooled investment funds that primarily make private equity investments across diverse industries and geographical focuses. The Company has determined its interest in each limited partnership to be considered a VIE. Consolidation is not required as the Company is not deemed to be the primary beneficiary of the VIEs.

The carrying value and maximum exposure to loss in relation to the activities of the VIEs was $32,444 and $38,504 at December 31, 2016, and 2015, respectively.

Special deposits - The Company had securities on deposit with government authorities as required by certain insurance laws with fair values of $7,659 and $14,000 at December 31, 2016, and 2015, respectively.

Securities lending - The Company had no securities on loan under the program, and therefore no cash or securities held as collateral, at December 31, 2016, and 2015.

Unrealized losses on fixed maturity investments classified as available-for-sale - The following tables summarize unrealized investment losses, including the non-credit-related portion of OTTI losses reported in AOCI, by class of investment:

	December 31, 2016					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 2,006,588	$ 34,752	$ 10,526	$ 206	$ 2,017,114	$ 34,958
Obligations of U.S. states and their subdivisions	216,154	5,922	10,498	395	226,652	6,317
Corporate debt securities	4,119,630	170,453	860,153	138,711	4,979,783	309,164
Asset-backed securities	316,065	6,971	230,331	11,417	546,396	18,388
Residential mortgage-backed securities	16,962	102	14,297	1,065	31,259	1,167
Commercial mortgage-backed securities	592,508	17,535	26,068	2,647	618,576	20,182
Collateralized debt obligations	160,612	53	—	—	160,612	53
Total fixed maturities	$ 7,428,519	$ 235,788	$ 1,151,873	$ 154,441	$ 8,580,392	$ 390,229
Total number of securities in an unrealized loss position		610		128		738

	December 31, 2015					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 1,357,822	$ 4,101	$ 23,604	$ 507	$ 1,381,426	$ 4,608
Obligations of U.S. states and their subdivisions	267,581	7,903	—	—	267,581	7,903
Foreign government securities	2,286	5	—	—	2,286	5
Corporate debt securities	4,412,965	202,874	552,791	117,507	4,965,756	320,381
Asset-backed securities	247,082	4,372	182,404	8,990	429,486	13,362
Residential mortgage-backed securities	—	—	18,625	1,508	18,625	1,508
Commercial mortgage-backed securities	429,175	11,154	44,498	375	473,673	11,529
Collateralized debt obligations	9,054	58	—	—	9,054	58
Total fixed maturities	$ 6,725,965	$ 230,467	$ 821,922	$ 128,887	$ 7,547,887	$ 359,354
Total number of securities in an unrealized loss position		558		106		664

Fixed maturity investments - Total unrealized losses and OTTI increased by $30,875, or 9%, from December 31, 2015, to December 31, 2016. The overall increase in unrealized losses was across several asset classes and reflects higher interest rates at December 31, 2016, compared to December 31, 2015, resulting in generally lower valuations of these fixed maturity securities.

Total unrealized losses greater than twelve months increased by $25,554 from December 31, 2015, to December 31, 2016. Corporate debt securities account for 90%, or $138,711, of the unrealized losses and OTTI greater than twelve months at December 31, 2016. Non-investment grade corporate debt securities account for $13,285 of the unrealized losses and OTTI greater than twelve months, and $6,791 of the losses are on perpetual debt investments issued by investment grade rated banks in the United Kingdom. Management does not have the intent to sell these assets; therefore, an OTTI was not recognized in earnings.

Asset-backed securities account for 7% of the unrealized losses and OTTI greater than twelve months at December 31, 2016. The present value of the cash flows expected to be collected is not less than amortized cost and management does not have the intent to sell these assets; therefore, an OTTI was not recognized in earnings.

Other-than-temporary impairment recognition - The OTTI on fixed maturity securities where the loss portion is bifurcated and the credit related component is recognized in realized investment gains (losses) is summarized as follows:

	Year Ended December 31,		
	2016	2015	2014
Beginning balance	$ 102,343	$ 119,532	$ 167,961
Initial impairments - credit loss on securities not previously impaired	—	759	—
Reductions:			
Due to sales, maturities, or payoffs during the period	(1,785)	(559)	(646)
Due to increases in cash flows expected to be collected that are recognized over the remaining life of the security	(16,893)	(17,389)	(47,783)
Ending balance	$ 83,665	$ 102,343	$ 119,532

6. Derivative Financial Instruments

Derivative transactions are generally entered into pursuant to International Swaps and Derivatives Association ("ISDA") Master Agreements or Master Securities Forward Transaction Agreements ("MSFTA") with approved counterparties that provide for a single net payment to be made by one party to the other on a daily basis, periodic payment dates, or at the due date, expiration, or termination of the agreement.

The ISDA Master Agreements contain provisions that would allow the counterparties to require immediate settlement of all derivative instruments in a net liability position if the Company were to default on any debt obligations over a certain threshold. The MSFTA contain provisions which do not stipulate a threshold for default and only apply to debt obligations between the Company and the specific counterparty. The aggregate fair value, inclusive of accrued income and expense, of derivative instruments with credit-risk-related contingent features that were in a net liability position was $38,324 and $76,107 as of December 31, 2016, and 2015, respectively. The Company had pledged collateral related to these derivatives of zero and $45,940 as of December 31, 2016, and 2015, respectively, in the normal course of business. If the credit-risk-related contingent features were triggered on December 31, 2016, the fair value of assets that could be required to settle the derivatives in a net liability position was $38,324.

At December 31, 2016, and 2015, the Company had pledged zero and $50,924 of unrestricted cash collateral to counterparties in the normal course of business, while other counterparties had pledged $103,214 and $19,060 of unrestricted cash collateral to the Company to satisfy collateral netting agreements, respectively.

At December 31, 2016, the Company estimated $9,581 of net derivative gains related to cash flow hedges included in AOCI will be reclassified into net income within the next twelve months. Gains and losses included in AOCI are reclassified into net income when the hedged item affects earnings.

Types of derivative instruments and derivative strategies

Interest rate contracts

Cash flow hedges

Interest rate swap agreements are used to convert the interest rate on certain debt security investments and debt obligations from a floating rate to a fixed rate. Interest rate futures are used to manage the interest rate risks of forecasted acquisitions of fixed rate maturity investments and are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.

Fair value hedges

Interest rate swap agreements are used to convert the interest rate on certain debt securities from a fixed rate to a floating rate to manage the interest rate risk of the change in the fair value of certain fixed rate maturity investments.

Not designated as hedging instruments

The Company enters into certain transactions in which derivatives are hedging an economic risk but hedge accounting is not elected. These derivative instruments include: exchange-traded interest rate swap futures, over-the-counter ("OTC") interest rate swaptions, OTC interest rate swaps, exchange-traded Eurodollar interest rate futures, and treasury interest rate futures. Certain of the Company's OTC derivatives are cleared and settled through a central clearing counterparty while others are bilateral contracts between the Company and a counterparty.

The derivative instruments mentioned above are economic hedges and used to manage risk. These transactions are used to offset changes in liabilities including those in variable annuity products, hedge the economic effect of a large increase in interest rates, manage the potential variability in future interest payments due to a change in credited interest rates and the related change in cash flows due to increased surrenders, and manage interest rate risks of forecasted acquisitions of fixed rate maturity investments and forecasted liability pricing.

Foreign currency contracts

Cross-currency swaps and foreign currency forwards are used to manage the foreign currency exchange rate risk associated with investments denominated in other than U.S. dollars. The Company uses cross-currency swaps to convert interest and principal payments on foreign denominated debt instruments into U.S. dollars. Cross-currency swaps may be designated as cash flow hedges; however, hedge accounting is not always elected. The Company uses foreign currency forwards to reduce the risk of foreign currency exchange rate changes on proceeds received on sales of foreign denominated debt instruments; however, hedge accounting is not elected.

Equity contracts

The Company uses futures on equity indices to offset changes in guaranteed lifetime withdrawal benefit liabilities; however, hedge accounting is not elected.

Other forward contracts

The Company uses TBA securities to gain exposure to the investment risk and return of agency mortgage-backed securities (pass-throughs). These transactions enhance the return on the Company's investment portfolio and provide a more liquid and cost effective method of achieving these goals than purchasing or selling individual agency mortgage-backed pools. As the Company does not regularly accept delivery of such securities, they are accounted for as derivatives but hedge accounting is not elected. The Company had no open TBA contracts at either December 31, 2016, or 2015.

The following tables summarize the notional amount and fair value of derivative financial instruments, excluding embedded derivatives:

	December 31, 2016			
		Net derivatives	Asset derivatives	Liability derivatives
	Notional amount	Fair value	Fair value [1]	Fair value [1]
Hedge designation/derivative type:				
Derivatives designated as hedges:				
Cash flow hedges:				
Interest rate swaps	$ 419,800	$ 33,390	$ 33,390	$ —
Cross-currency swaps	614,208	45,347	53,641	8,294
Total cash flow hedges	1,034,008	78,737	87,031	8,294
Total derivatives designated as hedges	1,034,008	78,737	87,031	8,294
Derivatives not designated as hedges:				
Interest rate swaps	468,100	(4,358)	8,982	13,340
Futures on equity indices	34,422	—	—	—
Interest rate futures	81,500	—	—	—
Interest rate swaptions	165,534	354	354	—
Cross-currency swaps	612,733	33,371	50,018	16,647
Total derivatives not designated as hedges	1,362,289	29,367	59,354	29,987
Total derivative financial instruments	$ 2,396,297	$ 108,104	$ 146,385	$ 38,281

[1] The estimated fair value excludes accrued income and expense. The estimated fair value of all derivatives in an asset position is reported within other assets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

	December 31, 2015			
		Net derivatives	Asset derivatives	Liability derivatives
	Notional amount	Fair value	Fair value [1]	Fair value [1]
Hedge designation/derivative type:				
Derivatives designated as hedges:				
Cash flow hedges:				
Interest rate swaps	$ 143,800	$ 11,843	$ 11,843	$ —
Cross-currency swaps	380,873	28,714	28,736	22
Total cash flow hedges	524,673	40,557	40,579	22
Total derivatives designated as hedges	524,673	40,557	40,579	22
Derivatives not designated as hedges:				
Interest rate swaps	303,600	3,240	8,295	5,055
Futures on equity indices	29,310	—	—	—
Interest rate futures	117,200	—	—	—
Interest rate swaptions	151,204	189	189	—
Cross-currency swaps	662,935	(51,759)	19,537	71,296
Total derivatives not designated as hedges	1,264,249	(48,330)	28,021	76,351
Total derivative financial instruments	$ 1,788,922	$ (7,773)	$ 68,600	$ 76,373

[1] The estimated fair value excludes accrued income and expense. The estimated fair value of all derivatives in an asset position is reported within other assets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

Notional amounts are used to express the extent of the Company's involvement in derivative transactions and represent a standard measurement of the volume of its derivative activity. Notional amounts represent those amounts used to calculate contractual flows to be exchanged and are not paid or received. The average notional outstanding during the year ended December 31, 2016, was $784,900, $1,141,967, $145,658, $156,632, and $2,230,167 for interest rate swaps, cross-currency swaps, futures, swaptions, and other forward contracts, respectively. The average notional outstanding during the year ended December 31, 2015, was $443,589, $937,242, $111,801, $212,299, and $5,014,845 for interest rate swaps, cross-currency swaps, futures, swaptions, and other forward contracts, respectively.

The following tables present the effect of derivative instruments in the consolidated statements of income reported by cash flow hedges, fair value hedges, and economic hedges, excluding embedded derivatives:

	Gain (loss) recognized in OCI on derivatives (Effective portion)			Gain (loss) reclassified from OCI into net income (Effective portion)			
	Year Ended December 31,			Year Ended December 31,			
	2016	2015	2014	2016	2015	2014	
Cash flow hedges:							
Interest rate swaps	$ 810	$ 2,228	$ 9,096	$ 5,437	$ 6,779	$ 7,462	(A)
Interest rate swaps	—	—	—	—	3,634	—	(B)
Interest rate swaps	21,228	—	—	(2,657)	—	—	(C)
Cross-currency swaps	22,738	28,833	11,041	8,469	2,101	1,030	(A)
Cross-currency swaps	—	—	—	—	—	(154)	(B)
Interest rate futures	—	—	—	—	(134)	70	(A)
Total cash flow hedges	$ 44,776	$ 31,061	$ 20,137	$ 11,249	$ 12,380	$ 8,408	

(A) Net investment income.
(B) Represents realized gains (losses) on closed positions recorded in realized investment gains (losses), net.
(C) Interest expense.

	Gain (loss) on derivatives recognized in net income				Gain (loss) on hedged assets recognized in net income			
	Year Ended December 31,				Year Ended December 31,			
	2016	2015	2014		2016	2015	2014	
Fair value hedges:								
Interest rate swaps	$ —	$ (1,507)	$ (3,444)	(A)	$ —	$ —	$ —	
Interest rate swaps	—	773	—	(B)	—	—	—	
Items hedged in interest rate swaps	—	—	—		—	1,511	3,439	(A)
Items hedged in interest rate swaps	—	—	—		—	(773)	—	(B)
Total fair value hedges	$ —	$ (734)	$ (3,444)		$ —	$ 738	$ 3,439	

(A) Net investment income.
(B) Represents realized gains (losses) on closed positions recorded in realized investment gains (losses), net.

	Gain (loss) on derivatives recognized in net income					
	Year Ended December 31,					
	2016		2015		2014	
Derivatives not designated as hedging instruments:						
Futures on equity indices	$ 817	(A)	$ (284)	(A)	$ (41)	(A)
Futures on equity indices	(7,930)	(B)	(527)	(B)	(534)	(B)
Interest rate swaps	(4,541)	(A)	(1,094)	(A)	6,508	(A)
Interest rate futures	(57)	(A)	(65)	(A)	(51)	(A)
Interest rate futures	(164)	(B)	1	(B)	305	(B)
Interest rate swaptions	302	(A)	2,868	(A)	2,424	(A)
Interest rate swaptions	(313)	(B)	(3,115)	(B)	(3,578)	(B)
Currency forwards	111	(A)	—	(A)	—	(A)
Other forward contracts	4,690	(B)	5,074	(B)	94,465	(B)
Cross-currency swaps	85,746	(A)	69,819	(A)	24,588	(A)
Cross-currency swaps	(1,601)	(B)	—	(B)	—	(B)
Total derivatives not designated as hedging instruments	$ 77,060		$ 72,677		$ 124,086	

(A) Net investment income.
(B) Represents realized gains (losses) on closed positions recorded in realized investment gains (losses), net.

Embedded derivative - GLWB

The Company offers GLWB through a variable annuity or a contingent deferred annuity. The GLWB is deemed to be an embedded derivative. The GLWB is recorded at fair value within future policy benefits on the consolidated balance sheets. Changes in fair value of GLWB are recorded in net investment income in the consolidated statements of income.

The estimated fair value of the GLWB was $5,712 and $11,257 at December 31, 2016, and 2015, respectively. The changes in fair value of the GLWB were $(5,545) and $11,257 for the years ended December 31, 2016, and 2015, respectively.

7. Summary of Offsetting Assets and Liabilities

The Company enters into derivative transactions with several approved counterparties. The Company's derivative transactions are generally governed by MSFTA or ISDA Master Agreements which provide for legally enforceable set-off and close-out netting in the event of default or bankruptcy of the Company's counterparties. The Company's MSFTA and ISDA Master Agreements generally include provisions which require both the pledging and accepting of collateral in connection with its derivative transactions. These provisions have the effect of securing each party's position to the extent of collateral held. The following tables summarize the effect of master netting arrangements on the Company's financial position in the normal course of business and in the event of default or bankruptcy of the Company's counterparties:

	December 31, 2016			
		Gross fair value not offset in balance sheets		
Financial instruments:	Gross fair value of recognized assets/liabilities [1]	Financial instruments	Cash collateral received/(pledged)	Net fair value
Derivative instruments (assets) [2]	$ 119,862	$ (26,254)	$ 92,756	$ 852
Derivative instruments (liabilities) [3]	26,254	(26,254)	—	—

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	December 31, 2015			
		Gross fair value not offset in balance sheets		
Financial instruments:	**Gross fair value of recognized assets/liabilities [1]**	**Financial instruments**	**Cash collateral received/(pledged)**	**Net fair value**
Derivative instruments (assets) [2]	$ 66,435	$ (38,236)	$ 19,060	$ 9,139
Derivative instruments (liabilities) [3]	76,107	(38,236)	(37,871)	—

[1] The gross fair value of derivative instruments is not netted against offsetting liabilities for presentation on the consolidated balance sheets.
[2] The estimated fair value of derivative instrument assets is reported in other assets in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.
[3] The estimated fair value of derivative instrument liabilities is reported in other liabilities in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.

8. Fair Value Measurements

Recurring fair value measurements

The following tables present the Company's financial assets and liabilities carried at fair value on a recurring basis by fair value hierarchy category:

	Assets and liabilities measured at fair value on a recurring basis			
	December 31, 2016			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed maturities available-for-sale:				
U.S. government direct obligations and U.S. agencies	$ —	$ 3,035,112	$ —	$ 3,035,112
Obligations of U.S. states and their subdivisions	—	2,098,662	—	2,098,662
Corporate debt securities	—	13,968,110	11,639	13,979,749
Asset-backed securities	—	1,312,379	—	1,312,379
Residential mortgage-backed securities	—	140,992	—	140,992
Commercial mortgage-backed securities	—	1,225,282	—	1,225,282
Collateralized debt obligations	—	361,527	—	361,527
Total fixed maturities available-for-sale	—	22,142,064	11,639	22,153,703
Fixed maturities held-for-trading:				
U.S. government direct obligations and U.S. agencies	—	458,067	—	458,067
Corporate debt securities	—	55,591	—	55,591
Commercial mortgage-backed securities	—	1,080	—	1,080
Total fixed maturities held-for-trading	—	514,738	—	514,738
Short-term investments	271,376	36,137	—	307,513
Collateral under derivative counterparty collateral agreements	103,214	—	—	103,214
Derivative instruments designated as hedges:				
Interest rate swaps	—	33,390	—	33,390
Cross-currency swaps	—	53,641	—	53,641
Derivative instruments not designated as hedges:				
Interest rate swaps	—	8,982	—	8,982
Interest rate swaptions	—	354	—	354
Cross-currency swaps	—	50,018	—	50,018
Total derivative instruments	—	146,385	—	146,385
Separate account assets [1]	15,407,992	11,199,924	—	27,037,765
Total assets	$ 15,782,582	$ 34,039,248	$ 11,639	$ 50,263,318
Liabilities				
Collateral under derivative counterparty collateral agreements	$ 103,214	$ —	$ —	$ 103,214
Derivative instruments designated as hedges:				
Cross-currency swaps	—	8,294	—	8,294
Derivative instruments not designated as hedges:				
Interest rate swaps	—	13,340	—	13,340
Cross-currency swaps	—	16,647	—	16,647
Total derivative instruments	—	38,281	—	38,281
Embedded derivatives - GLWB	—	—	5,712	5,712
Separate account liabilities [2]	55	336,468	—	336,523
Total liabilities	$ 103,269	$ 374,749	$ 5,712	$ 483,730

[1] Included in the total fair value amount are $430 million of investments as of December 31, 2016, for which the fair value is estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

[2] Includes only separate account instruments which are carried at the fair value of the underlying liabilities owned by the separate accounts.

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	Assets and liabilities measured at fair value on a recurring basis			
	December 31, 2015			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed maturities available-for-sale:				
U.S. government direct obligations and U.S. agencies	$ —	$ 3,341,752	$ —	$ 3,341,752
Obligations of U.S. states and their subdivisions	—	2,219,173	—	2,219,173
Foreign government securities	—	2,286	—	2,286
Corporate debt securities	—	12,501,174	4,538	12,505,712
Asset-backed securities	—	1,311,370	—	1,311,370
Residential mortgage-backed securities	—	125,372	—	125,372
Commercial mortgage-backed securities	—	1,016,908	—	1,016,908
Collateralized debt obligations	—	9,054	—	9,054
Total fixed maturities available-for-sale	—	20,527,089	4,538	20,531,627
Fixed maturities held-for-trading:				
U.S. government direct obligations and U.S. agencies	—	558,208	—	558,208
Corporate debt securities	—	56,566	—	56,566
Commercial mortgage-backed securities	—	1,065	—	1,065
Total fixed maturities held-for-trading	—	615,839	—	615,839
Short-term investments	135,806	134,738	—	270,544
Collateral under derivative counterparty collateral agreements	69,984	—	—	69,984
Derivative instruments designated as hedges:				
Interest rate swaps	—	11,843	—	11,843
Cross-currency swaps	—	28,736	—	28,736
Derivative instruments not designated as hedges:				
Interest rate swaps	—	8,295	—	8,295
Interest rate swaptions	—	189	—	189
Cross-currency swaps	—	19,537	—	19,537
Total derivative instruments	—	68,600	—	68,600
Separate account assets [1]	15,249,966	10,847,266	—	26,631,193
Total assets	$ 15,455,756	$ 32,193,532	$ 4,538	$ 48,187,787
Liabilities				
Collateral under derivative counterparty collateral agreements	19,060	—	—	19,060
Derivative instruments designated as hedges:				
Cross-currency swaps	—	22	—	22
Derivative instruments not designated as hedges:				
Interest rate swaps	—	5,055	—	5,055
Cross-currency swaps	—	71,296	—	71,296
Total derivative instruments	—	76,373	—	76,373
Embedded derivatives - GLWB	—	—	11,257	11,257
Separate account liabilities [2]	24	290,293	—	290,317
Total liabilities	$ 19,084	$ 366,666	$ 11,257	$ 397,007

[1] Included in the total fair value amount are $534 million of investments as of December 31, 2015, for which the fair value is estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

[2] Includes only separate account instruments which are carried at the fair value of the underlying liabilities owned by the separate accounts.

The methods and assumptions used to estimate the fair value of the Company's financial assets and liabilities carried at fair value on a recurring basis are as follows:

Fixed maturity investments

The fair values for fixed maturity investments are generally based upon evaluated prices from independent pricing services. In cases where these prices are not readily available, fair values are estimated by the Company. To determine estimated fair value for these instruments, the Company generally utilizes discounted cash flow models with market observable pricing inputs such as spreads, average life, and credit quality. Fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty.

Short-term investments

The amortized cost of short-term investments is a reasonable estimate of fair value due to their short-term nature and high credit quality of the issuers.

Derivative counterparty collateral agreements

Included in other assets is cash collateral received from or pledged to derivative counterparties and included in other liabilities is the obligation to return the cash collateral to the counterparties. The carrying value of the collateral is a reasonable estimate of fair value.

Derivative instruments

Included in other assets and other liabilities are derivative financial instruments. The estimated fair values of OTC derivatives, primarily consisting of cross-currency swaps, interest rate swaps, and interest rate swaptions, are the estimated amounts the Company would receive or pay to terminate the agreements at the end of each reporting period, taking into consideration current interest rates and other relevant factors.

Embedded derivatives - GLWB

Significant unobservable inputs are used in the fair value measurements of GLWB include long-term equity and interest rate implied volatility, mortality, and policyholder behavior assumptions, such as benefit utilization and partial withdrawals.

Separate account assets and liabilities

Separate account assets and liabilities primarily include investments in mutual fund, fixed maturity, and short-term securities. Mutual funds are recorded at net asset value, which approximates fair value, on a daily basis. The fixed maturity and short-term investments are valued in the same manner, and using the same pricing sources and inputs as the fixed maturity and short-term investments of the Company.

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Recurring Level 3 financial assets and liabilities	
	Year Ended December 31, 2016	
	Assets	Liabilities
	Fixed maturities available-for-sale Corporate debt securities	Embedded derivatives - GLWB
Balances, January 1, 2016	$ 4,538	$ 11,257
Realized and unrealized gains (losses) included in:		
Net Income	—	(5,545)
Other comprehensive income (loss)	273	—
Settlements	(1,478)	—
Transfers into Level 3 [1]	11,236	—
Transfers out of Level 3 [2]	(2,930)	—
Balances, December 31, 2016	$ 11,639	$ 5,712
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2016	$ —	$ (5,545)

[1] Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies.
[2] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

	Recurring Level 3 financial assets and liabilities			
	Year Ended December 31, 2015			
	Assets			Liabilities
	Fixed maturities available-for-sale			
	Corporate debt securities	Asset-backed securities	Total	Embedded derivatives - GLWB
Balances, January 1, 2015	$ 5,842	$ 36	$ 5,878	$ —
Realized and unrealized gains (losses) included in:				
Net Income	—	—	—	11,257
Other comprehensive income (loss)	(178)	—	(178)	—
Settlements	(1,126)	—	(1,126)	—
Transfers out of Level 3 [1]	—	(36)	(36)	—
Balances, December 31, 2015	$ 4,538	$ —	$ 4,538	$ 11,257
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2015	$ —	$ —	$ —	$ 11,257

[1] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

	Recurring Level 3 financial assets and liabilities			
	Year Ended December 31, 2014			
	Fixed maturities available-for-sale			
	Corporate debt securities	Asset-backed securities	Collateralized debt obligations	Total
January 1, 2014	$ 6,652	$ 252,958	$ 32	$ 259,642
Realized and unrealized gains (losses) included in:				
Net Income	—	—	(17)	(17)
Other Comprehensive income (loss)	(178)	—	(15)	(193)
Settlements	(632)	(19)	—	(651)
Transfers out of Level 3 [1]	—	(252,903)	—	(252,903)
Balances, December 31, 2014	$ 5,842	$ 36	$ —	$ 5,878
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2014	$ —	$ —	$ —	$ —

[1] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

The following table presents significant unobservable inputs used during the valuation of certain assets categorized within Level 3 of the recurring fair value measurements table:

	Valuation Technique	Unobservable Input	Range	
			December 31, 2016	December 31, 2015
Embedded derivatives - GLWB	Risk neutral stochastic valuation methodology	Equity volatility	15% - 30%	15% - 28%
		Swap curve	0.75% - 3.00%	0.75% - 3.00%
		Mortality rate	Based on the Annuity 2000 Mortality Table	Based on the Annuity 2000 Mortality Table
		Lapse rate	1% - 15%	1% - 15%

Generally, the following will cause an increase (decrease) in GLWB embedded derivative fair value liabilities:

- An increase (decrease) in equity volatility;
- A decrease (increase) in interest rates;
- A decrease (increase) in mortality;
- A decrease (increase) in lapses.

The Company notes the following interrelationships:

- Low equity returns will potentially result in higher in-the-moneyness. This may result in lower lapses increasing the projected number of inforce policies and may also increase the fair value of the GLWB reserve.

Fair value of financial instruments

The following tables summarize the carrying amounts and estimated fair values of the Company's financial instruments and investments not carried at fair value on a recurring basis:

	December 31, 2016		December 31, 2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets				
Mortgage loans on real estate	$ 3,558,826	$ 3,574,240	$ 3,247,704	$ 3,362,496
Policy loans	4,019,648	4,019,648	4,092,661	4,092,661
Notes receivable from affiliates	1,174,558	1,173,591	1,211,610	1,211,066
Limited partnership interests	29,345	29,822	35,039	34,882
Other investments	14,382	44,687	14,596	44,723
Liabilities				
Annuity contract benefits without life contingencies	$ 12,291,378	$ 12,129,631	$ 11,104,721	$ 10,839,205
Policyholders' funds	285,554	285,554	299,577	299,577
Commercial paper	99,049	99,049	93,371	93,371
Long term debt to affiliates	608,455	571,925	588,677	618,080

The methods and assumptions used to estimate the fair value of financial instruments not carried at fair value on a recurring basis are summarized as follows:

Mortgage loans on real estate

Mortgage loan fair value estimates are generally based on discounted cash flows. A discount rate matrix is used where the discount rate valuing a specific mortgage generally corresponds to that mortgage's remaining term and credit quality. Management believes the discount rate used is comparable to the credit, interest rate, term, servicing costs, and risks of loans similar to the portfolio loans that the Company would make today given its internal pricing strategy. The estimated fair value is classified as Level 2.

Policy loans

Policy loans are funds provided to policyholders in return for a claim on the policy. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity, and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of repayments, the Company believes the fair value of policy loans approximates their carrying value. The estimated fair value is classified as Level 2.

Notes receivable from affiliates

For notes receivables from affiliates, fair values are estimated by the Company. To determine established fair value for these instruments, the Company generally utilizes discounted cash flows calculated at current market rates on investments of similar quality and term. Fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The estimated fair value was classified as Level 2.

Limited partnership interests

Limited partnership interests, accounted for using the cost method, represent the Company's minority ownership interests in pooled investment funds. These funds employ varying investment strategies that primarily make private equity investments across diverse industries and geographical focuses. The estimated fair value is determined using the partnership financial statement reported capital account or net asset value adjusted for other relevant information which may impact the exit value of the investments.

Distributions by these investments are generated from investment gains, from operating income generated by the underlying investments of the funds, and from liquidation of the underlying assets of the funds which are estimated to be liquidated over the next one to 10 years. The estimated fair value is classified as Level 3.

Other investments

Other investments primarily include real estate held for investment. The estimated fair value for real estate is based on the unadjusted appraised value which includes factors such as comparable property sales, property income analysis, and capitalization rates. The estimated fair value is classified as Level 3.

Annuity contract benefits without life contingencies

The estimated fair value of annuity contract benefits without life contingencies is estimated by discounting the projected expected cash flows to the maturity of the contracts utilizing risk-free spot interest rates plus a provision for the Company's credit risk. The estimated fair value is classified as Level 2.

Policyholders' funds

The carrying amount of policyholders' funds approximates the fair value since the Company can change the interest credited rates with 30 days notice. The estimated fair value is classified as Level 2.

Commercial paper

The amortized cost of commercial paper is a reasonable estimate of fair value due to its short-term nature and the high credit quality of the obligor. The estimated fair value is classified as Level 2.

Long term debt to affiliates

The estimated fair value of the long term debt payable to affiliates are based upon quoted market prices from independent pricing sources of securities with similar characteristics. The estimated fair value was classified as Level 2.

9. Minimum Guarantees

The Company calculates additional liabilities for GMDB and GLWB. The following assumptions and methodology were used to determine GMDB additional reserves at December 31, 2016, and 2015.

Area	Assumptions/Basis for Assumptions
Data Used	Based on 1,050 investment performance scenarios
Mean Investment Performance	Equity: 7% - 13% Fixed, Bond, Money Market Fund: level 0% - 10%
Volatility	Equity: 10% - 35% Fixed, Bond, Money Market Fund: 0% - 9%
Mortality	Based on the 1994 VA MGDB Mortality Table
Lapse Rates	Lapse Rates vary by duration and surrender charge
Discount Rates	5%

The assumptions and techniques for valuing the GLWB reserve is disclosed within Note 8 and are identical to those used for valuing the GLWB embedded derivative.

The separate account liabilities subject to the requirements for additional liabilities for GMDB and GLWB, net amount at risk, net of reinsurance, and the weighted average attained age of contract owners for GMDB and GLWB at December 31, 2016, and 2015, were as follows:

	GMDB	GLWB	Total
December 31, 2016			
Separate account liability	$ 55,607	$ 413,569	$ 469,176
Net amount at risk, net of reinsurance	$ 25,891	$ 2,941	$ 28,832
Weighted average attained age	71	58	N/A
December 31, 2015			
Separate account liability	$ 55,997	$ 209,828	$ 265,825
Net amount at risk, net of reinsurance	$ 29,050	$ 7,582	$ 36,632
Weighted average attained age	70	57	N/A

The paid and incurred amounts for GMDB and GLWB for the years ended December 31, 2016, 2015, and 2014 were as follows:

	GMDB	GLWB	Total
Additional liability balance:			
Balances, January 1, 2014	$ 5,993	$ —	$ 5,993
Incurred guaranteed benefits	305	—	305
Paid guaranteed benefits	(732)	—	(732)
Balances, December 31, 2014	5,566	—	5,566
Incurred guaranteed benefits	821	4,813	5,634
Paid guaranteed benefits	(920)	—	(920)
Balances, December 31, 2015	5,467	4,813	10,280
Incurred guaranteed benefits	132	(2,740)	(2,608)
Paid guaranteed benefits	(503)	—	(503)
Balances, December 31, 2016	$ 5,096	$ 2,073	$ 7,169

The aggregate fair value of equity securities supporting separate accounts with GMDB and GLWB were as follows:

	December 31, 2016	December 31, 2015
Equity securities - GMDB	$ 55,605	$ 55,997
Equity securities - GLWB	412,977	209,828
Total	$ 468,582	$ 265,825

10. Reinsurance

In the normal course of its business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding risks to other insurance enterprises under excess coverage, quota share, yearly renewable term, coinsurance, and modified coinsurance contracts. The Company retains an initial maximum of $3,500 of coverage per individual life. This initial retention limit of $3,500 may increase due to automatic policy increases in coverage at a maximum rate of $175 per annum, with an overall maximum increase in coverage of $1,000.

Ceded reinsurance contracts do not relieve the Company from its obligations to policyholders. The failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. At December 31, 2016, and 2015, the reinsurance recoverables had carrying values in the amounts of $598,864 and $604,946, respectively. Included in these amounts are $522,950 and $530,213 at December 31, 2016, and 2015, respectively, associated with reinsurance agreements

with related parties. At December 31, 2016, and 2015, 87% and 88%, respectively, of the total reinsurance receivable was due from CLAC, a related party.

The Company assumes risk from approximately 40 insurers and reinsurers by participating in yearly renewable term and coinsurance pool agreements. When assuming risk, the Company seeks to generate revenue while maintaining reciprocal working relationships with these partners as they also seek to limit their exposure to loss on any single life.

Maximum capacity to be retained by the Company is dictated at the treaty level and is monitored annually to ensure the total risk retained on any one life is limited to a maximum retention of $4,500.

The following tables summarize life insurance in-force and total premium income at and for the year ended December 31, 2016:

	Life insurance in-force		
	Individual	**Group**	**Total**
Written and earned direct	$ 54,618,888	$ 41,809,635	$ 96,428,523
Reinsurance ceded	(10,568,467)	(833,090)	(11,401,557)
Reinsurance assumed	56,165,011	—	56,165,011
Net	$ 100,215,432	$ 40,976,545	$ 141,191,977
Percentage of amount assumed to net	56%	—%	40%

	Premium income		
	Life insurance	**Annuities**	**Total**
Written and earned direct	$ 392,654	$ 1,998	$ 394,652
Reinsurance ceded	(52,397)	(81)	(52,478)
Reinsurance assumed	123,175	—	123,175
Net	$ 463,432	$ 1,917	$ 465,349

The following tables summarize life insurance in-force and total premium income at and for the year ended December 31, 2015:

	Life insurance in-force		
	Individual	**Group**	**Total**
Written and earned direct	$ 53,403,194	$ 41,855,857	$ 95,259,051
Reinsurance ceded	(10,169,625)	(393,512)	(10,563,137)
Reinsurance assumed	58,742,234	—	58,742,234
Net	$ 101,975,803	$ 41,462,345	$ 143,438,148
Percentage of amount assumed to net	58%	—%	41%

	Premium income		
	Life insurance	**Annuities**	**Total**
Written and earned direct	$ 368,442	$ 503	$ 368,945
Reinsurance ceded	(48,107)	(86)	(48,193)
Reinsurance assumed	124,798	—	124,798
Net	$ 445,133	$ 417	$ 445,550

The following table summarizes total premium income for the year ended December 31, 2014:

	Premium income		
	Life insurance	Annuities	Total
Written and earned direct	$ 360,959	$ 1,255	$ 362,214
Reinsurance ceded	(45,925)	(95)	(46,020)
Reinsurance assumed	130,201	—	130,201
Net	$ 445,235	$ 1,160	$ 446,395

Reinsurance recoveries for life and other policy benefits were $39,520, $23,179, and $23,965 for the years ended December 31, 2016, 2015, and 2014, respectively.

11. Deferred Acquisition Costs and Value of Business Acquired

The following table summarizes activity in DAC and VOBA:

	DAC	VOBA	Total
Balances, January 1, 2014	$ 314,071	$ 29,217	$ 343,288
Capitalized additions	110,315	—	110,315
Amortization and writedowns	(41,045)	(3,801)	(44,846)
Unrealized investment (gains) losses	(29,933)	(130)	(30,063)
Balances, December 31, 2014	353,408	25,286	378,694
Capitalized additions	63,093	—	63,093
Amortization and writedowns	(96,095)	(4,493)	(100,588)
Unrealized investment (gains) losses	73,012	(68)	72,944
Balances, December 31, 2015	393,418	20,725	414,143
Capitalized additions	93,222	—	93,222
Amortization and writedowns	(29,317)	(1,992)	(31,309)
Unrealized investment (gains) losses	10,522	112	10,634
Balances, December 31, 2016	$ 467,845	$ 18,845	$ 486,690

The estimated future amortization of VOBA for the years ended December 31, 2017, through December 31, 2021, is approximately $3,200 per annum.

12. Goodwill and Other Intangible Assets

The balance of goodwill, all of which is within the Empower Retirement segment, at December 31, 2016, and 2015 was $137,683.

The following tables summarize other intangible assets, all of which are within the Empower Retirement segment:

	December 31, 2016		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 47,580	$ (27,517)	$ 20,063
Non-competition	1,325	(1,301)	24
Total	$ 48,905	$ (28,818)	$ 20,087

	December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 47,580	$ (24,251)	$ 23,329
Non-competition	1,325	(835)	490
Total	$ 48,905	$ (25,086)	$ 23,819

Amortization expense for other intangible assets included in general insurance expenses was $3,732, $4,096, and $3,531 for the years ended December 31, 2016, 2015, and 2014, respectively. Except for goodwill, the Company has no intangible assets with indefinite lives.

The estimated future amortization of other intangible assets using current assumptions, which are subject to change, for the years ended December 31, 2017, through December 31, 2021, is approximately $2,200 per annum.

13. Commercial Paper

The Company maintains a commercial paper program that is partially supported by a $50,000 corporate credit facility.

The following table provides information regarding the Company's commercial paper program:

	December 31,	
	2016	2015
Face value	$ 99,049	$ 93,371
Carrying value	$ 99,049	$ 93,371
Effective interest rate	0.7%-0.8%	0.5%-0.6%
Maturity range (days)	10 - 30	8 - 28

14. Stockholder's Equity and Dividend Restrictions

At December 31, 2016, and 2015, the Company had 500,000 shares of $0 par value preferred stock authorized, none of which was issued or outstanding at either date. In addition, the Company had 500,000 shares of $0 par value common stock authorized, 50,025 of which were issued and outstanding at both December 31, 2016, and 2015, respectively.

GWL&A's net income and capital and surplus, as determined in accordance with statutory accounting principles and practices as prescribed by the National Association of Insurance Commissioners ("NAIC"), is as follows:

	Year Ended December 31,				December 31,	
	2016	2015	2014		2016	2015
Net income	$ 100,657	$ 187,232	$ 134,091	Capital and surplus	$ 1,053,333	$ 1,114,764

Regulatory compliance is determined by a ratio of a company's total adjusted capital ("TAC") to its authorized control level risk-based capital ("ACL"), as determined in accordance with statutory accounting principles and practices as prescribed by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is 200% of ACL. GWL&A's risk-based capital ratio was in excess of the required amount as of December 31, 2016.

Dividends are paid as determined by the Board of Directors, subject to restrictions as discussed below. During the years ended December 31, 2016, 2015, and 2014, the Company paid dividends in the amounts of $175,166, $139,531, and $316,400, respectively, to its parent company, Lifeco U.S.

As an insurance company domiciled in the State of Colorado, GWL&A is required to maintain a minimum of $2,000 of capital and surplus. In addition, the maximum amount of dividends which can be paid to stockholders by insurance companies domiciled in the State of Colorado, without prior approval of the Insurance Commissioner, is subject to restrictions relating to

statutory capital and surplus and statutory net gain from operations. As filed with the Colorado Division of Insurance, the statutory capital and surplus and net gain from operations at and for the year ended December 31, 2016, were $1,053,333 and $101,753, respectively. Based on the as filed amounts, GWL&A may pay an amount up to $101,753 of dividends during the year ended December 31, 2017, without the prior approval of the Colorado Insurance Commissioner. Prior to any payments of dividends, GWL&A seeks approval from the Colorado Insurance Commissioner.

15. Other Comprehensive Income

The following tables present the accumulated balances for each classification of other comprehensive income (loss):

	Year Ended December 31, 2016				
	Unrealized holding gains / losses arising on fixed maturities, available-for-sale	Unrealized holding gains / losses arising on cash flow hedges	Future policy benefits, DAC and VOBA adjustments	Employee benefit plan adjustment	Total
Balances, January 1, 2016	$ 339,520	$ 45,284	$ (65,785)	$ (85,581)	$ 233,438
Other comprehensive income (loss) before reclassifications	13,192	29,104	7,139	(4,755)	44,680
Amounts reclassified from AOCI	(40,964)	(7,312)	—	6,033	(42,243)
Net current period other comprehensive income (loss)	(27,772)	21,792	7,139	1,278	2,437
Balances, December 31, 2016	$ 311,748	$ 67,076	$ (58,646)	$ (84,303)	$ 235,875

	Year Ended December 31, 2015				
	Unrealized holding gains / losses arising on fixed maturities, available-for-sale	Unrealized holding gains / losses arising on cash flow hedges	Future policy benefits, DAC and VOBA adjustments	Employee benefit plan adjustment	Total
Balances, January 1, 2015	$ 784,183	$ 33,141	$ (108,194)	$ (106,112)	$ 603,018
Other comprehensive income (loss) before reclassifications	(418,522)	20,190	42,409	12,825	(343,098)
Amounts reclassified from AOCI	(26,141)	(8,047)	—	7,706	(26,482)
Net current period other comprehensive income (loss)	(444,663)	12,143	42,409	20,531	(369,580)
Balances, December 31, 2015	$ 339,520	$ 45,284	$ (65,785)	$ (85,581)	$ 233,438

	Year Ended December 31, 2014				
	Unrealized holding gains / losses arising on fixed maturities, available-for-sale	Unrealized holding gains / losses arising on cash flow hedges	Future policy benefits, DAC and VOBA adjustments	Employee benefit plan adjustment	Total
Balances, January 1, 2014	$ 434,023	$ 25,431	$ (70,000)	$ (43,786)	$ 345,668
Other comprehensive income (loss) before reclassifications	381,198	13,089	(38,194)	(67,380)	288,713
Amounts reclassified from AOCI	(31,038)	(5,379)	—	5,054	(31,363)
Net current period other comprehensive income (loss)	350,160	7,710	(38,194)	(62,326)	257,350
Balances, December 31, 2014	$ 784,183	$ 33,141	$ (108,194)	$ (106,112)	$ 603,018

The following tables present the composition of other comprehensive income (loss):

	Year Ended December 31, 2016		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized holding gains (losses), net, arising on fixed maturities, available-for-sale	$ 20,295	$ (7,103)	$ 13,192
Unrealized holding gains (losses), net, arising on cash flow hedges	44,776	(15,672)	29,104
Reclassification adjustment for (gains) losses, net, realized in net income	(74,271)	25,995	(48,276)
Net unrealized gains (losses) related to investments	(9,200)	3,220	(5,980)
Future policy benefits, DAC and VOBA adjustments	10,983	(3,844)	7,139
Net unrealized gains (losses)	1,783	(624)	1,159
Employee benefit plan adjustment	1,966	(688)	1,278
Other comprehensive income (loss)	$ 3,749	$ (1,312)	$ 2,437

	Year Ended December 31, 2015		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized holding gains (losses), net, arising on fixed maturities, available-for-sale	$ (643,880)	$ 225,358	$ (418,522)
Unrealized holding gains (losses), net, arising on cash flow hedges	31,061	(10,871)	20,190
Reclassification adjustment for (gains) losses, net, realized in net income	(52,597)	18,409	(34,188)
Net unrealized gains (losses) related to investments	(665,416)	232,896	(432,520)
Future policy benefits, DAC and VOBA adjustments	65,245	(22,836)	42,409
Net unrealized gains (losses)	(600,171)	210,060	(390,111)
Employee benefit plan adjustment	31,586	(11,055)	20,531
Other comprehensive income (loss)	$ (568,585)	$ 199,005	$ (369,580)

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	Year Ended December 31, 2014		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized holding gains (losses), net, arising on fixed maturities, available-for-sale	$ 586,458	$ (205,260)	$ 381,198
Unrealized holding gains (losses), net, arising on cash flow hedges	20,137	(7,048)	13,089
Reclassification adjustment for (gains) losses, net, realized in net income	(56,027)	19,610	(36,417)
Net unrealized gains (losses) related to investments	550,568	(192,698)	357,870
Future policy benefits, DAC and VOBA adjustments	(58,760)	20,566	(38,194)
Net unrealized gains (losses)	491,808	(172,132)	319,676
Employee benefit plan adjustment	(95,886)	33,560	(62,326)
Other comprehensive income (loss)	$ 395,922	$ (138,572)	$ 257,350

The following table presents the reclassifications from accumulated other comprehensive income (loss):

	Year Ended December 31,			
	2016	2015	2014	
Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)			Affected line item in the statement where net income is presented
Unrealized holdings (gains) losses, net, arising on fixed maturities, available-for-sale	$ (63,022)	$ (40,217)	$ (47,751)	Other realized investment (gains) losses, net
	(63,022)	(40,217)	(47,751)	Total before tax
	(22,058)	(14,076)	(16,713)	Tax expense or benefit
	$ (40,964)	$ (26,141)	$ (31,038)	Net of tax
Unrealized holdings (gains) losses, net, arising on cash flow hedges	$ (13,906)	$ (12,380)	$ (8,276)	Net investment income
	2,657	—	—	Interest expense
	(11,249)	(12,380)	(8,276)	Total before tax
	(3,937)	(4,333)	(2,897)	Tax expense or benefit
	$ (7,312)	$ (8,047)	$ (5,379)	Net of tax
Amortization of employee benefit plan items				
Prior service costs (benefits)	$ (601) [1]	$ (694) [1]	$ 3,189 [1]	
Actuarial losses (gains)	9,882 [1]	12,550 [1]	2,730 [1]	
Settlement	— [1]	— [1]	1,857 [1]	
	9,281	11,856	7,776	Total before tax
	3,248	4,150	2,722	Tax expense or benefit
	$ 6,033	$ 7,706	$ 5,054	Net of tax
Total reclassification	$ (42,243)	$ (26,482)	$ (31,363)	Net of tax

[1] These accumulated other comprehensive income components are included in the computation of net periodic (benefit) cost of employee benefit plans (see Note 17 for additional details).

16. General Insurance Expenses

The following table summarizes the significant components of general insurance expenses:

	Year Ended December 31,		
	2016	2015	2014
Compensation	$ 625,364	$ 564,008	$ 406,601
Commissions	222,028	206,360	210,797
Other	333,835	308,628	163,593
Total general insurance expenses	$ 1,181,227	$ 1,078,996	$ 780,991

17. Employee Benefit Plans

Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement Plans

The Company has a noncontributory Defined Benefit Pension Plan covering substantially all of its employees that were hired before January 1, 1999. Benefits for the Defined Benefit Pension Plan are based principally on an employee's years of service and compensation levels near retirement. The Company's policy for funding the Defined Benefit Pension Plans is to make annual contributions, which equal or exceed regulatory requirements.

The Company sponsors an unfunded Post-Retirement Medical Plan (the "Medical Plan") that provides health benefits to retired employees who are not Medicare eligible. The Medical Plan is contributory and contains other cost sharing features which may be adjusted annually for the expected general inflation rate. The Company's policy is to fund the cost of the Medical Plan benefits in amounts determined at the discretion of management.

The Company also provides Supplemental Executive Retirement Plans to certain key executives. These plans provide key executives with certain benefits upon retirement, disability, or death based upon total compensation. The Company has purchased individual life insurance policies with respect to employees covered by these plans. The Company is the owner and beneficiary of the insurance contracts.

A December 31 measurement date is used for the employee benefit plans.

The following tables provide a reconciliation of the changes in the benefit obligations, fair value of plan assets and the underfunded status for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Change in projected benefit obligation:								
Benefit obligation, January 1	$ 560,817	$ 583,080	$ 16,637	$ 12,782	$ 43,858	$ 55,832	$ 621,312	$ 651,694
Service cost	(1,403)	12,851	1,246	1,042	294	282	137	14,175
Interest cost	25,263	23,987	713	560	1,775	2,122	27,751	26,669
Actuarial (gain) loss	24,928	(42,863)	1,408	3,360	1,911	(9,504)	28,247	(49,007)
Regular benefits paid	(17,315)	(16,238)	(973)	(1,446)	(3,337)	(4,874)	(21,625)	(22,558)
Acquisition	—	—	—	339	—	—	—	339
Benefit obligation, December 31	$ 592,290	$ 560,817	$ 19,031	$ 16,637	$ 44,501	$ 43,858	$ 655,822	$ 621,312
Accumulated benefit obligation	$ 575,024	$ 544,011	$ 19,031	$ 16,637	$ 43,098	$ 42,182	$ 637,153	$ 602,830

On January 1, 2015, the Company acquired the retirement business of Putnam, an affiliate of the Company. See Note 2 for additional discussion regarding the acquisition. Per the terms of the Asset Transfer Agreement, the Company was required to give each Putnam employee full credit for the employee's service period with Putnam prior to the closing date for the purpose of eligibility to participate, vesting and level of benefits under the Post-Retirement Medical Plan. As a result, approximately 150 individuals became eligible participants of the Post-Retirement Medical Plan at January 1, 2015. The transaction was recorded as a prior service cost, which resulted in a $339 increase before tax to other liabilities and expenses and a decrease to accumulated other comprehensive income.

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Change in plan assets:								
Value of plan assets, January 1	$ 427,131	$ 443,962	$ —	$ —	$ —	$ —	$ 427,131	$ 443,962
Actual return on plan assets	43,271	(593)	—	—	—	—	43,271	(593)
Employer contributions	—	—	973	1,446	3,337	4,874	4,310	6,320
Benefits paid	(17,315)	(16,238)	(973)	(1,446)	(3,337)	(4,874)	(21,625)	(22,558)
Value of plan assets, December 31	$ 453,087	$ 427,131	$ —	$ —	$ —	$ —	$ 453,087	$ 427,131

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	December 31,		December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Under funded status at December 31	$ (139,203)	$(133,686)	$ (19,031)	$ (16,637)	$ (44,501)	$ (43,858)	$ (202,735)	$ (194,181)

The following table presents amounts recognized in the consolidated balance sheets for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	December 31,		December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Amounts recognized in consolidated balance sheets:								
Other liabilities	$ (139,203)	$ (133,686)	$ (19,031)	$ (16,637)	$ (44,501)	$ (43,858)	$(202,735)	$(194,181)
Accumulated other comprehensive income (loss)	(133,055)	(139,316)	5,715	8,540	(2,360)	(890)	(129,700)	(131,666)

The following table provides information regarding amounts in AOCI that have not yet been recognized as components of net periodic benefit cost at December 31, 2016:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax
Net gain (loss)	$ (133,055)	$ (86,486)	$ 5,091	$ 3,309	$ (660)	$ (429)	$(128,624)	$ (83,606)
Net prior service (cost) credit	—	—	624	406	(1,700)	(1,105)	(1,076)	(699)
	$ (133,055)	$ (86,486)	$ 5,715	$ 3,715	$ (2,360)	$ (1,534)	$(129,700)	$ (84,305)

The following table provides information regarding amounts in AOCI that are expected to be recognized as components of net periodic benefit costs during the year ended December 31, 2017:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax
Net gain (loss)	$ (8,799)	$ (5,719)	$ 210	$ 137	$ 54	$ 35	$ (8,535)	$ (5,547)
Prior service (cost) credit	—	—	453	294	(501)	(326)	(48)	(32)
	$ (8,799)	$ (5,719)	$ 663	$ 431	$ (447)	$ (291)	$ (8,583)	$ (5,579)

The expected benefit payments for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans for the years indicated are as follows:

	Defined Benefit Pension Plan	Post-Retirement Medical Plan	Supplemental Executive Retirement Plan
2017	$ 16,600	$ 856	$ 3,435
2018	20,029	843	2,775
2019	21,231	917	2,460
2020	22,694	946	2,438
2021	24,820	1,028	2,400
2022 through 2026	154,223	6,776	27,188

Net periodic (benefit) cost of the Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans included in general insurance expenses in the accompanying consolidated statements of income includes the following components:

	Defined Benefit Pension Plan		
	Year Ended December 31,		
	2016	2015	2014
Components of net periodic cost:			
Service cost	$ (1,403)	$ 12,851	$ 4,952
Interest cost	25,263	23,987	23,068
Expected return on plan assets	(22,339)	(28,345)	(29,288)
Amortization of unrecognized prior service cost	—	13	51
Amortization of loss from earlier periods	10,260	12,398	2,898
Net periodic cost	$ 11,781	$ 20,904	$ 1,681

	Post-Retirement Medical Plan		
	Year Ended December 31,		
	2016	2015	2014
Components of net periodic benefit:			
Service cost	$ 1,246	$ 1,042	$ 985
Interest cost	713	560	574
Amortization of unrecognized prior service benefit	(1,102)	(1,640)	(1,706)
Amortization of gain from earlier periods	(317)	(511)	(450)
Net periodic benefit	$ 540	$ (549)	$ (597)

	Supplemental Executive Retirement Plan		
	Year Ended December 31,		
	2016	2015	2014
Components of net periodic cost:			
Service cost	$ 294	$ 282	$ 586
Interest cost	1,775	2,122	2,528
Amortization of unrecognized prior service cost	501	933	4,844
Amortization of loss from earlier periods	(61)	663	282
Settlement	—	—	1,857
Net periodic cost	$ 2,509	$ 4,000	$ 10,097

On August 1, 2014, the Company made a lump-sum benefit payment from the Supplemental Executive Retirement Plan. The lump-sum distribution resulted in the settlement of 21% of the Supplemental Executive Retirement Plan's projected benefit obligation and exceeded the total of the projected service cost and interest cost for the plan year. In connection with this settlement during the third quarter of 2014, the Company reclassified a $1,857 loss before tax to earnings from accumulated other comprehensive income. The lump-sum benefit payment also resulted in the recognition of $3,911 of prior service costs within earnings from accumulated other comprehensive income.

The following tables present the assumptions used in determining benefit obligations of the Defined Benefit Pension, Post-Retirement Medical, and the Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan	
	December 31,	
	2016	2015
Discount rate	4.20%	4.55%
Rate of compensation increase	4.47%	4.47%

	Post-Retirement Medical Plan	
	December 31,	
	2016	2015
Discount rate	4.05%	4.31%
Initial health care cost trend	6.75%	7.00%
Ultimate health care cost trend	5.00%	5.00%
Year ultimate trend is reached	2024	2024

	Supplemental Executive Retirement Plan	
	December 31,	
	2016	2015
Discount rate	3.80%	4.22%
Rate of compensation increase	4.00%	4.00%

During 2016, the Company adopted the Society of Actuaries Mortality Improvement Scale (MP-2016).

During 2015, the Company adopted the Society of Actuaries 2015 Mortality Tables Report (RP-2015) and Mortality Improvement Scale (MP-2015), which adjusted the mortality assumptions used to measure retirement plan obligations. These mortality assumptions are an update to the tables adopted in 2014, to reflect two additional years of U.S. population mortality improvement data.

The following tables present the assumptions used in determining the net periodic (benefit) cost of the Defined Benefit Pension, Post-Retirement Medical, and the Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan	
	Year Ended December 31,	
	2016	2015
Discount rate	4.55%	4.17%
Expected return on plan assets	6.00%	6.50%
Rate of compensation increase	4.47%	4.47%

	Post-Retirement Medical Plan	
	Year Ended December 31,	
	2016	2015
Discount rate	4.31%	3.94%
Initial health care cost trend	7.00%	6.50%
Ultimate health care cost trend	5.00%	5.00%
Year ultimate trend is reached	2024	2018

	Supplemental Executive Retirement Plan	
	Year Ended December 31,	
	2016	2015
Discount rate	4.22%	3.99%
Rate of compensation increase	4.00%	4.00%

The discount rate has been set based on the rates of return on high-quality fixed-income investments currently available and expected to be available during the period the benefits will be paid. In particular, the yields on bonds rated AA or better on the measurement date have been used to set the discount rate.

The following table presents the impact on the Post-Retirement Medical Plan that a one-percentage-point change in assumed health care cost trend rates would have on the following:

	One percentage point increase	One percentage point decrease
Increase (decrease) on total service and interest cost on components	$ 322	$ (269)
Increase (decrease) on post-retirement benefit obligation	2,430	(2,083)

The following table presents how the Company's Defined Benefit Pension Plan assets are invested:

	December 31,	
	2016	2015
Equity securities	45%	67%
Debt securities	39%	31%
Other	16%	2%
Total	100%	100%

The following tables present information about the Defined Benefit Retirement Plan's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation approach utilized to determine such fair value:

	Defined benefit plan assets measured at fair value on a recurring basis			
	December 31, 2016			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common collective trust funds: [1]				
Equity index funds	$ —	$ —	$ —	$ 34,578
Midcap index funds	—	—	—	35,330
World equity index funds	—	—	—	44,235
U.S. equity market funds	—	—	—	45,614
International equity funds	—	—	—	11,143
Total common collective trust funds	—	—	—	170,900
Fixed maturity investments:				
U.S. government direct obligations and agencies	—	5,672	—	5,672
Obligations of U.S. states and their municipalities	—	18,670	—	18,670
Corporate debt securities	—	141,102	1,316	142,418
Asset-backed securities	—	7,828	—	7,828
Commercial mortgage-backed securities	—	2,884	—	2,884
Total fixed maturity investments	—	176,156	1,316	177,472
Equity investments:				
Fixed income mutual funds	21,321	—	—	21,321
Equity mutual funds	11,106	—	—	11,106
Preferred stock	640	—	—	640
Total equity investments	33,067	—	—	33,067
Limited partnership investments [1]	—	—	—	7,022
Money market funds	62,883	—	—	62,883
Total defined benefit plan assets	$ 95,950	$ 176,156	$ 1,316	$ 451,344

[1] Fair values of Common collective trust funds and Limited partnership investments are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

	Defined benefit plan assets measured at fair value on a recurring basis			
	December 31, 2015			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common collective trust funds: [1]				
Equity index funds	$ —	$ —	$ —	$ 94,751
Midcap index funds	—	—	—	88,267
World equity index funds	—	—	—	8,511
U.S. equity market funds	—	—	—	94,471
Total common collective trust funds	—	—	—	286,000
Fixed maturity investments:				
U.S. government direct obligations and agencies	—	6,753	—	6,753
Obligations of U.S. states and their municipalities	—	19,074	—	19,074
Corporate debt securities	—	93,811	—	93,811
Asset-backed securities	—	8,149	—	8,149
Commercial mortgage-backed securities	—	2,926	—	2,926
Total fixed maturity investments	—	130,713	—	130,713
Preferred stock	280	—	—	280
Limited partnership investments [1]	—	—	—	7,654
Money market funds	2,484	—	—	2,484
Total defined benefit plan assets	$ 2,764	$ 130,713	$ —	$ 427,131

[1] Fair values of Common collective trust funds and Limited partnership investments are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

The following tables present additional information about assets of the Defined Benefit Retirement Plan measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Recurring Level 3 financial assets	
	Corporate debt securities	
	Year Ended December 31,	
	2016	2015
Balance, January 1	$ —	$ —
Actual return on plan assets	54	—
Settlements	(213)	—
Transfers into Level 3 [1]	1,475	—
Balance, December 31	$ 1,316	$ —

[1] Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies.

The investment objective of the Defined Benefit Pension Plan is to provide a risk-adjusted return that will ensure the payment of benefits while protecting against the risk of substantial investment losses. Correlations among the asset classes are used to identify an asset mix that the Company believes will provide the most attractive returns. Long-term return forecasts for each asset class using historical data and other qualitative considerations to adjust for projected economic forecasts are used to set the expected rate of return for the entire portfolio.

The Defined Benefit Pension Plan utilizes various investment securities. Generally, investment securities are exposed to various risks, such as interest rate risks, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported.

The following table presents the ranges the Company targets for the allocation of invested Defined Benefit Pension Plan assets at December 31, 2017:

	December 31, 2017
Equity securities	30%
Debt securities	52%
Other	18%
Total	100%

Management estimates the value of these investments will be recoverable. The Company does not expect any plan assets to be returned to it during the year ended December 31, 2017. The Company expects to make payments of approximately $856 with respect to its Post-Retirement Medical Plan and $3,435 with respect to its Supplemental Executive Retirement Plan during the year ended December 31, 2017.

Other employee benefit plans

The Company has an executive deferred compensation plan providing key executives with the opportunity to participate in an unfunded deferred compensation program. Under the program, participants may defer base compensation and bonuses and earn interest on the amounts deferred. The program is not qualified under Section 401 of the Internal Revenue Code. Participant balances, which are reflected in other liabilities in the accompanying consolidated balance sheets, are $7,236 and $8,678 at December 31, 2016, and 2015, respectively. The participant deferrals earned interest at the average rates of 6.42% and 6.48% during the years ended December 31, 2016, and 2015, respectively. The interest rate is based on the Moody's Average Annual Corporate Bond Index rate plus 0.45% for actively employed participants and fixed rates ranging from 4.12% to 5.03% for retired participants.

The Company offers an unfunded, non-qualified deferred compensation plan to a select group of management and highly compensated individuals. Participants defer a portion of their compensation and realize potential market gains or losses on the invested contributions. The program is not qualified under Section 401 of the Internal Revenue Code. Participant balances, which are included in other liabilities in the accompanying consolidated balance sheets, are $21,758 and $18,654 at December 31, 2016, and 2015, respectively.

The Company sponsors a qualified defined contribution benefit plan covering all employees. Under this plan, employees may contribute a percentage of their annual compensation to the plan up to certain maximums, as defined by the plan and by the Internal Revenue Service ("IRS"). Currently, the Company matches a percentage of employee contributions in cash. The Company recognized $12,364, $13,016, and $8,479 in expense related to this plan for the years ended December 31, 2016, 2015, and 2014, respectively.

18. Income Taxes

The provision for income taxes is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Current	$ 35,893	$ 78,643	$ 80,094
Deferred	53,481	21,682	78,060
Total income tax provision	$ 89,374	$ 100,325	$ 158,154

The following table presents a reconciliation between the statutory federal income tax rate and the Company's effective federal income tax rate:

	Year Ended December 31,		
	2016	2015	2014
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Income tax effect of:			
Investment income not subject to federal tax	(2.9)%	(3.0)%	(1.7)%
Tax credits	(6.6)%	(0.2)%	(0.3)%
State income taxes, net of federal benefit	2.3 %	3.2 %	1.0 %
Income tax contingency provisions	— %	— %	(1.2)%
Other, net	(0.5)%	(0.9)%	0.2 %
Effective federal income tax rate	27.3 %	34.1 %	33.0 %

A reconciliation of unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2016	2015	2014
Balance, beginning of year	$ 23,093	$ 26,890	$ 21,154
Additions to tax positions in the current year	—	1,383	13,931
Additions to tax positions in the prior year	1,902	50	—
Reductions to tax positions from statutes expiring	(7,727)	(5,230)	(8,195)
Balance, end of year	$ 17,268	$ 23,093	$ 26,890

There were no tax benefits included in the unrecognized tax benefits of $17,268 at December 31, 2016, that would impact the annual effective tax rate. The Company does not anticipate material changes to its unrecognized tax benefits in the next twelve months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in current income tax expense. The Company recognized decreases of $153, $193, and $2,916 in interest and penalties related to the uncertain tax positions during the years ended December 31, 2016, 2015, and 2014, respectively. The Company had approximately $864 and $1,017 accrued for the payment of interest and penalties at December 31, 2016, and 2015, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years 2012 and prior. Tax years 2013 through 2015 are open to federal examination by the I.R.S. The Company does not expect significant increases or decreases to unrecognized tax benefits relating to federal, state, or local audits.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. The tax effect of temporary differences, which give rise to the deferred tax assets and liabilities, is as follows:

	December 31,			
	2016		2015	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Policyholder reserves	$ —	$ 278,632	$ —	$ 262,822
Deferred acquisition costs	—	28,071	—	8,533
Investment assets	—	233,583	—	221,303
Policyholder dividends	8,583	—	8,919	—
Net operating loss carryforward	96,693	—	113,637	—
Pension plan accrued benefit liability	83,562	—	79,945	—
Goodwill	—	35,306	—	33,034
Experience rated refunds	6,654	—	12,673	—
Tax credits	168,597	—	154,017	—
Other	19,592	—	19,385	—
Total deferred taxes	$ 383,681	$ 575,592	$ 388,576	$ 525,692

The deferred tax liability amounts presented for investment assets above include $172,405 and $171,780 related to the net unrealized losses (gains) on the Company's investments, which are classified as available-for-sale at December 31, 2016, and 2015, respectively.

The Company, together with certain of its subsidiaries, and Lifeco U.S. have entered into an income tax allocation agreement whereby Lifeco U.S. files a consolidated federal income tax return. Under the agreement, these companies are responsible for and will receive the benefits of any income tax liability or benefit computed on a separate tax return basis.

As of December 31, 2016, the subsidiary had net operating loss carry forwards expiring as follows:

Year	Amount
2021	$ 5,977
2022	136,796
2023	81,693
2028	2,215
Total	$ 226,681

During the years ended December 31, 2016, 2015, and 2014, the Company generated $215, $3,295, and $15,506 of Guaranteed Federal Low Income Housing tax credit carryforwards, respectively. As of December 31, 2016, the total credit carryforward for Low Income Housing is $143,105. These credits will begin to expire in 2030.

The Company generated $4,286 of foreign tax credit carryforwards during the year ended December 31, 2016. During the years ended December 31, 2010 through December 31, 2015, the Company generated credit carryforwards of $21,025. The Company determined in 2016 that it will amend its prior year previously filed federal income tax returns in order to elect to claim foreign tax credits in lieu of foreign tax expense. These credits will begin to expire in 2020.

Included in due from parent and affiliates at December 31, 2016, and 2015 is $63,116 and $82,558, respectively, of income taxes receivable primarily from Lifeco U.S. related to the consolidated income tax return filed by the Company and certain subsidiaries.

Included in the consolidated balance sheets at December 31, 2016, and 2015 is $7,819 and $7,721, respectively, of income taxes receivable in other assets primarily related to the separate state income tax returns filed by certain subsidiaries.

19. Segment Information

The Chief Operating Decision Maker ("CODM") of the Company is also the Chief Executive Officer ("CEO") of the Company and Lifeco U.S. The CODM reviews the financial information for the purposes of assessing performance and allocating resources based upon the results of Lifeco U.S. and other U.S. affiliates prepared in accordance with International Financial Reporting Standards. The CODM, in his capacity as CEO of the Company, reviews the Company's financial information only in connection with the quarterly and annual reports that are filed with the Securities and Exchange Commission ("SEC"). Consequently, the Company does not provide its discrete financial information to the CODM to be regularly reviewed to make decisions about resources to be allocated or to assess performance. For purposes of SEC reporting requirements, the Company has chosen to present its financial information in three segments, notwithstanding the above. The three segments are: Individual Markets, Empower Retirement, and Other.

Individual Markets

The Individual Markets reporting and operating segment distributes life insurance and individual annuity products to both individuals and businesses through various distribution channels. Life insurance products in-force include participating and non-participating term life, whole life, universal life, and variable universal life.

Empower Retirement

The Empower Retirement reporting and operating segment provides various retirement plan products and investment options as well as comprehensive administrative and recordkeeping services for financial institutions and employers, which include educational, advisory, enrollment, and communication services for employer-sponsored defined contribution plans and associated defined benefit plans.

Other

The Company's Other reporting segment is substantially comprised of activity under the assumption of reinsurance between GWSC and CLAC ("the GWSC operating segment"), corporate items not directly allocated to the other operating segments and interest expense on long-term debt.

The accounting principles used to determine segment results are the same as those used in the consolidated financial statements. The Company evaluates performance of its reportable segments based on their profitability from operations after income taxes. Inter-segment transactions and balances have been eliminated in consolidation. The Company's operations are not materially dependent on one or a few customers, brokers, or agents.

The following tables summarize segment financial information:

	Year Ended December 31, 2016			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 379,127	$ 1,853	$ 84,369	$ 465,349
Fee income	99,514	851,620	5,683	956,817
Other revenue	—	12,261	—	12,261
Net investment income	798,557	428,327	67,027	1,293,911
Realized investments gains (losses), net	40,899	51,209	774	92,882
Total revenues	1,318,097	1,345,270	157,853	2,821,220
Benefits and expenses:				
Policyholder benefits	969,182	206,143	65,698	1,241,023
Operating expenses	175,016	1,002,129	76,268	1,253,413
Total benefits and expenses	1,144,198	1,208,272	141,966	2,494,436
Income before income taxes	173,899	136,998	15,887	326,784
Income tax expense	58,601	25,144	5,629	89,374
Net income	$ 115,298	$ 111,854	$ 10,258	$ 237,410

	December 31, 2016			
	Individual Markets	Empower Retirement	Other	Total
Assets:				
Investments	$ 16,770,772	$ 12,195,748	$ 2,812,413	$ 31,778,933
Other assets	1,453,717	1,057,148	234,864	2,745,729
Separate account assets	7,521,475	19,516,290	—	27,037,765
Assets of continuing operations	$ 25,745,964	$ 32,769,186	$ 3,047,277	61,562,427
Assets of discontinued operations				17,652
Total assets				$ 61,580,079

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(Dollars in Thousands, Except Share Amounts)

	Year Ended December 31, 2015			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 360,783	$ 533	$ 84,234	$ 445,550
Fee income	87,471	853,076	3,979	944,526
Other revenue	—	13,563	—	13,563
Net investment income	801,935	398,639	65,351	1,265,925
Realized investments gains (losses), net	28,864	54,752	94	83,710
Total revenues	1,279,053	1,320,563	153,658	2,753,274
Benefits and expenses:				
Policyholder benefits	931,631	201,791	101,205	1,234,627
Operating expenses	159,719	992,564	72,489	1,224,772
Total benefits and expenses	1,091,350	1,194,355	173,694	2,459,399
Income (loss) before income taxes	187,703	126,208	(20,036)	293,875
Income tax expense (benefit)	64,360	43,058	(7,093)	100,325
Net income (loss)	$ 123,343	$ 83,150	$ (12,943)	$ 193,550

	December 31, 2015			
	Individual Markets	Empower Retirement	Other	Total
Assets:				
Investments	$ 16,074,681	$ 10,966,096	$ 2,985,377	$ 30,026,154
Other assets	1,358,934	927,061	267,693	2,553,688
Separate account assets	7,031,013	19,600,180	—	26,631,193
Assets of continuing operations	$ 24,464,628	$ 31,493,337	$ 3,253,070	$ 59,211,035
Assets of discontinued operations				21,910
Total assets				$ 59,232,945

	Year Ended December 31, 2014			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 360,305	$ 1,215	$ 84,875	$ 446,395
Fee income	95,631	629,533	4,015	729,179
Other revenue	—	7,506	—	7,506
Net investment income	748,015	426,340	66,443	1,240,798
Realized investments gains (losses), net	44,381	102,597	261	147,239
Total revenues	1,248,332	1,167,191	155,594	2,571,117
Benefits and expenses:				
Policyholder benefits	902,982	206,339	113,124	1,222,445
Operating expenses	136,850	647,165	85,796	869,811
Total benefits and expenses	1,039,832	853,504	198,920	2,092,256
Income (loss) before income taxes	208,500	313,687	(43,326)	478,861
Income tax expense (benefit)	68,719	104,162	(14,773)	158,108
Net income (loss)	$ 139,781	$ 209,525	$ (28,553)	$ 320,753

20. Share-Based Compensation

Equity Awards

Lifeco, of which the Company is an indirect wholly-owned subsidiary, maintains the Great-West Lifeco Inc. Stock Option Plan (the "Lifeco plan") that provides for the granting of options on its common shares to certain of its officers and employees and those of its subsidiaries, including the Company. Options are granted with exercise prices not less than the average market price of the shares on the five days preceding the date of the grant. The Lifeco plan provides for the granting of options with varying terms and vesting requirements with vesting commencing on the first anniversary of the grant, exercisable within 10 years from the date of grant.

Termination of employment prior to the vesting of the options results in the forfeiture of the unvested options, unless otherwise determined by Human Resources Committee. At its discretion the Human Resources Committee may vest the unvested options of retiring option holders, with the options exercisable within five years from the date of retirement. In such event, the Company accelerates the recognition period to the date of retirement for any unrecognized share-based compensation cost related thereto and recognizes it in its earnings at that time.

Liability Awards

The Company maintains a Performance Share Unit Plan ("PSU plan") for senior executives of the Company. Under the PSU plan, "performance share units" are granted to certain senior executives of the Company. Each performance unit has a value equal to one share of Lifeco common stock and is subject to adjustment for cash dividends paid to Lifeco stockholders, Company earnings results as well as stock dividends and splits, consolidations and the like that affect shares of Lifeco common stock outstanding.

If the performance share units vest, they are payable in cash equal to the average closing price of Lifeco common stock for the 20 trading days prior to the date following the last day of the three-year performance period. The estimated fair value of the performance unit is based on the average closing price of Lifeco common stock for the twenty trading days prior to the grant. The performance share units generally vest in their entirety at the end of the three years performance period based on continued service. The PSU plan contains a provision that permits all unvested performance share units to become vested upon death or retirement.

Performance share units are settled in cash and are recorded as liabilities until payout is made. Unlike share-settled awards, which have a fixed grant-date fair value, the fair value of unsettled or unvested liabilities awards is remeasured at the end of each reporting period based on the change in fair value of one share of Lifeco common stock. The liability and corresponding expense are adjusted accordingly until the award is settled.

Compensation Expense Related to Share-Based Compensation

The compensation expense related to share-based compensation was as follows:

	Year Ended December 31,		
	2016	2015	2014
Lifeco Stock Plan	$ 2,190	$ 1,655	$ 3,384
Performance Share Unit Plan	5,318	2,320	6,263
Total compensation expense	$ 7,508	$ 3,975	$ 9,647
Income tax benefits	$ 2,458	$ 1,143	$ 2,404

The following table presents the total unrecognized compensation expense related to share-based compensation at December 31, 2016, and the expected weighted average period over which these expenses will be recognized:

	Expense	Weighted average period (years)
Lifeco Stock Plan	$ 2,684	1.7
Performance Share Unit Plan	6,403	1.4

Equity Award Activity

During the year ended December 31, 2016, Lifeco granted 973,100 stock options to employees of the Company. These stock options vest over five-year periods ending in 2021. Compensation expense of $2,664 will be recognized in the Company's financial statements over the vesting period of these stock options using the accelerated method of recognition.

The following table summarizes the status of, and changes in, the Lifeco plan options granted to Company employees which are outstanding. The options granted relate to underlying stock traded in Canadian dollars on the Toronto Stock Exchange; therefore, the amounts, which are presented in United States dollars, will fluctuate as a result of exchange rate fluctuations.

		Weighted Average		
	Shares under option	Exercise price (Whole dollars)	Remaining contractual term (Years)	Intrinsic value [1]
Outstanding, January 1, 2016	3,633,343	$ 21.68		
Granted	973,100	25.88		
Exercised	(359,345)	20.03		
Cancelled and expired	(185,097)	25.87		
Outstanding, December 31, 2016	4,062,001	23.25	6.1	$ 12,814
Vested and expected to vest, December 31, 2016	4,062,001	$ 23.25	6.1	$ 12,814
Exercisable, December 31, 2016	2,292,059	$ 21.81	4.3	$ 10,654

[1] The aggregate intrinsic value is calculated as the difference between the market price of Lifeco common shares on December 31, 2016, and the exercise price of the option (only if the result is positive) multiplied by the number of options.

The following table presents additional information regarding stock options under the Lifeco plan:

	Year Ended December 31,		
	2016	2015	2014
Weighted average fair value of options granted	$ 2.74	$ 3.33	$ 5.53
Intrinsic value of options exercised [1]	2,102	4,234	401
Fair value of options vested	1,605	1,670	4,491

[1] The intrinsic value of options exercised is calculated as the difference between the market price of Lifeco common shares on the date of exercise and the exercise price of the option multiplied by the number of options exercised.

The fair value of the options granted during the years ended December 31, 2016, 2015, and 2014 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Dividend yield	3.99%	3.66%	3.95%
Expected volatility	19.03%	19.10%	26.63%
Risk free interest rate	0.80%	0.90%	1.75%
Expected duration (years)	6.0	6.0	6.0

Liability Award Activity

The following table summarizes the status of, and changes in, the Performance Share Unit Plan units granted to Company employees which are outstanding:

	Performance Units
Outstanding, January 1, 2016	440,089
Granted	313,837
Forfeited	(3,158)
Exercised	(151,857)
Outstanding, December 31, 2016	598,911
Vested and expected to vest, December 31, 2016	598,911

The cash payment in settlement of the Performance Share Unit Plan units was $3,988 and $6,375 for the years ended December 31, 2016, and 2015, respectively.

21. Commitments and Contingencies

Commitments

The following table summarizes the Company's future purchase obligations and commitments:

	Payment due by period				
	Less than one year	One to three years	Three to five years	More than five years	Total
Related party long-term debt - principal [1]	$ —	$ 78,553	$ —	$ 530,400	$ 608,953
Related party long-term debt - interest [2]	25,625	50,564	49,589	452,510	578,288
Investment purchase obligations [3]	438,458	—	—	—	438,458
Operating leases [4]	14,152	23,830	13,114	69	51,165
Other liabilities [5]	28,147	16,046	11,389	33,964	89,546
Total	$ 506,382	$ 168,993	$ 74,092	$ 1,016,943	$ 1,766,410

[1] ***Related party long-term debt principal*** - Represents contractual maturities of principal due to affiliates, Great-West LP, Great-West LP II, Great-West Life & Annuity Insurance Capital LP, Great-West Life & Annuity Insurance Capital LP II, Great-West Life Lifeco Finance (Delaware) LLC and Great-West Life Lifeco Finance (Delaware) LLC II under the terms of two long-term junior subordinated deferrable debentures and nine notes payable (see Note 4). The amounts shown in this table differ from the amounts included in the Company's consolidated balance sheet because the amounts shown above do not consider the discount upon the issuance of one of the junior subordinated deferrable debentures.

(2) ***Related party long-term debt interest*** - One junior subordinated deferrable debentures and nine notes payable bear interest at a fixed rate through maturity. One junior subordinated deferrable debenture bears a variable interest rate plus the then current three-month London Interbank Offering Rate. The interest payments shown in this table are calculated based upon the contractual rates in effect on December 31, 2016, and do not consider the impact of future interest rate changes.

(3) ***Investment purchase obligations*** - The Company makes commitments to fund partnership interests, mortgage loans on real estate, and other investments in the normal course of its business. As the timing of the fulfillment of the commitment to fund partnership interests cannot be predicted, such obligations are presented in the less than one year category. The timing of the funding of mortgage loans on real estate is based on the expiration date of the commitment. The amounts of these unfunded commitments at December 31, 2016, and 2015, were $438,458 and $50,692, of which $93,440 and $8,692 were related to cost basis limited partnership interests, respectively, all of which is due within one year from the dates indicated.

(4) ***Operating leases*** - The Company is obligated to make payments under various non-cancelable operating leases, primarily for office space. Contractual provisions exist that could increase the lease obligations presented, including operating expense escalation clauses. Management does not consider the impact of any such clauses to be material to the Company's operating lease obligations. The Company incurred rent expense, net of sublease income, of $12,575, $12,050, and $7,628 for the years ended December 31, 2016, 2015, and 2014, respectively and is recorded in general insurance expense. The Company's total future operating lease obligation will be reduced by minimum reimbursement of $7,301 due in the future under non-cancelable agreements.

From time to time, the Company enters into agreements or contracts, including capital leases, to purchase goods or services in the normal course of its business. However, these agreements and contracts are not material and are excluded from the table above.

(5) ***Other liabilities*** - Other liabilities include those other liabilities which represent contractual obligations not included elsewhere in the table above. If the timing of the payment of any other liabilities was sufficiently uncertain, the amounts were included in the less than one year category. Other liabilities presented in the table above include:

- Expected contributions to the Company's defined benefit pension plan and benefit payments for the Post-Retirement Medical Plan and Supplemental Executive Retirement Plan.
- Miscellaneous purchase obligations to acquire goods and services.
- Unrecognized tax benefits

The Company has a revolving credit facility agreement in the amount of $50,000 for general corporate purposes. The credit facility expires on March 1, 2018. Interest accrues at a rate dependent on various conditions and terms of borrowings. The agreement requires, among other things, the Company to maintain a minimum adjusted net worth, of $1,100,000, as defined in the credit facility agreement (both compiled on the unconsolidated statutory accounting basis prescribed by the NAIC), for each quarter ending after December 31, 2015. The Company was in compliance with all covenants at December 31, 2016, and 2015. At December 31, 2016, and 2015 there were no outstanding amounts related to the current and prior credit facilities.

GWSC and CLAC are parties to a reinsurance agreement pursuant to which GWSC assumes term life insurance from CLAC. GWL&A Financial obtained two letters of credit for the benefit of the Company as collateral under the GWSC and CLAC reinsurance agreement for policy liabilities and capital support. The first letter of credit is for $1,165,030 and renews annually until it expires on July 3, 2027. The second letter of credit is for $70,000 and renews annually until it expires on December 31, 2017. At December 31, 2016, and 2015, there were no outstanding amounts related to the letters of credit. See Note 4 for additional discussion regarding these letters of credit.

In addition, the Company has other letters of credit with a total amount of $9,095, renewable annually for an indefinite period of time. At December 31, 2016, and 2015, there were no outstanding amounts related to those letters of credit.

Contingencies

From time to time, the Company may be threatened with, or named as a defendant in, lawsuits, arbitrations, and administrative claims. Any such claims that are decided against the Company could harm the Company's business. The Company is also subject to periodic regulatory audits and inspections which could result in fines or other disciplinary actions. Unfavorable

outcomes in such matters may result in a material impact on the Company's financial position, results of operations, or cash flows.

The Company is defending lawsuits relating to the costs and features of certain retirement or fund products. These actions have not reached the trial stage. Management believes the claims are without merit and will defend these actions. Based on the information known, these actions will not have a material adverse effect on the consolidated financial position of the Company.

The Company is involved in other various legal proceedings that arise in the ordinary course of its business. In the opinion of management, after consultation with counsel, the likelihood of loss from the resolution of these proceedings is remote and/or the estimated loss is not expected to have a material effect on the Company's consolidated financial position, results of its operations, or cash flows.

22. Subsequent Events

On February 6, 2017, the Company's Board of Directors declared dividends of $77,000, paid on March 15, 2017, to its sole shareholder, Lifeco U.S.

GWL&A Financial Inc.

(an indirect wholly-owned subsidiary of Great-West Lifeco Inc.)

Consolidated Balance Sheets as of December 31, 2017, and 2016, and Related Consolidated Statements of Income, Comprehensive Income, Stockholder's Equity and Cash Flows for Each of the Three Years in the Period Ended December 31, 2017, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of

GWL&A Financial Inc.

Greenwood Village, Colorado

We have audited the accompanying consolidated financial statements of GWL&A Financial Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income (loss), stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWL&A Financial Inc. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

March 16, 2018

GWL&A FINANCIAL INC.
Consolidated Balance Sheets
December 31, 2017, and 2016
(In Thousands, Except Share Amounts)

	December 31,	
	2017	**2016**
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $22,762,962 and $21,672,727)	$ 23,593,139	$ 22,153,703
Fixed maturities, held-for-trading, at fair value (amortized cost of $20,512 and $519,495)	21,059	514,738
Mortgage loans on real estate (net of valuation allowances of $773 and $2,882)	4,005,187	3,558,826
Policy loans	4,104,094	4,019,648
Short-term investments (amortized cost of $353,817 and $307,513)	353,817	307,513
Limited partnership and other corporation interests	45,540	34,895
Notes receivable from affiliates	1,174,558	1,174,558
Other investments	17,997	15,052
Total investments	33,315,391	31,778,933
Other assets:		
Cash and cash equivalents	17,211	18,321
Reinsurance recoverable	589,080	598,864
Deferred acquisition costs (“DAC”) and value of business acquired (“VOBA”)	518,510	486,690
Investment income due and accrued	489,578	458,674
Due from parent and affiliates	19,521	1,813
Goodwill	137,683	137,683
Other intangible assets	17,085	20,087
Other assets	954,250	1,023,597
Assets of discontinued operations	16,095	17,652
Separate account assets	27,660,571	27,037,765
Total assets	$ 63,734,975	$ 61,580,079

See notes to consolidated financial statements.

(Continued)

GWL&A FINANCIAL INC.
Consolidated Balance Sheets
December 31, 2017, and 2016
(In Thousands, Except Share Amounts)

	December 31,	
	2017	**2016**
Liabilities and stockholder's equity		
Policy benefit liabilities:		
Future policy benefits	$ 30,048,927	$ 28,872,899
Policy and contract claims	389,029	372,259
Policyholders' funds	280,578	285,554
Provision for policyholders' dividends	41,972	49,521
Undistributed earnings on participating business	14,636	15,573
Total policy benefit liabilities	30,775,142	29,595,806
General liabilities:		
Due to parent and affiliates	70,654	70,117
Commercial paper	99,886	99,049
Long term debt to affiliates	603,675	608,455
Deferred income tax liabilities, net	93,203	191,911
Other liabilities	817,790	821,732
Liabilities of discontinued operations	16,095	17,652
Separate account liabilities	27,660,571	27,037,765
Total liabilities	60,137,016	58,442,487
Commitments and contingencies (See Note 21)		
Stockholder's equity:		
Preferred stock, $0 par value, 500,000 shares authorized; none issued and outstanding	—	—
Common stock, $0 par value, 500,000 shares authorized; 51,235 and 50,025 shares issued and outstanding	—	—
Additional paid-in capital	868,021	790,019
Accumulated other comprehensive income	440,957	235,875
Retained earnings	2,288,981	2,111,698
Total stockholder's equity	3,597,959	3,137,592
Total liabilities and stockholder's equity	$ 63,734,975	$ 61,580,079

See notes to consolidated financial statements. (Concluded)

GWL&A FINANCIAL INC.
Consolidated Statements of Income
Years Ended December 31, 2017, 2016, and 2015
(In Thousands, Except Share Amounts)

	Year Ended December 31,		
	2017	**2016**	**2015**
Revenues:			
Premium income	$ 439,731	$ 465,349	$ 445,550
Fee income	1,060,122	956,817	944,526
Other revenue	9,611	12,261	13,563
Net investment income	1,239,500	1,293,911	1,265,923
Realized investment gains (losses), net:			
Total other-than-temporary (losses)	(4,152)	(4,963)	(1,044)
Other-than-temporary (losses) transferred to other comprehensive income	—	—	(78)
Other realized investment gains, net	50,555	97,845	84,832
Total realized investment gains, net	46,403	92,882	83,710
Total revenues	2,795,367	2,821,220	2,753,272
Benefits and expenses:			
Life and other policy benefits	651,597	709,333	636,855
Decrease in future policy benefits	(84,251)	(124,576)	(41,636)
Interest paid or credited to contractholders	633,611	608,803	583,319
Provision for policyholders' share of losses on participating business	(1,669)	(1,024)	(1,267)
Dividends to policyholders	41,846	48,487	57,356
Total benefits	1,241,134	1,241,023	1,234,627
General insurance expenses	1,197,613	1,181,227	1,078,996
Amortization of DAC and VOBA	19,728	31,309	100,589
Interest expense	40,230	40,877	45,187
Total benefits and expenses	2,498,705	2,494,436	2,459,399
Income before income taxes	296,662	326,784	293,873
Income tax (benefit) expense	(78,767)	89,374	100,325
Net income	$ 375,429	$ 237,410	$ 193,548

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2017, 2016, and 2015
(In Thousands, Except Share Amounts)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net income	$ 375,429	$ 237,410	$ 193,548
Components of other comprehensive income (loss)			
Unrealized holding gains (losses), net, arising on available-for-sale fixed maturity investments	377,605	20,295	(643,880)
Unrealized holding (losses) gains, net, arising on cash flow hedges	(73,726)	44,776	31,061
Reclassification adjustment for (gains), net, realized in net income	(34,208)	(74,271)	(52,597)
Net unrealized gains (losses) related to investments	269,671	(9,200)	(665,416)
Future policy benefits, DAC and VOBA adjustments	(88,648)	10,983	65,245
Employee benefit plan adjustment	14,265	1,966	31,586
Other, net	(74,383)	12,949	96,831
Other comprehensive income (loss) before income taxes	195,288	3,749	(568,585)
Income tax expense (benefit) related to items of other comprehensive income	68,351	1,312	(199,005)
Other comprehensive income (loss) [(1)]	126,937	2,437	(369,580)
Total comprehensive income (loss)	$ 502,366	$ 239,847	$ (176,032)

[(1)] Other comprehensive income (loss) includes the non-credit component of impaired losses on fixed maturities available-for-sale, net of future policy benefits, DAC and VOBA adjustments and income taxes, in the amounts of $(1,362), $(6,520), and $(6,596) for the years ended December 31, 2017, 2016, and 2015, respectively.

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.
Consolidated Statements of Stockholder's Equity
Years Ended December 31, 2017, 2016, and 2015
(In Thousands, Except Share Amounts)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balances, January 1, 2015	$ —	$ 784,946	$ 603,018	$ 1,995,436	$ 3,383,400
Net income	—	—	—	193,548	193,548
Other comprehensive loss, net of income taxes	—	—	(369,580)	—	(369,580)
Dividends	—	—	—	(139,531)	(139,531)
Common stock issuance	—	—	—	—	—
Share-based compensation	—	1,655	—	—	1,655
Income tax benefit on share-based compensation	—	952	—	—	952
Balances, December 31, 2015	—	787,553	233,438	2,049,453	3,070,444
Net income	—	—	—	237,410	237,410
Other comprehensive income, net of income taxes	—	—	2,437	—	2,437
Dividends	—	—	—	(175,166)	(175,166)
Common stock issuance	—	—	—	—	—
Share-based compensation	—	2,190	—	—	2,190
Income tax benefit on share-based compensation	—	277	—	—	277
Balances, December 31, 2016	—	790,020	235,875	2,111,697	3,137,592
Net income	—	—	—	375,429	375,429
Other comprehensive income, net of income taxes	—	—	126,937	—	126,937
Impact of rate changes on deferred income taxes	—	—	78,145	(78,145)	—
Dividends	—	—	—	(120,000)	(120,000)
Common stock issuance	—	76,429	—	—	76,429
Share-based compensation	—	1,572	—	—	1,572
Balances, December 31, 2017	$ —	$ 868,021	$ 440,957	$ 2,288,981	$ 3,597,959

See notes to consolidated financial statements.

GWL&A FINANCIAL INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2017, 2016, and 2015
(In Thousands, Except Share Amounts)

	Year ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 375,429	$ 237,410	$ 193,548
Adjustments to reconcile net income to net cash provided by operating activities:			
Losses allocated to participating policyholders	(1,669)	(1,024)	(1,267)
(Accretion of discounts) amortization of premiums on investments, net	(3,943)	2,209	(12,213)
Net realized gains on investments	(47,035)	(75,472)	(73,331)
Net proceeds (purchases) of trading securities	491,154	107,770	(277,510)
Interest credited to contractholders	631,051	606,790	577,548
Depreciation and amortization	69,809	74,987	139,763
Deferral of acquisition costs	(107,353)	(93,621)	(64,709)
Deferred income taxes	(167,059)	53,481	21,682
Contingent consideration	—	(209)	(17,600)
Amortization of low-income housing partnerships	517	372	4,563
Other, net	(5,052)	(1,366)	(3,072)
Changes in assets and liabilities:			
Policy benefit liabilities	(320,518)	(231,952)	(273,507)
Reinsurance recoverable	11,341	10,340	8,738
Investment income due and accrued	(30,987)	(9,315)	(15,876)
Other, net	34,280	(23,853)	10,486
Net cash provided by operating activities	929,965	656,547	217,243
Cash flows from investing activities:			
Proceeds from sales, maturities, and redemptions of investments:			
Fixed maturities, available-for-sale	5,366,470	6,229,209	5,470,124
Mortgage loans on real estate	426,421	389,663	594,497
Limited partnership interests, other corporation interests, and other investments	20,916	10,742	6,833
Notes receivables from affiliates	—	37,052	—
Purchases of investments:			
Fixed maturities, available-for-sale	(6,442,306)	(7,840,166)	(6,468,699)
Mortgage loans on real estate	(854,459)	(694,127)	(448,924)
Limited partnership interests, other corporation interests, and other investments	(22,255)	(5,766)	(1,527)
Net change in short-term investments	(53,123)	(39,684)	(2,236)
Policy loans, net	(10,553)	5,527	98,143
Purchases of furniture, equipment, and software	(40,997)	(44,644)	(78,778)
Net cash used in investing activities	(1,609,886)	(1,952,194)	(830,567)

See notes to consolidated financial statements.

(Continued)

GWL&A FINANCIAL INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2017, 2016, and 2015
(In Thousands, Except Share Amounts)

	Year ended December 31,		
	2017	**2016**	**2015**
Cash flows from financing activities:			
Contract deposits	$ 3,000,182	$ 3,546,320	$ 2,527,039
Contract withdrawals	(2,240,275)	(2,098,286)	(1,782,571)
Change in due to/from parent and affiliates	(17,171)	(10,047)	(14,266)
Proceeds from long term debt issuance to affiliates	20,515	19,778	60,803
Redemption of long term debt to affiliates	(25,323)	—	—
Dividends paid	(120,000)	(175,166)	(139,531)
Proceeds from issuance of common stock	76,429	—	—
Payments for and interest paid on financing element derivatives, net	(3,233)	(6,744)	(9,383)
Payment of contingent consideration	—	(14,400)	—
Net commercial paper borrowings	837	5,678	(5,218)
Change in book overdrafts	(12,332)	12,713	(1,651)
Employee taxes paid for withheld shares	(818)	(517)	(1,264)
Income tax benefit of stock option exercises	—	277	953
Net cash provided by financing activities	678,811	1,279,606	634,911
Net (decrease) increase in cash and cash equivalents	(1,110)	(16,041)	21,587
Cash and cash equivalents, beginning of year	18,321	34,362	12,775
Cash and cash equivalents, end of year	$ 17,211	$ 18,321	$ 34,362
Supplemental disclosures of cash flow information:			
Net cash paid during the year for:			
Income taxes	$ (22,668)	$ (1,543)	$ (4,093)
Interest	(26,630)	(31,254)	(37,288)
Non-cash investing and financing transactions during the years:			
Share-based compensation expense	$ (1,572)	$ (2,190)	$ (1,655)
Fair value of assets acquired in settlement of fixed maturity investments	9,659	—	—

See notes to consolidated financial statements. (Concluded)

GWL&A FINANCIAL INC.
Notes to Consolidated Financial Statements
(Dollars in Thousands, Except Share Amounts)

1. Organization and Significant Accounting Policies

Organization

GWL&A Financial Inc. and its subsidiaries (collectively, the "Company") is a direct wholly-owned subsidiary of Great-West Lifeco U.S. LLC ("Lifeco U.S."), a United States holding company and an indirect wholly-owned subsidiary of Great-West Lifeco Inc. ("Lifeco"), a Canadian holding company. The Company was incorporated in the state of Delaware on September 16, 1998 to act as a holding company for Great-West Life & Annuity Insurance Company ("GWL&A") and its subsidiaries and was capitalized through a $250 cash investment in exchange for shares of common stock. GWL&A, a Colorado life insurance company, offers a wide range of life insurance, retirement, and investment products to individuals, businesses, and other private and public organizations throughout the United States.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries over which it exercises control and are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required to account for items and matters such as, but not limited to, the valuation of investments and derivatives in the absence of quoted market values, impairment of investments, accounting for derivative financial instruments, valuation of DAC and VOBA, valuation of policy benefit liabilities, valuation of employee benefits plan obligation, the valuation of deferred tax assets or liabilities, net, and valuation of contingent consideration. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Investments

Investments are reported as follows:

1. The Company classifies the majority of its fixed maturity investments as available-for-sale which are recorded at fair value with the related net unrealized gain or loss, net of policyholder related amounts, and deferred taxes, recorded in accumulated other comprehensive income (loss) ("AOCI"). Included in fixed maturities are perpetual debt investments which primarily consist of junior subordinated debt instruments that have no stated maturity date but pay fixed or floating interest in perpetuity. Also included in AOCI is net unrealized gain or loss resulting from foreign currency translations of fixed maturity investments denominated in foreign currencies.

   Premiums and discounts are recognized as a component of net investment income using the effective interest method. Realized gains and losses are included in net realized investment gains (losses), declines in value determined to be other-than-temporary are included in total other-than-temporary losses, and realized gains and losses from foreign currency translations are recorded in net investment income.

   The Company also classifies certain fixed maturity investments as held-for-trading. Assets in the held-for-trading category are carried at fair value with changes in fair value reported in net investment income.

   The recognition of income on certain investments (e.g. loan-backed securities, including mortgage-backed and asset-backed securities) is dependent upon market conditions, which may result in prepayments and changes in amounts to be earned. Prepayments on all mortgage-backed and asset-backed securities are monitored monthly, and amortization of the premium and/or the accretion of the discount associated with the purchase of such securities are adjusted by such prepayments.

The Company recognizes the acquisition of its public fixed maturity investments on a trade date basis and its private placement investments on a funding date basis.

2. Mortgage loans on real estate consist primarily of domestic commercial collateralized loans and are carried at their unpaid principal balances adjusted for any unamortized premiums or discounts, origination fees, provision allowances, and foreign currency translations. Interest income is accrued on the unpaid principal balance for all loans, except for loans on non-accrual status. Premiums, discounts, and origination fees are amortized to net investment income using the effective interest method. Prepayment penalty fees are recognized in other realized investment gains upon receipt.

   The Company actively manages its mortgage loan portfolio by completing ongoing comprehensive analysis of factors such as debt service coverage ratios, loan-to-value ratios, payment status, default or legal status, annual collateral property evaluations, and general market conditions. On a quarterly basis, the Company reviews the above primary credit quality indicators in its internal risk assessment of loan impairment and credit loss. Management's risk assessment process is subjective and includes the categorization of all loans, based on the above mentioned credit quality indicators, into one of the following categories:

   - Performing - generally indicates the loan has standard market risk and is within its original underwriting guidelines.
   - Non-performing - generally indicates there is a potential for loss due to the deterioration of financial/monetary default indicators or potential foreclosure. Due to the potential for loss, these loans are evaluated for impairment.

   The adequacy of the Company's mortgage provision allowance is reviewed quarterly. The determination of the calculation and the adequacy of the mortgage provision allowance and mortgage impairments involve judgments that incorporate qualitative and quantitative Company and industry mortgage performance data. Management's periodic evaluation and assessment of the adequacy of the mortgage provision allowance and the need for mortgage impairments is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the fair value of the underlying collateral, composition of the loan portfolio, current economic conditions, loss experience, and other relevant factors. Loans included in the non-performing category and other loans with certain substandard credit quality indicators are individually reviewed to determine if a specific impairment is required. Risk is mitigated primarily through first position collateralization, guarantees, loan covenants, and borrower reporting requirements. Since the Company does not originate or hold uncollateralized mortgages, loans are generally not deemed fully uncollectable. Generally, unrecoverable amounts are written off during the final stage of the foreclosure process.

   Loan balances are considered past due when payment has not been received based on contractually agreed upon terms. The accrual of interest is discontinued when concerns exist regarding the realization of loan principal or interest. The Company resumes interest accrual on loans when a loan returns to current status or under new terms when loans are restructured or modified.

   On a quarterly basis, any loans with terms that were modified during that period are reviewed to determine if the loan modifications constitute a troubled debt restructuring ("TDR"). In evaluating whether a loan modification constitutes a TDR, it must be determined that the modification is a significant concession and the debtor is experiencing financial difficulties.

3. Limited partnership and other corporation interests are accounted for using either the cost or equity method of accounting. The Company uses the cost method on investments where it has a minor equity interest and no significant influence over the entity's operations. The Company uses the equity method when it has a partnership interest that is considered more than minor, although the Company has no significant influence over the entity's operations. Also included in limited partnership interests are limited partnerships established for the purpose of investing in low-income housing that qualify for federal and state tax credits. These interests are carried at amortized cost as determined using the effective yield method.

   In the normal course of its activities, the Company is involved with other entities that are considered variable interest entities ("VIE"). The Company would be determined to be a primary beneficiary, and thus consolidate the VIE when the Company has both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company would also consolidate a VIE when it has, directly or indirectly, more than 50% of the outstanding voting shares (or more than 50% of the kick-out rights through voting interests for investments in limited partnerships). When the Company becomes involved with an entity and

when the nature of the Company's involvement with the entity changes, in order to determine if the Company must consolidate the entity, it evaluates:

- The structure and purpose of the entity;
- The risks and rewards created by and shared through the entity;
- The entity's participants' ability to direct the activities, receive its benefits, and absorb its losses; and
- If the Company has more than 50% of the outstanding voting rights or can unilaterally exercise substantive kick-out rights.

The Company performs ongoing qualitative analyses of its involvement with VIEs to determine if consolidation is required.

4. Policy loans are carried at their unpaid balances. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned. Policy loans are fully collateralized by the cash surrender value of the associated insurance policy.

5. Short-term investments include securities purchased with investment intent and with initial maturities of one year or less, and are generally carried at fair value which is approximated from amortized cost. They also include highly liquid money market securities that are traded in an active market and are carried at fair value.

6. Notes receivable from affiliates are carried at cost.

7. The Company participates in a securities lending program in which the Company lends fixed maturity securities that are held as part of its general account investment portfolio to third parties. The Company does not enter into these types of transactions for liquidity purposes, but rather for yield enhancement on its investment portfolio. The borrower can return and the Company can request the loaned securities be returned at any time. The Company maintains ownership of the securities at all times and is entitled to receive from the borrower any payments for interest received on such securities during the loan term. Securities lending transactions are accounted for as secured borrowings. The securities on loan are included within fixed maturities and short-term investments in the accompanying consolidated balance sheets. The securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. The Company generally requires initial collateral in an amount greater than or equal to 102% of the fair value of domestic securities loaned and 105% of foreign securities loaned. Such collateral is used to replace the securities loaned in event of default by the borrower. Acceptable collateral is generally defined as government securities, letters of credit and/or cash collateral. Some cash collateral may be reinvested in short-term repurchase agreements which are also collateralized by U.S. Government or U.S. Government Agency securities. Reinvested cash collateral is recognized within collateral under securities lending agreements in the accompanying consolidated balance sheets. Non-cash collateral is not recognized as the Company does not have effective control.

8. The Company's other-than-temporary impairments ("OTTI") accounting policy requires that a decline in the value of a security below its cost or amortized cost basis be assessed to determine if the decline is other-than-temporary. The assessment of whether an OTTI has occurred on fixed maturity investments, where management does not intend to sell the fixed maturity investment and it is not more likely than not the Company will be required to sell the fixed maturity investment before recovery of its amortized cost basis, is based upon management's case-by-case evaluation of the underlying reasons for the decline in fair value of each individual security. Management considers a wide range of factors, as described below, regarding the security issuer and uses its best judgment in evaluating the cause of the decline in its estimated fair value and in assessing the prospects for near-term recovery.

   Considerations used by the Company in the impairment evaluation process include, but are not limited to, the following:

   - The extent to which estimated fair value is below cost;
   - Whether the decline in fair value is attributable to specific adverse conditions affecting a particular instrument, its issuer, an industry, or geographic area;
   - The length of time for which the estimated fair value has been below cost;
   - Downgrade of a fixed maturity investment by a credit rating agency;
   - Deterioration of the financial condition of the issuer;
   - The payment structure of the fixed maturity investment and the likelihood of the issuer being able to make payments in the future; and

- Whether dividends have been reduced or eliminated or scheduled interest payments have not been made.

If either (a) management has the intent to sell a fixed maturity investment or (b) it is more likely than not the Company will be required to sell a fixed maturity investment before its anticipated recovery, a charge is recorded in net realized investment losses equal to the difference between the fair value and cost or amortized cost basis of the security. If management does not intend to sell the security and it is not more likely than not the Company will be required to sell the fixed maturity investment before recovery of its amortized cost basis, but the present value of the cash flows expected to be collected (discounted at the effective interest rate implicit in the fixed maturity investment prior to impairment) is less than the amortized cost basis of the fixed maturity investment (referred to as the credit loss portion), an OTTI is considered to have occurred. In this instance, total OTTI is bifurcated into two components: the amount related to the credit loss, which is recognized in current period earnings; and the amount attributed to other factors (referred to as the non-credit portion), which is recognized as a separate component in AOCI. The expected cash flows utilized during the impairment evaluation process are determined using judgment and the best information available to the Company including default rates, credit ratings, collateral characteristics, and current levels of subordination. After the recognition of an OTTI, a fixed maturity investment is accounted for as if it had been purchased on the measurement date of the OTTI, with an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. The difference between the new amortized cost basis and the future cash flows is accreted into net investment income. The Company continues to estimate the present value of cash flows expected to be collected over the life of the security.

Derivative financial instruments

The Company enters into derivative transactions which include the use of interest rate swaps, interest rate swaptions, cross-currency swaps, foreign currency forwards, U.S. government treasury futures, Eurodollar futures, futures on equity indices, interest rate swap futures, and other forward contracts. The Company uses these derivative instruments to manage various risks, including interest rate and foreign currency exchange rate risk associated with its invested assets and liabilities. Derivative instruments are not used for speculative reasons. Certain of the Company's over-the-counter ("OTC") derivatives are cleared and settled through a central clearing counterparty while others are bilateral contracts between the Company and a counterparty.

All derivatives, regardless of hedge accounting treatment, are recorded in other assets and other liabilities at fair value. Although some derivatives are executed under a master netting arrangement, the Company does not offset in the consolidated balance sheets the fair value of those derivative instruments and the related cash collateral or net derivative receivables and payables executed with the same counterparty under the same master netting arrangement. At inception of a derivative transaction, the hedge relationship and risk management objective is documented and the designation of the derivative is determined based on specific criteria of the transaction. Accounting for the ongoing changes in the fair value of a derivative depends on the intended use of the derivative. If the derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in AOCI and are recognized in the consolidated income statements when the hedged item affects earnings. Changes in fair value resulting from foreign currency translations are recorded in either AOCI or net investment income, consistent with where they are recorded on the underlying hedged asset or liability. Changes in the fair value, including changes resulting from foreign currency translations, of derivatives not qualifying for hedge accounting or where hedge accounting is not elected and the over effective portion of cash flow hedges are recognized in net investment income in the period of the change. Realized foreign currency transactional gains and losses, regardless of hedge accounting treatment, are recorded in net investment income. Termination of derivative contracts prior to expiration generally result in investment gains and losses. Fluctuations in interest rates, foreign currencies, or equity markets may cause the Company to experience volatility in net income.

The Company uses forward settling to be announced ("TBA") securities to gain exposure to the investment risk and return of agency mortgage-backed securities (pass-throughs). These transactions are utilized to enhance the return of the Company's investment portfolio and are accounted for as derivative instruments not qualifying for hedge accounting. The Company purchases agency mortgage-backed TBAs yet does not always take physical delivery of a security but rather may roll the security into the next month. The Company generally takes physical delivery of a security before year end. Changes in fair value on open TBA transactions are recorded in net investment income while realized investment gains or losses are recorded once the Company cash settles or accepts physical delivery of a security.

As part of its hedging strategy, the Company may enter into certain derivative transactions where a cash investment is made by one party. Certain derivative instruments that contain a financing element at inception and where the Company is deemed to be

the borrower are included in financing activities in the consolidated statements of cash flows. The cash flows from all other derivative transactions are included in operating activities.
The Company uses derivative financial instruments for risk management purposes associated with certain invested assets and policy liabilities. Derivatives are used to (a) hedge the economic effects of interest rate and stock market movements on the Company's guaranteed lifetime withdrawal benefit ("GLWB") liability, (b) hedge the economic effect of a large increase in interest rates on the Company's general account life insurance, group pension liabilities, and certain separate account life insurance liabilities, (c) hedge the economic risks of other transactions such as future asset acquisitions or dispositions, the timing of liability pricing, currency risks on non-U.S. dollar denominated assets, and (d) convert floating rate assets or debt obligations to fixed rate assets or debt obligations for asset/liability management purposes.

The Company controls the credit risk of its derivative contracts through credit approvals, limits, monitoring procedures, and in many cases, requiring collateral. The Company's exposure is limited to the portion of the fair value of derivative instruments that exceeds the value of the collateral held and not to the notional or contractual amounts of the derivatives.

Derivatives in a net asset position may have cash or securities pledged as collateral to the Company in accordance with the collateral support agreements with the counterparty. This collateral is held in a custodial account for the benefit of the Company. Unrestricted cash collateral is included in other assets and the obligation to return it is included in other liabilities. The cash collateral is reinvested in a government money market fund. Cash collateral pledged by the Company is included in other assets.

Fair Value

Certain assets and liabilities are recorded at fair value on 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 in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company categorizes its assets and liabilities measured at fair value on a recurring basis into a three-level hierarchy, based on the priority of the inputs to the respective 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). The Company's assets and liabilities recorded at fair value on a recurring basis have been categorized based upon the following fair value hierarchy:

- Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Financial assets and liabilities utilizing Level 1 inputs include certain money market funds.

- Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities are obtained from pricing services. The inputs used by the pricing services are reviewed at least quarterly or when the pricing vendor issues updates to its pricing methodology. For fixed maturity securities and separate account assets and liabilities, inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, evaluated bids, offers, and reference data including market research publications. Additional inputs utilized for assets and liabilities classified as Level 2 are:

    - Asset-backed, residential mortgage-backed, commercial mortgage-backed securities, and collateralized debt obligations - new issue data, monthly payment information, collateral performance, and third party real estate analysis.
    - U.S. states and their subdivisions - material event notices.
    - Short-term investments - valued based on amortized cost due to their short term nature and high credit quality of the issuers.
    - Derivative instruments - trading activity, swap curves, credit spreads, currency volatility, net present value of cash flows, and news sources.
    - Separate account assets and liabilities - various index data and news sources, amortized cost (which approximates fair value), trading activity, swap curves, credit spreads, recovery rates, restructuring, net

present value of cash flows, and quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability. In general, the prices of Level 3 securities are obtained from single broker quotes and internal pricing models. If the broker's inputs are largely unobservable, the valuation is classified as a Level 3. Broker quotes are validated through an internal analyst review process, which includes validation through known market conditions and other relevant data, as noted below. Internal models are usually cash flow based utilizing characteristics of the underlying collateral of the security such as default rate and other relevant data. Inputs utilized for securities classified as Level 3 are as follows:

  - Corporate debt securities - unadjusted single broker quotes which may be in an illiquid market or otherwise deemed unobservable.
  - Asset-backed securities - internal models utilizing asset-backed securities index spreads.
  - GLWB - internal models utilizing long-term equity and interest rate implied volatility, mortality, and policyholder behavior assumptions, such as benefit utilization and partial withdrawals.

The fair value of certain investments in the separate accounts, limited partnerships, and common collective trusts are estimated using net asset value per unit as a practical expedient and are excluded from the fair value hierarchy tables in Notes 8 and 17. These net asset values are based on the fair value of the underlying investments less liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Overall, transfers between levels are attributable to a change in the observability of inputs. Assets and liabilities are transferred to a lower level in the hierarchy when a significant input cannot be corroborated with market observable data. This may occur when market activity decreases and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred to a higher level in the hierarchy when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity including recent trades, a specific event, or one or more significant input(s) becoming observable. All transfers between levels are recognized at the beginning of the reporting period in which the transfer occurred.

The policies and procedures utilized to review, account for, and report on the value and level of the Company's securities were determined and implemented by the Finance division. The Investments division is responsible for the processes related to security purchases and sales and provides valuation and leveling input to the Finance division when necessary. Both divisions within the Company have worked in conjunction to establish thorough pricing, review, approval, accounting, and reporting policies and procedures around the securities valuation process.

In some instances, securities are priced using external broker quotes. In most cases, when broker quotes are used as pricing inputs, more than one broker quote is obtained. External broker quotes are reviewed internally by comparing the quotes to similar securities in the public market and/or to vendor pricing, if available. Additionally, external broker quotes are compared to market reported trade activity to ascertain whether the price is reasonable, reflective of the current market prices, and takes into account the characteristics of the Company's securities.

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as highly liquid investments that are readily convertible into cash and are not subject to significant risks from fluctuations in interest rates. In evaluating for classification as cash equivalents, the Company requires that individual securities have original maturities of 90 days or less.

Book overdrafts occur when checks have been issued by the Company, but have not been presented to the Company's disbursement bank accounts for payment. These bank accounts allow the Company to delay funding of the issued checks until

they are presented for payment. This delay in funding results in a temporary source of financing. The activity related to book overdrafts is included in the financing activities in the consolidated statement of cash flows. The book overdrafts, in the amounts of $518 and $12,850, are included in other liabilities at December 31, 2017 and 2016, respectively.

Internal use software

Purchased software costs, as well as certain internal and external costs incurred to develop internal use computer software during the application development stage, are capitalized and amortized using the straight-line method over the software's estimated useful life up to five years. Capitalized internal use software development costs, net of accumulated amortization, in the amounts of $103,487 and $98,074, are included in other assets at December 31, 2017 and 2016, respectively. The Company capitalized $34,164, $30,420, and $47,895 of internal use software development costs during the years ended December 31, 2017, 2016, and 2015, respectively.

DAC and VOBA

The Company incurs costs in connection with the acquisition of new and renewal insurance business. Costs that vary directly with and relate to the successful production of new business are deferred as DAC. These costs consist primarily of commissions, costs associated with the Company's sales representatives, and policy issuance and underwriting expenses related to the production of successfully acquired new business. A success factor is derived from actual contracts issued by the Company from requests for proposals or applications received and applied to the deferrable costs. The recoverability of such costs is dependent upon the future profitability of the related business. Recoverability testing is performed for current issue year products to determine if gross revenues are sufficient to cover DAC and expenses. At least annually, loss recognition testing is performed on aggregated blocks of business to adjust the DAC balance.

VOBA represents the estimated fair value of insurance or annuity contracts acquired either directly through the acquisition of another insurance company or through the acquisition of insurance or annuity contracts through assumption reinsurance transactions.

DAC and VOBA associated with the annuity products and flexible premium universal life insurance products are being amortized over the life of the contracts in proportion to the emergence of gross profits. Retrospective adjustments of these amounts are made when the Company revises its estimates of current or future gross profits on an annual basis. DAC and VOBA associated with traditional life insurance are amortized over the premium-paying period of the related policies in proportion to premium revenues recognized. DAC and VOBA, for applicable products, are adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized, with corresponding credits or charges included in AOCI.

Goodwill and other intangible assets

Goodwill is the excess of cost over the fair value of assets acquired and liabilities assumed in connection with an acquisition. It is considered an indefinite lived asset and therefore is not amortized. The Company tests goodwill for impairment annually or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. If the carrying value of goodwill exceeds its fair value, the excess is recognized as an impairment and recorded as a charge against net income in the period in which the impairment is identified.

Other intangible assets represent the estimated fair value of the portion of the purchase price that was allocated to the value of customer relationships and non-competition intangible asset in various acquisitions. These intangible assets have been assigned values using various methodologies, including present value of projected future cash flows, analysis of similar transactions that have occurred or could be expected to occur in the market and replacement or reproduction cost. The initial valuations of these intangible assets were supported by an independent valuation study commissioned by the Company. Other identified intangible assets with finite lives are amortized straight-line over their estimated useful lives, which initially ranged from two to 18 years (weighted average 15 years), primarily based on the cash flows generated by these assets.

Separate accounts

Separate account assets and related liabilities are carried at fair value in the accompanying consolidated balance sheets. The Company issues variable annuity contracts and variable universal life contracts through separate accounts for which investment

income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder and therefore, are not included in the Company's consolidated statements of income.

Revenues to the Company from the separate accounts consist of contract maintenance fees, investment management fees, administrative fees, and mortality and expense risk charges.

The Company's separate accounts invest in shares of Great-West Funds, Inc. ("Great-West Funds") and Putnam Investments, LLC ("Putnam") sponsored mutual funds ("Putnam Funds"), open-end management investment companies, which are related parties of the Company, and shares of other non-affiliated mutual funds and government and corporate bonds.

Future policy benefits liabilities

Life insurance and annuity future benefits liabilities with life contingencies in the amounts of $17,293,006 and $16,530,160 at December 31, 2017 and 2016, respectively, are computed on the basis of assumed investment yield, mortality, morbidity, and expenses, including a margin for adverse deviation. These future policy benefits are calculated as the present value of future benefits (including dividends) and expenses less the present value of future net premiums. The assumptions used in calculating the future policy benefits generally vary by plan, year of issue, and policy duration. Additionally, these future policy benefits are established for claims that have been incurred but not reported based on factors derived from past experience.

Annuity contract benefits liabilities without life contingencies in the amounts of $12,704,401 and $12,291,378 at December 31, 2017 and 2016, respectively, are established at the contract holder's account value, which is equal to cumulative deposits and credited interest, less withdrawals and mortality, and expense and/or administrative service charges. The Company's general account also has some immediate annuities. Future benefits for immediate annuities without life contingent payouts are computed on the basis of assumed investment yield and expenses.

Minimum guarantees

The Company calculates additional liabilities for certain variable annuity guaranteed death benefits. The additional reserve for such products recognizes the portion of contract assessments received to compensate the Company for death benefits. Reserves for annuity guaranteed minimum death benefits ("GMDB") are determined by estimating the present value of expected benefits in excess of the projected account balance. Expected experience is based on a range of inputs and scenarios. The assumptions of investment performance and volatility are consistent with the historical experience of the appropriate underlying equity index, such as the Standard & Poor's ("S&P") 500 Index.

The Company also offers GLWB through a variable annuity or a contingent deferred annuity. The GLWB is deemed to be an embedded derivative. The GLWB is recorded at fair value within future policy benefits on the consolidated balance sheets. Changes in fair value of GLWB are recorded in net investment income in the consolidated statements of income.

Reinsurance

In the normal course of its business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding risks to other insurance enterprises under excess coverage, quota share, yearly renewable term, coinsurance, and modified coinsurance contracts. The Company also assumes risk by participating in yearly renewable term and coinsurance agreements.

For each of its reinsurance agreements, the Company determines if the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. If the Company determines that a reinsurance agreement does not provide indemnification against loss or liability relating to insurance risk, the Company records the agreement using the deposit method of accounting. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

Policy benefits, and policy and contract claims ceded to (assumed from) other insurance companies, are carried as a reinsurance recoverable (payable) in the accompanying consolidated balance sheets. Premiums, fee income, and policyholder benefits are reported net of reinsurance ceded (assumed) in the accompanying consolidated statements of income. The cost of reinsurance

related to long duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

The Company strives to cede risks to highly rated, well-capitalized reinsurers. The Company monitors and evaluates the financial condition of reinsurers to minimize exposure to credit risk.

Policy and contract claims

Policy and contract claims include provisions for claims incurred but not reported and claims in the process of settlement. The provision for claims incurred but not reported is valued based primarily on the Company's prior experience. Claims in the process of settlement are valued in accordance with the terms of the related policies and contracts.

Participating business

The Company has participating policies in which the policyholder shares in the Company's earnings through policyholder dividends that reflect the difference between the assumptions used in the premium charged and the actual experience on those policies. The amount of dividends to be paid is determined by the Board of Directors.

Participating life and annuity policy benefit liabilities were $6,946,953 and $6,844,640 at December 31, 2017 and 2016, respectively. Participating business comprised approximately 10% and 10% of the Company's individual life insurance in-force at December 31, 2017 and 2016, respectively, and 19%, 18%, and 20% of individual life insurance premium income for the years ended December 31, 2017, 2016, and 2015, respectively. The policyholder's share of net income on participating policies that cannot be distributed to the Company's stockholder is excluded from stockholder's equity and recorded as undistributed earnings on participating business in the consolidated balance sheet.

Revenue recognition

Life insurance premiums are recognized when due. Annuity contract premiums with life contingencies are recognized as received. Revenues for annuity and other contracts without significant life contingencies consist of contract charges for the cost of insurance, and contract administration and surrender fees that have been assessed against the contract account balance during the period and are recognized when earned in fee income. Fees from assets under management, assets under administration, shareholder servicing, mortality and expense risk charges, administration and recordkeeping services, and investment advisory services are recognized when earned in fee income.

Net investment income

Interest income from fixed maturities, mortgage loans on real estate, and policy loans is recognized when earned.

Realized investment gains (losses)

Realized investment gains and losses are reported as a component of revenues and are determined on a specific identification basis. Realized investment gains and losses also result from the termination of derivative contracts prior to expiration that are not designated as hedges for accounting purposes and certain fair-value hedge relationships.

Benefits and expenses

Benefits and expenses on policies with life contingencies are associated with earned premiums so as to result in recognition of profits over the life of the contracts.

Income taxes

Income taxes are recorded using the asset and liability method in which deferred tax assets and liabilities are recorded for expected future tax consequences of events that have been recognized in either the Company's consolidated financial statements or consolidated tax returns. In estimating future tax consequences, all expected future events, other than enactments or changes in the tax laws or rules, are considered. A valuation allowance is provided to the extent that it is more likely than not that deferred tax assets will not be realized. Although realization is not assured, management believes it is more likely than not that

the deferred tax asset will be realized. The effect on deferred taxes from a change in tax rates is recognized in income in the period that includes the enactment date.

2. Acquisition

Putnam Retirement Business

On January 1, 2015, the Company acquired the retirement business of Putnam, an affiliate of the Company. The transaction was accounted for as a combination between entities under common control. As such, the assets and liabilities acquired from Putnam were recorded at historical cost as of January 1, 2015. In exchange for cash paid in the amount of $4,114, the Company acquired $11,501 of other assets, assumed $7,717 of other liabilities, and recognized a dividend of $330.

3. Application of Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The new guidance is effective for the fiscal years beginning after December 15, 2016, including interim periods, a retrospective or a prospective transition approach depending upon the type of change. The new guidance changed several aspects of the accounting for share-based payment award transactions, including: (i) income tax consequences when awards vest or are settled; (ii) classification of awards as either equity or liabilities due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income*. The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted for reporting periods for which financial statements have not yet been issued. The new guidance gives companies the option to reclassify from accumulated OCI to retained earnings stranded tax effects resulting from the new federal corporate income tax rate. The Company elected to early adopt this standard and to reclassified stranded tax effects of $78,145 in accumulated OCI to retained earnings on the enactment date.

Future adoption of new accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The new guidance will supersede nearly all existing revenue recognition guidance under U.S. GAAP; however, it will not impact the accounting for insurance and investment contracts within the scope of financial services insurance, leases, financial instruments and guarantees. The core principle of the model requires that an entity recognizes revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The update also requires increased disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts.

The Company's implementation efforts were primarily focused on customer contracts with fee income earned from assets under management, assets under administration, shareholder servicing, administration and recordkeeping services, and investment advisory services as well as the evaluation of certain incremental costs to obtain a customer contract. The Company anticipates that the adoption of this update will not impact current revenue recognition policies; however, it will impact the accounting for certain contract costs and contract fulfillment costs, which are currently expensed as incurred. Under the new standard, these costs will be deferred and recognized as expenses over the expected customer life. This change will not have a material impact to the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments by requiring equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income, eliminating certain disclosure requirements related to financial instruments measured at amortized cost and adding

disclosures related to the measurement categories of financial assets and financial liabilities, requiring entities to present separately in other comprehensive income the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (i.e. "own credit") when the entity has elected the fair value option for financial instruments, and clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The Company anticipates the primary impact to be the requirement for equity investments, such as limited partnership interests that are currently accounted for under the cost method, to be measured at fair value with changes in the fair value recognized in net income. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, effective for annual reporting periods beginning on or after December 15, 2018, and interim periods within those annual periods. Earlier application is permitted as of the beginning of an interim or annual period. This update requires organizations to recognize lease assets and lease liabilities on the balance sheet with lease terms of more than 12 months and also disclose certain qualitative and quantitative information about leasing arrangements. The Company's implementation efforts are primarily focused on the review of its existing lease contracts and performing a completeness assessment over the lease population. The Company continues to evaluate the impact of this update on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments: Credit Losses: Measurement of Credit Losses on Financial Instruments*, effective for fiscal years and interim periods within those beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018. This update amends guidance on the impairment of financial instruments by adding an impairment model that is based on expected losses rather than incurred losses and is intended to result in more timely recognition of losses. The standard also simplifies the accounting by decreasing the number of credit impairment models that an entity can use to account for debt instruments. The Company continues to evaluate the impact of this update on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, effective for fiscal years and interim periods within those beginning after December 15, 2017. Early adoption is permitted. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company continues to evaluate the impact of this update on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (a consensus of the Emerging Issues Task Force)*, effective for fiscal years and interim periods within those beginning after December 15, 2017. Early adoption is permitted. This update requires organizations to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The adoption of this standard will not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other*, effective for annual or any interim goodwill impairment tests after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The update eliminates Step 2 from the goodwill impairment test and will require management to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Any amount by which the carrying amount exceeds the reporting unit's fair value (not to exceed the goodwill allocated to that reporting unit) is recognized as an impairment charge. The adoption of this standard will not have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual period. This update requires organizations to disaggregate the service cost component from the other components of net benefit costs in the income statement and present it with other current compensation costs for the related employees while providing guidance for capitalization eligibility for service costs. The adoption of this standard will not have a material impact on the consolidated financial statements.

4. Related Party Transactions

In the normal course of its business, the Company enters into reinsurance agreements with related parties. Included in the consolidated balance sheets are the following amounts related to reinsurance ceded to and assumed from related parties:

	December 31,	
	2017	2016
Reinsurance recoverable	$ 515,417	$ 522,950
Future policy benefits	1,513,311	1,608,884

Included in the consolidated statements of income are the following related party amounts:

	Year Ended December 31,		
	2017	2016	2015
Premium income, net of related party premiums ceded of $20,033, $17,774, and $15,731	$ 61,368	$ 66,928	$ 68,722
Life and other policy benefits, net of reinsurance recoveries of $10,313, $8,862, and $6,494	179,748	189,125	193,215
Decrease in future policy benefits	(70,654)	(88,639)	(52,842)

In the normal course of business the Company enters into agreements with related parties whereby it provides and/or receives recordkeeping services, investment advisory services, and tax-related services, as well as corporate support services which include general and administrative services, information technology services, and marketing services. The following table presents revenue, expenses incurred and expense reimbursement from related parties for services provided and/or received pursuant to these service agreements. These amounts, in accordance with the terms of the contracts, are based upon market price, estimated costs incurred or resources expended as determined by number of policies, number of participants, certificates in-force, administered assets, or other similar drivers.

Description	Related party	Year Ended December 31,			Financial statement line
		2017	2016	2015	
Receives corporate support services	The Canada Life Assurance Company ("CLAC")[1], Great-West Life [1], Great West Global [3], and Putnam [2]	$ 22,400	$ 18,763	$ 12,609	General insurance expense
Provides shareholder services	Putnam [2]	16,598	15,852	5,531	Fee income
Receives reimbursement from tax sharing indemnification related to state and local tax liabilities	Putnam [2]	9,611	12,261	13,563	Other revenue
Provides advisory, trustee, recordkeeping and administrative services	Great-West Funds and Collective Income Trusts [4]	150,441	140,455	138,936	Fee income

[1] An indirect wholly-owned subsidiary of Lifeco
[2] A wholly-owned subsidiary of Lifeco U.S.
[3] An indirect wholly-owned subsidiary of Lifeco U.S.
[4] Great-West Capital Management, LLC, a subsidiary of the GWL&A, serves as a Registered Investment Advisor to Great-West Funds, an open-end management investment company, which is an affiliate of GWL&A, and to Great-West Trust Company, LLC, an affiliated trust company. Great-West Trust Company, LLC, serves as trustee to several collective investment trusts. GWL&A provides Great-West Funds, Inc. recordkeeping and administrative services to shareholders and account owners.

The following table summarizes amounts due from parent and affiliates:

Related party	Indebtedness	Due date	December 31, 2017	December 31, 2016
CLAC	On account	On demand	$ 19,503	$ —
Great-West Lifeco Finance LP II	On account	On demand	—	1,100
Great-West Lifeco Finance LP	On account	On demand	—	700
Other related party receivables	On account	On demand	18	13
Total			$ 19,521	$ 1,813

The following table summarizes amounts due to parent and affiliates:

Related party	Indebtedness	Due date	December 31, 2017	December 31, 2016
Lifeco U.S.	On account	On demand	$ 60,091	$ 63,218
Other related party payables	On account	On demand	10,563	6,899
Total			$ 70,654	$ 70,117

The Company has issued the following long-term debt to affiliated entities which is classified on the balance sheet as long term debt to affiliates:

On May 19, 2006, the Company issued a $300,000 deferrable debenture (the “Great-West LP II Debentures”) through an affiliated limited partnership (“Great-West LP II”) to qualified institutional investors. Also on May 19, 2006, Lifeco and 2023308 Ontario Inc. (“Ontario”), a wholly-owned subsidiary of Lifeco, made equity contributions in the combined amount of $35,000 to Great-West LP II. Great-West LP II in turn invested the proceeds from the sale of the Great-West LP II Debentures together with a portion of the equity contributions from Lifeco and Ontario in certain junior subordinated deferrable debentures of the Company (the “GWLAFI II Debentures”). The GWLAFI II Debentures have a face and carrying amount of $333,400 at December 31, 2017 and 2016. The GWLAFI II Debentures bear an interest rate of 2.588% plus the then current three-month London Interbank Offering Rate (“LIBOR”) per annum and mature on May 16, 2046. The GWLAFI II Debentures became redeemable by the Company at the principal amount plus any accrued and unpaid interest after May 16, 2016. The Company used the proceeds from the sale of the GWLAFI II Debentures for general corporate purposes.

On November 15, 2004, the Company issued a $175,000 deferrable debenture (the “Great-West LP Debentures”) through an affiliated limited partnership (“Great-West LP”) to qualified institutional investors. Also on November 15, 2004, Lifeco and Ontario, made equity contributions in the combined amount of $23,000 to Great-West LP. Great-West LP in turn invested the proceeds from the sale of the Great-West LP Debentures together with a portion of the equity contributions from Lifeco and Ontario in certain junior subordinated deferrable debentures of the Company (the “GWLAFI Debentures”). The GWLAFI Debentures have a face amount of $195,000 and carrying amounts of $194,530 and $194,502 at December 31, 2017 and 2016, respectively. The GWLAFI Debentures bear interest at the rate of 6.675% per annum and mature on November 15, 2034.

On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP, with a carrying amount of $5,890 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 2.614% per annum and matures on November 24, 2018.

On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP II, with a carrying amount of $9,345 December 31, 2017, and 2016. The promissory note bears interest at the rate of 2.614% per annum and matures on November 24, 2018.

On November 24, 2015, the Company issued a promissory note to an affiliate, Great-West Life Lifeco Finance (Delaware) LLC II, with a carrying amount of $24,245 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 0.49% per annum and matures on November 24, 2018.

On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP (Delaware), with a carrying amount of $1,100 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 3.322% per annum and matures on December 28, 2019.

On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Life & Annuity Insurance Capital LP II (Delaware), with a carrying amount of $1,900 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 3.322% per annum and matures on December 28, 2019.

On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC, with a carrying amount of $2,000 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 5.595% per annum and matures on December 28, 2026.

On December 28, 2016, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC II, with a carrying amount of $10,750 at December 31, 2017, and 2016. The promissory note bears interest at the rate of 0.74% per annum and matures on December 28, 2019.

On December 29, 2017, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC, with a carrying amount of $12,000 at December 31, 2017. The promissory note bears interest at the rate of 3.50% per annum and matures on December 29, 2027.

On December 29, 2017, the Company issued a promissory note to an affiliate, Great-West Lifeco Finance (Delaware) LLC II, with a carrying amount of $8,515 at December 31, 2017. The promissory note bears interest at the rate of 1.270% per annum and matures on December 29, 2019.

As stated in Note 14, GWL&A is subject to restrictions on the amount of dividends which can be paid to the Company. Payments of principal and interest on the debentures are paid with cash that has been provided through the form of a dividend from GWL&A.

Interest expense attributable to these related party debt obligations was $26,642, $29,811, and $37,059 for the years ended December 31, 2017, 2016, and 2015, respectively. Included in other liabilities on the consolidated balance sheets is $4,757 and $3,845 of interest payable attributable to these related party debt obligations for the years ended December 31, 2017, and 2016, respectively.

A note receivable from Lifeco U.S. was issued on March 19, 2008, with a carrying amount of $265,000 at December 31, 2017 and 2016. The note bears interest at the rate of 1.77% per annum. The principal and interest shall be payable in full on the earlier of (i) the maturity date or (ii) demand by lender given on or after September 19, 2009. The original note matured on March 19, 2010, and the note was extended to March 19, 2018. On September 30, 2009, $35,000 of this note was canceled and distributed to Lifeco U.S. in the form of a dividend.

A note receivable from Lifeco U.S. was issued on April 18, 2008, with a carrying amount of $909,558 at December 31, 2017, and 2016. The note bears interest at the rate of 1.59% per annum. The principal and interest shall be payable in full on the earlier of (i) the maturity date or (ii) demand by lender given on or after April 18, 2009. The original note matured on April 18, 2016, and the note was extended to April 18, 2018.

The interest income and accrued interest income on the above notes receivable is included within net investment income in the consolidated statements of income and investment income due and accrued in the consolidated balance sheets, respectively. Interest income attributable to these related party notes was $19,418, $17,344, and $11,491 for the years ended December 31, 2017, 2016, and 2015, respectively. Included in investment income due and accrued on the consolidated balance sheets at December 31, 2017, and 2016 is $190,212 and $170,992, respectively, of accrued interest income attributable to these related party notes.

The Company has a letter of credit for the benefit of Great-West Life and Annuity Insurance Company of South Carolina ("GWSC"), a wholly owned subsidiary, for capital support in the amount of $70,000 and which renews annually until the Company terminates it under the provisions specified in the agreement. Additionally, the Company terminated a letter of credit on December 21, 2017 in the amount of $1,141,000 which was for the benefit of the Company as collateral under the GWSC and CLAC reinsurance agreement for policy liabilities. This letter of credit was replaced with an excess of loss reinsurance

agreement with a third party reinsurer. At December 31, 2017 and 2016, there were no outstanding amounts related to the letters of credit.

Included within reinsurance recoverable in the consolidated balance sheets are $503,258 and $511,575 of funds withheld assets as of December 31, 2017, and 2016, respectively. This reinsurance agreement is related to term life insurance policies assumed by GWSC from CLAC. CLAC pays the Company, on a quarterly basis, interest on the funds withheld balance at a rate of 4.55% per annum. The interest income, in the amount of $21,813, $22,045, and $22,165, is included in net investment income for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company's separate accounts invest in shares of Great-West Funds and Putnam Funds, which are related parties of the Company and shares of other non-affiliated mutual funds and government and corporate bonds. The Company's separate accounts include mutual funds or other investment options that purchase guaranteed interest annuity contracts issued by the Company. During the years ended December 31, 2017, 2016, and 2015, these purchases totaled $292,774, $183,365, and $146,547, respectively. As these general account investment contracts are also included in the separate account balances in the accompanying consolidated balance sheets, the Company has reduced the separate account assets and liabilities by $335,311 and $302,898 at December 31, 2017, and 2016, respectively, to eliminate these amounts in its consolidated balance sheets at those dates.

5. Summary of Investments

The following tables summarize fixed maturity investments classified as available-for-sale and the non-credit-related component of OTTI in AOCI:

	December 31, 2017				
Fixed maturities:	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value and carrying value**	**OTTI (gain) loss included in AOCI [1]**
U.S. government direct obligations and U.S. agencies	$ 1,837,748	$ 41,777	$ 7,883	$ 1,871,642	$ —
Obligations of U.S. states and their subdivisions	1,872,120	220,507	1,655	2,090,972	—
Corporate debt securities [2]	15,234,473	581,991	110,377	15,706,087	(1,018)
Asset-backed securities	1,622,806	105,301	10,131	1,717,976	(56,735)
Residential mortgage-backed securities	63,187	2,446	649	64,984	(140)
Commercial mortgage-backed securities	1,352,906	17,692	12,989	1,357,609	—
Collateralized debt obligations	779,722	4,227	80	783,869	—
Total fixed maturities	$22,762,962	$ 973,941	$ 143,764	$ 23,593,139	$ (57,893)

[1] Indicates the amount of any OTTI (gain) loss included in AOCI that is included in gross unrealized gains and losses. OTTI (gain) loss included in AOCI, as presented above, includes both the initial recognition of non-credit losses and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities with previous non-credit impairment. The non-credit loss component of OTTI (gain) loss was in an unrealized gain position due to increases in estimated fair value subsequent to initial recognition of non-credit losses on such securities.
[2] Includes perpetual debt investments with amortized cost of $89,267 and estimated fair value of $87,348.

	December 31, 2016				
Fixed maturities:	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value and carrying value	OTTI (gain) loss included in AOCI [1]
U.S. government direct obligations and U.S. agencies	$ 3,022,279	$ 47,791	$ 34,958	$ 3,035,112	$ —
Obligations of U.S. states and their subdivisions	1,890,568	214,411	6,317	2,098,662	—
Corporate debt securities [2]	13,811,597	477,316	309,164	13,979,749	(1,488)
Asset-backed securities	1,226,493	104,274	18,388	1,312,379	(72,464)
Residential mortgage-backed securities	138,292	3,867	1,167	140,992	23
Commercial mortgage-backed securities	1,222,257	23,207	20,182	1,225,282	—
Collateralized debt obligations	361,241	339	53	361,527	—
Total fixed maturities	$21,672,727	$ 871,205	$ 390,229	$ 22,153,703	$ (73,929)

[1] Indicates the amount of any OTTI (gain) loss included in AOCI that is included in gross unrealized gains and losses. OTTI (gain) loss included in AOCI, as presented above, includes both the initial recognition of non-credit losses and the effects of subsequent increases and decreases in estimated fair value for those fixed maturity securities with previous non-credit impairment. The non-credit loss component of OTTI (gain) loss was in an unrealized gain position due to increases in estimated fair value subsequent to initial recognition of non-credit losses on such securities.
[2] Includes perpetual debt investments with amortized cost of $135,187 and estimated fair value of $113,239.

See Note 8 for additional discussion regarding fair value measurements.

The amortized cost and estimated fair value of fixed maturity investments classified as available-for-sale, based on estimated cash flows, are shown in the table below. Actual maturities will likely differ from these projections because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2017	
	Amortized cost	Estimated fair value
Maturing in one year or less	$ 721,952	$ 735,235
Maturing after one year through five years	3,775,332	3,895,328
Maturing after five years through ten years	7,894,918	8,085,972
Maturing after ten years	5,064,983	5,455,996
Mortgage-backed and asset-backed securities	5,305,777	5,420,608
Total fixed maturities	$ 22,762,962	$ 23,593,139

Mortgage-backed (commercial and residential) and asset-backed securities include those issued by the U.S. government and U.S. agencies.

The following table summarizes information regarding the sales of securities classified as available-for-sale:

	Year Ended December 31,		
	2017	2016	2015
Proceeds from sales	$ 3,933,887	$ 4,541,303	$ 4,187,547
Gross realized gains from sales	64,885	84,305	47,965
Gross realized losses from sales	30,991	16,858	6,476

Mortgage loans on real estate - The following table summarizes the recorded investment of the mortgage loan portfolio by risk assessment category as of December 31, 2017, and 2016, respectively.

	December 31, 2017	December 31, 2016
Performing	$ 4,005,960	$ 3,560,243
Non-performing	—	1,465
Total	$ 4,005,960	$ 3,561,708

The following table summarizes activity in the mortgage provision allowance:

	Year Ended December 31,		
	2017	2016	2015
	Commercial mortgages	Commercial mortgages	Commercial mortgages
Beginning balance	$ 2,882	$ 2,890	$ 2,890
Provision increases	157	536	—
Charge-off	(663)	—	—
Recovery	(30)	—	—
Provision decreases	(1,573)	(544)	—
Ending balance	$ 773	$ 2,882	$ 2,890
Allowance ending balance by basis of impairment method:			
Individually evaluated for impairment	$ —	$ 536	$ —
Collectively evaluated for impairment	773	2,346	2,890
Recorded investment balance in the mortgage loan portfolio, gross of allowance, by basis of impairment method:	$ 4,005,960	$ 3,561,708	$ 3,250,594
Individually evaluated for impairment	2,942	1,465	14,031
Collectively evaluated for impairment	4,003,018	3,560,243	3,236,563

Limited partnership and other corporation interests - At December 31, 2017, and 2016, the Company had $45,540 and $34,895, respectively, invested in limited partnership and other corporation interests. Limited partnership interests represent the Company's minority ownership interests in pooled investment funds that primarily make private equity investments across diverse industries and geographical focuses. The Company has determined its interest in each limited partnership to be considered a VIE. Consolidation is not required as the Company is not deemed to be the primary beneficiary of the VIEs.

The carrying value and maximum exposure to loss in relation to the activities of the VIEs was $45,540 and $32,444 at December 31, 2017 and 2016, respectively.

Securities lending - The Company had no securities on loan under the program, and therefore no cash or securities held as collateral, at December 31, 2017, and 2016.

Unrealized losses on fixed maturity investments classified as available-for-sale - The following tables summarize unrealized investment losses, including the non-credit-related portion of OTTI losses reported in AOCI, by class of investment:

	December 31, 2017					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 755,861	$ 4,159	$ 230,447	$ 3,724	$ 986,308	$ 7,883
Obligations of U.S. states and their subdivisions	24,908	180	37,012	1,475	61,920	1,655
Corporate debt securities	2,229,585	19,568	2,036,323	90,809	4,265,908	110,377
Asset-backed securities	544,778	3,011	245,341	7,120	790,119	10,131
Residential mortgage-backed securities	4,405	23	11,416	626	15,821	649
Commercial mortgage-backed securities	342,820	2,451	295,164	10,538	637,984	12,989
Collateralized debt obligations	7,277	80	—	—	7,277	80
Total fixed maturities	$ 3,909,634	$ 29,472	$ 2,855,703	$ 114,292	$6,765,337	$ 143,764
Total number of securities in an unrealized loss position		368		293		661

	December 31, 2016					
	Less than twelve months		Twelve months or longer		Total	
Fixed maturities:	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI	Estimated fair value	Unrealized loss and OTTI
U.S. government direct obligations and U.S. agencies	$ 2,006,588	$ 34,752	$ 10,526	$ 206	$2,017,114	$ 34,958
Obligations of U.S. states and their subdivisions	216,154	5,922	10,498	395	226,652	6,317
Corporate debt securities	4,119,630	170,453	860,153	138,711	4,979,783	309,164
Asset-backed securities	316,065	6,971	230,331	11,417	546,396	18,388
Residential mortgage-backed securities	16,962	102	14,297	1,065	31,259	1,167
Commercial mortgage-backed securities	592,508	17,535	26,068	2,647	618,576	20,182
Collateralized debt obligations	160,612	53	—	—	160,612	53
Total fixed maturities	$ 7,428,519	$ 235,788	$ 1,151,873	$ 154,441	$8,580,392	$ 390,229
Total number of securities in an unrealized loss position		610		128		738

Fixed maturity investments - Total unrealized losses and OTTI decreased by $246,465, or 63%, from December 31, 2016, to December 31, 2017. The majority, or $206,316, of the decrease was in the less than twelve months category. The overall decrease in unrealized losses was across several asset classes and reflects lower interest rates at December 31, 2017, compared to December 31, 2016, resulting in generally higher valuations of these fixed maturity securities.

Total unrealized losses greater than twelve months decreased by $40,149 from December 31, 2016, to December 31, 2017. Corporate debt securities account for 80%, or $90,809, of the unrealized losses and OTTI greater than twelve months at December 31, 2017. Non-investment grade corporate debt securities account for $6,244 of the unrealized losses and OTTI greater than twelve months. Management does not have the intent to sell these assets; therefore, an OTTI was not recognized in earnings.

Asset-backed and commercial mortgage-backed securities account for 15% of the unrealized losses and OTTI greater than twelve months at December 31, 2017. The present value of the cash flows expected to be collected is not less than amortized cost and management does not have the intent to sell these assets; therefore, an OTTI was not recognized in earnings.

Other-than-temporary impairment recognition - The OTTI on fixed maturity securities where the loss portion is bifurcated and the credit related component is recognized in realized investment gains (losses) is summarized as follows:

	Year Ended December 31,		
	2017	2016	2015
Beginning balance	$ 83,665	$ 102,343	$ 119,532
Initial impairments - credit loss on securities not previously impaired	—	—	759
Reductions:			
Due to sales, maturities, or payoffs during the period	—	(1,785)	(559)
Due to increases in cash flows expected to be collected that are recognized over the remaining life of the security	(21,434)	(16,893)	(17,389)
Ending balance	$ 62,231	$ 83,665	$ 102,343

6. Derivative Financial Instruments

Derivative transactions are generally entered into pursuant to International Swaps and Derivatives Association ("ISDA") Master Agreements or Master Securities Forward Transaction Agreements ("MSFTA") with approved counterparties that provide for a single net payment to be made by one party to the other on a daily basis, periodic payment dates, or at the due date, expiration, or termination of the agreement.

The ISDA Master Agreements contain provisions that would allow the counterparties to require immediate settlement of all derivative instruments in a net liability position if the Company were to default on any debt obligations over a certain threshold. The MSFTA contain provisions which do not stipulate a threshold for default and only apply to debt obligations between the Company and the specific counterparty. The aggregate fair value, inclusive of accrued income and expense, of derivative instruments with credit-risk-related contingent features that were in a net liability position was $93,761 and $38,324 as of December 31, 2017, and 2016, respectively. The Company had pledged collateral related to these derivatives of $42,750 and zero as of December 31, 2017, and 2016, respectively, in the normal course of business. If the credit-risk-related contingent features were triggered on December 31, 2017, the fair value of assets that could be required to settle the derivatives in a net liability position was $51,011.

At December 31, 2017, and 2016, the Company had pledged $52,330 and zero of unrestricted cash collateral to counterparties in the normal course of business, while other counterparties had pledged $5,490 and $103,214 of unrestricted cash collateral to the Company to satisfy collateral netting agreements, respectively.

At December 31, 2017, the Company estimated $15,415 of net derivative gains related to cash flow hedges included in AOCI will be reclassified into net income within the next twelve months. Gains and losses included in AOCI are reclassified into net income when the hedged item affects earnings.

Types of derivative instruments and derivative strategies

Interest rate contracts

Cash flow hedges

Interest rate swap agreements are used to convert the interest rate on certain debt security investments and debt obligations from a floating rate to a fixed rate. Interest rate futures are used to manage the interest rate risks of forecasted acquisitions of fixed rate maturity investments and are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.

Not designated as hedging instruments

The Company enters into certain transactions in which derivatives are hedging an economic risk but hedge accounting is not elected. These derivative instruments include: exchange-traded interest rate swap futures, OTC interest rate swaptions, OTC interest rate swaps, exchange-traded Eurodollar interest rate futures, and treasury interest rate futures. Certain of the Company's OTC derivatives are cleared and settled through the Chicago Mercantile Exchange ("CME") while others are bilateral contracts between the Company and a counterparty.

In 2017, the CME amended its rulebook to classify variation margin transfers as settlement payments instead of collateral. The Company adjusts the fair value by the variation margin payments on derivatives cleared through the CME.

The derivative instruments mentioned above are economic hedges and used to manage risk. These transactions are used to offset changes in liabilities including those in variable annuity products, hedge the economic effect of a large increase in interest rates, manage the potential variability in future interest payments due to a change in credited interest rates and the related change in cash flows due to increased surrenders, and manage interest rate risks of forecasted acquisitions of fixed rate maturity investments and forecasted liability pricing.

Foreign currency contracts

Cross-currency swaps and foreign currency forwards are used to manage the foreign currency exchange rate risk associated with investments denominated in other than U.S. dollars. The Company uses cross-currency swaps to convert interest and principal payments on foreign denominated debt instruments into U.S. dollars. Cross-currency swaps may be designated as cash flow hedges; however, hedge accounting is not always elected. The Company uses foreign currency forwards to reduce the risk of foreign currency exchange rate changes on proceeds received on sales of foreign denominated debt instruments; however, hedge accounting is not elected.

Equity contracts

The Company uses futures on equity indices to offset changes in guaranteed lifetime withdrawal benefit liabilities; however, hedge accounting is not elected.

Other forward contracts

The Company uses forward settling TBA securities to gain exposure to the investment risk and return of agency mortgage-backed securities (pass-throughs). These transactions enhance the return on the Company's investment portfolio and provide a more liquid and cost effective method of achieving these goals than purchasing or selling individual agency mortgage-backed pools. As the Company does not regularly accept delivery of such securities, they are accounted for as derivatives but hedge accounting is not elected. The Company had no open TBA contracts at either December 31, 2017, or 2016.

The following tables summarize the notional amount and fair value of derivative financial instruments, excluding embedded derivatives:

	December 31, 2017			
		Net derivatives	Asset derivatives	Liability derivatives
	Notional amount	Fair value	Fair value [1]	Fair value [1]
Hedge designation/derivative type:				
Derivatives designated as hedges:				
Cash flow hedges:				
Interest rate swaps	$ 388,800	$ 7,476	$ 7,476	$ —
Cross-currency swaps	800,060	(31,358)	19,958	51,316
Total cash flow hedges	1,188,860	(23,882)	27,434	51,316
Total derivatives designated as hedges	1,188,860	(23,882)	27,434	51,316
Derivatives not designated as hedges:				
Interest rate swaps	519,100	1,902	3,530	1,628
Futures on equity indices	22,074	—	—	—
Interest rate futures	60,700	—	—	—
Interest rate swaptions	164,522	75	75	—
Cross-currency swaps	612,733	(21,279)	20,320	41,599
Total derivatives not designated as hedges	1,379,129	(19,302)	23,925	43,227
Total derivative financial instruments	$ 2,567,989	$ (43,184)	$ 51,359	$ 94,543

[1] The estimated fair value excludes accrued income and expense. The estimated fair value of all derivatives in an asset position is reported within other assets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

	December 31, 2016			
		Net derivatives	Asset derivatives	Liability derivatives
	Notional amount	Fair value	Fair value [1]	Fair value [1]
Hedge designation/derivative type:				
Derivatives designated as hedges:				
Cash flow hedges:				
Interest rate swaps	$ 419,800	$ 33,390	$ 33,390	$ —
Cross-currency swaps	614,208	45,347	53,641	8,294
Total cash flow hedges	1,034,008	78,737	87,031	8,294
Total derivatives designated as hedges	1,034,008	78,737	87,031	8,294
Derivatives not designated as hedges:				
Interest rate swaps	468,100	(4,358)	8,982	13,340
Futures on equity indices	34,422	—	—	—
Interest rate futures	81,500	—	—	—
Interest rate swaptions	165,534	354	354	—
Cross-currency swaps	612,733	33,371	50,018	16,647
Total derivatives not designated as hedges	1,362,289	29,367	59,354	29,987
Total derivative financial instruments	$ 2,396,297	$ 108,104	$ 146,385	$ 38,281

[1] The estimated fair value excludes accrued income and expense. The estimated fair value of all derivatives in an asset position is reported within other assets and the estimated fair value of all derivatives in a liability position is reported within other liabilities in the consolidated balance sheets.

Notional amounts are used to express the extent of the Company's involvement in derivative transactions and represent a standard measurement of the volume of its derivative activity. Notional amounts represent those amounts used to calculate contractual flows to be exchanged and are not paid or received. The average notional outstanding during the year ended December 31, 2017, was $905,977, $1,323,398, $108,438, $162,896, and $2,231,196 for interest rate swaps, cross-currency swaps, futures, swaptions, and other forward contracts, respectively. The average notional outstanding during the year ended December 31, 2016, was $784,900, $1,141,967, $145,658, $156,632, and $2,230,167 for interest rate swaps, cross-currency swaps, futures, swaptions, and other forward contracts, respectively.

The following tables present the effect of derivative instruments in the consolidated statements of income and comprehensive income reported by cash flow hedges and derivatives not designated as hedges, excluding embedded derivatives:

	Gain (loss) recognized in OCI on derivatives (Effective portion)			Gain (loss) reclassified from OCI into net income (Effective portion)			
	Year Ended December 31,			Year Ended December 31,			
	2017	2016	2015	2017	2016	2015	
Cash flow hedges:							
Interest rate swaps	$ 486	$ 810	$ 2,228	$ 5,920	$ 5,437	$ 6,779	(A)
Interest rate swaps	—	—	—	59	—	3,634	(B)
Interest rate swaps	(5,590)	21,228	—	(2,954)	(2,657)	—	(C)
Cross-currency swaps	(68,622)	22,738	28,833	1,473	8,469	2,101	(A)
Interest rate futures	—	—	—	—	—	(134)	(A)
Total cash flow hedges	$ (73,726)	$ 44,776	$ 31,061	$ 4,498	$ 11,249	$ 12,380	

(A) Net investment income.
(B) Represents realized gains (losses) on closed positions recorded in realized investment gains (losses), net.
(C) Interest expense.

	Gain (loss) on derivatives recognized in net income		
	Year Ended December 31,		
	2017	2016	2015
Derivatives not designated as hedging instruments:			
Futures on equity indices	$ (559) (A)	$ 817 (A)	$ (284) (A)
Futures on equity indices	(5,829) (B)	(7,930) (B)	(527) (B)
Interest rate swaps	3,280 (A)	(4,541) (A)	(1,094) (A)
Interest rate futures	75 (A)	(57) (A)	(65) (A)
Interest rate futures	(307) (B)	(164) (B)	1 (B)
Interest rate swaptions	(83) (A)	302 (A)	2,868 (A)
Interest rate swaptions	(280) (B)	(313) (B)	(3,115) (B)
Currency forwards	— (A)	111 (A)	— (A)
Other forward contracts	15,326 (B)	4,690 (B)	5,074 (B)
Cross-currency swaps	(56,018) (A)	85,746 (A)	69,819 (A)
Cross-currency swaps	— (B)	(1,601) (B)	— (B)
Total derivatives not designated as hedging instruments	$ (44,395)	$ 77,060	$ 72,677

(A) Net investment income.
(B) Represents realized gains (losses) on closed positions recorded in realized investment gains (losses), net.

Embedded derivative - GLWB

The Company offers GLWB through a variable annuity or a contingent deferred annuity. The GLWB is deemed to be an embedded derivative. The GLWB is recorded at fair value within future policy benefits on the consolidated balance sheets. Changes in fair value of GLWB are recorded in net investment income in the consolidated statements of income.

The estimated fair value of the GLWB was $11,095 and $5,712 at December 31, 2017, and 2016, respectively. The changes in fair value of the GLWB were $5,383 and $(5,545) for the years ended December 31, 2017, and 2016, respectively.

7. Summary of Offsetting Assets and Liabilities

The Company enters into derivative transactions and short-term reverse repurchase agreements with several approved counterparties. The Company's derivative transactions are generally governed by MSFTA or ISDA Master Agreements which provide for legally enforceable set-off and close-out netting in the event of default or bankruptcy of the Company's counterparties. The Company's MSFTA and ISDA Master Agreements generally include provisions which require both the pledging and accepting of collateral in connection with its derivative transactions. These provisions have the effect of securing each party's position to the extent of collateral held. Short-term reverse repurchase agreements also include collateral provisions with the counterparty. The following tables summarize the effect of master netting arrangements on the Company's financial position in the normal course of business and in the event of default or bankruptcy of the Company's counterparties:

	December 31, 2017			
		Gross fair value not offset in balance sheets		
Financial instruments (assets):	**Gross fair value of recognized assets[1]**	**Financial instruments**	**Cash collateral**	**Net fair value**
Derivative instruments [2]	$ 52,738	$ (47,827)	$ (4,911)	$ —
Short-term reverse repurchase agreements [3]	23,200	(23,200)	—	—
Total financial instruments (assets)	75,938	(71,027)	(4,911)	—

	December 31, 2017			
		Gross fair value not offset in balance sheets		
Financial instruments (liabilities):	**Gross fair value of recognized liabilities [1]**	**Financial instruments**	**Cash collateral**	**Net fair value**
Derivative instruments [4]	$ 93,761	$ (47,827)	$ (42,750)	$ 3,184

[1] The gross fair value of derivative instruments and short-term reverse repurchase agreement is not netted against offsetting liabilities for presentation on the consolidated balance sheets.
[2] The estimated fair value of derivative instrument assets is reported in other assets in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.
[3] The estimated fair value of short-term reverse repurchase agreement assets is reported in short-term investments in the consolidated balance sheets. The collateral is held by an independent third-party custodian under a tri-party agreement.
[4] The estimated fair value of derivative instrument liabilities is reported in other liabilities in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.

	December 31, 2016			
		Gross fair value not offset in balance sheets		
Financial instruments:	**Gross fair value of recognized assets/liabilities [1]**	**Financial instruments**	**Cash collateral received/(pledged)**	**Net fair value**
Derivative instruments (assets) [2]	$ 119,862	$ (26,254)	$ 92,756	$ 852
Derivative instruments (liabilities) [3]	26,254	(26,254)	—	—

[1] The gross fair value of derivative instruments and short-term reverse repurchase agreement is not netted against offsetting liabilities for presentation on the consolidated balance sheets.
[2] The estimated fair value of derivative instrument assets is reported in other assets in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.
[3] The estimated fair value of derivative instrument liabilities is reported in other liabilities in the consolidated balance sheets. Derivative transactions entered into under ISDA master agreements include income and expense accruals.

8. Fair Value Measurements

Recurring fair value measurements

The following tables present the Company's financial assets and liabilities carried at fair value on a recurring basis by fair value hierarchy category:

	Assets and liabilities measured at fair value on a recurring basis			
	December 31, 2017			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed maturities available-for-sale:				
U.S. government direct obligations and U.S. agencies	$ —	$ 1,871,642	$ —	$ 1,871,642
Obligations of U.S. states and their subdivisions	—	2,090,972	—	2,090,972
Corporate debt securities	—	15,696,349	9,738	15,706,087
Asset-backed securities	—	1,717,976	—	1,717,976
Residential mortgage-backed securities	—	64,984	—	64,984
Commercial mortgage-backed securities	—	1,357,609	—	1,357,609
Collateralized debt obligations	—	783,869	—	783,869
Total fixed maturities available-for-sale	—	23,583,401	9,738	23,593,139
Fixed maturities held-for-trading:				
U.S. government direct obligations and U.S. agencies	—	16,836	—	16,836
Corporate debt securities	—	3,156	—	3,156
Commercial mortgage-backed securities	—	1,067	—	1,067
Total fixed maturities held-for-trading	—	21,059	—	21,059
Short-term investments	291,853	61,964	—	353,817
Collateral under derivative counterparty collateral agreements	57,820	—	—	57,820
Derivative instruments designated as hedges:				
Interest rate swaps	—	7,476	—	7,476
Cross-currency swaps	—	19,958	—	19,958
Derivative instruments not designated as hedges:				
Interest rate swaps	—	3,530	—	3,530
Interest rate swaptions	—	75	—	75
Cross-currency swaps	—	20,320	—	20,320
Total derivative instruments	—	51,359	—	51,359
Separate account assets [1]	16,523,630	10,736,532	—	27,660,571
Total assets	$ 16,873,303	$ 34,454,315	$ 9,738	$ 51,737,765
Liabilities				
Collateral under derivative counterparty collateral agreements	$ 5,490	$ —	$ —	$ 5,490
Derivative instruments designated as hedges:				
Cross-currency swaps	—	51,316	—	51,316
Derivative instruments not designated as hedges:				
Interest rate swaps	—	1,628	—	1,628
Cross-currency swaps	—	41,599	—	41,599
Total derivative instruments	—	94,543	—	94,543
Embedded derivatives - GLWB	—	—	11,095	11,095
Separate account liabilities [2]	8	409,266	—	409,274
Total liabilities	$ 5,498	$ 503,809	$ 11,095	$ 520,402

[1] Included in the total fair value amount are $400 million of investments as of December 31, 2017 for which the fair value is estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

[2] Includes only separate account instruments which are carried at the fair value of the underlying liabilities owned by the separate accounts.

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	Assets and liabilities measured at fair value on a recurring basis			
	December 31, 2016			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed maturities available-for-sale:				
U.S. government direct obligations and U.S. agencies	$ —	$ 3,035,112	$ —	$ 3,035,112
Obligations of U.S. states and their subdivisions	—	2,098,662	—	2,098,662
Corporate debt securities	—	13,968,110	11,639	13,979,749
Asset-backed securities	—	1,312,379	—	1,312,379
Residential mortgage-backed securities	—	140,992	—	140,992
Commercial mortgage-backed securities	—	1,225,282	—	1,225,282
Collateralized debt obligations	—	361,527	—	361,527
Total fixed maturities available-for-sale	—	22,142,064	11,639	22,153,703
Fixed maturities held-for-trading:				
U.S. government direct obligations and U.S. agencies	—	458,067	—	458,067
Corporate debt securities	—	55,591	—	55,591
Commercial mortgage-backed securities	—	1,080	—	1,080
Total fixed maturities held-for-trading	—	514,738	—	514,738
Short-term investments	271,376	36,137	—	307,513
Collateral under derivative counterparty collateral agreements	103,214	—	—	103,214
Derivative instruments designated as hedges:				
Interest rate swaps	—	33,390	—	33,390
Cross-currency swaps	—	53,641	—	53,641
Derivative instruments not designated as hedges:				
Interest rate swaps	—	8,982	—	8,982
Interest rate swaptions	—	354	—	354
Cross-currency swaps	—	50,018	—	50,018
Total derivative instruments	—	146,385	—	146,385
Separate account assets [1]	15,407,992	11,199,924	—	27,037,765
Total assets	$ 15,782,582	$ 34,039,248	$ 11,639	$ 50,263,318
Liabilities				
Collateral under derivative counterparty collateral agreements	$ 103,214	$ —	$ —	$ 103,214
Derivative instruments designated as hedges:				
Cross-currency swaps	—	8,294	—	8,294
Derivative instruments not designated as hedges:				
Interest rate swaps	—	13,340	—	13,340
Cross-currency swaps	—	16,647	—	16,647
Total derivative instruments	—	38,281	—	38,281
Embedded derivatives - GLWB	—	—	5,712	5,712
Separate account liabilities [2]	55	336,468	—	336,523
Total liabilities	$ 103,269	$ 374,749	$ 5,712	$ 483,730

[1] Included in the total fair value amount are $430 million of investments as of December 31, 2016 for which the fair value is estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

[2] Includes only separate account instruments which are carried at the fair value of the underlying liabilities owned by the separate accounts.

The methods and assumptions used to estimate the fair value of the Company's financial assets and liabilities carried at fair value on a recurring basis are as follows:

Fixed maturity investments

The fair values for fixed maturity investments are generally based upon evaluated prices from independent pricing services. In cases where these prices are not readily available, fair values are estimated by the Company. To determine estimated fair value for these instruments, the Company generally utilizes discounted cash flow models with market observable pricing inputs such as spreads, average life, and credit quality. Fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty.

Short-term investments

The amortized cost of short-term investments is a reasonable estimate of fair value due to their short-term nature and high credit quality of the issuers.

Derivative counterparty collateral agreements

Included in other assets is cash collateral received from or pledged to derivative counterparties and included in other liabilities is the obligation to return the cash collateral to the counterparties. The carrying value of the collateral is a reasonable estimate of fair value.

Derivative instruments

Included in other assets and other liabilities are derivative financial instruments. The estimated fair values of OTC derivatives, primarily consisting of cross-currency swaps, interest rate swaps, and interest rate swaptions, are the estimated amounts the Company would receive or pay to terminate the agreements at the end of each reporting period, taking into consideration current interest rates and other relevant factors.

Embedded derivatives - GLWB

Significant unobservable inputs are used in the fair value measurements of GLWB include long-term equity and interest rate implied volatility, mortality, and policyholder behavior assumptions, such as benefit utilization and partial withdrawals.

Separate account assets and liabilities

Separate account assets and liabilities primarily include investments in mutual fund, fixed maturity, and short-term securities. Mutual funds are recorded at net asset value, which approximates fair value, on a daily basis. The fixed maturity and short-term investments are valued in the same manner, and using the same pricing sources and inputs as the fixed maturity and short-term investments of the Company.

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Recurring Level 3 financial assets and liabilities	
	Year Ended December 31, 2017	
	Assets	Liabilities
	Fixed maturities available-for-sale Corporate debt securities	Embedded derivatives - GLWB
Balances, January 1, 2017	$ 11,639	$ 5,712
Realized and unrealized gains (losses) included in:		
Net income	—	5,383
Other comprehensive income (loss)	169	—
Settlements	(1,703)	—
Transfers out of Level 3 [1]	(367)	$ —
Balances, December 31, 2017	$ 9,738	$ 11,095
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2017	$ —	$ 5,383

[1] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

	Recurring Level 3 financial assets and liabilities	
	Year Ended December 31, 2016	
	Assets	Liabilities
	Fixed maturities available-for-sale Corporate debt securities	Embedded derivatives - GLWB
Balances, January 1, 2016	$ 4,538	$ 11,257
Realized and unrealized gains (losses) included in:		
Net income	—	(5,545)
Other comprehensive income (loss)	273	—
Settlements	(1,478)	—
Transfers into Level 3 [1]	11,236	—
Transfers out of Level 3 [2]	(2,930)	—
Balances, December 31, 2016	$ 11,639	$ 5,712
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2016	$ —	$ (5,545)

[1] Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies.
[2] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

	Recurring Level 3 financial assets and liabilities			
	Year Ended December 31, 2015			
	Assets			Liabilities
	Fixed maturities available-for-sale			
	Corporate debt securities	Asset-backed securities	Total	Embedded derivatives - GLWB
January 1, 2015	$ 5,842	$ 36	$ 5,878	$ —
Realized and unrealized gains (losses) included in:				
Net income	—	—	—	11,257
Other comprehensive income (loss)	(178)	—	(178)	—
Settlements	(1,126)	—	(1,126)	—
Transfers out of Level 3 [1]	—	(36)	(36)	—
Balances, December 31, 2015	$ 4,538	$ —	$ 4,538	$ 11,257
Total gains (losses) for the period included in net income attributable to the change in unrealized gains and losses relating to assets held at December 31, 2015	$ —	$ —	$ —	$ 11,257

[1] Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors and internal models.

The following table presents significant unobservable inputs used during the valuation of certain assets categorized within Level 3 of the recurring fair value measurements table:

	Valuation Technique	Unobservable Input	Range	
			December 31, 2017	December 31, 2016
Embedded derivatives - GLWB	Risk neutral stochastic valuation methodology	Equity volatility	15% - 30%	15% - 30%
		Swap curve	1.69% - 2.54%	0.75% - 3.00%
		Mortality rate	Based on the Annuity 2000 Mortality Table	Based on the Annuity 2000 Mortality Table
		Lapse rate	1% - 15%	1% - 15%

Generally, the following will cause an increase (decrease) in GLWB embedded derivative fair value liabilities:

- An increase (decrease) in equity volatility;
- A decrease (increase) in interest rates;
- A decrease (increase) in mortality;
- A decrease (increase) in lapses.

The Company notes the following interrelationships:

- Low equity returns will potentially result in higher in-the-moneyness. This may result in lower lapses increasing the projected number of inforce policies and may also increase the fair value of the GLWB reserve.

Fair value of financial instruments

The following tables summarize the carrying amounts and estimated fair values of the Company's financial instruments and investments not carried at fair value on a recurring basis:

	December 31, 2017		December 31, 2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets				
Mortgage loans on real estate	$ 4,005,187	$ 4,066,800	$ 3,558,826	$ 3,574,240
Policy loans	4,104,094	4,104,094	4,019,648	4,019,648
Notes receivable from affiliates	1,174,558	1,174,392	1,174,558	1,173,591
Limited partnership interests	43,281	45,009	29,345	29,822
Other investments	11,507	41,588	14,382	44,687
Liabilities				
Annuity contract benefits without life contingencies	$ 12,704,401	$ 12,647,309	$ 12,291,378	$ 12,129,631
Policyholders' funds	280,578	280,578	285,554	285,554
Commercial paper	99,886	99,886	99,049	99,049
Long term debt to affiliates	603,675	645,790	608,455	571,925

The methods and assumptions used to estimate the fair value of financial instruments not carried at fair value on a recurring basis are summarized as follows:

Mortgage loans on real estate

Mortgage loan fair value estimates are generally based on discounted cash flows. A discount rate matrix is used where the discount rate valuing a specific mortgage generally corresponds to that mortgage's remaining term and credit quality. Management believes the discount rate used is comparable to the credit, interest rate, term, servicing costs, and risks of loans similar to the portfolio loans that the Company would make today given its internal pricing strategy. The estimated fair value is classified as Level 2.

Policy loans

Policy loans are funds provided to policyholders in return for a claim on the policy. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity, and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of repayments, the Company believes the fair value of policy loans approximates their carrying value. The estimated fair value is classified as Level 2.

Notes receivable from affiliates

For notes receivables from affiliates, fair values are estimated by the Company. To determine established fair value for these instruments, the Company generally utilizes discounted cash flows calculated at current market rates on investments of similar quality and term. Fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The estimated fair value was classified as Level 2.

Limited partnership interests

Limited partnership interests, accounted for using the cost method, represent the Company's minority ownership interests in pooled investment funds. These funds employ varying investment strategies that primarily make private equity investments across diverse industries and geographical focuses. The net asset value, determined using the partnership financial statement reported capital account or net asset value adjusted for other relevant information which may impact the exit value of the investments, is used as a

practical expedient to estimate fair value. Distributions by these investments are generated from investment gains, from operating income generated by the underlying investments of the funds, and from liquidation of the underlying assets of the funds which are estimated to be liquidated over the next one to 10 years.

Other investments

Other investments primarily include real estate held for investment. The estimated fair value for real estate is based on the unadjusted appraised value which includes factors such as comparable property sales, property income analysis, and capitalization rates. The estimated fair value is classified as Level 3.

Annuity contract benefits without life contingencies

The estimated fair value of annuity contract benefits without life contingencies is estimated by discounting the projected expected cash flows to the maturity of the contracts utilizing risk-free spot interest rates plus a provision for the Company's credit risk. The estimated fair value is classified as Level 2.

Policyholders' funds

The carrying amount of policyholders' funds approximates the fair value since the Company can change the interest credited rates with 30 days notice. The estimated fair value is classified as Level 2.

Commercial paper

The amortized cost of commercial paper is a reasonable estimate of fair value due to its short-term nature and the high credit quality of the obligor. The estimated fair value is classified as Level 2.

Long term debt to affiliates

The estimated fair value of the long term debt payable to affiliates are based upon quoted market prices from independent pricing services of securities with similar characteristics. The estimated fair value is classified as Level 2.

9. Minimum Guarantees

The Company calculates additional liabilities for GMDB and GLWB. The following assumptions and methodology were used to determine GMDB additional reserves at December 31, 2017, and 2016.

Area	Assumptions/Basis for Assumptions
Data Used	Based on 1,050 investment performance scenarios
Mean Investment Performance	Equity: 7% - 13% Fixed, Bond, Money Market Fund: level 0% - 10%
Volatility	Equity: 10% - 35% Fixed, Bond, Money Market Fund: 0% - 9%
Mortality	Based on the 1994 VA MGDB Mortality Table
Lapse Rates	Lapse Rates vary by duration and surrender charge
Discount Rates	5%

The assumptions and techniques for valuing the GLWB reserve is disclosed within Note 8 and are identical to those used for valuing the GLWB embedded derivative.

The separate account liabilities subject to the requirements for additional liabilities for GMDB and GLWB, net amount at risk, net of reinsurance, and the weighted average attained age of contract owners for GMDB and GLWB at December 31, 2017, and 2016, were as follows:

	GMDB	GLWB	Total
December 31, 2017			
Separate account liability	$ 64,953	$ 620,698	$ 685,651
Net amount at risk, net of reinsurance	$ 17,705	$ 1,480	$ 19,185
Weighted average attained age	70	69	N/A
December 31, 2016			
Separate account liability	$ 55,607	$ 413,569	$ 469,176
Net amount at risk, net of reinsurance	$ 25,891	$ 2,941	$ 28,832
Weighted average attained age	71	58	N/A

The paid and incurred amounts for GMDB and GLWB for the years ended December 31, 2017, 2016, and 2015 were as follows:

	GMDB	GLWB	Total
Additional liability balance:			
Balances, January 1, 2015	$ 5,566	$ —	$ 5,566
Incurred guaranteed benefits	821	4,813	5,634
Paid guaranteed benefits	(920)	—	(920)
Balances, December 31, 2015	5,467	4,813	10,280
Incurred guaranteed benefits	132	(2,740)	(2,608)
Paid guaranteed benefits	(503)	—	(503)
Balances, December 31, 2016	5,096	2,073	7,169
Incurred guaranteed benefits	(294)	3,807	3,513
Paid guaranteed benefits	(819)	—	(819)
Balances, December 31, 2017	$ 3,983	$ 5,880	$ 9,863

The aggregate fair value of equity securities supporting separate accounts with GMDB and GLWB were as follows:

	December 31, 2017	December 31, 2016
Equity securities - GMDB	$ 64,975	$ 55,605
Equity securities - GLWB	622,005	412,977
Total	$ 686,980	$ 468,582

10. Reinsurance

In the normal course of its business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding risks to other insurance enterprises under excess coverage, quota share, yearly renewable term, coinsurance, and modified coinsurance contracts. The Company retains an initial maximum of $3,500 of coverage per individual life. This initial retention limit of $3,500 may increase due to automatic policy increases in coverage at a maximum rate of $175 per annum, with an overall maximum increase in coverage of $1,000.

Ceded reinsurance contracts do not relieve the Company from its obligations to policyholders. The failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. At December 31, 2017, and 2016, the reinsurance recoverables had carrying values in the amounts of $589,080 and $598,864, respectively. Included in these

amounts are $515,417 and $522,950 at December 31, 2017, and 2016, respectively, associated with reinsurance agreements with related parties. At December 31, 2017, and 2016, 87% and 87%, respectively, of the total reinsurance receivable was due from CLAC, a related party.

The Company assumes risk from approximately 40 insurers and reinsurers by participating in yearly renewable term and coinsurance pool agreements. When assuming risk, the Company seeks to generate revenue while maintaining reciprocal working relationships with these partners as they also seek to limit their exposure to loss on any single life.

Maximum capacity to be retained by the Company is dictated at the treaty level and is monitored annually to ensure the total risk retained on any one life is limited to a maximum retention of $4,500.

The following tables summarize life insurance in-force and total premium income at and for the year ended December 31, 2017:

	Life insurance in-force		
	Individual	Group	Total
Written and earned direct	$ 56,059,075	$ 41,895,505	$ 97,954,580
Reinsurance ceded	(10,881,048)	(1,114,637)	(11,995,685)
Reinsurance assumed	53,532,666	—	53,532,666
Net	$ 98,710,693	$ 40,780,868	$ 139,491,561
Percentage of amount assumed to net	54%	—%	38%

	Premium income		
	Life insurance	Annuities	Total
Written and earned direct	$ 373,896	$ 2,184	$ 376,080
Reinsurance ceded	(55,945)	(88)	(56,033)
Reinsurance assumed	119,684	—	119,684
Net	$ 437,635	$ 2,096	$ 439,731

The following tables summarizes life insurance in-force and total premium income at and for the year ended December 31, 2016:

	Life insurance in-force		
	Individual	Group	Total
Written and earned direct	$ 54,618,888	$ 41,809,635	$ 96,428,523
Reinsurance ceded	(10,568,467)	(833,090)	(11,401,557)
Reinsurance assumed	56,165,011	—	56,165,011
Net	$ 100,215,432	$ 40,976,545	$ 141,191,977
Percentage of amount assumed to net	56%	—%	40%

	Premium income		
	Life insurance	Annuities	Total
Written and earned direct	$ 392,654	$ 1,998	$ 394,652
Reinsurance ceded	(52,397)	(81)	(52,478)
Reinsurance assumed	123,175	—	123,175
Net	$ 463,432	$ 1,917	$ 465,349

The following table summarizes total premium income for the year ended December 31, 2015:

	Premium income		
	Life insurance	Annuities	Total
Written and earned direct	$ 368,442	$ 503	$ 368,945
Reinsurance ceded	(48,107)	(86)	(48,193)
Reinsurance assumed	124,798	—	124,798
Net	$ 445,133	$ 417	$ 445,550

Reinsurance recoveries for life and other policy benefits were $33,737, $39,520, and $23,179 for the years ended December 31, 2017, 2016, and 2015, respectively.

11. Deferred Acquisition Costs and Value of Business Acquired

The following table summarizes activity in DAC and VOBA:

	DAC	VOBA	Total
Balances, January 1, 2015	$ 353,408	$ 25,286	$ 378,694
Capitalized additions	63,093	—	63,093
Amortization and writedowns	(96,095)	(4,493)	(100,588)
Unrealized investment (gains) losses	73,012	(68)	72,944
Balances, December 31, 2015	393,418	20,725	414,143
Capitalized additions	93,222	—	93,222
Amortization and writedowns	(29,317)	(1,992)	(31,309)
Unrealized investment (gains) losses	10,522	112	10,634
Balances, December 31, 2016	467,845	18,845	486,690
Capitalized additions	105,814	—	105,814
Amortization and writedowns	(20,862)	1,134	(19,728)
Unrealized investment (gains) losses	(54,358)	92	(54,266)
Balances, December 31, 2017	$ 498,439	$ 20,071	$ 518,510

The estimated future amortization of VOBA for the years ended December 31, 2018 through December 31, 2022, is approximately $3,800 per annum.

12. Goodwill and Other Intangible Assets

The balance of goodwill, all of which is within the Empower Retirement segment, at December 31, 2017, and 2016 was $137,683.

The following tables summarize other intangible assets, all of which are within the Empower Retirement segment:

	December 31, 2017		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 47,580	$ (30,495)	$ 17,085
Non-competition	362	(362)	—
Total	$ 47,942	$ (30,857)	$ 17,085

	December 31, 2016		
	Gross carrying amount	Accumulated amortization	Net book value
Customer relationships	$ 47,580	$ (27,517)	$ 20,063
Non-competition	1,325	(1,301)	24
Total	$ 48,905	$ (28,818)	$ 20,087

Amortization expense for other intangible assets included in general insurance expenses was $3,002, $3,732, and $4,096 for the years ended December 31, 2017, 2016, and 2015, respectively. Except for goodwill, the Company has no intangible assets with indefinite lives.

The estimated future amortization of other intangible assets using current assumptions, which are subject to change, for the years ended December 31, 2018, through December 31, 2022, is approximately $1,800 per annum.

13. Commercial Paper

The Company maintains a commercial paper program that is partially supported by a $50,000 corporate credit facility.

The following table provides information regarding the Company's commercial paper program:

	December 31,	
	2017	2016
Face value	$ 99,886	$ 99,049
Carrying value	$ 99,886	$ 99,049
Effective interest rate	1.4%-1.7%	0.7%-0.8%
Maturity range (days)	19 - 67	10 - 30

14. Stockholder's Equity and Dividend Restrictions

At December 31, 2017, and 2016, the Company had 500,000 shares of $0 par value preferred stock authorized, none of which was issued or outstanding at either date. In addition, the Company had 500,000 shares of $0 par value common stock authorized, 51,235 and 50,025 of which were issued and outstanding at December 31, 2017, and 2016, respectively.

GWL&A's net income and capital and surplus, as determined in accordance with statutory accounting principles and practices as prescribed by the National Association of Insurance Commissioners ("NAIC"), is as follows:

	Year Ended December 31,				December 31,	
	2017	2016	2015		2017	2016
Net income	$ 170,018	$ 100,657	$ 187,232	Capital and surplus	$ 1,129,510	$ 1,053,333

Regulatory compliance is determined by a ratio of a company's total adjusted capital ("TAC") to its authorized control level risk-based capital ("ACL"), as determined in accordance with statutory accounting principles and practices as prescribed by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is 200% of ACL. GWL&A's risk-based capital ratio was in excess of the required amount as of December 31, 2017.

Dividends are paid as determined by the Board of Directors, subject to restrictions as discussed below. During the years ended December 31, 2017, 2016, and 2015, the Company paid dividends in the amounts of $120,000, $175,166, and $139,531, respectively, to its parent company, Lifeco U.S.

As an insurance company domiciled in the State of Colorado, GWL&A is required to maintain a minimum of $2,000 of capital and surplus. In addition, the maximum amount of dividends which can be paid to stockholders by insurance companies domiciled in the State of Colorado, without prior approval of the Insurance Commissioner, is subject to restrictions relating to

statutory capital and surplus and statutory net gain from operations. As filed with the Colorado Division of Insurance, the statutory capital and surplus and net gain from operations at and for the year ended December 31, 2017, were $1,129,510 and $169,483, respectively. Based on the as filed amounts, GWL&A may pay an amount up to $112,951 of dividends during the year ended December 31, 2018, without the prior approval of the Colorado Insurance Commissioner. Prior to any payments of dividends, the GWL&A seeks approval from the Colorado Insurance Commissioner.

15. Other Comprehensive Income

The following table presents the accumulated balances for each classification of other comprehensive income (loss):

	Year Ended December 31, 2017				
	Unrealized holding gains (losses) arising on fixed maturities, available-for-sale [1]	Unrealized holding gains (losses) arising on cash flow hedged [2]	Future policy benefits, DAC and VOBA adjustments	Employee benefit plan adjustment [3]	Total
Balances, January 1, 2015	**$ 784,183**	**$ 33,141**	**$ (108,194)**	**$ (106,112)**	**$ 603,018**
OCI before reclassifications	(643,880)	31,061	65,245	19,730	(527,844)
Deferred income tax benefit (expense)	225,358	(10,871)	(22,836)	(6,905)	184,746
AOCI before reclassification, net of tax	(418,522)	20,190	42,409	12,825	(343,098)
Amounts reclassified from AOCI	(40,217)	(12,380)	—	11,856	(40,741)
Deferred income tax benefit (expense)	14,076	4,333	—	(4,150)	14,259
Amounts reclassified from AOCI, net of tax	(26,141)	(8,047)	—	7,706	(26,482)
Balances, December 31, 2015	**339,520**	**45,284**	**(65,785)**	**(85,581)**	**233,438**
OCI before reclassifications	20,295	44,776	10,983	(7,315)	68,739
Deferred income tax benefit (expense)	(7,103)	(15,672)	(3,844)	2,560	(24,059)
AOCI before reclassification, net of tax	13,192	29,104	7,139	(4,755)	44,680
Amounts reclassified from AOCI	(63,022)	(11,249)	—	9,281	(64,990)
Deferred income tax benefit (expense)	22,058	3,937	—	(3,248)	22,747
Amounts reclassified from AOCI, net of tax	(40,964)	(7,312)	—	6,033	(42,243)
Balances, December 31, 2016	**311,748**	**67,076**	**(58,646)**	**(84,303)**	**235,875**
OCI before reclassifications	377,605	(73,726)	(88,648)	7,283	222,514
Deferred income tax benefit (expense)	(132,162)	25,804	31,027	(2,549)	(77,880)
AOCI before reclassification, net of tax	245,443	(47,922)	(57,621)	4,734	144,634
Amounts reclassified from AOCI	(29,710)	(4,498)	—	6,982	(27,226)
Deferred income tax benefit (expense)	10,399	1,574	—	(2,444)	9,529
Amounts reclassified from AOCI, net of tax	(19,311)	(2,924)	—	4,538	(17,697)
Impact of tax reform	115,852	3,496	(25,042)	(16,161)	78,145
Balances, December 31, 2017	**$ 653,732**	**$ 19,726**	**$ (141,309)**	**$ (91,192)**	**$ 440,957**

[1] Reclassifications affect Other realized investment gains (losses), net on the consolidated statements of income.
[2] Reclassifications affect net investment income on the consolidated statements of income, except for $2,954 and $2,657 (before tax) which affected interest expense for the years ended December 31, 2017 and 2016, respectively.
[3] The adjustments for defined benefit plans are included in the computation of net periodic (benefit) cost of employee benefit plans (see note 17 for additional details).

16. General Insurance Expenses

The following table summarizes the significant components of general insurance expenses:

	Year Ended December 31,		
	2017	2016	2015
Compensation	$ 646,595	$ 625,364	$ 564,008
Commissions	241,357	222,028	206,360
Other	309,661	333,835	308,628
Total general insurance expenses	$ 1,197,613	$ 1,181,227	$ 1,078,996

17. Employee Benefit Plans

Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement Plans

The Company has a noncontributory Defined Benefit Pension Plan covering substantially all of its employees that were hired before January 1, 1999. Benefits for the Defined Benefit Pension Plan are based principally on an employee's years of service and compensation levels near retirement. The Company's policy for funding the Defined Benefit Pension Plans is to make annual contributions, which equal or exceed regulatory requirements.

The Company sponsors an unfunded Post-Retirement Medical Plan (the "Medical Plan") that provides health benefits to retired employees who are not Medicare eligible. The Medical Plan is contributory and contains other cost sharing features which may be adjusted annually for the expected general inflation rate. The Company's policy is to fund the cost of the Medical Plan benefits in amounts determined at the discretion of management.

The Company also provides Supplemental Executive Retirement Plans to certain key executives. These plans provide key executives with certain benefits upon retirement, disability, or death based upon total compensation. The Company has purchased individual life insurance policies with respect to employees covered by these plans. The Company is the owner and beneficiary of the insurance contracts.

A December 31 measurement date is used for the employee benefit plans.

The following tables provide a reconciliation of the changes in the benefit obligations, fair value of plan assets and the underfunded status for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Change in projected benefit obligation:								
Benefit obligation, January 1	$ 592,290	$ 560,817	$ 19,031	$ 16,637	$ 44,501	$ 43,858	$ 655,822	$ 621,312
Service cost	3,506	(1,403)	1,457	1,246	(16)	294	4,947	137
Interest cost	24,205	25,263	758	713	1,620	1,775	26,583	27,751
Actuarial (gain) loss	40,840	24,928	(1,216)	1,408	(1,872)	1,911	37,752	28,247
Regular benefits paid	(19,737)	(17,315)	(701)	(973)	(3,336)	(3,337)	(23,774)	(21,625)
Curtailments	(17,244)	—	—	—	—	—	(17,244)	—
Amendment	1,852	—	—	—	24	—	1,876	—
Benefit obligation, December 31	$ 625,712	$ 592,290	$ 19,329	$ 19,031	$ 40,921	$ 44,501	$ 685,962	$ 655,822
Accumulated benefit obligation	$ 625,712	$ 575,024	$ 19,329	$ 19,031	$ 40,921	$ 43,098	$ 685,962	$ 637,153

During 2017, the Company approved an amendment to the Defined Benefit Pension Plan freezing all benefit accruals for pension-eligible participants as of December 31, 2017. The Company also approved an amendment to provide pension-eligible employees with full credit for their anniversary year of services that began in 2017, even if the participants had not completed 1,000 hours of service as of December 31, 2017. The impact of the Plan freeze was reflected on September 25, 2017, and in accordance with ASC 715 Compensation - Retirement Benefits, resulted in a curtailment gain in the amount of $17,244. Additionally, as a result of the amendment to provide an additional year of service credit, prior service cost in the amount of $1,852 was recorded in other comprehensive income as of December 31, 2017. Under a curtailment due to a plan freeze, any unrecognized prior service cost included in other comprehensive income associated with the employees affected by the pension plan freeze must be fully recognized in benefit cost in determining the net gain or loss to be recognized for the curtailment. Additionally, the curtailment gain recognized in the income statement is offset by accelerating, in an equal amount, the recognition of any actuarial gain or loss in other comprehensive income. $15,392 of actuarial loss was recognized from other comprehensive income to offset the net curtailment gain. As a result, the net impact to the income statement was zero.

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Change in plan assets:								
Value of plan assets, January 1	$ 453,087	$ 427,131	$ —	$ —	$ —	$ —	$ 453,087	$ 427,131
Actual return on plan assets	50,292	43,271	—	—	—	—	50,292	43,271
Employer contributions	—	—	701	973	3,337	3,337	4,038	4,310
Benefits paid	(19,737)	(17,315)	(701)	(973)	(3,337)	(3,337)	(23,775)	(21,625)
Value of plan assets, December 31	$ 483,642	$ 453,087	$ —	$ —	$ —	$ —	$ 483,642	$ 453,087

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	December 31,		December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Under funded status at December 31	$ (142,070)	$ (139,203)	$ (19,329)	$ (19,031)	$ (40,921)	$ (44,501)	$ (202,320)	$ (202,735)

The following table presents amounts recognized in the consolidated balance sheets for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	December 31,		December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Amounts recognized in consolidated balance sheets:								
Other liabilities	$ (142,070)	$ (139,203)	$ (19,329)	$ (19,031)	$ (40,921)	$ (44,501)	$ (202,320)	$ (202,735)
Accumulated other comprehensive income (loss)	(121,645)	(133,055)	6,276	5,715	(66)	(2,360)	(115,435)	(129,700)

The following table provides information regarding amounts in AOCI that have not yet been recognized as components of net periodic benefit cost at December 31, 2017:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax
Net gain (loss)	$ (121,645)	$ (96,098)	$ 6,105	$ 4,823	$ 1,157	$ 914	$ (114,383)	$ (90,361)
Net prior service (cost) credit	—	—	171	135	(1,223)	(966)	(1,052)	(831)
	$ (121,645)	$ (96,098)	$ 6,276	$ 4,958	$ (66)	$ (52)	$ (115,435)	$ (91,192)

The following table provides information regarding amounts in AOCI that are expected to be recognized as components of net periodic benefit costs during the year ended December 31, 2018:

	Defined Benefit Pension Plan		Post-Retirement Medical Plan		Supplemental Executive Retirement Plan		Total	
	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax	Gross	Net of tax
Net gain (loss)	$ (2,336)	$ (1,845)	$ 276	$ 218	$ 45	$ 36	$ (2,015)	$ (1,591)
Prior service (cost) credit	—	—	20	16	(324)	(256)	(304)	(240)
	$ (2,336)	$ (1,845)	$ 296	$ 234	$ (279)	$ (220)	$ (2,319)	$ (1,831)

The expected benefit payments for the Company's Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans for the years indicated are as follows:

	Defined Benefit Pension Plan	Post-Retirement Medical Plan	Supplemental Executive Retirement Plan
2018	$ 20,286	$ 795	$ 2,515
2019	21,396	855	2,520
2020	22,737	873	2,480
2021	24,688	940	2,446
2022	26,676	1,003	10,180
2023 through 2027	158,881	6,579	13,065

Net periodic (benefit) cost of the Defined Benefit Pension, Post-Retirement Medical, and Supplemental Executive Retirement plans included in general insurance expenses in the accompanying consolidated statements of income includes the following components:

	Defined Benefit Pension Plan		
	Year Ended December 31,		
	2017	2016	2015
Components of net periodic cost:			
Service cost	$ 3,506	$ (1,403)	$ 12,851
Interest cost	24,205	25,263	23,987
Expected return on plan assets	(20,626)	(22,339)	(28,345)
Amortization of unrecognized prior service cost	—	—	13
Amortization of loss from earlier periods	7,190	10,260	12,398
Net periodic cost	$ 14,275	$ 11,781	$ 20,904

	Post-Retirement Medical Plan		
	Year Ended December 31,		
	2017	2016	2015
Components of net periodic benefit:			
Service cost	$ 1,457	$ 1,246	$ 1,042
Interest cost	758	713	560
Amortization of unrecognized prior service benefit	(453)	(1,102)	(1,640)
Amortization of gain from earlier periods	(202)	(317)	(511)
Net periodic benefit	$ 1,560	$ 540	$ (549)

	Supplemental Executive Retirement Plan		
	Year Ended December 31,		
	2017	2016	2015
Components of net periodic cost:			
Service cost	$ (16)	$ 294	$ 282
Interest cost	1,620	1,775	2,122
Amortization of unrecognized prior service cost	501	501	933
Amortization of loss from earlier periods	(54)	(61)	663
Net periodic cost	$ 2,051	$ 2,509	$ 4,000

The following tables present the assumptions used in determining benefit obligations of the Defined Benefit Pension, Post-Retirement Medical, and the Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan	
	December 31,	
	2017	2016
Discount rate	3.71%	4.20%
Rate of compensation increase	4.47%	4.47%

	Post-Retirement Medical Plan	
	December 31,	
	2017	2016
Discount rate	3.63%	4.05%
Initial health care cost trend	6.50%	6.75%
Ultimate health care cost trend	5.00%	5.00%
Year ultimate trend is reached	2024	2024

	Supplemental Executive Retirement Plan	
	December 31,	
	2017	2016
Discount rate	3.43%	3.80%
Rate of compensation increase	4.00%	4.00%

During 2017, the Company adopted the Society of Actuaries Mortality Improvement Scale (MP-2017).

During 2016, the Company adopted the Society of Actuaries Mortality Improvement Scale (MP-2016).

The following tables present the assumptions used in determining the net periodic (benefit) cost of the Defined Benefit Pension, Post-Retirement Medical, and the Supplemental Executive Retirement plans:

	Defined Benefit Pension Plan	
	Year Ended December 31,	
	2017	2016
Discount rate	4.20%	4.55%
Expected return on plan assets	5.25%	6.00%
Rate of compensation increase	4.47%	4.47%

	Post-Retirement Medical Plan	
	Year Ended December 31,	
	2017	2016
Discount rate	4.05%	4.31%
Initial health care cost trend	6.75%	7.00%
Ultimate health care cost trend	5.00%	5.00%
Year ultimate trend is reached	2024	2024

	Supplemental Executive Retirement Plan	
	Year Ended December 31,	
	2017	2016
Discount rate	3.80%	4.22%
Rate of compensation increase	4.00%	4.00%

The discount rate has been set based on the rates of return on high-quality fixed-income investments currently available and expected to be available during the period the benefits will be paid. In particular, the yields on bonds rated AA or better on the measurement date have been used to set the discount rate.

The following table presents the impact on the Post-Retirement Medical Plan that a one-percentage-point change in assumed health care cost trend rates would have on the following:

	One percentage point increase	One percentage point decrease
Increase (decrease) on total service and interest cost on components	$ 371	$ (309)
Increase (decrease) on post-retirement benefit obligation	2,524	(2,157)

The following table presents how the Company's Defined Benefit Pension Plan assets are invested:

	December 31,	
	2017	2016
Equity securities	47%	45%
Debt securities	45%	39%
Other	8%	16%
Total	100%	100%

The following tables present information about the Defined Benefit Retirement Plan's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation approach utilized to determine such fair value:

	Defined benefit plan assets measured at fair value on a recurring basis			
	December 31, 2017			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common collective trust funds: [1]				
Equity index funds	$ —	$ —	$ —	$ 32,596
Midcap index funds	—	—	—	31,717
World equity index funds	—	—	—	60,216
U.S. equity market funds	—	—	—	46,400
International equity funds	—	—	—	15,382
Total common collective trust funds	—	—	—	186,311
Fixed maturity investments:				
U.S. government direct obligations and agencies	—	4,608	—	4,608
Obligations of U.S. states and their municipalities	—	18,775	—	18,775
Corporate debt securities	—	183,462	1,108	184,570
Asset-backed securities	—	10,569	—	10,569
Commercial mortgage-backed securities	—	2,475	—	2,475
Total fixed maturity investments	—	219,889	1,108	220,997
Equity investments:				
Fixed income mutual funds	27,516	—	—	27,516
Equity mutual funds	15,609	—	—	15,609
Preferred stock	704	—	—	704
Total equity investments	43,829	—	—	43,829
Limited partnership investments [1]	—	—	—	7,465
Money market funds	29,576	—	—	29,576
Total defined benefit plan assets	$ 73,405	$ 219,889	$ 1,108	$ 488,178

[1] Fair values of Common collective trust funds and Limited partnership investments are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

	Defined benefit plan assets measured at fair value on a recurring basis			
	December 31, 2016			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common collective trust funds: [1]				
Equity index funds	$ —	$ —	$ —	$ 34,578
Midcap index funds	—	—	—	35,330
World equity index funds	—	—	—	44,235
U.S. equity market funds	—	—	—	45,614
International equity funds	—	—	—	11,143
Total common collective trust funds	—	—	—	170,900
Fixed maturity investments:				
U.S. government direct obligations and agencies	—	5,672	—	5,672
Obligations of U.S. states and their municipalities	—	18,670	—	18,670
Corporate debt securities	—	141,102	1,316	142,418
Asset-backed securities	—	7,828	—	7,828
Commercial mortgage-backed securities	—	2,884	—	2,884
Total fixed maturity investments	—	176,156	1,316	177,472
Equity investments:				
Fixed income mutual funds	21,321	—	—	21,321
Equity mutual funds	11,106	—	—	11,106
Preferred stock	640	—	—	640
Total equity investments	33,067	—	—	33,067
Limited partnership investments [1]	—	—	—	7,022
Money market funds	62,883	—	—	62,883
Total defined benefit plan assets	$ 95,950	$ 176,156	$ 1,316	$ 451,344

[1] Fair values of Common collective trust funds and Limited partnership investments are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of ASU 2015-07.

The following tables present additional information about assets of the Defined Benefit Retirement Plan measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Recurring Level 3 financial assets	
	Corporate debt securities	
	Year Ended December 31,	
	2017	2016
Balance, January 1	$ 1,316	$ —
Unrealized gains relating to instruments still held at reporting period	19	54
Settlements	(227)	(213)
Transfers into Level 3 [1]	—	1,475
Balance, December 31	$ 1,108	$ 1,316

[1] Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies.

The investment objective of the Defined Benefit Pension Plan is to provide a risk-adjusted return that will ensure the payment of benefits while protecting against the risk of substantial investment losses. Correlations among the asset classes are used to identify an asset mix that the Company believes will provide the most attractive returns. Long-term return forecasts for each

asset class using historical data and other qualitative considerations to adjust for projected economic forecasts are used to set the expected rate of return for the entire portfolio.

The Defined Benefit Pension Plan utilizes various investment securities. Generally, investment securities are exposed to various risks, such as interest rate risks, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported.

The following table presents the target allocation of invested Defined Benefit Pension Plan assets at December 31, 2018:

	December 31, 2018
Equity securities	30%
Debt securities	52%
Other	18%
Total	100%

Management estimates the value of these investments will be recoverable. The Company does not expect any plan assets to be returned to it during the year ended December 31, 2018. The Company expects to make payments of approximately $795 with respect to its Post-Retirement Medical Plan and $2,515 with respect to its Supplemental Executive Retirement Plan during the year ended December 31, 2018.

Other employee benefit plans

The Company offers an unfunded, non-qualified deferred compensation plan to a select group of management and highly compensated individuals. Participants defer a portion of their compensation and realize potential market gains or losses on the invested contributions. The program is not qualified under Section 401 of the Internal Revenue Code. Participant balances, which are included in other liabilities in the accompanying consolidated balance sheets, are $27,284 and $21,758 at December 31, 2017, and December 31, 2016, respectively.

The Company sponsors a qualified defined contribution benefit plan covering all employees. Under this plan, employees may contribute a percentage of their annual compensation to the plan up to certain maximums, as defined by the plan and by the Internal Revenue Service (“IRS”). Currently, the Company matches a percentage of employee contributions in cash. The Company recognized $14,937, $12,364, and $13,016 in expense related to this plan for the years ended December 31, 2017, 2016, and 2015, respectively.

18. Income Taxes

The provision for income taxes is comprised of the following:

	Year Ended December 31,		
	2017	2016	2015
Current	$ 88,292	$ 35,893	$ 78,643
Deferred	(167,059)	53,481	21,682
Total income tax provision	$ (78,767)	$ 89,374	$ 100,325

The following table presents a reconciliation between the statutory federal income tax rate and the Company's effective federal income tax rate:

	Year Ended December 31,		
	2017	2016	2015
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Income tax effect of:			
Federal tax rate change resulting from tax reform	(59.3)%	— %	— %
Investment income not subject to federal tax	(4.1)%	(2.9)%	(3.0)%
Tax credits	(0.3)%	(6.6)%	(0.2)%
State income taxes, net of federal benefit	2.3 %	2.3 %	3.2 %
Other, net	(0.2)%	(0.5)%	(0.9)%
Effective federal income tax rate	(26.6)%	27.3 %	34.1 %

On December 22, 2017, H.R. 1, the Tax Reconciliation Act (the "Act"), was enacted. The legislation, which is generally effective for tax years beginning on January 1, 2018, represents significant U.S. tax reform and revises the Internal Revenue Code by, among other items, lowering the federal corporate income tax rate from 35% to 21% and modifying how the U.S. taxes multinational entities.

The decrease in the federal corporate income tax rate caused the Company to revalue its deferred tax balances at the new 21% rate, resulting in the recognition of a $175,842 deferred tax benefit and a 59.3% decrease to the Company's 2017 overall effective income tax rate. The impact of tax reform recognized in Accumulated Other Comprehensive Income was $78,145. This balance was transferred to Retained Earnings on the Balance Sheet.

A reconciliation of unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2017	2016	2015
Balance, beginning of year	$ 17,268	$ 23,093	$ 26,890
Additions to tax positions in the current year	13,461	—	1,383
Additions to tax positions in the prior year	—	1,902	50
Reductions to tax positions from statutes expiring	—	(7,727)	(5,230)
Balance, end of year	$ 30,729	$ 17,268	$ 23,093

There were no tax benefits included in the unrecognized tax benefits of $30,729 at December 31, 2017, that would impact the annual effective tax rate. The Company anticipates a decrease in its unrecognized tax benefits of $8,000 to $10,000 in the next twelve months, primarily due to changes in the composition of the consolidated group.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in current income tax expense. The Company recognized an increase of $553 and decreases of $153, and $193 in interest and penalties related to the uncertain tax positions during the years ended December 31, 2017, 2016, and 2015, respectively. The Company had approximately $1,417 and $864 accrued for the payment of interest and penalties at December 31, 2017, and 2016, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years 2013 and prior. Tax years 2014 through 2016 are open to federal examination by the I.R.S. The Company does not expect significant increases or decreases to unrecognized tax benefits relating to federal, state, or local audits.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. The tax effect of temporary differences, which give rise to the deferred tax assets and liabilities, is as follows:

	December 31,			
	2017		2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Policyholder reserves	$ —	$ 146,294	$ —	$ 278,632
Deferred acquisition costs	—	20,405	—	28,071
Investment assets	—	185,940	—	233,583
Policyholder dividends	5,244	—	8,583	—
Net operating loss carryforward	32,662	—	96,693	—
Pension plan accrued benefit liability	51,289	—	83,562	—
Goodwill	—	23,287	—	35,306
Experience rated refunds	9,988	—	6,654	—
Tax credits	169,692	—	168,597	—
Other	13,848	—	19,592	—
Total deferred taxes	$ 282,723	$ 375,926	$ 383,681	$ 575,592

The deferred tax amounts presented above with respect to investments, future policy benefits, and deferred acquisition costs include $141,458 and $172,405, related to amounts recognized through other comprehensive income at December 31, 2017, and 2016, respectively.

The Company, together with certain of its subsidiaries, and Lifeco U.S. have entered into an income tax allocation agreement whereby Lifeco U.S. files a consolidated federal income tax return. Under the agreement, these companies are responsible for and will receive the benefits of any income tax liability or benefit computed on a separate tax return basis.

As of December 31, 2017, the subsidiaries had net operating loss carry forwards expiring as follows:

Year	Amount
2023	65,209
2028	2,215
Total	$ 67,424

During the years ended December 31, 2017, 2016, and 2015, the Company generated $120, $215, and $3,295 of Guaranteed Federal Low Income Housing tax credit carryforwards, respectively. As of December 31, 2017, the total credit carryforward for Low Income Housing is $142,089. These credits will begin to expire in 2030.

The Company generated $3,474 of foreign tax credit during the year ended December 31, 2017. During the years ended December 31, 2010 through December 31, 2016, the Company generated credit carryforwards of $23,984. The Company determined in 2016 to amend its prior year previously filed federal income tax returns in order to elect to claim foreign tax credits in lieu of foreign tax expense. These credits will begin to expire in 2020.

Included in due from parent and affiliates at December 31, 2017, and 2016 is $60,363 and $63,116, respectively, of income taxes receivable primarily from Lifeco U.S. related to the consolidated income tax return filed by the Company and certain subsidiaries.

Included in the consolidated balance sheets at December 31, 2017, and 2016 is $5,845 and $7,819, respectively, of income taxes receivable in other assets primarily related to the separate state income tax returns filed by certain subsidiaries.

19. Segment Information

The Chief Operating Decision Maker ("CODM") of the Company is also the Chief Executive Officer ("CEO") of the Company and Lifeco U.S. The CODM reviews the financial information for the purposes of assessing performance and allocating resources based upon the results of Lifeco U.S. and other U.S. affiliates prepared in accordance with International Financial Reporting Standards. The CODM, in his capacity as CEO of the Company, reviews the Company's financial information only in connection with the quarterly and annual reports that are filed with the Securities and Exchange Commission ("SEC"). Consequently, the Company does not provide its discrete financial information to the CODM to be regularly reviewed to make decisions about resources to be allocated or to assess performance. For purposes of SEC reporting requirements, the Company has chosen to present its financial information in three segments, notwithstanding the above. The three segments are: Individual Markets, Empower Retirement, and Other.

Individual Markets

The Individual Markets reporting and operating segment distributes life insurance and individual annuity products to both individuals and businesses through various distribution channels. Life insurance products in-force include participating and non-participating term life, whole life, universal life, and variable universal life.

Empower Retirement

The Empower Retirement reporting and operating segment provides various retirement plan products and investment options as well as comprehensive administrative and recordkeeping services for financial institutions and employers, which include educational, advisory, enrollment, and communication services for employer-sponsored defined contribution plans and associated defined benefit plans.

Other

The Company's Other reporting segment is substantially comprised of activity under the assumption of reinsurance between GWSC and CLAC ("the GWSC operating segment"), corporate items not directly allocated to the other operating segments, the impact of tax reform and interest expense on long-term debt.

The accounting principles used to determine segment results are the same as those used in the consolidated financial statements. The Company evaluates performance of its reportable segments based on their profitability from operations after income taxes. Inter-segment transactions and balances have been eliminated in consolidation. The Company's operations are not materially dependent on one or a few customers, brokers, or agents.

The following tables summarize segment financial information:

	Year Ended December 31, 2017			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 357,244	$ 2,172	$ 80,315	$ 439,731
Fee income	110,128	943,038	6,956	1,060,122
Other revenue	—	9,611	—	9,611
Net investment income	738,002	434,677	66,821	1,239,500
Realized investments gains (losses), net	32,652	13,752	(1)	46,403
Total revenues	1,238,026	1,403,250	154,091	2,795,367
Benefits and expenses:				
Policyholder benefits	953,371	206,544	81,219	1,241,134
Operating expenses	169,234	998,431	89,906	1,257,571
Total benefits and expenses	1,122,605	1,204,975	171,125	2,498,705
Income (loss) before income taxes	115,421	198,275	(17,034)	296,662
Income tax expense (benefit)	38,605	64,252	(181,624)	(78,767)
Net income	$ 76,816	$ 134,023	$ 164,590	$ 375,429

	December 31, 2017			
	Individual Markets	Empower Retirement	Other	Total
Assets:				
Investments	$ 17,791,097	$ 12,472,906	$ 3,051,388	$ 33,315,391
Other assets	1,465,544	1,027,458	249,916	2,742,918
Separate account assets	8,494,248	19,166,323	—	27,660,571
Assets of continuing operations	$ 27,750,889	$ 32,666,687	$ 3,301,304	63,718,880
Assets of discontinued operations				16,095
Total assets				$ 63,734,975

GWL&A FINANCIAL INC.
Notes to Consolidated Financial Statements
(Dollars in Thousands, Except Share Amounts)

	Year Ended December 31, 2016			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 379,127	$ 1,853	$ 84,369	$ 465,349
Fee income	99,514	851,620	5,683	956,817
Other revenue	—	12,261	—	12,261
Net investment income	798,557	428,327	67,027	1,293,911
Realized investments gains (losses), net	40,899	51,209	774	92,882
Total revenues	1,318,097	1,345,270	157,853	2,821,220
Benefits and expenses:				
Policyholder benefits	969,182	206,143	65,698	1,241,023
Operating expenses	175,016	1,002,129	76,268	1,253,413
Total benefits and expenses	1,144,198	1,208,272	141,966	2,494,436
Income before income taxes	173,899	136,998	15,887	326,784
Income tax expense	58,601	25,144	5,629	89,374
Net income	$ 115,298	$ 111,854	$ 10,258	$ 237,410

	December 31, 2016			
	Individual Markets	Empower Retirement	Other	Total
Assets:				
Investments	$ 16,770,772	$ 12,195,748	$ 2,812,413	$ 31,778,933
Other assets	1,453,717	1,057,148	234,864	2,745,729
Separate account assets	7,521,475	19,516,290	—	27,037,765
Assets of continuing operations	$ 25,745,964	$ 32,769,186	$ 3,047,277	61,562,427
Assets of discontinued operations				17,652
Total assets				$ 61,580,079

	Year Ended December 31, 2015			
	Individual Markets	Empower Retirement	Other	Total
Revenue:				
Premium income	$ 360,783	$ 533	$ 84,234	$ 445,550
Fee income	87,471	853,076	3,979	944,526
Other revenue	—	13,563	—	13,563
Net investment income	801,935	398,639	65,351	1,265,925
Realized investments gains (losses), net	28,864	54,752	94	83,710
Total revenues	1,279,053	1,320,563	153,658	2,753,274
Benefits and expenses:				
Policyholder benefits	931,631	201,791	101,205	1,234,627
Operating expenses	159,719	992,564	72,489	1,224,772
Total benefits and expenses	1,091,350	1,194,355	173,694	2,459,399
Income (loss) before income taxes	187,703	126,208	(20,036)	293,875
Income tax expense (benefit)	64,360	43,058	(7,093)	100,325
Net income (loss)	$ 123,343	$ 83,150	$ (12,943)	$ 193,550

20. Share-Based Compensation

Equity Awards

Lifeco, of which the Company is an indirect wholly-owned subsidiary, maintains the Great-West Lifeco Inc. Stock Option Plan (the "Lifeco plan") that provides for the granting of options on its common shares to certain of its officers and employees and those of its subsidiaries, including the Company. Options are granted with exercise prices not less than the average market price of the shares on the five days preceding the date of the grant. The Lifeco plan provides for the granting of options with varying terms and vesting requirements with vesting commencing on the first anniversary of the grant, exercisable within 10 years from the date of grant.

Termination of employment prior to the vesting of the options results in the forfeiture of the unvested options, unless otherwise determined by Human Resources Committee. At its discretion the Human Resources Committee may vest the unvested options of retiring option holders, with the options exercisable within five years from the date of retirement. In such event, the Company accelerates the recognition period to the date of retirement for any unrecognized share-based compensation cost related thereto and recognizes it in its earnings at that time.

Liability Awards

The Company maintains a Performance Share Unit Plan ("PSU plan") for senior executives of the Company. Under the PSU plan, "performance share units" are granted to certain senior executives of the Company. Each performance unit has a value equal to one share of Lifeco common stock and is subject to adjustment for cash dividends paid to Lifeco stockholders, Company earnings results as well as stock dividends and splits, consolidations and the like that affect shares of Lifeco common stock outstanding.

If the performance share units vest, they are payable in cash equal to the average closing price of Lifeco common stock for the 20 trading days prior to the date following the last day of the three-year performance period. The performance share units generally vest in their entirety at the end of the three years performance period based on continued service. The PSU plan contains a provision that permits all unvested performance share units to become vested upon death or retirement.

Performance share units are settled in cash and are recorded as liabilities until payout is made. Unlike share-settled awards, which have a fixed grant-date fair value, the fair value of unsettled or unvested liabilities awards is remeasured at the end of each reporting period based on the change in fair value of one share of Lifeco common stock. The liability and corresponding expense are adjusted accordingly until the award is settled.

Compensation Expense Related to Share-Based Compensation

The compensation expense related to share-based compensation was as follows:

	Year Ended December 31,		
	2017	2016	2015
Lifeco Stock Plan	$ 1,460	$ 2,190	$ 1,655
Performance Share Unit Plan	7,207	5,318	2,320
Total compensation expense	$ 8,667	$ 7,508	$ 3,975
Income tax benefits	$ 2,832	$ 2,458	$ 1,143

The following table presents the total unrecognized compensation expense related to share-based compensation at December 31, 2017, and the expected weighted average period over which these expenses will be recognized:

	Expense	Weighted average period (years)
Lifeco Stock Plan	$ 1,673	1.6
Performance Share Unit Plan	5,179	1.3

Equity Award Activity

During the year ended December 31, 2017, Lifeco granted 434,300 stock options to employees of the Company. These stock options vest over five - year periods ending in 2022. Compensation expense of $1,195 will be recognized in the Company's financial statements over the vesting period of these stock options using the accelerated method of recognition.

The following table summarizes the status of, and changes in, the Lifeco plan options granted to Company employees which are outstanding. The options granted relate to underlying stock traded in Canadian dollars on the Toronto Stock Exchange; therefore, the amounts, which are presented in United States dollars, will fluctuate as a result of exchange rate fluctuations.

		Weighted average		
	Shares under option	Exercise price (Whole dollars)	Remaining contractual term (Years)	Intrinsic value [1]
Outstanding, January 1, 2017	4,062,001	$ 23.25		
Granted	434,300	29.26		
Exercised	(655,384)	24.58		
Cancelled and expired	(393,942)	28.35		
Outstanding, December 31, 2017	3,446,975	24.88	6.3	$ 11,012
Vested and expected to vest, December 31, 2017	3,446,975	$ 24.88	6.3	$ 11,012
Exercisable, December 31, 2017	2,190,591	$ 23.22	5.3	$ 10,327

[1] The aggregate intrinsic value is calculated as the difference between the market price of Lifeco common shares on December 31, 2017, and the exercise price of the option (only if the result is positive) multiplied by the number of options.

The following table presents additional information regarding stock options under the Lifeco plan:

	Year Ended December 31,		
	2017	2016	2015
Weighted average fair value of options granted	$ 2.75	$ 2.74	$ 3.33
Intrinsic value of options exercised [1]	2,869	2,102	4,234
Fair value of options vested	2,203	1,605	1,670

[1] The intrinsic value of options exercised is calculated as the difference between the market price of Lifeco common shares on the date of exercise and the exercise price of the option multiplied by the number of options exercised.

The fair value of the options granted during the years ended December 31, 2017, 2016, and 2015 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2017	2016	2015
Dividend yield	3.98%	3.99%	3.66%
Expected volatility	13.99%	19.03%	19.10%
Risk free interest rate	1.25%	0.80%	0.90%
Expected duration (years)	6.0	6.0	6.0

Liability Award Activity

The following table summarizes the status of, and changes in, the Performance Share Unit Plan units granted to Company employees which are outstanding:

	Performance Units
Outstanding, January 1, 2017	598,911
Granted	290,895
Forfeited	(77,957)
Exercised	(130,339)
Outstanding, December 31, 2017	681,510
Vested and expected to vest, December 31, 2017	681,510

The cash payment in settlement of the Performance Share Unit Plan units was $3,398 and $3,988 for the years ended December 31, 2017, and December 31, 2016, respectively.

21. Commitments and Contingencies

Commitments

The following table summarizes the Company's future purchase obligations and commitments:

	Payment due by period				
	Less than one year	One to three years	Three to five years	More than five years	Total
Related party long-term debt - principal [1]	$ 39,480	$ 22,265	$ —	$ 542,400	$ 604,145
Related party long-term debt - interest [2]	27,660	54,100	53,815	469,389	604,964
Investment purchase obligations [3]	312,152	1,090	—	—	313,242
Operating leases [4]	15,467	23,703	7,000	13	46,183
Other liabilities [5]	39,499	33,261	40,487	19,644	132,891
Total	$ 434,258	$ 134,419	$ 101,302	$ 1,031,446	$ 1,701,425

[1] ***Related party long-term debt principal*** - Represents contractual maturities of principal due to affiliates, Great-West LP, Great-West LP II, Great-West Life & Annuity Insurance Capital LP, Great-West Life & Annuity Insurance Capital LP II, Great-West Life Lifeco Finance (Delaware) LLC and Great-West Life Lifeco Finance (Delaware) LLC II under the terms of two long term junior subordinated deferrable debentures and nine notes payable (see Note 4). The amounts shown in this table differ from the amounts included in the Company's consolidated balance sheet because the amounts shown above do not consider the discount upon the issuance of one of the junior subordinated deferrable debentures.

[2] ***Related party long-term debt interest*** - Two junior subordinated deferrable debentures and nine notes payable bear interest at a fixed rate through maturity. One junior subordinated deferrable debenture bears a variable interest rate plus the then current three-month London Interbank Offering Rate. The interest payments shown in this table are calculated based upon the

contractual rates in effect on December 31, 2017, and do not consider the impact of future interest rate changes.

(3) ***Investment purchase obligations*** - The Company makes commitments to fund partnership interests, mortgage loans on real estate, and other investments in the normal course of its business. As the timing of the fulfillment of the commitment to fund partnership interests cannot be predicted, such obligations are presented in the less than one year category. The timing of the funding of mortgage loans on real estate is based on the expiration date of the commitment. The amounts of these unfunded commitments at December 31, 2017, and 2016, were as follows:

	December 31, 2017	December 31, 2016
Due in less than one year	$ 312,152	$ 438,458
Due within one to three years	1,090	—
Total	$ 313,242	$ 438,458

Included in the total unfunded commitments at December 31, 2017, and 2016, is $114,726 and $93,440, respectively, related to cost basis limited partnership interests, all of which is due within one year from the dates indicated.

(4) ***Operating leases*** - The Company is obligated to make payments under various non-cancelable operating leases, primarily for office space. Contractual provisions exist that could increase the lease obligations presented, including operating expense escalation clauses. Management does not consider the impact of any such clauses to be material to the Company's operating lease obligations. The Company incurred rent expense, net of sublease income, of $13,433, $12,575, and $12,050 for the years ended December 31, 2017, 2016, and 2015, respectively and is recorded in general insurance expense. The Company's total future operating lease obligation will be reduced by minimum reimbursement of $5,938 due in the future under non-cancelable agreements.

From time to time, the Company enters into agreements or contracts, including capital leases, to purchase goods or services in the normal course of its business. However, these agreements and contracts are not material and are excluded from the table above.

(5) ***Other liabilities*** - Other liabilities include those other liabilities which represent contractual obligations not included elsewhere in the table above. If the timing of the payment of any other liabilities was sufficiently uncertain, the amounts were included in the less than one year category. Other liabilities presented in the table above include:

- Expected contributions to the Company's defined benefit pension plan and benefit payments for the Post-Retirement Medical Plan and Supplemental Executive Retirement Plan.
- Miscellaneous purchase obligations to acquire goods and services.
- Unrecognized tax benefits

GWL&A, a subsidiary of the Company, has a revolving credit facility agreement in the amount of $50,000 for general corporate purposes. The credit facility expires on March 1, 2018. Interest accrues at a rate dependent on various conditions and terms of borrowings. The agreement requires, among other things, GWL&A to maintain a minimum adjusted net worth, of $1,100,000, as defined in the credit facility agreement (both compiled on the unconsolidated statutory accounting basis prescribed by the NAIC), for each quarter ending after December 31, 2016. GWL&A was in compliance with all covenants at December 31, 2017, and 2016. At December 31, 2017, and 2016 there were no outstanding amounts related to the current and prior credit facilities.

The Company has a letter of credit for the benefit of Great- West Life and Annuity Insurance Company of South Carolina ("GWSC"), a wholly owned subsidiary, for capital support in the amount of $70,000 and which renews annually until the Company terminates it under the provisions specified in the agreement. Additionally, the Company terminated a letter of credit on December 21, 2017 in the amount of $1,141,000 which was for the benefit of the Company as collateral under the GWSC and CLAC reinsurance agreement for policy liabilities. This letter of credit was replaced with an excess of loss reinsurance agreement with a third party reinsurer. At December 31, 2017 and 2016, there were no outstanding amounts related to the letters of credit.

In addition, the Company has other letters of credit with a total amount of $9,095, renewable annually for an indefinite period of time. At December 31, 2017, and 2016, there were no outstanding amounts related to those letters of credit.

Contingencies

From time to time, the Company may be threatened with, or named as a defendant in, lawsuits, arbitrations, and administrative claims. Any such claims that are decided against the Company could harm the Company's business. The Company is also subject to periodic regulatory audits and inspections which could result in fines or other disciplinary actions. Unfavorable outcomes in such matters may result in a material impact on the Company's financial position, results of operations, or cash flows.

The Company is defending lawsuits relating to the costs and features of certain retirement or fund products. Management believes the claims are without merit and will defend these actions. Based on the information known, these actions will not have a material adverse effect on the consolidated financial position of the Company.

The Company is involved in other various legal proceedings that arise in the ordinary course of its business. In the opinion of management, after consultation with counsel, the likelihood of loss from the resolution of these proceedings is remote and/or the estimated loss is not expected to have a material effect on the Company's consolidated financial position, results of its operations, or cash flows.

22. Subsequent Events

On February 1, 2018, the Company's Board of Directors declared dividends of $24,000, payable on March 30, 2018, to its sole shareholder, Lifeco U.S.

On March 1, 2018, GWL&A, a subsidiary of the Company, entered into an agreement to replace a revolving credit facility agreement in the amount of $50,000 which expired on March 1, 2018. The new credit facility expires on March 1, 2023 and is in the amount of $50,000. The agreement requires, among other things, GWL&A to maintain a minimum adjusted net worth, of $1,022,680, as defined in the credit facility agreement (compiled on the unconsolidated statutory accounting basis prescribed by the NAIC), for each quarter ending after December 31, 2017. At March 16, 2018, there were no outstanding amounts related to the current credit facility.

GWL&A Financial Inc.

Including reinsurance division of GWSC

BALANCE SHEET

For the periods ended December 31, 2018 and December 31, 2017

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2018	Dec 2017
Assets		
Investments:		
Bonds	$ 24,058.6	$ 24,600.7
Mortgage loans	4,327.4	4,001.6
Stocks	108.2	52.0
Real estate	2.2	2.0
Policyholder loans	4,142.8	4,104.1
Short term investments	411.0	292.1
Total invested assets	**33,050.2**	**33,052.5**
Other assets		
Cash and cash equivalents	104.9	22.7
Reinsurance assets	90.5	96.8
Goodwill	194.5	194.5
Intangible assets	138.3	126.2
Investment income due and accrued	524.7	489.9
Premiums receivable	17.1	5.4
Reinsurance receivable	491.3	970.5
Other assets	1,102.6	933.4
Separate account assets	23,394.1	27,014.7
Total assets	**59,108.2**	**62,906.6**

	Dec 2018	Dec 2017
Liabilities and stockholder's equity		
Insurance contract liabilities	29,376.9	29,857.5
Investment contract liabilities	108.5	132.0
Deferred tax liabilities	275.5	231.4
Notes payable	561.8	603.7
Commercial paper	98.9	99.9
Other liabilities	902.5	793.2
Due to parent and affiliate, net	69.3	60.6
Separate account liabilities	23,394.1	27,014.7
Total liabilities	**54,787.5**	**58,793.0**
Stockholder's equity:		
Share capital		
Common shares	0.2	0.2
Additional paid in capital	914.3	913.6
Retained earnings	3,505.1	3,267.5
Accumulated other comprehensive deficit	(109.4)	(79.0)
Total stockholder's equity	4,310.2	4,102.3
Non-controlling interests	10.5	11.3
Total equity	**4,320.7**	**4,113.6**
Total liabilities and stockholder's equity	**$ 59,108.2**	**$ 62,906.6**

GWL&A Financial Inc.

Including reinsurance division of GWSC

STATEMENTS OF INCOME

For the years ended December 31, 2018 and December 31, 2017

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2018	Dec 2017
Revenues:		
Premium income	$ 2,822.9	$ 3,031.4
Fee income	1,139.1	1,180.7
Net investment income	1,338.1	1,285.5
Unrealized gains (losses) on investments	(634.5)	194.8
Realized gains (losses) on investments	(4.1)	45.6
Total revenues	**4,661.5**	**5,738.0**
Policyholder benefits	2,855.6	2,511.6
Increase in actuarial liabilities	(44.9)	1,288.0
Policy dividends & experience refunds	146.8	178.3
Total benefits	**2,957.5**	**3,977.9**
Commissions	230.0	232.3
Operating expenses and other	999.6	1,080.1
Premium and other taxes	30.1	34.5
Interest expenses	(15.6)	40.2
Amortization of finite intangibles	36.1	34.2
Restructuring and acquisition expenses	0.3	13.1
Total expenses	**1,280.5**	**1,434.4**
Total benefits and expenses	**4,238.0**	**5,412.3**
Net income before income taxes	**423.5**	**325.7**
Income taxes	90.3	(176.4)
Net income before non-controlling interests	**333.2**	**502.1**
Non-controlling interests	(0.8)	(0.6)
Total shareholder's net income	**$ 334.0**	**$ 502.7**

GWL&A FINANCIAL INC.

I certify that the attached financial statements of GWL&A Financial Inc., as of December 31, 2018, are true and correct as of their date, and there has been no material change in the financial statements to the date of this certification.

Name: Andra S. Bolotin
Title: Executive Vice President and Chief Financial Officer
Date: August 12, 2021

GWL&A Financial Inc.

Including reinsurance division of GWSC

BALANCE SHEET

For the periods ended December 31, 2019 and December 31, 2018

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2019	Dec 2018
Assets		
Investments:		
Bonds	$ 16,352.4	$ 24,058.6
Mortgage loans	2,732.3	4,327.4
Stocks	105.1	108.2
Real estate	2.2	2.2
Policyholder loans	4,014.3	4,142.8
Short term investments	417.8	411.0
Total invested assets	**23,624.1**	**33,050.2**
Other assets		
Cash and cash equivalents	89.1	104.9
Reinsurance assets	9,999.3	90.5
Goodwill	138.4	194.5
Intangible assets	124.3	138.3
Investment income due and accrued	454.7	524.7
Premiums receivable	15.4	17.1
Reinsurance receivable	497.4	491.3
Other assets	1,394.3	1,102.6
Separate account assets	24,179.6	23,394.1
Total assets	**60,516.6**	**59,108.2**

	Dec 2019	Dec 2018
Liabilities and stockholder's equity		
Insurance contract liabilities	30,469.9	29,376.9
Investment contract liabilities	-	108.5
Deferred tax liabilities	251.6	275.5
Notes payable	360.2	561.8
Commercial paper	99.9	98.9
Other liabilities	1,188.3	902.5
Due to parent and affiliate, net	138.0	69.3
Separate account liabilities	24,179.6	23,394.1
Total liabilities	**56,687.5**	**54,787.5**
Stockholder's equity:		
Share capital		
Common shares	0.2	0.2
Additional paid in capital	915.2	914.3
Retained earnings	3,012.7	3,505.1
Accumulated other comprehensive deficit	(109.6)	(109.4)
Total stockholder's equity	3,818.5	4,310.2
Non-controlling interests	10.6	10.5
Total equity	**3,829.1**	**4,320.7**
Total liabilities and stockholder's equity	**$ 60,516.6**	**$ 59,108.2**

GWL&A Financial Inc.

Including reinsurance division of GWSC

STATEMENTS OF INCOME

For the years ended December 31, 2019 and December 31, 2018

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2019	Dec 2018
Revenues:		
Premium income	$ (7,647.2)	$ 2,822.9
Fee income	1,966.0	1,139.1
Net investment income	1,092.3	1,338.1
Unrealized gains (losses) on investments	453.3	(634.5)
Realized gains (losses) on investments	679.1	(4.1)
Total revenues	**(3,456.5)**	**4,661.5**
Policyholder benefits	2,189.1	2,855.6
Increase in actuarial liabilities	(7,303.8)	(44.9)
Policy dividends & experience refunds	75.7	146.8
Total benefits	**(5,039.0)**	**2,957.5**
Commissions	162.5	230.0
Operating expenses and other	1082.0	999.6
Premium and other taxes	18.5	30.1
Interest expenses	34.2	(15.6)
Amortization of finite intangibles	41.7	36.1
Restructuring and acquisition expenses	0.2	0.3
Total expenses	**1,339.1**	**1,280.5**
Total benefits and expenses	**(3,699.9)**	**4,238.0**
Net income before income taxes	**243.4**	**423.5**
Income taxes	47.9	90.3
Net income before non-controlling interests	**195.5**	**333.2**
Non-controlling interests	(0.2)	(0.8)
Total shareholder's net income	**$ 195.7**	**$ 334.0**

GWL&A FINANCIAL INC.

I certify that the attached financial statements of GWL&A Financial Inc., as of December 31, 2019, are true and correct as of their date, and there has been no material change in the financial statements to the date of this certification.

Name: Andra S. Bolotin
Title: Executive Vice President and Chief Financial Officer
Date: August 12, 2021

GWL&A Financial Inc.

Including reinsurance division of GWSC

BALANCE SHEET

For the periods ended December 31, 2020 and December 31, 2019

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2020	Dec 2019
Assets		
Investments:		
Bonds	$ 28,790.9	$ 16,352.4
Mortgage loans	4,362.5	2,732.3
Stocks	165.8	105.1
Real estate	2.3	2.2
Policyholder loans	3,890.2	4,014.3
Short term investments	2,647.3	417.8
Total invested assets	**39,859.0**	**23,624.1**
Other assets		
Cash and cash equivalents	660.7	89.1
Funds withheld by ceding insurer	7,817.1	-
Reinsurance assets	10,772.8	9,999.3
Goodwill	2,908.9	138.4
Intangible assets	341.1	124.3
Investment income due and accrued	280.9	454.7
Deferred tax asset	55.1	-
Premiums receivable	16.8	15.4
Reinsurance receivable	559.8	497.4
Other assets	1,521.7	1,394.3
Separate account assets	92,899.1	24,179.6
Total assets	**157,693.0**	**60,516.6**

	Dec 2020	Dec 2019
Liabilities and stockholder's equity		
Insurance contract liabilities	51,222.9	30,469.9
Investment contract liabilities	5,885.1	-
Deferred tax liabilities	-	251.6
Notes payable	2,090.7	360.2
Commercial paper	99.0	99.9
Other liabilities	1,314.8	1,188.3
Due to parent and affiliate, net	133.2	138.0
Separate account liabilities	92,899.1	24,179.6
Total liabilities	**153,644.8**	**56,687.5**
Stockholder's equity:		
Share capital		
Common shares	0.2	0.2
Additional paid in capital	2,787.3	915.2
Retained earnings	1,360.0	3,012.7
Accumulated other comprehensive deficit	(109.5)	(109.6)
Total stockholder's equity	4,038.0	3,818.5
Non-controlling interests	10.2	10.6
Total equity	**4,048.2**	**3,829.1**
Total liabilities and stockholder's equity	**$ 157,693.0**	**$ 60,516.6**

GWL&A Financial Inc.

Including reinsurance division of GWSC

STATEMENTS OF INCOME

For the years ended December 31, 2020 and December 31, 2019

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Dec 2020	Dec 2019
Revenues:		
Premium income	$ 3,876.3	$ (7,647.2)
Fee income	1,210.8	1,966.0
Net investment income	870.0	1,092.3
Unrealized gains (losses) on investments	536.2	453.3
Realized gains (losses) on investments	90.9	679.1
Total revenues	**6,584.3**	**(3,456.5)**
Policyholder benefits	2,507.3	2,189.1
Increase in actuarial liabilities	2,439.0	(7,303.8)
Policy dividends & experience refunds	22.9	75.7
Total benefits	**4,969.2**	**(5,039.0)**
Commissions	124.0	162.5
Operating expenses and other	1,197.8	1082.0
Premium and other taxes	11.7	18.5
Interest expenses	22.0	34.2
Amortization of finite intangibles	39.7	41.7
Restructuring and acquisition expenses	32.1	0.2
Total expenses	**1,427.3**	**1,339.1**
Total benefits and expenses	**6,396.5**	**(3,699.9)**
Net income before income taxes	**187.8**	**243.4**
Income taxes	36.8	47.9
Net income before non-controlling interests	**151.0**	**195.5**
Non-controlling interests	(0.5)	(0.2)
Total shareholder's net income	**$ 151.5**	**$ 195.7**

GWL&A FINANCIAL INC.

I certify that the attached financial statements of GWL&A Financial Inc., as of December 31, 2020, are true and correct as of their date, and there has been no material change in the financial statements to the date of this certification.

Name: Andra S. Bolotin
Title: Executive Vice President and Chief Financial Officer
Date: August 12, 2021

GWL&A Financial Inc.

Including reinsurance division of GWSC

BALANCE SHEET

For the periods ended March 31, 2021 and December 31, 2020

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Mar 2021	Dec 2020
Assets		
Investments:		
Bonds	$ 29,482.4	$ 28,790.9
Mortgage loans	4,199.0	4,362.5
Stocks	217.1	165.8
Real estate	2.4	2.3
Policyholder loans	3,952.3	3,890.2
Short term investments	876.5	2,647.3
Total invested assets	**38,729.7**	**39,859.0**
Other assets		
Cash and cash equivalents	518.2	660.7
Funds withheld by ceding insurer	7,705.7	7,817.1
Reinsurance assets	10,118.7	10,772.8
Goodwill	2,895.3	2,908.9
Intangible assets	348.9	341.1
Investment income due and accrued	325.0	280.9
Deferred tax asset	38.9	55.1
Premiums receivable	22.9	16.8
Reinsurance receivable	438.8	559.8
Other assets	1,750.7	1,521.7
Separate account assets	92,627.1	92,899.1
Total assets	**155,519.9**	**157,693.0**

	Mar 2021	Dec 2020
Liabilities and stockholder's equity		
Insurance contract liabilities	49,525.6	51,222.9
Investment contract liabilities	5,743.4	5,885.1
Notes payable	2,090.7	2,090.7
Commercial paper	99.0	99.0
Other liabilities	1,290.7	1,314.8
Due to parent and affiliate, net	88.9	133.2
Separate account liabilities	92,627.1	92,899.1
Total liabilities	**151,465.4**	**153,644.8**
Stockholder's equity:		
Share capital		
Common shares	0.2	0.2
Additional paid in capital	2,786.7	2,787.3
Retained earnings	1,335.4	1,360.0
Accumulated other comprehensive deficit	(77.8)	(109.5)
Total stockholder's equity	**4,044.5**	4,038.0
Non-controlling interests	10.0	10.2
Total equity	**4,054.5**	**4,048.2**
Total liabilities and stockholder's equity	**$ 155,519.9**	**$ 157,693.0**

GWL&A Financial Inc.

Including reinsurance division of GWSC

STATEMENTS OF INCOME

For the three months ended March 31, 2021 and March 31, 2020

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Mar 2021	Mar 2020
Revenues:		
Premium income	$ 1,899.9	$ 1,427.0
Fee income	499.8	287.4
Net investment income	352.0	217.6
Unrealized gains (losses) on investments	(868.9)	(202.5)
Realized gains (losses) on investments	(39.4)	25.6
Total revenues	**1,843.4**	**1,755.1**
Policyholder benefits	2,368.2	847.4
Increase in actuarial liabilities	(1,155.5)	535.8
Policy dividends & experience refunds	6.2	8.4
Total benefits	**1,218.9**	**1,391.6**
Commissions	67.8	33.1
Operating expenses and other	414.2	254.7
Premium and other taxes	2.6	2.8
Interest expenses	11.8	5.0
Amortization of finite intangibles	27.9	10.2
Restructuring and acquisition expenses	12.3	0.0
Total expenses	**536.6**	**305.8**
Total benefits and expenses	**1,755.5**	**1,697.4**
Net income before income taxes	**87.9**	**57.7**
Income taxes	19.8	14.3
Net income before non-controlling interests	**68.1**	**43.4**
Non-controlling interests	(0.1)	(0.1)
Total shareholder's net income	**$ 68.2**	**$ 43.5**

GWL&A FINANCIAL INC.

I certify that the attached financial statements of GWL&A Financial Inc., as of March 31, 2021, are true and correct as of their date, and there has been no material change in the financial statements to the date of this certification.

Name: Andra S. Bolotin
Title: Executive Vice President and Chief Financial Officer
Date: August 12, 2021

GWL&A Financial Inc.

Including reinsurance division of GWSC

BALANCE SHEET

For the periods ended June 30, 2021 and December 31, 2020

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Jun 2021	Dec 2020
Assets		
Investments:		
Bonds	$ 28,898.2	$ 28,790.9
Mortgage loans	4,328.1	4,362.5
Stocks	273.6	165.8
Real estate	2.4	2.3
Policyholder loans	3,846.8	3,890.2
Short term investments	1,027.6	2,647.3
Total invested assets	**38,376.7**	**39,859.0**
Other assets		
Cash and cash equivalents	1,032.1	660.7
Funds withheld by ceding insurer	7,782.9	7,817.1
Reinsurance assets	10,322.1	10,772.8
Goodwill	1,910.3	2,908.9
Intangible assets	1,318.4	341.1
Investment income due and accrued	263.7	280.9
Deferred tax asset	28.5	55.1
Premiums receivable	14.0	16.8
Reinsurance receivable	565.5	559.8
Other assets	1,704.9	1,521.7
Separate account assets	94,664.5	92,899.1
Total assets	**157,983.6**	**157,693.0**

	Jun 2021	Dec 2020
Liabilities and stockholder's equity		
Insurance contract liabilities	49,854.6	51,222.9
Investment contract liabilities	5,874.5	5,885.1
Notes payable	1,840.7	2,090.7
Commercial paper	99.0	99.0
Other liabilities	1,419.8	1,314.8
Due to parent and affiliate, net	63.1	133.2
Separate account liabilities	94,664.5	92,899.1
Total liabilities	**153,816.2**	**153,644.8**
Stockholder's equity:		
Share capital		
Common shares	0.2	0.2
Additional paid in capital	2,786.8	2,787.3
Retained earnings	1,445.5	1,360.0
Accumulated other comprehensive deficit	(76.0)	(109.5)
Total stockholder's equity	**4,156.5**	4,038.0
Non-controlling interests	10.9	10.2
Total equity	**4,167.4**	**4,048.2**
Total liabilities and stockholder's equity	**$ 157,983.6**	**$ 157,693.0**

GWL&A Financial Inc.

Including reinsurance division of GWSC

STATEMENTS OF INCOME

For the six months ended June 30, 2021 and June 30, 2020

IFRS (CANADIAN GAAP)

(UNAUDITED)

U.S. $ in millions

	Jun 2021	Jun 2020
Revenues:		
Premium income	$ 886.3	$ 1,973.7
Fee income	1,043.3	564.1
Net investment income	719.5	433.8
Unrealized gains (losses) on investments	(231.8)	388.7
Realized gains (losses) on investments	(27.0)	43.6
Total revenues	**2,390.3**	**3,403.9**
Policyholder benefits	2,062.9	1,259.7
Increase in actuarial liabilities	(1,000.7)	1,393.9
Policy dividends & experience refunds	9.9	13.3
Total benefits	**1,072.1**	2,666.9
Commissions	136.6	62.5
Operating expenses and other	844.6	508.5
Premium and other taxes	5.1	6.2
Interest expenses	20.1	9.8
Amortization of finite intangibles	55.9	20.1
Restructuring and acquisition expenses	24.6	0.0
Total expenses	**1,086.9**	**607.1**
Total benefits and expenses	**2,159.0**	**3,274.0**
Net income before income taxes	**231.3**	**129.9**
Income taxes	52.3	29.0
Net income before non-controlling interests	**178.9**	**100.9**
Non-controlling interests	0.7	(0.3)
Total shareholder's net income	**$ 178.2**	**$ 101.2**

GWL&A FINANCIAL INC.

I certify that the attached financial statements of GWL&A Financial Inc., as of June 30, 2021, are true and correct as of their date, and there has been no material change in the financial statements to the date of this certification.

Name: Andra S. Bolotin
Title: Executive Vice President and Chief Financial Officer
Date: August 12, 2021