AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 AND 2017 AND FOR EACH OF THE
THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ameritas Mutual Holding Company
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of Ameritas Mutual Holding Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, 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

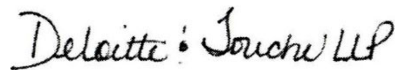
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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 Ameritas Mutual Holding Company and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the three years in the period ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.



Omaha, Nebraska

March 6, 2019

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31	
	2018	2017
ASSETS		
Investments:		
Fixed maturity securities held to maturity	$ 1,370	$ 2,599
Fixed maturity securities available for sale	9,831,484	9,909,108
Fixed maturity securities trading	100,168	90,895
Equity securities available for sale	317,657	415,334
Equity securities trading	96,230	103,038
Mortgage loans on real estate, net	2,161,721	1,969,464
Loans on insurance policies	438,858	411,096
Real estate, less accumulated depreciation	20,763	27,686
Other investments	353,191	421,658
Total investments	13,321,442	13,350,878
Cash, cash equivalents and restricted cash	344,771	382,793
Accrued investment income	111,228	109,746
Deferred acquisition costs (DAC) and identifiable intangibles	899,175	752,250
Property and equipment, less accumulated depreciation	65,970	74,731
Current income taxes	23,301	32,601
Reinsurance receivables	672,522	659,688
Other assets	288,538	251,220
Separate accounts	9,221,857	7,526,296
Total assets	$ 24,948,804	$ 23,140,203
LIABILITIES AND EQUITY		
Policy and contract liabilities	$ 3,122,723	$ 2,971,230
Accumulated contract values	7,982,634	7,686,050
Deposit liability	1,075,069	1,105,350
Dividends payable to policyowners	10,293	10,782
Borrowings	14,144	14,538
Surplus notes payable	49,727	49,693
Deferred income taxes	48,470	127,682
Other liabilities	521,049	582,484
Separate accounts	9,221,857	7,526,296
Total liabilities	22,045,966	20,074,105
COMMITMENTS AND CONTINGENCIES (Note 12)		
Retained earnings	3,018,632	2,787,002
Accumulated other comprehensive income (loss)	(115,794)	279,096
Total members' equity	2,902,838	3,066,098
Total liabilities and equity	$ 24,948,804	$ 23,140,203

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Years Ended December 31		
INCOME	**2018**	**2017**	**2016**
Insurance revenues			
Premium income	$ 1,228,883	$ 1,145,792	$ 1,125,831
Contract charges	390,907	398,996	370,916
Reinsurance, net	(172,227)	(166,863)	(175,424)
Broker dealer revenues	124,870	116,180	109,407
Other income	90,179	87,871	170,117
Net investment income	519,724	570,862	526,703
Realized capital gains and (losses)			
Total other-than-temporary-impairment losses and provision for loan losses	(9,731)	(747)	(8,384)
Portion recognized in other comprehensive income (loss)	(332)	—	(36)
Net other-than-temporary-impairment losses recognized in earnings	(10,063)	(747)	(8,420)
Sales and other realized capital gains, net	185,436	48,054	101,562
Total realized capital gains, net	175,373	47,307	93,142
	2,357,709	2,200,145	2,220,692
BENEFITS AND EXPENSES			
Policy benefits	932,411	920,594	919,059
Interest credited to accumulated contract values	282,571	274,833	225,665
Policyowner dividends	17,447	18,188	21,051
Sales and operating expenses	711,485	679,714	767,951
Interest expense	41,869	46,587	44,580
Amortization of DAC and identifiable intangibles	80,344	102,756	102,999
	2,066,127	2,042,672	2,081,305
Income before income taxes	291,582	157,473	139,387
Income tax (benefit) expense	57,957	(39,798)	49,778
Net income attributable to members	$ 233,625	$ 197,271	$ 89,609

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Years Ended December 31		
	2018	**2017**	**2016**
Net income attributable to members	$ 233,625	$ 197,271	$ 89,609
Other comprehensive income (loss), net of tax			
Change in unrealized gains/losses on securities			
Unrealized holding gains/losses arising during the period (net of deferred tax expense (benefit) of $(98,575) - 2018, $72,741 - 2017, $53,620 - 2016)	(370,201)	133,663	97,116
Reclassification adjustments from accumulated other comprehensive income (loss), (net of deferred tax expense (benefit) of $(25,451) - 2018, $(13,788) - 2017, $(13,786) - 2016)	(83,386)	(25,606)	(25,602)
Allocation from (to) Closed Block policyholder dividend obligation (PDO) (net of deferred tax expense (benefit) of $34 - 2018, $230 - 2017, $(66) - 2016)	130	427	(122)
Allocation of unrealized gains/losses to DAC (net of deferred tax expense (benefit) of $21,834 - 2018, $4,375 - 2017, $(9,294) - 2016)	82,136	8,126	(17,259)
Allocation of unrealized gains/losses to policy and contract liabilities (net of deferred tax expense (benefit) of $(10,726) - 2018, $(2,444) - 2017, $3,013 - 2016)	(40,350)	(4,539)	5,594
Other-than-temporary impairments (net of deferred tax expense (benefit) of $44 - 2018, $(1,327) - 2017, $(217) - 2016)	165	(2,464)	(402)
Change in unrealized gains/losses on defined benefit plan obligations			
Unrecognized defined benefit plans obligation (net of deferred tax expense (benefit) of $2,295 - 2018, $(401) - 2017, $(7,005) - 2016)	6,595	(816)	(10,795)
Reclassification adjustments from (to) accumulated other comprehensive income (loss), (net of deferred tax expense (benefit) of $2,815 - 2018, $4,449 - 2017, $4,197 - 2016)	8,043	6,921	6,546
Other comprehensive income (loss)	(396,868)	115,712	55,076
Comprehensive income (loss) attributable to members	$ (163,243)	$ 312,983	$ 144,685

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
BALANCE, January 1, 2016	$ 2,547,223	$ 61,207	$ 2,608,430
Net income attributable to members	89,609	—	89,609
Other comprehensive income	—	55,076	55,076
BALANCE, December 31, 2016	2,636,832	116,283	2,753,115
Net income attributable to members	197,271	—	197,271
Other comprehensive income	—	115,712	115,712
Reclassification of tax effects of the Tax Act (Note 1)	(47,101)	47,101	—
BALANCE, December 31, 2017	2,787,002	279,096	3,066,098
Net income attributable to members	233,625	—	233,625
Other comprehensive loss	—	(396,868)	(396,868)
Other	(1,995)	1,978	(17)
BALANCE, December 31, 2018	$ 3,018,632	$ (115,794)	$ 2,902,838

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2018	**2017**	**2016**
OPERATING ACTIVITIES:			
Net income attributable to members	$ 233,625	$ 197,271	$ 89,609
Adjustments to reconcile net income attributable to members to net cash provided by operating activities:			
Depreciation and amortization	13,485	14,947	16,761
Amortization of DAC and identifiable intangibles	80,344	102,756	102,999
Acquisition costs deferred	(123,299)	(98,612)	(105,892)
Interest credited to accumulated contract values	282,571	274,833	225,665
Policy charges and fee income on accumulated contract values	(323,776)	(317,148)	(291,129)
Interest expense on deposit liability	37,218	41,921	39,899
Amortization of discounts or premiums, net	(4,994)	(14,107)	(8,458)
Net realized capital gains on investment transactions	(175,373)	(47,307)	(52,849)
Gross gain on sale of assets	—	—	(51,500)
Unrealized losses (gains) on other investments	84,211	(23,758)	(29,396)
Unrealized losses (gains) on trading securities	21,786	(10,855)	(10,601)
Deferred income taxes	28,676	(45,131)	(3,790)
Change in assets and liabilities:			
Securities trading	(23,583)	(1,036)	(3,365)
Accrued investment income	(1,482)	268	2,932
Current income taxes	13,470	(11,025)	(38,886)
Reinsurance receivables	(8,563)	(13,353)	(62,650)
Other assets	(37,152)	(13,116)	9,584
Policy and contract liabilities	97,823	64,022	154,185
Dividends payable to policyholders	(489)	(1,887)	(1,523)
Other liabilities	(61,399)	57,043	61,861
Net cash from operating activities	133,099	155,726	43,456
INVESTING ACTIVITIES:			
Purchase of investments:			
Securities available for sale	(1,915,267)	(1,697,038)	(1,484,551)
Mortgage loans on real estate	(436,015)	(362,709)	(438,494)
Real estate	(570)	(2,101)	(638)
Other investments	(215,126)	(160,832)	(187,079)
Proceeds from sales, maturities or repayment of investments:			
Securities held to maturity	1,245	6,421	21,657
Securities available for sale	1,609,092	1,547,752	1,517,508
Mortgage loans on real estate	242,635	213,717	212,923
Real estate	6,953	8,325	8,389
Other investments	306,277	140,303	140,748

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2018	2017	2016
INVESTING ACTIVITIES (continued):			
Purchase of property and equipment	(8,191)	(14,670)	(8,576)
Proceeds from sale of property and equipment	1	66	103
Net change in loans on insurance policies	(27,762)	(15,784)	(15,531)
Proceeds from sale of assets	—	—	51,500
Acquisition of company, net of cash received	—	—	(27,882)
Acquisition of business block, net of cash received	—	—	(70,014)
Net cash from investing activities	(436,728)	(336,550)	(279,937)
FINANCING ACTIVITIES:			
Deposits credited to accumulated contract values	1,955,091	1,925,162	1,465,282
Withdrawals from accumulated contract values	(928,040)	(992,239)	(825,636)
Net transfers to separate accounts	(693,533)	(660,317)	(326,875)
Repayment of borrowings	(412)	(498)	(384)
Proceeds from deposit liability	76,414	54,450	9,239
Repayment of deposit liability	(143,913)	(147,997)	(66,224)
Net cash from financing activities	265,607	178,561	255,402
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(38,022)	(2,263)	18,921
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	382,793	385,056	366,135
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 344,771	$ 382,793	$ 385,056
Supplemental cash flow information:			
Cash paid for income taxes, net	$ 15,775	$ 16,358	$ 92,462
Cash paid for interest	4,653	4,668	4,683
Non-cash transactions:			
Conversion of mortgage loans to real estate	$ 487	$ 2,091	$ 6,017
Recognition of commitments for low-income housing partnerships	$ 20,000	$ —	$ —

The accompanying notes to the consolidated financial statements are an integral part of these statements.

AMERITAS MUTUAL HOLDING COMPANY AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For The Years Ended December 31, 2018, 2017 and 2016
(in thousands)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Ameritas Mutual Holding Company (AMHC or the Company) is a mutual insurance holding company. AMHC's wholly-owned holding company, Ameritas Holding Company (AHC), owns one stock life insurance company, Ameritas Life Insurance Corp. (Ameritas Life). AHC also wholly owns Ameritas Investment Partners, Inc. (AIP), an advisor providing investment management services.

Ameritas Life's insurance operations consist of life and health insurance and annuity and pension contracts. Ameritas Life and its insurance subsidiary operate in all 50 states and the District of Columbia. Ameritas Life wholly-owns Ameritas Life Insurance Corp. of New York (Ameritas-NY), a New York domiciled life insurance subsidiary, Ameritas Investment Corp. (AIC), a broker dealer, Calvert Investments, Inc. (Calvert), a provider of investment and administrative services, and Griffin Realty LLC (Griffin), a limited liability company that purchased certain owned real estate and commercial loans from a previously affiliated company.

Owners of designated policies issued by Ameritas Life and Ameritas-NY have membership interests in AMHC, while contractual rights remain with each respective insurance company.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements of AMHC and subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the accounts of AMHC and its majority owned subsidiaries and all variable interest entities (VIEs) for which the Company is the primary beneficiary, but exclude the effects of all intercompany transactions as these amounts have been eliminated in consolidation.

The Company invests through normal investment activities in entities that are considered VIEs. A VIE is an entity that has insufficient equity to finance its activities without additional subordinated financial support or has equity investors that, as a group, lack either the power to direct the activities that most significantly impact the entity's economic performance, the obligation to absorb the expected losses of the entity, or the right to receive residual returns of the entity.

The Company performs an ongoing assessment to identify the primary beneficiary of its VIEs. The Company is deemed to be the primary beneficiary when it holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is required to consolidate the VIEs on the Company's consolidated financial statements.

Consolidated VIEs

The Company consolidates four grantor trusts for reinsurance transactions which were determined to be VIEs based on a lack of sufficient equity at risk. The VIEs were formed to provide a security interest in the grantor trusts' assets to ceding entities which were a party to the reinsurance transactions. The Company is the investment manager of each VIEs' assets and receives all investment income and gains and losses on these assets. As the Company has both the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs and the obligation to absorb losses, or the right to receive benefits that could potentially be significant to the VIEs, the Company determined it was the primary beneficiary of the VIEs. The consolidated VIEs' assets were reported on the consolidated balance sheets at their respective carrying values as of December 31, 2018 and 2017 and included fixed maturity securities available for sale of $1,143,146 and $1,231,899, respectively, cash and cash equivalents of $17,054 and $41,944, respectively, and accrued investment income of $13,485 and $13,604, respectively.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company is also involved in one VIE by owning an equity interest in a Collateralized Bond Obligation (CBO) for which the Company also manages the underlying collateral. The Company elected the fair value option for Summit CBO I, Limited in order to apply a consistent accounting model for the VIE's assets and liabilities. Summit CBO I, Limited is a Company managed CBO that holds various subordinated debt securities as collateral, which include other CBOs, in a trust. The trust issued securities to investors that bear the risk of the investment and have no recourse against the Company. The fair value of assets was determined based on observable market data including quoted prices for similar assets. The fair value of liabilities was based on internal valuation models that include inputs that are unobservable. Fair value of the assets and liabilities for the Summit CBO I, Limited were each determined to be $0 due to a previous impairment and as such have no impact upon consolidation. The unpaid principal balance of long term debt instruments held within the Summit CBO I, Limited was $397,040 and $380,279 at December 31, 2018 and 2017, respectively. The Company has no exposure to loss as the investors have no recourse against the Company in the event of default by the VIE and the Company has no obligation to provide funding to the VIE in the future.

Nonconsolidated VIEs

The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss related to VIEs for which the Company is not the primary beneficiary. The Company determined the maximum exposure to loss was equivalent to the carrying value of the assets as the Company is not required to provide additional financial support in the future and other investors have no recourse against the Company in the event of a default.

	December 31, 2018			*December 31, 2017*		
	Total Assets	*Total Liabilities*	*Maximum Exposure To Loss*	*Total Assets*	*Total Liabilities*	*Maximum Exposure To Loss*
Other Investments:						
Alternative limited partnerships	$ 100,531	$ —	$ 100,531	$ 74,386	$ —	$ 74,386
Real estate partnerships	53,708	—	53,708	40,814	—	40,814
Low-income housing partnerships	37,346	23,377	37,346	19,504	10,026	19,504
Bridge loan partnerships	13,657	—	13,657	15,777	—	15,777
Total	$ 205,242	$ 23,377	$ 205,242	$ 150,481	$ 10,026	$ 150,481

Other investments in the above table represent partnerships for which the Company does not have a controlling financial interest, and therefore is not the primary beneficiary, as it does not have the ability to manage the activities of the partnership that most significantly impact the VIE's economic performance. The Company has provided equity financing to these partnerships since the mid 1990s and, in return, the Company has and will continue to receive cash flows and/or income tax credits based on the economic performance of the partnerships. The Company has made unconditional commitments to provide additional capital contributions in low-income housing partnerships of $12,725, $9,337, and $3,576 in 2019, 2020 and 2021, respectively, and $1,627 through 2033. The carrying value of the largest VIE in which the Company is not the primary beneficiary is not material to the Company's total assets or equity as of December 31, 2018.

Through normal investment activities, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. The securities are included in residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and collateralized debt obligations which are presented in the fixed maturity securities section of the cost/amortized cost and fair value table presented in Note 5. The Company has not provided financial or other support with respect to these investments other than its original investment. The Company determined that it is not the primary beneficiary of these investments after considering the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates susceptible to significant change include investment valuations, DAC, value of businesses acquired, goodwill, unearned revenue, pension plan liabilities, policy and contract liabilities, and income taxes.

Risks and Uncertainties

The Company operates in a business environment which is subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, interest rate risk, market risk, credit risk and legal and regulatory changes.

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments, the liabilities for future policy benefits and the carrying amount of deferred policy acquisition costs. Market risk is the potential for market values to change, which can cause fluctuations in certain future policy benefits and contract charges. Credit risk is the risk that issuers of investments owned by the Company may default or that other parties may not be able to pay amounts due to the Company. The Company is also subject to oversight by various state and federal regulatory authorities. The potential exists for changes in regulatory initiatives, which can result in additional, unanticipated impacts to the Company.

Subsequent Events

The Company has evaluated events subsequent to December 31, 2018 and through March 6, 2019, the date the consolidated financial statements were available to be issued. The Company has not evaluated subsequent events after that date for presentation in these consolidated financial statements.

Investments

The Company classifies its securities into categories based upon the Company's intent relative to the eventual disposition of the securities. The first category, held to maturity, is for fixed maturity securities which the Company has the positive intent and ability to hold to maturity. These securities are carried at amortized cost. The second category, available for sale, is for fixed maturity securities and equity securities that may be sold to address the liquidity and other needs of the Company. Securities classified as available for sale are carried at fair value on the consolidated balance sheets with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income (loss), net of related deferred policy acquisition costs, policy and contract liabilities, and income tax effects. The third category, trading, is for fixed maturity securities and equity securities acquired for the purpose of selling them in the near term and are carried at fair value. Unrealized gains and losses on trading securities are reflected in net investment income on the consolidated statements of operations. Realized investment gains and losses on sales of securities are determined on the specific identification method.

For residential and commercial mortgage-backed and asset-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Mortgage loans on real estate are carried at amortized cost less an allowance for estimated uncollectible amounts, except impaired loans, which are measured at the present value of expected future cash flows, or alternatively, the loan's observable market price or the fair value of the collateral.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings and reflected in sales and other realized capital gains on the consolidated statements of operations. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The allowance for loan losses includes management's estimate of the amounts expected to be uncollectible on specific and unidentified loans. It is evaluated on a regular basis by management and is based upon management's periodic review of loan collectability in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to revisions, as additional information becomes available.

Interest income is accrued on the unpaid principal balance of mortgage loans. Loan origination fees, net of direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest or straight-line methods. The accrual of interest on mortgage loans is placed on nonaccrual status when collection of principal and interest is considered doubtful. Interest received on nonaccrual loans is accounted for on the cash basis or cost-recovery method until returned to accrual status. Mortgage loans are returned to accrual status when collectability of past due and future payments is reasonably assured.

Loans on insurance policies are recorded at the unpaid principal balance.

Real estate held for investment, including related improvements, is carried at cost less accumulated depreciation of $29,462 and $27,818 at December 31, 2018 and 2017, respectively. Real estate held for sale of $3,440 and $8,499 as of December 31, 2018 and 2017, respectively, is carried at the lower of depreciated cost or fair value minus expected disposition costs. Real estate is not depreciated while it is classified as held for sale. Real estate acquired through, or in lieu of, loan foreclosure is classified on an individual loan basis and is initially recorded at the lower of the amount of the loan satisfied or fair value less selling costs at the time of the foreclosure or other proceeding. Subsequent to foreclosure, valuations are periodically performed by management, and the real estate is carried at the lower of initial book value or fair value less cost to sell. Market write-downs and losses on sales of foreclosed real estate are charged to net income when incurred.

Assets are held by the Federal Home Loan Banks (FHLB) of Topeka and New York, as custodians, to use as collateral to support the issuance of funding agreements. The Company maintains control over these assets and the estimated fair value at December 31, 2018 and 2017 is $364,261 and $422,943, respectively, which are reported in fixed maturity securities available for sale and $603,082 and $366,987, respectively, which are reported in mortgage loans on real estate which are both on the consolidated balance sheets. As of December 31, 2018 and 2017, the Company had $500,000 of funding agreements outstanding with the FHLB of Topeka and $20,000 and $10,000, respectively, with the FHLB of New York, which are reported in accumulated contract values on the consolidated balance sheets.

Other investments primarily include investments in venture capital partnerships accounted for using the cost or equity method, depending on ownership percentages, investments in real estate limited partnerships and real estate limited liability companies accounted for on the equity method, Federal Home Loan Bank stock accounted for at cost, call options carried at fair value, and private equity securities carried at fair value.

The Company records write-downs or allowances for its investments based upon an evaluation of specific investments. The Company reviews, on a continual basis, all invested assets to identify investments where the Company may have an other-than-temporary decline in fair value below cost.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid debt securities purchased with a remaining maturity of less than three months to be cash equivalents. Restricted cash is accounted for at cost of $23,372 and $3,775 at December 31, 2018 and 2017, respectively. The 2018 balance includes $23,072 escrowed by Calvert for shareholder restitution of certain fees paid to third-party intermediaries under a settlement with the Securities and Exchange Commission (SEC). The funds can only be used for shareholder restitution and other expenses outlined in the settlement agreement and upon approval by the SEC.

Deferred Acquisition Costs (DAC) and Identifiable Intangibles

DAC and acquisition related intangible assets are generally originated through the issuance of new insurance business or the purchase of existing business, either by purchasing blocks of insurance policies from other insurers or by the outright purchase of other companies.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of acquiring new business, which are only costs related directly to successful acquisition of new or renewal contracts, have been deferred to the extent that such costs are deemed recoverable from future premiums. Such costs include commissions, certain costs of policy issuance and underwriting, and certain agency expenses.

Costs deferred related to term life and disability income insurance are amortized over the premium-paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

Costs deferred related to participating life, universal life-type policies and investment contracts are generally amortized over the lives of the policies, in relation to the present value of estimated gross profits from mortality, investment and expense margins. The estimated gross profits are reviewed and adjusted periodically based on actual experience and changes in assumptions.

A rollforward of the amounts reflected on the consolidated balance sheets as deferred acquisition costs is as follows:

	Years Ended December 31		
	2018	*2017*	*2016*
Beginning balance	$ 701,610	$ 688,265	$ 710,580
Acquisition costs deferred	123,299	98,612	105,892
Amortization of deferred acquisition costs	(73,511)	(97,768)	(101,654)
Adjustment for unrealized investment gain (loss)	103,970	12,501	(26,553)
Ending balance	$ 855,368	$ 701,610	$ 688,265

To the extent that unrealized gains or losses on available for sale securities would result in an adjustment of deferred acquisition costs had those gains or losses actually been realized, the related unamortized deferred acquisition costs are recorded as an adjustment to the unrealized investment gains or losses included in accumulated other comprehensive income.

Identifiable intangible assets primarily consist of the amortized value of customer relationships acquired (VOCRA), non-compete agreements acquired in subsidiary and business block acquisitions, and internal-use software licenses. The VOCRA is amortized in relation to customer persistency over a 15 year useful life related to the group dental and vision policies. If customer persistency differs from the expected experience, the amortization of intangible assets will be adjusted accordingly. The VOCRA is amortized in relation to the present value of the estimated gross profits from the group variable annuity (GVA) and group funding agreement (GFA) policies. The non-compete agreements are related to both the group dental and vision and the GVA and GFA acquisitions and are being amortized over 3 and 5 years, respectively. The software licenses are being amortized over their useful life of five years which will be periodically reassessed.

The identifiable amortized intangible assets are as follows:

	December 31, 2018		
	Gross Carrying Amount	*Accumulated Amortization*	*Net Book Value*
Value of customer relationships acquired	68,909	(28,587)	40,322
Non-compete agreements	1,984	(1,697)	287
Software licenses	4,172	(974)	3,198
Ending balance	$ 75,065	$ (31,258)	$ 43,807

	December 31, 2017		
	Gross Carrying Amount	*Accumulated Amortization*	*Net Book Value*
Value of customer relationships acquired	68,909	(22,770)	46,139
Non-compete agreements	1,984	(1,512)	472
Software licenses	$ 4,172	$ (143)	4,029
Ending balance	$ 75,065	$ (24,425)	$ 50,640

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization expense for other intangible assets included in sales and operating expenses is $6,833, $4,994, and $1,345 for the years ended December 31, 2018, 2017, and 2016, respectively. The Company has no intangible assets with indefinite lives.

At December 31, 2018 and 2017, there was no impairment indicated for intangible assets.

Future amortization of the intangible assets is estimated to be recognized as follows:

	December 31
2019	$ 3,547
2020	3,653
2021	3,828
2022	3,314
2023	2,962
2024 and thereafter	26,503

Property and Equipment

Property and equipment are carried at cost of $222,599 and $234,557 less accumulated depreciation of $156,629 and $159,826 at December 31, 2018 and 2017, respectively. Property and equipment (net) primarily includes properties occupied by the Company of $41,653 and $43,391 as of December 31, 2018 and 2017, respectively, and also includes electronic data processing equipment, and furniture and equipment. The Company provides for depreciation of property and equipment using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for property and equipment is included in sales and operating expenses on the consolidated statements of operations at $7,422, $7,364, and $7,358 in 2018, 2017 and 2016, respectively.

Capitalization of Software Costs

Software development costs of $3,767 and $3,322 were capitalized in 2018 and 2017, respectively. Amortization expense of $4,064, $5,667 and $7,299, respectively, was recorded in sales and operating expenses on the consolidated statements of operations in 2018, 2017 and 2016. Amortization is computed using the straight-line method over the estimated useful life of the software, not to exceed 5 years. Unamortized software costs included in property and equipment on the consolidated balance sheets were $9,987 and $15,503 at December 31, 2018 and 2017, respectively. During 2018, the Company impaired $5,029 of internally developed software costs which is included in total other-than-temporary-impairment losses and provision for loan losses on the consolidated statements of operations.

Reinsurance Receivables

Reinsurance receivables include amounts due from reinsurers relating to paid and unpaid losses, reinsurance ceded reserves and the unexpired or unearned portion of reinsured policies. No allowance has been included as of December 31, 2018 and 2017.

Other Assets

Other assets include cash surrender value on a company owned life insurance policy, goodwill, receivables for uncollected premium income, prepaid expenses, and other miscellaneous receivables.

Goodwill is calculated as the excess of the consideration transferred for acquisitions of businesses over the net assets recognized and represents the future economic benefits arising from other assets acquired and liabilities assumed that could not be individually identified. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company tests goodwill by performing a qualitative assessment with factors including but not limited to overall financial performance and market or competitive environment conditions where it has concluded that it is more likely than not that the fair value amount is greater than the carrying amount. At December 31, 2018 and 2017, there was no impairment indicated for goodwill and no accumulated impairment. The carrying amount of goodwill reported and included in other assets on the consolidated balance sheets was $45,694 as of December 31, 2018 and 2017.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate Accounts

The Company operates separate accounts on which the earnings or losses accrue exclusively to policyowners. The assets (principally investments) and liabilities of each account are clearly segregated from other assets and liabilities of the Company. The separate accounts are an investment option for pension, variable life, and variable annuity products, which the Company markets and are reported at fair value.

Premium Income and Policy Benefits

Participating and Term Life, Accident and Health And Annuity

Participating life insurance products include those products with fixed and guaranteed premiums and benefits on which dividends are paid by the Company. Premiums on participating and term life products and certain annuities with life contingencies (immediate annuities) are recognized as premium income when due. Accident and health insurance premiums are recognized as premium income over the time period to which the premiums relate. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the premium-paying period of the contracts. This association is accomplished by means of the provision for liabilities for future policy and contract benefits and the amortization of deferred policy acquisition costs.

Universal Life-Type Contracts

Universal life-type policies are insurance contracts with terms that are not fixed, not guaranteed and contain policyowner mortality. The terms that may be changed include one or more of the amounts assessed to the policyowner, premiums paid by the policyowner or interest accrued to the policyowner's balance. Amounts received as payments for such contracts are reflected as deposits in accumulated contract values and are not reported as premium income.

Revenues for universal life-type policies consist of contract charges assessed against policy account values for policy charges, mortality risk expense, the cost of insurance and policy administration. Policy benefits and claims that are charged to expense include interest credited to contracts and benefit claims incurred in the period in excess of related policy account balances.

Investment Contracts

Contracts that do not subject the Company to significant risks arising from policyowner mortality or morbidity are referred to as investment contracts. Deposit administration plans and certain deferred annuities, including funding agreements, are considered investment contracts. Amounts received as payments for such contracts are reflected as deposits in accumulated contract values and are not reported as premium revenues.

Revenues for investment contracts consist of investment income and policy administration charges. Contract benefits that are charged to expense include benefit claims incurred in the period in excess of related contract balances and interest credited to contract balances.

Reinsurance, net

Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts.

Recognition of Broker Dealer Revenues

Broker dealer revenues consist of commissions, underwriting income and service and advisory fees. Commissions are based on set rates and are recognized at the time the trade is executed. Underwriting income is recognized at the time the underwriting is completed and the income is reasonably determinable. Fees for general financial services and personal investment advisory services are recognized as they are earned.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy and Contract Liabilities

Future Policy and Contract Benefits

Liabilities for future policy and contract benefits for participating and term life contracts and additional coverages offered under policy riders and disability income policies are calculated using the net level premium method and assumptions as to investment yields, mortality or morbidity, withdrawals and dividends. The term life assumptions are based on projections of past experience and include provisions for possible unfavorable deviation. These assumptions are made at the time the contract is issued. These liabilities are shown as policy and contract liabilities. Interest assumptions for participating traditional life reserves for all policies ranged from 2.0% to 6.0% for the years ended December 31, 2018 and 2017.

Liabilities for future policy and contract benefits on universal life-type and investment contracts are based on the policy account balance, and are shown as accumulated contract values. Policy account balances are comprised primarily of deposits received and interest credited for the benefit of the policyowner less surrenders and withdrawals, mortality charges and administrative expenses.

Unearned revenue liabilities relate to universal life-type products and represent front-loaded policy charges. The charges are deferred as unearned revenue and are recorded in policy and contract liabilities on the consolidated balance sheet and are amortized using the same basis as DAC. Such amortization is recorded in contract charges revenue on the consolidated statements of operations.

Policy Claim Reserves

Policy claim reserves represent the estimated ultimate net cost of all reported and unreported claims incurred. In addition, a claim adjustment expense reserve is held to account for the expense associated with administering these claims. The reserves for unpaid claims are estimated using individual case basis valuations and statistical analysis. The claim adjustment expense reserve is estimated using statistical analysis. These estimates are subject to the effects of trends in claim severity and frequency.

The estimates are reviewed and adjusted as experience develops or new information becomes known and such adjustments are included in current operations. Policy claim reserves are included in policy and contract liabilities on the consolidated balance sheets.

Deposit Liability

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Under the deposit accounting, a deposit liability is recorded based on the consideration paid or received. The amount of deposit liability is adjusted at subsequent reporting dates by calculating the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest income or expense.

Dividends Payable To Policyowners

A portion of the Company's business has been issued on a participating basis which is 10.1% and 10.4% of in force at December 31, 2018 and 2017, respectively. The amount of policyowners' dividends to be paid is determined annually by the respective insurance subsidiaries' Board of Directors.

Income Taxes

The Company recognizes taxes payable or refundable for the current year and deferred taxes for the tax consequences of differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The principal assets and liabilities giving rise to such differences are unrealized capital gains and losses on certain investments, policy and contract liabilities, deferred policy acquisition costs and employee benefits. A deferred tax asset valuation allowance is established when there is uncertainty that such assets will be realized.

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Uncertain tax positions are evaluated based upon the facts and circumstances that exist at each reporting measurement. Adjustments may result from new information, resolution of an issue with the taxing authorities, or changes in laws or regulations.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes interest and penalties related to unrecognized benefits within the income tax expense line on the consolidated statements of operations. Accrued interest and penalties are included within the other liabilities line on the consolidated balance sheets.

The Company files a life/non-life consolidated federal income tax return with its eligible affiliates. A life company may not be included in the consolidated income tax return until it has been a member of the consolidated group for five years. For the tax years 2018, 2017 and 2016, AMHC, AHC, and Ameritas Life and their includible affiliates have joined in one consolidated federal income tax return.

The Company's income tax allocation is based upon a written agreement which generally specifies separate return calculation with current credit paid to subsidiaries for net operating losses, net capital losses and/or credits which are used to reduce the portion of the consolidated income tax liability.

Other Liabilities

Other liabilities include benefit plan and deferred compensation liabilities, general expense and payroll accruals, negative cash reclassification, investment commitments and suspense items, and other miscellaneous payables.

Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance which revises the criteria for revenue recognition. Under the guidance, the transaction price is attributed to underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. Insurance contracts, leases, and financial instruments are excluded from the scope of the new guidance. The Company identified revenue streams within the scope of the guidance that are all included within other income in the consolidated statements of operations and evaluated the related contracts, primarily consisting of administrative services-only and claims services-only contracts. There was no impact to the Company with the adoption of this guidance. The Company adopted the guidance on January 1, 2019 and no amount was recorded to equity as the Company applied the modified retrospective method of adoption.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued new guidance on the recognition and measurement of financial instruments. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. The new guidance is effective for reporting periods beginning after December 15, 2018. The Company has assessed the population of financial instruments that are subject to the new guidance and has determined that the most significant impact will be the requirement to report changes in fair value in net income each reporting period for all equity securities currently classified as available for sale and to a lesser extent, other limited partnership interests that are currently accounted for under the cost method. The Company will utilize a modified retrospective approach to adopt the new guidance effective January 1, 2019. The expected impact will be $29,693 of net unrealized investment gains, net of income tax, which will be reclassified from AOCI to retained earnings.

Accounting for Leases

In February 2016, the FASB issued guidance that revises the accounting for leases. Under the new guidance, lessees will be required to recognize a right-of-use asset and lease liability for all leases other than those that meet the definition of a short-term lease. The lease liability will be equal to the present value of lease payments. A right-of-use asset will be based on the lease liability adjusted for qualifying initial direct costs. The expense of operating leases under the new guidance will be recognized in the income statement on a straight-line basis after combining the lease expense components (interest expense on the lease liability and amortization of the right-of-use asset) over the term of the lease. The guidance is effective for reporting periods beginning after December 15, 2019 using either a modified retrospective approach applied at the beginning of the earliest period presented or an optional transition method with a cumulative effect adjustment recorded as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of Credit Losses on Financial Instruments
In June 2016, the FASB issued guidance which revises the credit loss recognition criteria for certain financial assets measured at amortized cost. The new guidance replaces the existing incurred loss recognition model with an expected loss recognition model. The objective of the expected credit loss model is for the reporting entity to recognize its estimate of expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. The reporting entity must consider all available relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts over the contractual life of an asset. Financial assets may be evaluated individually or on a pooled basis when they share similar risk characteristics. The measurement of credit losses for available-for-sale debt securities measured at fair value is not affected except that credit losses recognized are limited to the amount by which fair value is below amortized cost and the carrying value adjustment is recognized through an allowance and not as a direct write-down. The guidance is effective for reporting periods beginning after December 15, 2020, and for most affected instruments must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained earnings. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments
In August 2016, the FASB issued guidance which addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. The eight specific cash flow issues are debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon 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-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The guidance is effective for reporting periods beginning after December 15, 2018. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Clarifying the Definition of a Business Combinations
In January 2017, the FASB issued guidance which clarifies the definition of a business with additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The guidance provides a screen to determine when a set is not a business. If the screen is not met, it requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and removes the evaluation of whether a market participant could replace the missing elements. The guidance is effective for reporting periods beginning after December 15, 2018. The Company will evaluate guidance if applicable when effective.

Simplifying the Test for Goodwill Impairment
In January 2017, the FASB issued guidance which eliminates the second step of the goodwill impairment test. The new guidance allows an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The guidance is effective for reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost
In March 2017, the FASB issued guidance which requires that an employer 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. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The guidance is effective for reporting periods beginning after December 15, 2018. The Company has evaluated the impact of this guidance and has determined it will not have a material impact on the consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
On December 22, 2017, the U.S. federal government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). Current guidance requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in net income in the reporting period that includes the enactment date. This is applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income (AOCI) were originally recognized in other comprehensive income. Since the adjustment of deferred taxes due to the decrease of the newly enacted corporate income tax rate is required to be included in net income, the tax effects of items within AOCI do not reflect the appropriate tax rate. In February 2018, the FASB issued guidance which allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act. The Company's policy is to release stranded tax effects as individual items in AOCI are sold. The guidance is effective for all entities for fiscal years beginning after December 15, 2017. Early adoption of the amendments is permitted, and the Company has made this election. The impact increased AOCI and decreased retained earnings on the consolidated balance sheets at December 31, 2018 and 2017 by $1,978 and $47,101, respectively.

Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement
In August 2018, the FASB issued guidance which modifies the disclosure requirements on fair value measurements. The guidance improves the effectiveness of the disclosures for recurring and nonrecurring fair value measurements by removing, modifying and adding certain disclosures. The guidance is effective for reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans
In August 2018, the FASB issued guidance which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance modifies and clarifies certain disclosure requirements. The guidance is effective for reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Targeted Improvements to the Accounting for Long-Duration Contracts
In August 2018, the FASB issued new guidance on long-duration insurance contracts. The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) changes the amortization of deferred policy acquisition costs for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The new guidance is effective for fiscal years beginning after December 15, 2021 with required retrospective application as of January 1 of the earliest year presented. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract
In August 2018, the FASB issued new guidance on implementation costs in a cloud computing arrangement that is a service contract. The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets. The new guidance can be applied either prospectively to eligible costs incurred on or after the guidance is first applied, or retrospectively to all periods presented. The new guidance is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

NOTE 2 - ACQUISITIONS AND DISPOSALS

On September 1, 2016 (Acquisition Date), the Company acquired the 401(k) business (the Business) of The Guardian Life Insurance Company of America. Under the terms of the transaction, the Company became responsible for management of the Business and receives all associated economic benefits. As a result of the acquisition, the Company expects to obtain increased access to distribution and economies of scale in its retirement insurance operation. The goodwill of $27,330 arising from the transaction consists largely of the synergies and economies of scale expected from combining the operations of the business with those of the Company, along with increased presence in the retirement insurance market. All of the goodwill recognized is deductible for federal income tax purposes. As a final step for the Business that was transacted on September 1, 2016, the Company received regulatory and/or contract holder or participant approvals to acquire the separate account assets and separate account liabilities related to the Business. Approximately 94% of the policies for the Business were transferred during the second half of 2018 where separate account assets and liabilities were recorded at their fair value to the Company as a noncash transfer in the amount of $2,516,802. These amounts are included on the consolidated balance sheet in separate account assets and separate account liabilities at December 31, 2018.

On December 30, 2016 the Company sold substantially all of the business assets of Calvert Investment Management, Inc. (CIMI) to Eaton Vance Investment Advisors (Eaton Vance), a wholly-owned subsidiary of Eaton Vance Management for $51,500. The transaction resulted in a pre-tax gain of $40,293, net of $11,193 of selling expenses, which is included in sales and other realized capital gains on the consolidated statements of income. The assets of CIMI were integral to the operations of Calvert, which recognized a pre-tax loss of $10,154 for 2016.

NOTE 3 - FAIR VALUE HEDGING INSTRUMENTS

The Company purchases and sells call options (Over the Counter (OTC) Index call options) to hedge insurance contracts whose credited interest is linked to returns in Standard & Poor's 500 Stock Index (Index) based on a formula which applies participation rates to the returns in the Index. Call options are contracts, which give the option purchaser the right, but not the obligation, to buy securities at a specified price during a specified period. The OTC Index call options expire monthly until December 24, 2020. The Company paid and received initial fees (the option premium) to enter the option contracts. The purchased OTC Index call options give the Company the right to receive cash at settlement if the closing Index value is above the strike price, while the written OTC Index call options require the Company to pay cash at settlement if the closing Index value is above the strike price. The Company sells OTC Index call options to effectively offset the proceeds the Company would receive on its purchased OTC Index call options that represent a return above the amount that would be credited to insurance contracts electing a capped return in the Index.

The Company purchases and sells exchange traded index call options (Exchange traded index call options) based on multiple equity indices to hedge equity index annuity and universal life contracts. The Company has purchased and written Exchange traded index call options that expire through June 19, 2020. The Company paid and received initial fees (the option premium) to enter the option contracts. The purchased Exchange traded index call options give the Company the right to receive cash at settlement if the closing index value is above the strike price, while the written Exchange traded index call options require the Company to pay cash at settlement if the closing index value is above the strike price. If the closing index value is below the strike price, the Exchange traded index call options expire without value.

The Company purchases and sells exchange traded put options (Equity put options) based on multiple equity indices to hedge variable annuity contracts with a guaranteed lifetime withdrawal benefit rider attached. Put options are contracts, which give the option purchaser the right, but not the obligation, to sell securities at a specified price during a specified period. The Company has purchased and written Equity put options that expire through January 18, 2019. The Company paid and received initial fees (the option premium) to enter the option contracts. The purchased Equity put options give the Company the right to receive cash at settlement if the closing index value is below the strike price, while the written Equity put options require the Company to pay cash at settlement if the closing index value is below the strike price. If the closing index value is above the strike price, the Equity put options expire without value.

The Equity call options (OTC Index call options and Exchange traded index call options) and Equity put options are carried at their fair value as disclosed in Note 13 (Fair Value Measurements).

The Company is exposed to credit-related losses in the event of nonperformance by counter-parties to the Index call options. To minimize this risk, the Company enters into private options contracts with counterparties having Standard & Poor's credit ratings of AA- or above or listed contracts guaranteed by the Chicago Board Options Exchange. The Company is required to

NOTE 3 - FAIR VALUE HEDGING INSTRUMENTS, (continued)

post collateral to the brokering bank. To comply with this requirement, the Company usually posts short-term Treasury bills with the bank. The collateral of $2,952 and $4,995 is recorded as an asset by the Company and included in fixed maturity securities available for sale on the consolidated balance sheets as of December 31, 2018 and 2017, respectively. The credit exposure is limited to the fair value of the options as follows:

	Fair Values of Derivative Instruments				
	Asset Derivatives				
	Consolidated Balance Sheets Location	*Notional Amount*		*Fair Value*	
		2018	*2017*	*2018*	*2017*
Derivatives Not Designated as Hedging Instruments:					
OTC equity call option contracts owned	Other investments	$ 1,028,597	$ 661,055	$ 13,917	$ 68,534
OTC equity call option contracts written	Other investments	(903,020)	(641,140)	(3,710)	(37,066)
Exchange traded equity call option contracts owned	Other investments	567,157	584,815	8,130	62,278
Exchange traded equity put option contracts owned	Other investments	9,100	—	27	—
Total asset derivatives		$ 701,834	$ 604,730	$ 18,364	$ 93,746

The liabilities listed on the balance sheet are adjusted based on the fair value of the related embedded derivatives as follows:

	Fair Values of Derivative Instruments				
	Liability Derivatives				
	Consolidated Balance Balance Sheets Location	*Notional Amount*		*Fair Value*	
		2018	*2017*	*2018*	*2017*
Derivatives Not Designated as Hedging Instruments:					
Exchange traded equity call options written	Other liabilities	$ 563,304	$ 576,011	$ 3,415	$ 36,336
Exchange traded equity put options written	Other liabilities	4,100	—	3	—
Derivative Instruments:					
Equity index annuities	Policy and contract liabilities	—	—	15,600	49,838
Equity index universal life	Policy and contract liabilities	—	—	(4,407)	15,768
Variable annuity with lifetime withdrawal benefit	Policy and contract liabilities	—	—	40,167	32,019
Total liability derivatives		$ 567,404	$ 576,011	$ 54,778	$ 133,961

Information on derivatives is also disclosed in Note 11 (Liabilities for Contract Guarantees) and Note 13 (Fair Value Measurements).

The Company purchases and sells futures contracts to hedge against principal losses on variable annuity contracts with a guaranteed lifetime withdrawal benefit rider attached. Futures contracts are a standardized contractual agreement to buy or sell a particular financial instrument at a pre-determined price in the future. The gains and losses of futures contracts are derived from the daily movement of the underlying markets. These gains and losses are settled in cash through a daily variation margin. The Company sells futures contracts on certain equity indices with expiration dates of less than 6 months as well as buys and sells futures contracts on certain treasury notes and bonds, ranging in maturities between 1 and 30 years, with expiration dates of less than 6 months. The Company does not receive cash on the initial purchase or sale of futures contract, but will receive or pay cash daily based on the movement of the underlying indices or Treasury notes. The notional amount of the Equity and Treasury Futures at December 31, 2018 and 2017 was $(84,717) and $(122,890), respectively.

NOTE 3 - FAIR VALUE HEDGING INSTRUMENTS, (continued)

The Company is required to post collateral to the Futures Clearing Merchant (FCM) to ensure performance of its obligations under the futures contracts. To comply with this requirement, the Company usually posts short-term Treasury bills with the FCM. The collateral (Treasury bills) of $10,844 and $10,983 are recorded as an asset by the Company and included in fixed maturity securities available for sale on the consolidated balance sheets as of December 31, 2018 and 2017, respectively.

Since the futures contracts are not considered an effective hedge, the total variation margin on open and closed contracts is reflected in net investment income on the consolidated statements of operations.

The Company purchases and sells interest rate swaps to hedge against principal losses on variable annuity contracts with a guaranteed lifetime withdrawal benefit rider attached. An interest rate swap is an agreement between two parties to exchange a stream of future cash flows based on a notional (principal) amount over a specified period of time. The company trades "plain vanilla" interest rate swaps where a fixed payment is exchanged for a floating payment where the floating payment is based on three-month LIBOR. The Company does not receive cash on the initial purchase or sale of an interest rate swap, but will receive or pay cash daily based on the change in value of the position. The notional amount of the swaps at December 31, 2018 and 2017 was $130,000 and $189,000, respectively.

The Company is required to post collateral to the FCM to ensure performance of its obligations under the swap contracts. To comply with this requirement, the Company usually posts short-term Treasury bills with the FCM. The collateral (Treasury bills) of $12,979 and $15,959 is recorded as an asset by the Company and included in fixed maturity securities available for sale on the consolidated balance sheets as of December 31, 2018 and 2017, respectively.

Since the swap contracts are not considered an effective hedge, the total variation margin on open and closed contracts is reflected in net investment income on the consolidated statements of operations.

The gain (loss) on call and put options, futures and swaps is as follows:

	Consolidated Statements of Operations Location	*Amount Recognized in Income*		
		2018	*2017*	*2016*
Derivatives Not Designated as Hedging Instruments:				
Call and put options contract - open	Net investment income	$ (58,292)	$ 10,736	$ 17,681
Call and put options contract - closed	Net investment income	26,432	32,931	(5,066)
Futures contracts - open	Net investment income	3,900	(2,071)	2,381
Futures contracts - closed	Net investment income	5,893	(25,368)	(23,200)
Swap contracts - open	Net investment income	5,823	19,793	(23,391)
Swap contracts - closed	Net investment income	(14,716)	(15,249)	23,497
Total		$ (30,960)	$ 20,772	$ (8,098)

NOTE 4 - CLOSED BLOCKS

The Company has established three Closed Blocks of policies: (a) the first on October 1, 1998 in connection with the reorganization of Ameritas Life from a mutual company to a stock company, (b) the second on July 1, 2005 in connection with the reorganization of The Union Central Life Insurance Company from a mutual company to a stock company, and (c) the third on July 1, 2007, in connection with the reorganization of Acacia Life Insurance Company that occurred in 1999 from a mutual company to a stock company (collectively, the Closed Blocks). The Company formed these closed blocks of policies, under arrangements approved by the Insurance Departments of the State of Nebraska, Ohio or the District of Columbia, as appropriate, to provide for dividends on policies that were in force on each respective effective date and which were within the classes of individual policies, for which the Company had a dividend scale in effect at those dates. The Closed Blocks were designed to give reasonable assurance to owners of affected policies that the assets will be available to support such policies, including maintaining dividend scales in effect at the effective dates, if the experience underlying such scales continues. The assets, including income thereon, will accrue solely to the benefit of the owners of policies included in each block until the respective block is no longer in effect.

The financial results of the Closed Blocks, while prepared in accordance with GAAP, reflect the provisions of the approved arrangement and not the actual results of operations and financial position. The arrangement provides for the level of expenses

NOTE 4 - CLOSED BLOCKS, (continued)

charged to the Closed Blocks, actual expenses related to the Closed Blocks' operations are charged outside of the Closed Blocks; therefore, the contribution or loss from the Closed Blocks does not represent the actual operations of the Closed Blocks.

Summarized financial information for the Closed Blocks included on the consolidated financial statements is as follows:

	December 31	
	2018	*2017*
Liabilities:		
Policy and contract liabilities	$ 839,746	$ 870,917
Accumulated contract values	50,338	53,657
Dividends payable to policyowners	6,720	7,591
Other liabilities (including PDO $0 - 2018, $164 - 2017)	3,027	5,975
Total Closed Block liabilities	899,831	938,140
Assets:		
Fixed maturity securities held to maturity (fair value $42 - 2018, $468 - 2017)	38	456
Fixed maturity securities available for sale (amortized cost $575,996 - 2018, $584,193 - 2017)	569,713	608,417
Mortgage loans on real estate	113,993	119,587
Loans on insurance policies	78,534	83,213
Cash and cash equivalents	5,583	14,467
Accrued investment income	9,172	9,694
Other assets	17,191	15,832
Total Closed Block assets	794,224	851,666
Excess of reported Closed Block liabilities over Closed Block assets	105,607	86,474
Amounts included in accumulated other comprehensive income:		
Unrealized investment gains/(losses), net of tax	(4,962)	19,138
Allocated to PDO, net of tax	—	(130)
Maximum future earnings to be recognized from Closed Block assets and liabilities	$ 100,645	$ 105,482

	Years ended December 31		
	2018	*2017*	*2016*
Change in policyowner dividend obligation:			
Balance at beginning of period	$ 164	$ 821	$ 633
Net unrealized investment activity	(164)	(657)	188
Balance at end of period	$ —	$ 164	$ 821
Income:			
Premiums	$ 29,775	$ 31,961	$ 40,740
Net investment income	35,495	39,468	41,689
Total Closed Block income	65,270	71,429	82,429
Benefits and expenses:			
Policy benefits	46,148	45,171	53,887
Policyowner dividends	11,694	12,802	15,818
Sales and operating expenses	2,723	3,297	3,846
Total Closed Block benefits and expenses	60,565	61,270	73,551
Closed Block income, net of closed block benefits and expenses, before income taxes	4,705	10,159	8,878
Income taxes	989	3,232	3,109
Closed Block income, net of closed block benefits and expenses and income taxes	$ 3,716	$ 6,927	$ 5,769

NOTE 5 - INVESTMENTS

Investment income summarized by type of investment is as follows:

	Years Ended December 31		
	2018	2017	2016
Fixed maturity securities held to maturity	$ 130	$ 549	$ 925
Fixed maturity securities available for sale	416,186	415,674	409,378
Fixed maturity securities trading	(7,411)	7,609	8,127
Equity securities available for sale	6,391	8,136	7,955
Equity securities trading	(7,526)	8,826	7,770
Mortgage loans on real estate, net	103,228	98,782	90,153
Loans on insurance policies	22,302	21,394	21,693
Real estate	9,181	9,979	8,973
Derivatives	(30,960)	20,772	(8,098)
Other investments and cash and cash equivalents	39,502	26,732	19,526
Gross investment income	551,023	618,453	566,402
Investment expenses	31,299	47,591	39,699
Net investment income	$ 519,724	$ 570,862	$ 526,703

The net gains (losses) recognized during 2018, 2017 and 2016 on fixed maturity securities trading and equity securities trading held at December 31, 2018, 2017 and 2016 were $(21,786), $10,853 and $10,044, respectively.

Net pretax realized capital gains were as follows:

	Years Ended December 31		
	2018	2017	2016
Net gains (losses) on disposals, including calls of investments			
Fixed maturity securities available for sale	$ 1,379	$ 5,199	$ 12,187
Equity securities available for sale	37,610	33,913	33,716
Real estate	451	—	161
Real estate held for sale	502	1,071	1,282
Other investments	145,928	8,337	15,710
Gain on asset sale	—	—	40,293
Property and equipment	(434)	(466)	(1,787)
Net gains (losses) on writedowns			
Fixed maturity securities available for sale	(4,344)	(593)	(6,169)
Equity securities available for sale	—	—	(2,051)
Mortgage loans on real estate, net	(555)	168	1,555
Real estate held for sale	(135)	(322)	(1,560)
Other investments	—	—	(195)
Property and equipment (Note 1)	(5,029)	—	—
Net pretax realized capital gains	$ 175,373	$ 47,307	$ 93,142

NOTE 5 - INVESTMENTS, (continued)

Proceeds from sales of securities and gross gains and losses realized on those sales were as follows:

	Year Ended December 31, 2018		
	Proceeds	*Gains*	*Losses*
Fixed maturity securities available for sale	$ 627,136	$ 4,111	$ 3,021
Equity securities available for sale	160,530	46,478	8,867

	Year Ended December 31, 2017		
	Proceeds	*Gains*	*Losses*
Fixed maturity securities available for sale	$ 504,312	$ 6,855	$ 1,681
Equity securities available for sale	133,720	38,490	4,577

	Year Ended December 31, 2016		
	Proceeds	*Gains*	*Losses*
Fixed maturity securities available for sale	$ 475,302	$ 12,955	$ 808
Equity securities available for sale	264,129	45,777	12,252

The cost/amortized cost and fair value of investments in securities by type of investment were as follows:

	December 31, 2018			
	Cost/ Amortized Cost	*Gross Unrealized*		*Fair Value*
		Gains	*Losses*	
Fixed maturity securities held to maturity				
U.S. Treasury securities and obligations of U.S. government agencies	$ 300	$ 2	$ —	$ 302
U.S. corporate securities	876	71	—	947
Residential mortgage-backed securities	194	8	—	202
Total fixed maturity securites held to maturity	$ 1,370	$ 81	$ —	$ 1,451
Fixed maturity securities available for sale				
U.S. Treasury securities and obligations of U.S. government agencies	$ 83,762	$ 2,276	$ 460	$ 85,578
Debt securities issued by state of the U.S. and political subdivisions of the states	76,523	1,824	414	77,933
Foreign government securities	2,272	42	—	2,314
U.S. corporate securities	5,681,279	76,950	146,370	5,611,859
Residential mortgage-backed securities	619,710	10,910	10,659	619,961
Commercial mortgage-backed securities	80,263	152	842	79,573
Asset-backed securities	1,166,021	10,697	10,159	1,166,559
Collateralized debt obligations	309,133	1,337	4,053	306,417
Foreign corporate securities	1,903,644	22,371	44,725	1,881,290
Total fixed maturity securities available for sale	$ 9,922,607	$ 126,559	$ 217,682	$ 9,831,484
Equity securities available for sale	$ 279,886	$ 47,871	$ 10,100	$ 317,657

At December 31, 2018, the Company had fixed maturity securities with a carrying amount of $123,713 and cash of $9,577 on deposit with various state insurance departments. Deposits with states include fixed maturity securities with a carrying value of $115,655 at December 31, 2018 that the Company placed into a Regulation 109 deposit account with the State of New York.

NOTE 5 - INVESTMENTS, (continued)

	December 31, 2017			
	Cost/ Amortized Cost	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
Fixed maturity securities held to maturity				
U.S. Treasury securities and obligations of U.S. government agencies	$ 301	$ 23	$ —	$ 324
U.S. corporate securities	2,047	137	—	2,184
Residential mortgage-backed securities	251	15	—	266
Total fixed maturity securites held to maturity	$ 2,599	$ 175	$ —	$ 2,774
Fixed maturity securities available for sale				
U.S. Treasury securities and obligations of U.S. government agencies	$ 100,333	$ 3,373	$ 325	$ 103,381
Debt securities issued by state of the U.S. and political subdivisions of the states	82,550	4,845	688	86,707
Foreign government securities	2,321	28	—	2,349
U.S. corporate securities	5,633,829	280,775	10,691	5,903,913
Residential mortgage-backed securities	734,326	21,659	5,209	750,776
Commercial mortgage-backed securities	76,155	1,066	395	76,826
Asset-backed securities	951,642	10,140	9,830	951,952
Collateralized debt obligations	140,398	1,730	74	142,054
Foreign corporate securities	1,821,125	79,673	9,648	1,891,150
Total fixed maturity securities available for sale	$ 9,542,679	$ 403,289	$ 36,860	$ 9,909,108
Equity securities available for sale	$ 314,395	$ 102,942	$ 2,003	$ 415,334

At December 31, 2017, the Company had fixed maturity securities with a carrying amount of $118,580 and cash of $18,551 on deposit with various state insurance departments. Deposits with states include fixed maturity securities with a carrying value of $110,419 at December 31, 2017 that the Company placed into a Regulation 109 deposit account with the State of New York.

NOTE 5 - INVESTMENTS, (continued)

An aging of unrealized losses on the Company's investments except those classified as trading were as follows:

	December 31, 2018					
	Less than 12 months		*12 months or more*		*Total*	
	Fair Value	*Unrealized Losses*	*Fair Value*	*Unrealized Losses*	*Fair Value*	*Unrealized Losses*
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	$ 401	$ —	$ 18,015	$ 460	$ 18,416	$ 460
Debt securities issued by state of the U.S. and political subdivisions of the states	9,540	39	14,008	375	23,548	414
U.S. corporate securities	2,068,911	79,440	1,011,888	66,930	3,080,799	146,370
Residential mortgage-backed securities	54,120	1,093	281,973	9,566	336,093	10,659
Commercial mortgage-backed securities	24,971	216	29,871	626	54,842	842
Asset-backed securities	166,505	1,033	371,416	9,126	537,921	10,159
Collateralized debt obligations	257,164	3,820	12,564	233	269,728	4,053
Foreign corporate securities	562,739	19,340	466,964	25,385	1,029,703	44,725
Total fixed maturity securities	3,144,351	104,981	2,206,699	112,701	5,351,050	217,682
Equity securities	70,611	8,646	5,528	1,454	76,139	10,100
Cost method investments	—	—	123	4	123	4
Total	$ 3,214,962	$ 113,627	$ 2,212,350	$ 114,159	$ 5,427,312	$ 227,786

	December 31, 2017					
	Less than 12 months		*12 months or more*		*Total*	
	Fair Value	*Unrealized Losses*	*Fair Value*	*Unrealized Losses*	*Fair Value*	*Unrealized Losses*
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government agencies	$ 6,713	$ 68	$ 12,123	$ 257	$ 18,836	$ 325
Debt securities issued by state of the U.S. and political subdivisions of the states	2,900	39	9,291	649	12,191	688
U.S. corporate securities	465,469	5,473	190,703	5,218	656,172	10,691
Residential mortgage-backed securities	95,522	1,293	117,042	3,916	212,564	5,209
Commercial mortgage-backed securities	21,815	122	13,896	273	35,711	395
Asset-backed securities	278,117	2,294	278,064	7,536	556,181	9,830
Collateralized debt obligations	24,095	74	—	—	24,095	74
Foreign corporate securities	109,527	1,812	162,560	7,836	272,087	9,648
Total fixed maturity securities	1,004,158	11,175	783,679	25,685	1,787,837	36,860
Equity securities	26,164	1,307	9,692	696	35,856	2,003
Cost method investments	112	15	—	—	112	15
Total	$ 1,030,434	$ 12,497	$ 793,371	$ 26,381	$ 1,823,805	$ 38,878

NOTE 5 - INVESTMENTS, (continued)

Of the $217,682 and $36,860 of total unrealized losses on fixed maturity securities as of December 31, 2018 and 2017, approximately $187,434 and $31,062 was related to unrealized losses on investment grade fixed maturity securities. Investment grade is defined as a security with a rating from the National Association of Insurance Commissioners (NAIC) of 1 or 2, a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A, or BBB from Standard and Poor's (S&P), a rating of AAA, AA, or A from Fitch, or an equivalent internal rating if an external rating is not available. Of the $112,701 and $25,685 of unrealized losses of 12 months or more as of December 31, 2018 and 2017, approximately $96,317 and $22,775 was related to unrealized losses on investment grade securities.

For the securities in the prior two tables, the Company does not intend to sell the fixed maturity securities and it is not more likely than not the Company will be required to sell the fixed maturity security with unrealized losses before recovery of the amortized cost. The Company has the intent and ability to hold the equity securities and cost method investments with unrealized losses for a period of time sufficient for them to recover.

The Company regularly reviews its securities in an unrealized loss position to determine if other-than-temporary-impairments (OTTI) exist. Under the current OTTI accounting model, if the Company has the intent to sell a security or it is more likely than not that the Company will be required to sell the security before recovery, an OTTI loss will be recognized in net income equal to the difference between fair value and amortized cost. If the Company does not intend to sell the security before recovery and it is not more likely than not that the Company will be required to sell the security before recovery, the Company must evaluate the security for credit losses. If a credit loss exists, only the amount of impairment associated with the credit loss is recognized in net income. The portion of unrealized loss relating to all other factors is recorded in accumulated other comprehensive income.

The following paragraphs describe the Company's OTTI process for the fixed maturity securities and equity securities with significant unrealized losses and the assumptions used to estimate potential credit losses:

Fixed maturity securities:

- For other than residential and commercial mortgage-backed and asset-backed fixed maturity securities, the Company monitors several factors to determine if an unrealized loss should be recognized as OTTI. Based on the evaluation of the prospects of the issuers, including, but not limited to, the Company's intentions to sell or whether it is more likely than not that the Company will be required to sell the security prior to recovery, the length of time and magnitude of the unrealized loss, credit ratings of the issuers, failure of the issuer to make contractual payments, management judgment of future performance, and relevant independent research, the Company has concluded that the declines in fair values of the Company's investments in U.S. corporate, foreign, U.S. Treasury securities and obligations of U.S. government agencies fixed maturity securities at December 31, 2018 and 2017 were temporary.

- For residential and commercial mortgage-backed and asset-backed fixed maturity securities, credit impairment is assessed by estimating future cash flows from the underlying collateral. The cash flow estimates are based on actual cash flows through the current period and projections of the remaining cash flows. Projections of the remaining cash flows are developed using assumptions for prepayment rate, default rate, loss severity, rating agency action, and other credit performance by security type based on the underlying collateral and vintage. The estimated future cash flows are discounted to present value. If the present value of future cash flows is less than amortized cost, the Company recognizes the estimated credit loss in earnings, with the remaining unrealized loss recognized in accumulated other comprehensive income. Based on the evaluation of estimated future cash flows, the Company has identified the non-credit component of OTTI losses of $(332), $0 and $(36) on residential mortgage backed securities at December 31, 2018, 2017 and 2016, respectively, which were recognized coming from accumulated other comprehensive income. Additionally, based on the evaluation of estimated future cash flows, the Company has concluded that all other declines in fair values of the Company's investments in mortgage-backed fixed maturity securities at December 31, 2018 and 2017 were temporary.

NOTE 5 - INVESTMENTS, (continued)

Equity securities

- For public equity securities and retail and institutional mutual fund investments with an unrealized loss greater than 12 months, such unrealized loss was less than 25% of the Company's carrying value of each equity security. The Company considers various factors when considering if a decline in fair value of an equity security is other-than-temporary, including but not limited to, the length of time and magnitude of the unrealized loss; the volatility of the investment; analyst recommendations and price targets; opinions of the Company's investment managers; market liquidity, and the Company's intent and ability to hold the investments until recovery. Based on an evaluation of these factors, the Company has concluded that the declines in the fair values of the Company's investments in these public equity securities and retail and institutional mutual fund investments at December 31, 2018 and 2017 were temporary.

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in net income on fixed maturity residential mortgage-backed securities still held by the Company at December 31, 2018 and 2017 for which $4,031 and $3,866 was recognized in accumulated other comprehensive income at December 31, 2018 and 2017, respectively:

	Credit Losses	
	2018	*2017*
Cumulative credit loss at beginning of period	$ 14,010	$ 18,721
Additions:		
Previously other-than-temporarily impaired securities	211	—
Securities without prior impairments	353	—
Total additions	564	—
Reductions		
Sales and repayments of fixed maturity securities on which credit losses were recognized	(1,762)	(4,711)
Cumulative credit loss at end of period	$ 12,812	$ 14,010

The amortized cost and fair value of fixed maturity securities by contractual maturity at December 31, 2018 are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		*Held to Maturity*	
	Amortized Cost	*Fair Value*	*Amortized Cost*	*Fair Value*
Due in one year or less	$ 401,035	$ 404,169	$ 300	$ 302
Due after one year through five years	2,157,862	2,171,013	—	—
Due after five years through ten years	2,575,931	2,508,911	—	—
Due after ten years	2,448,199	2,407,826	—	—
Mortgage-backed and asset-backed securities	2,175,127	2,172,510	194	202
Other securities with multiple repayment dates	164,453	167,055	876	947
Total	$ 9,922,607	$ 9,831,484	$ 1,370	$ 1,451

NOTE 5 - INVESTMENTS, (continued)

Mortgage loans on real estate are summarized as follows:

	December 31	
	2018	*2017*
Residential first mortgages	$ 135,267	$ 129,381
Commercial real estate	2,015,416	1,832,211
Construction and land development	8,617	3,702
Second trusts and home equity	5,203	6,994
Total loans - gross	2,164,503	1,972,288
Net deferred loan costs	465	662
Allowances for losses on loans	(3,247)	(3,486)
Total loans - net	$ 2,161,721	$ 1,969,464

Commercial mortgage loans are evaluated individually for impairment, while residential mortgage loans are evaluated collectively for impairment. Loans are considered impaired when it is probable that the Company will not collect contractual principal and interest. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls are generally not classified as impaired. Management determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. Impairments are measured on a loan-by-loan basis for commercial mortgage loans and residential mortgage loans by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of collateral if the loan is collateral dependent.

The Company required collateral on residential real estate loans and originated loans generally with loan-to-value ratios of no greater than 80% at the time of origination, unless appropriate private mortgage insurance is obtained. For commercial real estate mortgages, the Company requires collateral on original loans with a loan-to-value ratio of no greater than 75% at the time of origination. The amount of collateral on non-real estate loans is based on management's credit assessment of the customer.

The Company's key credit quality indicators as discussed below for its loans are summarized as follows:

	December 31	
	2018	*2017*
Debt service coverage ratio grade	$ 1,990,812	$ 1,798,602
Loan to value grade	33,221	37,311
Loans based on payment activity grade	140,470	136,375
Total loans - gross	$ 2,164,503	$ 1,972,288

For the commercial mortgage loans, debt service coverage ratio (DSCR) is considered a key credit quality indicator for loans that are income dependent while loan to value and borrower financial strength are considered key credit quality indicators for borrower-occupied loans. Debt service coverage ratios compare a property's net operating income to the borrower's principal and interest payments. Loan to value and debt service coverage ratios are updated annually or as warranted by economic conditions or impairment considerations.

Debt service coverage ratios for income dependent loans on commercial real estate are summarized as follows:

	December 31	
	2018	*2017*
DSCR Distribution		
Below 1.0	$ 53,690	$ 50,938
1.0 - 1.2	243,395	186,039
1.2 - 1.8	1,085,399	1,005,404
Greater than 1.8	608,328	556,221
	$ 1,990,812	$ 1,798,602

NOTE 5 - INVESTMENTS, (continued)

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable future, the decrease in cash flows is considered temporary, or there are other risk mitigating factors.

Loan to value for borrower-occupied commercial loans is summarized as follows:

	December 31	
	2018	*2017*
Loan to Value		
Below 60%	$ 21,325	$ 30,731
60-75%	11,581	6,250
Above 75%	315	330
	$ 33,221	$ 37,311

The Company had no nonperforming commercial mortgage loans as of December 31, 2018 and 2017. The Company had no commercial real estate properties that foreclosed during 2018 or 2017.

All assets are reviewed as appropriate to their size and presentation of risk. In general, large, individual loans which represent a greater element of risk will be reviewed quarterly. Other loans such as residential mortgage loans will be reviewed based upon asset size and payment history. Any asset not reviewed in detail as a single item will be reviewed as part of an asset class.

Management regularly reviews credit quality indicators including the composition of the loan portfolio, net charge-offs, nonperforming loans, performance of troubled debt restructurings (TDRs) and general economic conditions in its market. This review process is assisted by frequent internal reporting of loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans.

Credit quality indicators for residential mortgage loans held were as follows:

Credit risk profile based on payment activity

December 31, 2018	*Residential First Mortgages*	*Second Trusts and Home Equity*
Performing	$ 130,236	$ 4,883
Nonperforming	5,031	320
Total	$ 135,267	$ 5,203

December 31, 2017	*Residential First Mortgages*	*Second Trusts and Home Equity*
Performing	$ 124,495	$ 6,050
Nonperforming	4,886	944
Total	$ 129,381	$ 6,994

Residential mortgage loans which are delinquent as to principal and or interest 90 days or more are classified as nonperforming loans.

The Company had one residential property that foreclosed in 2018 with a carry value of $311 and ten properties with a carry value of $3,551 in the process of foreclosure. The Company had four residential properties that foreclosed in 2017 with a carry value of $860 and eight properties with a carry value of $3,524 in the process of foreclosure.

NOTE 5 - INVESTMENTS, (continued)

The activity in the allowance for loan losses is summarized as follows:

December 31, 2018	*Residential First Mortgages*	*Commercial Real Estate*	*Construction and Land Development*	*Second Trusts and Home Equity*	*Total*
Allowance for loan losses:					
Balance at January 1	$ (2,293)	$ (1,193)	$ —	$ —	$ (3,486)
Charge-offs	274	1,356	—	—	1,630
Recoveries	(742)	—	—	(94)	(836)
Provisions	829	(1,478)	—	94	(555)
Balance at December 31	$ (1,932)	$ (1,315)	$ —	$ —	$ (3,247)
Ending balance: collectively evaluated for impairment	$ (1,932)	$ (1,315)	$ —	$ —	$ (3,247)
Loan receivables:					
Ending balance - net	$ 135,267	$ 2,015,416	$ 8,617	$ 5,203	$ 2,164,503
Ending balance: individually evaluated for impairment	$ 3,544	$ 2,015,416	$ 8,617	$ 320	$ 2,027,897
Ending balance: collectively evaluated for impairment	$ 131,723	$ —	$ —	$ 4,883	$ 136,606

December 31, 2017	*Residential First Mortgages*	*Commercial Real Estate*	*Construction and Land Development*	*Second Trusts and Home Equity*	*Total*
Allowance for loan losses:					
Balance at January 1	$ (2,988)	$ (1,075)	$ —	$ —	$ (4,063)
Charge-offs	978	—	—	51	1,029
Recoveries	(624)	—	—	4	(620)
Provisions	341	(118)	—	(55)	168
Balance at December 31	$ (2,293)	$ (1,193)	$ —	$ —	$ (3,486)
Ending balance: collectively evaluated for impairment	$ (2,293)	$ (1,193)	$ —	$ —	$ (3,486)
Loan receivables:					
Ending balance - net	$ 129,381	$ 1,832,211	$ 3,702	$ 6,994	$ 1,972,288
Ending balance: individually evaluated for impairment	$ 4,213	$ 1,832,211	$ 3,702	$ 944	$ 1,841,070
Ending balance: collectively evaluated for impairment	$ 125,168	$ —	$ —	$ 6,050	$ 131,218

NOTE 5 - INVESTMENTS, (continued)

An aging analysis of the loans held by the Company at December 31, 2018 and 2017 is summarized as follows:

December 31, 2018	*Current*	*31-59 days*	*60-89 days*	*90 days and greater*	*Total Past Due*	*Total Gross*	*Loans>90 days and accruing*
Residential First Mortgage	$ 129,165	$ —	$ 1,071	$ 5,031	$ 6,102	$ 135,267	$ —
Commercial Real Estate	2,015,416	—	—	—	—	2,015,416	—
Construction & Land Development	8,617	—	—	—	—	8,617	—
Second Trusts & Home Equity	4,883	—	—	320	320	5,203	—
Total	$2,158,081	$ —	$ 1,071	$ 5,351	$ 6,422	$2,164,503	$ —

December 31, 2017	*Current*	*31-59 days*	*60-89 days*	*90 days and greater*	*Total Past Due*	*Total Gross*	*Loans>90 days and accruing*
Residential First Mortgage	$ 122,625	$ —	$ 1,870	$ 4,886	$ 6,756	$ 129,381	$ —
Commercial Real Estate	1,829,622	2,589	—	—	2,589	1,832,211	—
Construction & Land Development	3,702	—	—	—	—	3,702	—
Second Trusts & Home Equity	6,050	—	—	944	944	6,994	—
Total	$1,961,999	$ 2,589	$ 1,870	$ 5,830	$ 10,289	$1,972,288	$ —

A summary of information pertaining to impaired loans held at December 31, 2018 and 2017 is as follows:

December 31, 2018	*Unpaid Contractual Principal Balance*	*Recorded Investment with No Allowance*	*Recorded Investment with Allowance*	*Total Recorded Investment*	*Related Allowance*	*Average Recorded Investment*	*Year to date Interest Income Recognized*
Residential First Mortgage	$ 90,650	$ 84,408	$ —	$ 84,408	$ —	$ 90,270	$ 3,979
Commercial Real Estate	2,536	2,536	—	2,536	—	2,582	169
Second Trusts & Home Equity	2,487	1,804	—	1,804	—	2,318	117
Total	$ 95,673	$ 88,748	$ —	$ 88,748	$ —	$ 95,170	$ 4,265

December 31, 2017	*Unpaid Contractual Principal Balance*	*Recorded Investment with No Allowance*	*Recorded Investment with Allowance*	*Total Recorded Investment*	*Related Allowance*	*Average Recorded Investment*	*Year to date Interest Income Recognized*
Residential First Mortgage	$ 103,545	$ 96,644	$ —	$ 96,644	$ —	$ 89,796	$ 4,273
Commercial Real Estate	2,626	2,626	—	2,626	—	2,669	175
Second Trusts & Home Equity	3,224	2,455	—	2,455	—	3,304	95
Total	$ 109,395	$ 101,725	$ —	$ 101,725	$ —	$ 95,769	$ 4,543

The Company considers all TDRs to be impaired and defines TDRs as loans whose terms have been modified to provide for a reduction of either interest or principal because of deterioration in the financial condition of the borrower. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a TDR. Once an obligation has been classified as a TDR it continues to be considered a TDR until paid in full or until the loan returns to performing status and yields a market interest rate equal to the current interest rate for new debt with similar risk. TDRs are evaluated by management on a regular basis utilizing the Company's risk grading matrix. TDRs are evaluated for impairment on a loan-by-loan basis in accordance with the Company's impairment methodology. The Company does not participate in any specific government or Company-sponsored loan modification programs. All restructured loan agreements are individual contracts negotiated with a borrower.

NOTE 5 - INVESTMENTS, (continued)

In 2018, the Company had 4 new TDRs for residential mortgage loans with a recorded value of $695 and no new TDRs for commercial mortgage loans. Additionally, there were five short sales in 2018. In 2017, the Company had 95 new TDRs for residential mortgage loans with a recorded value of $30,013 and no new TDRs for commercial mortgage loans. Additionally, there were fifteen short sales in 2017.

The carry value of TDRs related to residential mortgage loans was $82,482 and $94,379 and commercial mortgage loans was $2,536 and $2,626 as of December 31, 2018 and 2017, respectively. The Company had no other TDR balances in 2018 and 2017. For TDRs of residential mortgage loans, the restructurings consisted of revisions to interest rates and timing of principal repayments. For TDRs of commercial mortgage loans, the restructurings consist of forbearance agreements allowing regular loan payments to stop, but interest to continue to accrue and increase the amount of the loan obligation. After the forbearance period, the payment arrangements are restructured to meet the ability of the borrower to repay the loan over an extended period.

At December 31, 2018 and 2017, $82,148 and $94,457, respectively, or 96.62% and 97.37%, respectively, of TDRs were performing according to the terms of their restructured agreements.

NOTE 6 - INCOME TAXES

The items that give rise to deferred tax assets and liabilities relate to the following:

	December 31	
	2018	*2017*
Future policy and contract liabilities	$ 22,454	$ 21,106
Deposit liability	5,806	6,517
Net unrealized investment losses	3,515	—
Policyholder dividends	701	687
Pension and post-retirement benefits	25,359	29,858
Policyowner dividend obligation	—	34
Provision for loan losses	682	732
Loss contingency	—	5,177
Other	11,782	9,322
Net operating/capital losses and credits	440	872
Gross deferred tax asset	70,739	74,305
Less valuation allowance	2,634	1,846
Total deferred tax asset after valuation allowance	68,105	72,459
Deferred policy acquisition costs	106,681	76,396
Net unrealized investments gains	—	113,269
Other	9,894	10,476
Gross deferred tax liability	116,575	200,141
Net deferred tax liability	$ (48,470)	$ (127,682)

NOTE 6 - INCOME TAXES, (continued)

The difference between the U.S. federal income tax rate and the consolidated tax provision rate is summarized as follows:

	Years ended December 31		
	2018	*2017*	*2016*
Federal statutory tax rate	21.00%	35.00 %	35.00%
Affordable Care Act assessment	1.01	—	2.81
Dividend received deduction	(1.80)	(4.14)	(3.40)
Tax credits	(1.23)	(2.88)	(0.73)
Fines and penalties	0.03	0.04	1.25
State valuation allowance	0.25	0.04	1.18
Other	0.62	0.30	(0.40)
Remeasurement of deferred income taxes	—	(53.63)	—
Effective tax rate	19.88%	(25.27)%	35.71%

On December 22, 2017, the U.S. federal government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act includes numerous changes to existing law, including a permanent reduction in the federal corporate income tax rate from 35% to 21% that took effect on January 1, 2018. As a result of initial analysis of the Tax Act and existing implementation guidance, the Company remeasured tax related assets and liabilities as of the date of enactment, with the resulting tax effects of an $84,500 discrete tax benefit in 2017, lowering the effective tax rate by 53.63%. The SEC provided guidance in Staff Accounting Bulletin No. 118 (SAB 118) on accounting for the tax effects of the Tax Act (See Note 1). In accordance with that guidance, certain of the income tax effects recorded in 2017 were provisional, including those related to our analysis of future policy and contract liabilities and the valuation allowance. December 22, 2018, marked the end of the measurement period for purposes of SAB 118. As such, the Company completed its accounting, based on published guidance issued from the Internal Revenue Service and the Joint Committee on Taxation, for the income tax effects of the Tax Act, and no material adjustments were required to the provisional amounts initially recorded.

Ameritas Life has a $440 net operating loss carryforward as of December 31, 2018. The net operating loss carryforward of $9, $119, and $312 will expire in 2030, 2031 and 2036, respectively.

A valuation allowance is established to reduce the deferred tax asset to the amount expected to be realized. The Company has provided a state valuation allowance in the amount of $2,634 as of December 31, 2018. The valuation allowance is provided for state tax assets related to a state net operating loss that is not expected to be realized.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. At December 31, 2018 and 2017, the Company had no accrual for the payments of interest and penalties on the consolidated balance sheets and no expense recognized for the years ended December 31, 2018, 2017 and 2016, respectively, for interest and penalties on the consolidated statements of operations.

The Company has recorded a current income tax expense of $29,281, $5,333 and $53,568 for the years ended December 31, 2018, 2017 and 2016, respectively. Additionally, the Company has recognized deferred tax items as a (benefit) expense of $28,676, $(45,131) and $(3,790) for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company is subject to taxation in the United States and various states. As of December 31, 2018, the Company's tax years, generally, for 2015-2018 are subject to examination by the tax authorities.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS

Defined Benefit Plans
AHC and certain of its subsidiaries (the Sponsors) are sponsors and/or administrators of non-contributory defined benefit plans (the Plans) covering eligible employees. Benefits are based on the average of the employee's compensation over their career.

The Sponsors use a December 31 measurement date for their Plans.

Obligations and Funded Status at December 31:

	Pension Benefits		
	2018	*2017*	*2016*
Projected benefit obligation	$ 392,989	$ 427,518	$ 405,745
Fair value of plan assets	385,177	385,534	343,594
Funded status	(7,812)	(41,984)	(61,151)
Employer contributions	20,000	20,000	20,000
Benefit payments	23,815	24,702	24,934
Accumulated benefit obligation	380,884	413,167	390,324
Net periodic benefit cost	10,611	15,729	17,140
Amounts recognized in the balance sheet consist of:			
Other assets	$ 37,721	$ 7,037	$ —
Other liabilities	$ 45,533	$ 49,021	$ 61,151
Amounts amortizing into net periodic benefit cost, net of tax, consist of:			
Prior service cost	$ 2	$ 3	$ 4
Net loss	8,574	7,870	7,963
Amounts recognized in other comprehensive income, net of tax, arising during the period consist of :			
Net gain (loss)	$ 7,043	$ (1,146)	$ (11,097)
Amounts recognized in accumulated other comprehensive income, net of tax, not yet recognized in net periodic benefit cost consist of:			
Prior service cost	$ —	$ (2)	$ (4)
Net loss	(84,424)	(100,040)	(89,036)
Information for pension plans with an accumulated benefit obligation in excess of plan assets[1]:			
Projected benefit obligation	$ 45,533	$ 49,021	$ 48,679
Accumulated benefit obligation	45,529	48,704	47,880
Amounts expected to be amortized into net periodic benefit cost, net of tax, in the next twelve months consist of the following:			
Prior service cost	$ —	$ 1	$ 3
Net loss	7,394	6,985	7,886

[1]The qualified pension plan with an accumulated benefit obligation of $335,355 and $364,463 is not included above for December 31, 2018 and 2017, as the fair value of plan assets of $385,177 and $385,534, respectively are in excess of the benefit obligation. The projected benefit obligation for this qualified pension plan is $347,456 and $378,497 at December 31, 2018 and 2017. There are no pension plan assets expected to be returned to the Company during the twelve month period ending December 31, 2019.

Investment Policies and Strategies
The current investment objective of the Plan is to align the Plan's assets to the Plan's duration characteristics. Prior to 2018, the Plan's investment objective was to maximize the real rate of return (adjusted for inflation) within prudent limits on the level of risk incurred. At a minimum, the investment objective was to generate a positive real rate of return. The current asset allocation mix between equity and fixed income asset classes is targeted at 10% equity and 90% fixed income. Prior to 2018, the asset allocation mix between equity and fixed income asset classes was targeted at 50% equity and 50% fixed income. Except where prudence dictates otherwise, the assets of the Plans will be reviewed monthly and will be rebalanced when the ratio of equity to fixed income varies by more than 2% from the current approved asset allocation mix.

All assets of the Plans may be allocated to and invested in any one or more of these basic forms of investment:

- Fixed income securities, including, but not limited to, fixed income or general account options under an insurance company contract.
- Equity issues, including but not limited to, common stocks or units of beneficial interest in one or more pooled separate accounts of an insurance company.
- Cash or cash equivalents, including but not limited to, units of beneficial interest in one or more pooled separate accounts of an insurance company.

The Plans currently do not invest in derivative instruments.

The assets in the Plans are diversified in order to minimize significant concentrations of risk.

Risk Management Practices
On a quarterly basis, the Plans' Trustees, who are certain officers of the Company, review the performance of the assets in the Plans relative to expectations in order to determine if the Plans' investment goals and overall investment objectives are being met.

Fair Value Measurements of Plan Assets
The following is a description of the valuation methodologies used for instruments measured at fair value in accordance with fair value measurement guidance (see Note 13), including the general classification of such instruments pursuant to the valuation hierarchy.

Unallocated Insurance Contract

The fair value for the unallocated insurance contract (affiliated) is determined as the present value of future guaranteed account values. Present values are derived by discounting future guaranteed account values by the appropriate market interest rates. Market interest rates are deemed to be the same rates to be credited to new issues of the same contract with like guarantees issued as of the date of the fair value determination. The market interest rates used have interest guarantee periods that match the guarantee periods remaining as of the valuation date for the contract.

Interest rate guarantees of the deposit account are backed by assets of the Plans' custodian. Credited rates are set based on yields earned on new purchases of fixed income securities for the general account. Credited rates are guaranteed for the duration of the guaranteed period elected by the Plan Sponsor and do not vary with the subsequent performance of assets of the general account that back these guarantees. Due to the nature of these contracts, specific underlying assets are not assigned and there is no market (quoted prices or observable inputs) and as such the valuation includes significant inputs based on assumptions about market participant assumptions. The unallocated insurance contract is classified in Level 3 of the fair value hierarchy.

Pooled Separate Accounts

Pooled separate accounts are measured at fair value using net asset value (NAV) as a practical expedient. The funds in the separate accounts are considered open-end mutual funds, meaning that the fund is ready to redeem its shares at any time and offers its shares for sale to the public, either through retail outlets or through institutional investors continuously. For institutional funds, NAVs are received daily from fund managers, and the managers stand ready to transact at these quoted amounts. The Plans' custodian transacts in these funds on a daily basis as part of the separate account trading activity. The calculation of the NAV for funds composed of other funds (e.g., retirement target date funds) is essentially the same as the calculation of the NAV for any other fund: the total market value of assets across all underlying funds less any liabilities is divided by the outstanding shares. Again, this resulting NAV is published and/or the fund managers are ready to transact at the quoted prices The Plan does not have any unfunded commitments.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

The following table presents the financial instruments carried at fair value in the Plans by the fair value measurement valuation hierarchy, as described above:

	December 31, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Pooled separate accounts[1]	$ —	$ —	$ —	$ 385,177
Total assets at fair value	$ —	$ —	$ —	$ 385,177

	December 31, 2017			
	Level 1	*Level 2*	*Level 3*	*Total*
Unallocated insurance contract-affiliated	$ —	$ —	$ 59,728	$ 59,728
Pooled separate accounts[1]	—	—	—	325,806
Total assets at fair value	$ —	$ —	$ 59,728	$ 385,534

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

The pooled separate accounts include separate account assets invested in mutual funds, which were advised by affiliates, and are $20,236 and $24,241 at December 31, 2018 and 2017, respectively.

The table below sets forth a summary of changes in the fair value of the Plans' Level 3 assets related to unallocated insurance contracts for the year ended December 31:

	2018	*2017*
Balance at beginning of year	$ 59,728	$ 53,514
Purchases	—	7,025
Actual return on plan assets	593	1,993
Settlements	(60,321)	(2,804)
Balance at end of year	$ —	$ 59,728

The following table presents information about significant unobservable inputs used in Level 3 assets measured at fair value:

December 31, 2017					
Assets Accounted for at Fair Value on a Recurring Basis	*Fair Value*	*Predominant Valuation Method*	*Significant Unobservable Input*	*Range of Values - Unobservable Inputs*	*Impact of Increase in Input on Fair Value[1]*
Unallocated Insurance Contract-affiliated	$ 59,728	Discounted cash flows	New deposit rate	3.00 %	Increase
			Benefit withdrawal	9.00 %	Decrease

[1] Conversely, the impact of a change in input would have the opposite impact to the fair value as that presented in the tables above.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

The long term expected return for the Plans assets is 4.4%, 5.6% and 5.6% for 2018, 2017 and 2016, respectively. The expected return was based on historical data of equity and fixed income benchmarks. It was also based on current market valuations and forecasted market returns. The allocation ranges are determined to be the most consistent at providing the expected return, limiting risk and covering the Plans' benefit obligation considering the size, duration, and nature of the Plans' obligations.

The actual allocation ratio at December 31 was:

	2018	*2017*
Equities - affiliated	5.3%	6.3%
Equities - unaffiliated	3.5	37.5
Fixed income - affiliated	—	15.5
Fixed income - unaffiliated	91.2	40.7

Contributions

The Sponsors made contributions to the Plans totaling $20,000 in 2018, 2017 and 2016. The Plans are subject to the minimum funding requirements of ERISA. The Sponsors' funding policy for those years was to contribute a minimum of $20,000 into the Plans annually to provide maximum derisking flexibility in the Plan. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Plans' enrolled actuary determines the annual funding contributions. Due to the funded status of the Plan, no contributions by the Sponsor are planned for 2019. No voluntary contributions by participants are permitted.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Plans:

Fiscal Year	*Amount*
2019	$ 27,143
2020	28,520
2021	28,303
2022	28,915
2023	28,505
2024 - 2028	140,483

Assumptions

Weighted-average assumptions used to determine benefit obligations and net periodic pension cost at December 31:

	2018	*2017*	*2016*
Discount rate for benefit obligation	4.34%	3.68%	4.19%
Discount rate for net periodic pension cost	3.68	4.19	4.51
Rate of compensation increase for benefit obligation	3.14	3.14	3.15
Rate of compensation increase for net periodic pension cost	3.14	3.15	3.15
Expected long term rate of return on assets for benefit obligation	4.40	5.60	5.60
Expected long term rate of return on assets for net periodic pension cost	5.60	5.60	5.70

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

Defined Contribution Plans

Substantially all full-time employees and agents participate in defined contribution plans sponsored by AHC. In addition, certain of the Company's employees participate in an unfunded, non-qualified defined contribution plan sponsored by AHC. Company matching contributions under the defined contribution plan ranged from 0.5% to 3.0% in 2018, 2017 and 2016. In addition, for eligible employees who do not participate in the Plans, the Company makes an additional contribution of 6.0% of the participants' eligible compensation on a quarterly basis for those hired prior to January 1, 2006, and 5.0% for those hired after January 1, 2006. Contributions by the Company to the employee and agents defined contribution plans were $13,526, $12,858 and $13,295 in 2018, 2017 and 2016, respectively.

The defined contribution plans' assets also include investments in deposit administration contracts which include underlying investments in separate accounts of Ameritas Life.

Postretirement Benefit Plans

The Company provides certain health care and life insurance benefits for its eligible retired employees. Substantially all employees who had been employees of a previously un-merged subsidiary may become eligible for these benefits if they reach normal retirement age while employed by the Company. Benefits for all other employees are limited to those employees hired before January 1, 2005. Employer contributions for all pre-65 retirees are capped and post-65 retirees receive a fixed subsidy amount, therefore these amounts are not impacted by changes in health care costs.

The Sponsors used a December 31 measurement date for their plans.

Obligations and Funded Status at December 31:

	2018	2017	2016
Projected benefit obligation	$ 15,875	$ 16,917	$ 16,725
Fair value of plan assets	13,748	15,307	14,546
Funded status	(2,127)	(1,610)	(2,179)
Employer contributions	—	—	—
Participant contributions	276	311	256
Benefit payments	2,006	1,900	1,793
Net periodic benefit cost	(746)	(1,507)	(2,255)
Amounts recognized in the balance sheet consist of:			
Other liabilities	$ 2,127	$ 1,610	$ 2,179
Amounts amortizing into net periodic benefit cost, net of tax, consist of:			
Prior service cost	$ (412)	$ (868)	$ (1,357)
Net gain	(120)	(84)	(69)
Amounts recognized in other comprehensive income, net of tax, arising during the period consist of :			
Net gain (loss)	$ (448)	$ 330	$ 302
Amounts recognized in accumulated other comprehensive income, net of tax, consist of:			
Prior service cost	$ 1,132	$ 1,569	$ 2,759
Net gain	2,112	2,655	2,070
Amounts expected to be amortized into net periodic benefit cost, net of tax, in the next twelve months consist of the following:			
Prior service cost	$ (372)	$ (338)	$ (868)
Net loss	(78)	(109)	(102)

There are no Postretirement Benefit Plan (Postretirement Plan) assets expected to be returned to the Company in the twelve month period ending December 31, 2019.

Investment Policies and Strategies

The investment objective of the Postretirement Plan is to provide sufficient assets and liquidity to meet the distribution requirements of the Postretirement Plan through capital appreciation of assets. The Postretirement Plan's Trustees require investment opportunities that offer equity, fixed income and money market or other cash equivalent investment options. The current asset allocation is targeted at 48% equity and 52% cash and short-term fixed income investments. Prior to 2018, the asset allocation mix was targeted at 75% equity and 25% cash and short-term fixed income investments.

All assets of the Postretirement Plan may be allocated to and invested in any one or more of these basic forms of investments:

- Unallocated insurance contracts
- Common stocks listed on U.S. exchanges
- Indexed mutual funds
- Cash or cash equivalents

Investments in non-marketable securities are not permitted, unless specifically authorized by the Trustees. In addition, investments in derivative instruments are not permitted.

The assets in the Postretirement Plan are diversified in order to minimize significant concentrations of risk.

Risk Management Practices

On a quarterly basis, the Postretirement Plan's Trustees, who are certain officers of the Company, review the performance of the assets in the Postretirement Plan relative to expectations in order to determine if the Postretirement Plan's investment goals and overall investment objectives are being met.

Fair Value Measurements of Plan Assets

The following is a description of the valuation methodologies used for instruments measured at fair value in accordance with fair value measurement guidance (see Note 13), including the general classification of such instruments pursuant to the valuation hierarchy.

Unallocated Insurance Contract

The fair value for the unallocated insurance contract (affiliated) is determined as the present value of future guaranteed account values. Present values are derived by discounting future guaranteed account values by the appropriate market interest rates. Market interest rates are deemed to be the same rates to be credited to new issues of the same contract with like guarantees issued as of the date of the fair value determination. The market interest rates used have interest guarantee periods that match the guarantee periods remaining as of the valuation date for the contract.

Interest rate guarantees of the deposit account are backed by assets of the Postretirement Plan's custodian. Credited rates are set based on yields earned on new purchases of fixed income securities for the general account. Credited rates are guaranteed for the duration of the guaranteed period elected by the Plan Sponsor and do not vary with the subsequent performance of assets of the general account that back these guarantees. Due to the nature of these contracts, specific underlying assets are not assigned and there is no market (quoted prices or observable inputs) and as such the valuation includes significant inputs based on assumptions about market participant assumptions. The unallocated insurance contract is classified in Level 3 of the fair value hierarchy.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

Pooled Separate Accounts

Pooled separate accounts (affiliated and unaffiliated) are measured at fair value using net asset value (NAV) as a practical expedient. The funds in the separate accounts are considered open-end mutual funds, meaning that the fund is ready to redeem its shares at any time and offers its shares for sale to the public, either through retail outlets or through institutional investors continuously. For institutional funds, NAVs are received daily from fund managers, and the managers stand ready to transact at these quoted amounts. The Plans' custodian transacts in these funds on a daily basis as part of the separate account trading activity. The calculation of the NAV for funds composed of other funds (e.g., retirement target date funds) is essentially the same as the calculation of the NAV for any other fund: the total market value of assets across all underlying funds less any liabilities is divided by the outstanding shares. Again, this resulting NAV is published and/or the fund managers are ready to transact at the quoted prices. The Plan does not have any unfunded commitments.

Money Market Funds

The money market funds are classified in Level 1 of the fair value hierarchy as fair value is based on quoted prices in active markets for identical securities.

Common Stocks

Common stocks are valued based on quoted prices in active markets for publicly traded securities at year-end and are classified in Level 1 of the fair value hierarchy. These assets can be redeemed at any time and its shares are offered for sale to the public.

The following table presents the financial instruments carried at fair value in the Postretirement Plan by the fair value measurement valuation hierarchy, as described above:

	December 31, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Unallocated insurance contract-affiliated	$ —	$ —	$ 514	$ 514
Money market funds	4,673	—	—	4,673
Pooled separate accounts-affiliated[1]	—	—	—	1,756
Common stocks	6,789	—	—	6,789
Other assets	16	—	—	16
Total assets at fair value	$ 11,478	$ —	$ 514	$ 13,748

	December 31, 2017			
	Level 1	*Level 2*	*Level 3*	*Total*
Unallocated insurance contract-affiliated	$ —	$ —	$ 825	$ 825
Money market funds	2,061	—	—	2,061
Pooled separate accounts-affiliated[1]	—	—	—	4,814
Common stocks	7,598	—	—	7,598
Other assets	9	—	—	9
Total assets at fair value	$ 9,668	$ —	$ 825	$ 15,307

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

The table below sets forth a summary of changes in the fair value of the Postretirement Plan's Level 3 assets related to unallocated insurance contracts for the year ended December 31:

	2018	*2017*
Balance at beginning of year	$ 825	$ 1,071
Actual return on plan assets	25	34
Settlements	(336)	(280)
Balance at end of year	$ 514	$ 825

The following table presents information about significant unobservable inputs used in Level 3 assets measured at fair value:

December 31, 2018

Assets Accounted for at Fair Value on a Recurring Basis	*Fair Value*	*Predominant Valuation Method*	*Significant Unobservable Input*	*Range of Values - Unobservable Inputs*	*Impact of Increase in Input on Fair Value[1]*
Unallocated Insurance Contract-affiliated	$ 514	Discounted cash flows	New deposit rate	3.53%	Increase
			Benefit withdrawal rate	9.00%	Decrease

December 31, 2017

Assets Accounted for at Fair Value on a Recurring Basis	*Fair Value*	*Predominant Valuation Method*	*Significant Unobservable Input*	*Range of Values - Unobservable Inputs*	*Impact of Increase in Input on Fair Value[1]*
Unallocated Insurance Contract-affiliated	$ 825	Discounted cash flows	New deposit rate	3.00 %	Increase
			Benefit withdrawal rate	9.00 %	Decrease

[1] Conversely, the impact of a change in input would have the opposite impact to the fair value as that presented in the tables above.

NOTE 7 - EMPLOYEE AND AGENT BENEFIT PLANS, (continued)

The actual allocation ratio at December 31 was:

	2018	*2017*
Equities - unaffiliated	49.4%	74.1%
Fixed income - affiliated	3.7	5.4
Fixed income - unaffiliated	12.8	7.0
Cash equivalents	34.1	13.5

The allocation will be maintained on a continuous basis with a target range of 48% equity and 52% cash and short-term fixed income investments.

The Sponsors do not expect to contribute to the Postretirement Plan during 2019.

Estimated Future Benefit Payments
The following benefit payments are expected to be paid by the Postretirement Plan:

Fiscal Year		*Amount*
2019	$	1,557
2020		1,516
2021		1,459
2022		1,406
2023		1,342
2024 - 2028		5,852

Assumptions
Weighted-average assumptions used to determine postretirement benefit obligations at December 31:

	2018	*2017*	*2016*
Discount rate - postretirement benefit obligation	4.20%	3.51%	3.94%
Discount rate - net periodic postretirement benefit cost	3.51	3.94	4.22
Rate of compensation increase - net periodic postretirement benefit	N/A	N/A	N/A
Expected long term rate of return on assets for next year	4.54	5.85	5.83
Expected long term rate of return on assets - net periodic postretirement benefit cost	5.85	5.83	7.76

NOTE 8 - REGULATORY MATTERS

The Company and its subsidiaries are regulated primarily by, but not limited to, the various domiciliary state insurance or financial services departments as indicated below, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and various other governmental authorities.

Combined net income (loss) of the Company's insurance subsidiaries, as determined in accordance with statutory accounting practices prescribed by the NAIC or permitted by the Insurance Departments of the states of Nebraska and New York, as applicable, was $59,493 for 2018, $106,266 for 2017 and $15,328 for 2016 and combined statutory capital and surplus was $1,510,626 and $1,555,583 at December 31, 2018 and 2017, respectively. Insurance companies are required to maintain a certain level of surplus to be in compliance with state laws and regulations. Surplus is monitored by state regulators to ensure compliance with risk based capital (RBC) requirements. All state insurance regulators have adopted RBC requirements developed by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life and health company is to be determined based on various risk factors related to it. At December 31, 2018, the Company's insurance subsidiaries exceed the minimum RBC requirements.

NOTE 8 - REGULATORY MATTERS, (continued)

Ameritas Life is subject to regulation by the Insurance Department of the State of Nebraska (DOI-NE), which restricts the advancement of funds to parent and affiliated companies as well as the amount of dividends that may be paid without prior approval. Dividend payments by Ameritas Life, when aggregated with all other dividends in the preceding 12 months, cannot exceed the greater of 10% of surplus as of the preceding year-end or the statutory net gain from operations for the previous calendar year, without prior approval from the DOI-NE. Based on this limitation, Ameritas Life would be able to pay $150,813 in dividends in 2019 without prior approval. Ameritas Life paid cash dividends of $0 to AHC in 2018, $15,000 in 2017, and $20,000 in 2016.

Ameritas-NY is subject to regulation by the New York Department of Financial Services (NY-DFS), which restricts the advancement of funds to parent and affiliated companies as well as the amount of dividends that may be paid without prior approval. Dividend payments by Ameritas-NY cannot exceed the lesser of 10% of surplus as of the preceding year-end or the statutory net gain from operations for the previous calendar year, without prior approval from the NY-DFS. Based on this limitation, Ameritas-NY would not be able to pay any dividends in 2019 without prior approval. No dividends to parent or affiliated companies were paid in 2018, 2017 and 2016.

NOTE 9 - REINSURANCE

In the ordinary course of business, the Company assumes and cedes reinsurance with other insurers and reinsurers. These arrangements provide greater diversification of business and limit the maximum net loss potential on large or hazardous risks.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyowners. The Company remains liable to its policyowners for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances would be established for amounts deemed or estimated to be uncollectible.

To minimize its exposure to significant losses from reinsurance insolvencies, 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. No losses are anticipated, and, based on management's evaluation, there are no concentrations of credit risk at December 31, 2018 and 2017.

Reinsurance premium transactions with other insurance companies are summarized as follows:

	Years Ended December 31		
Premiums:	*2018*	*2017*	*2016*
Assumed	$ 76,291	$ 73,556	$ 74,360
Ceded	(248,518)	(240,419)	(249,784)
Reinsurance, net	$ (172,227)	$ (166,863)	$ (175,424)

The Company has two coinsurance treaties where the treaties do not result in the transfer of a reasonable possibility of significant loss from insurance risk. As such, the treaties are accounted for under the deposit method of accounting. A deposit liability of $1,075,069 and $1,105,350 was included as deposit liability on the consolidated balance sheets at December 31, 2018 and 2017, respectively.

NOTE 10 - LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The following tables present information about incurred and paid claims development as of December 31, 2018, net of reinsurance, and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. The development tables are presented for dental business which represents the Company's significant short-duration product liability. For a contract to be classified as short-duration, it must meet the criteria that the insurance be provided for a fixed period of short duration and that the insurer has the ability to cancel or adjust the terms of the contract at the end of any contract period. The information about incurred and paid claims development prior to 2018 is presented as supplemental unaudited information.

Incurred Claim Development

	Years Ended December 31		*December 31, 2018*	
Accident Year	*2017*	*2018*	*Total IBNR Liabilities Plus Expected Development on Reported Claims*	*Cumulative Number of Reported Claims*
2017	$ 511,784	$ 496,873	$ —	3,953
2018		550,052	39,533	4,057
Total		1,046,925	$ 39,533	
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance		(1,007,392)		
Total unpaid claims and claim adjustment expenses, net of reinsurance		$ 39,533		

Paid Claim Development

	Years Ended December 31	
Accident Year	*2017*	*2018*
2017	$ 471,059	$ 496,873
2018		510,519
Total cumulative paid claims and paid claim adjustment expenses, net of reinsurance		$ 1,007,392

The Company develops the estimate of reserve using actuarial principles and assumptions that consider numerous factors. Of those factors, the Company considers the analysis of historical and projected claim payment patterns (including claims submission and processing patterns) to be the most critical assumptions. In developing the estimate of reserve, the Company consistently applies these actuarial principles and assumptions each period, with consideration to the variability of related factors. The reserve for unpaid claims for group and individual dental insurance includes claims in course of settlement and incurred but not reported claims. There have been no significant changes to the methodologies or assumptions used to calculate the reserve in 2018.

The methodology is a version of the Bornhuetter-Ferguson method in that it uses a Per-Member-Per-Work-Day (PMPWD) Expected Claim approach to determine the reserve for the most recent incurral month, and a completion factor approach for all other incurral months. Age-to-age development factors are determined for each incurral month/duration combination. The assumed PMPWD claim amount considers historic seasonality. It is assumed that claims are fully complete after 12 months of run out, so no reserve is held for any claims older than 12 months old. Claim adjustment expenses corresponding to the unpaid claims are added as an additional load to the reserve for unpaid claims. Claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

NOTE 10 - LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES , (continued)

The following table provides a reconciliation of the net incurred and paid claims development tables to the gross liability for unpaid accident and health claims and claims adjustment expenses which is reported within policy and contracts liabilities on the consolidated balance sheets. Other short-duration insurance lines include vision, hearing, student accident, and group health. Insurance lines other than short-duration include disability income coverages.

		December 31, 2018
Net outstanding liabilities		
Dental		39,533
Other short-duration insurance lines		12,238
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance		51,771
Reinsurance recoverable on unpaid claims		
Dental		—
Other short-duration insurance lines		6,599
Total reinsurance recoverable on unpaid claims		6,599
Insurance lines other than short-duration		379,507
Total gross liability for unpaid claims and claims adjustment expenses	$	437,877

The following table provides an analysis of the activity in the liability for unpaid accident and health claims and claim adjustment expenses, which are reported within policy and contract liabilities on the consolidated balance sheets.

	Years Ended December 31		
	2018	*2017*	*2016*
Balance at January 1	$ 422,688	$ 421,914	$ 391,565
Less reinsurance recoverables	(136,766)	(132,775)	(119,587)
Net balance at January 1	285,922	289,139	271,978
Net reserve from acquisition of company	—	—	10,869
Incurred related to:			
Current year	658,685	606,406	596,850
Prior year	(2,777)	(615)	4,756
Total incurred	655,908	605,791	601,606
Paid related to:			
Current year	574,377	528,210	521,830
Prior year	77,779	80,798	73,484
Total paid	652,156	609,008	595,314
Net balance at December 31	289,674	285,922	289,139
Plus reinsurance recoverables	148,203	136,766	132,775
Total reserve for unpaid claims	$ 437,877	$ 422,688	$ 421,914

As a result of (favorable)/unfavorable settlements of prior years' estimated claims, the provision for claims and claim adjustment expenses (decreased)/increased by $(2,777), $(615) and $4,756 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 11 - LIABILITIES FOR CONTRACT GUARANTEES

The Company offers various guarantees to variable annuity (VA) and equity index annuity (EIA) contractholders including a return of no less than (1) the account value; (2) the sum of all premium payments less prior withdrawals and, in some cases, minus a partial withdrawal adjustment; (3) the sum of all premium payments less prior withdrawals plus a minimum return minus a partial withdrawal adjustment; (4) the highest account value on a specified anniversary date plus any premium payments since the anniversary minus any withdrawals following the anniversary and, in most cases, minus a partial withdrawal adjustment; or (5) the highest account value on a specified anniversary date minus any withdrawals following the anniversary and minus a partial withdrawal adjustment, and (6) a specified percentage of gains within the contract, or a percentage of gains plus a percentage of transferred premiums, in addition to other guarantees previously described. These guarantees include benefits that are payable in the event of death (VA) or as guaranteed periodic withdrawals (VA and EIA). The Company currently reinsures some of those guaranteed minimum death benefits (GMDB) greater than the sum of all premium payments less prior withdrawals.

The withdrawal benefits are provided through activated guaranteed lifetime withdrawal benefit (GLWB) riders. Prior to the start of the periodic withdrawals, various minimum return guarantees are tracked. At the start of the periodic withdrawals, a benefit base is determined such that it is the greatest of the tracked minimum return guarantees. The guaranteed periodic withdrawal amount is a percentage of the benefit base at the time periodic withdrawals begin. Once periodic withdrawals begin, the benefit base is increased by premium payments; the benefit base can be reset on an annual basis to the anniversary account value, if it is greater, and will be reduced for any withdrawals in excess of the guaranteed periodic withdrawal, but the percentage applied to the base benefit will not change.

Guarantees related to the variable annuity withdrawal benefits are considered to be derivative financial instruments; therefore, the liability for these benefits is established based on its fair value. The liability for these benefits was $40,167 and $32,019 at December 31, 2018 and 2017, respectively. No guaranteed withdrawal payments were made in 2018 and 2017 with an account balance less than the payment amount.

Variable and non-variable universal life-type contracts were sold with secondary guarantees that guarantee that the policy will not lapse, even if the account value is reduced to zero, as long as the policyowner makes scheduled premium payments. If benefits arise from these secondary guarantees, they do so in the latter durations of a contract's lifetime.

The liability for universal life-type contracts with secondary guarantees is established equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less the secondary guarantee benefit payments. The benefit ratio is calculated as the estimated present value of all expected secondary guarantee benefit payments divided by the present value of all expected contract charges. The secondary guarantee benefit payments are defined as death benefits paid on policies with an account value of zero that were still in force due to the presence of the secondary guarantee. At December 31, 2018 and 2017 the Company's reserve for these guarantees were $123,058 and $99,684, respectively and are recorded in policy and contract liabilities on the consolidated balance sheets.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under operating leases that expire at various dates through 2031. Rent expense was $6,017 for 2018, $6,205 for 2017 and $9,869 for 2016. Future minimum payments under noncancellable operating leases consist of the following:

		December 31
2019	$	5,146
2020		4,142
2021		1,484
2022		1,217
2023		653
Thereafter		908
	$	13,550

Line Of Credit and Borrowings

The Company has FHLB lines of credit available up to $226,091 if an immediate liquidity need would arise. The Company had no outstanding balance as of December 31, 2018 and 2017 related to these lines of credit. Additionally, AHC had an unsecured

line of credit available in the amount of $25,000 with an unaffiliated bank. No balance was outstanding at any time during 2018 and 2017.

In 2015, Ameritas Life entered into a ten year, 4.00% non-recourse loan of $15,500 on a real estate property with scheduled maturities of $428, $444, $462, $480, $498 and $11,906 during the years ended December 31, 2019, 2020, 2021, 2022, 2023 and thereafter, respectively.

Off Balance Sheet Instruments
Commitments on financial instruments were as follows:

	December 31	
	2018	*2017*
Securities commitments	$ 292,246	$ 232,187
Loan and real estate commitments	139,972	157,591

Securities commitments of $106,926 and $65,312 and loan and real estate commitments of $35,158 and $33,251 at December 31, 2018 and 2017, respectively, were related to non-consolidated VIEs.

These commitments have been made in the normal course of business. The Company's exposure to credit loss is represented by the contractual amount of these instruments. The Company uses the same credit policies and collateral requirements in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer based upon the customer's fulfilling certain conditions as established in the loan agreement. These conditions are dependent on the type of loan. Commitments to extend credit under consumer lines of credit are generally dependent upon payments in accordance with the loan agreement. Adherence to the loan agreement as to prompt payment is also required for commercial and construction lines of credit. In addition, most of these credit lines require that collateral be identified and evaluated according to the terms of the loan agreement in order for additional amounts to be advanced. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the normal course of business the Company's brokerage activities involve, principally through its clearing firm, various securities transactions. These activities may expose the Company to off balance sheet risk in the event the customer or clearing firm is unable to fulfill its contractual obligations.

State Life and Health Guaranty Funds
As a condition of doing business, all states and jurisdictions have adopted laws requiring membership in life and health insurance guaranty funds. Member companies are subject to assessments each year based on life, health or annuity premiums collected in the state. In some states these assessments may be applied against premium taxes. The Company has estimated its costs related to past insolvencies and has provided a reserve included in other liabilities of $4,663 and $5,464 and recorded the related asset for premium tax offsets in other assets of $3,208 and $3,988 as of December 31, 2018 and 2017, respectively.

Litigation and Regulatory Examination
On October 18, 2016, CIMI without admitting or denying any findings except as to the jurisdiction of the SEC and the subject matter of the Calvert Fund examination, consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings (the Order) in settlement of an Administrative Proceeding. The Order required CIMI to pay a civil money penalty of $3,900 in addition to reprocessing all affected shareholder transactions as related to the Calvert Fund examination. The order concluded the SEC's inquiry into this matter. CIMI paid the fine in 2016. The Company paid $15,025 during 2018 for shareholder restitutions. The Company accrued $0 and $12,506 at December 31, 2018 and 2017 for potential Calvert Fund shareholder disbursements.

Additionally on October 18, 2016, CIMI announced it had determined that certain fees paid to third-party intermediaries were incorrectly allocated for payment by, and paid by, the Calvert Funds. CIMI reported this matter to Calvert Funds' Boards and self-reported the matter to the SEC staff. The Company accrued $22,600 at December 31, 2016 related to this matter. During 2017, the Company funded an escrow account controlled by the SEC for $22,600. At December 31, 2018, the balance in the escrow account is $23,072 and the Company accrued $23,515 for the settlement.

NOTE 13 - FAIR VALUE MEASUREMENTS

Fair value measurement guidance requires that financial and nonfinancial assets and liabilities carried at fair value in the financial statements be included in a fair value hierarchy for disclosure purposes. The guidance defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

In determining fair value of financial assets and liabilities, the Company utilizes market data, evaluated pricing models, cash flow, and loan performance data as available. The degree of judgment used in measuring fair value of financial instruments generally correlates with the level of pricing observability. That is, financial instruments with quoted prices in active markets have more pricing observability and therefore less judgment is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using the valuation models or other pricing techniques that require more judgment. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable techniques.

A fair value working group (the Working Group) comprised of investment, operations and accounting professionals (including the functional heads of Investments and Investment Accounting) collaborate on a monthly basis to perform ongoing analysis of both third party and internally developed prices. Prices from third party pricing services are validated through comparison to internal pricing information and economic indicators including observed interest rates, credit spreads and market events as well as back testing to trade data to confirm that the pricing service's significant inputs are observable. The reasonableness of prices are further reviewed on a monthly basis through reports that identify securities with changes in price or yield that fall outside of a stated tolerance. The tolerance levels are adjusted by type of security based on the volatility inherent in the asset class. Securities falling outside of the stated tolerances are then examined further to verify reasonableness. Broker quotes are non-binding, are reviewed for reasonableness based on the Company's understanding of the market, and are generally considered unobservable inputs. Under certain conditions, the Company may conclude the prices received from independent third party pricing services or brokers are not reasonable or reflective of market activity. In those instances, the Company may choose to override third party pricing information or broker quotes received and apply internally developed values to the related assets or liabilities. Overrides of third party pricing information and the rationale for the overrides are shared with the Working Group for approval. Also, the Company will periodically request more granular information from the third party pricing service on asset classes judged to have more inherent subjectivity such as non-agency residential mortgage-backed securities. The Company will also challenge third party vendor prices for certain securities either when the vendor's prices differ from what level the Company believes is reflective of the market or if further granularity is needed.

In accordance with the guidance, the Company categorizes its financial instruments into a three level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level disclosed is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. In summary, the hierarchy prioritizes inputs to valuation techniques into three levels:

- Level 1 – Quoted prices in active markets for identical assets/liabilities. The Company's Level 1 assets include: Money market funds, exchange traded call and put options, equity securities and retail and institutional mutual funds (including investments held in the separate accounts).

- Level 2 – Includes prices based on other observable inputs, including quoted prices for similar assets/liabilities. The Company's Level 2 assets include the following fixed maturity securities: U.S. Treasury securities and obligations of U.S. government agencies (other than residential and commercial mortgage-backed securities and asset-backed securities), fixed maturity securities issued by states and political subdivisions of the U.S., U.S. agency residential and commercial mortgage-backed and asset-backed securities and virtually all of the U.S. and foreign public corporate securities. Level 2 assets also include over-the-counter call and put options and equity warrants.

- Level 3 – Includes unobservable inputs and may include the entities own assumptions about market participant assumptions. The Company's Level 3 assets include: Debt securities issued by states of the United States and political subdivisions of the states, non-agency residential and commercial mortgage-backed and asset-backed fixed maturity securities, private U.S. and foreign corporate fixed maturity and private equity securities, certain public U.S. and foreign corporate fixed maturity securities, collateralized debt obligations and liabilities for products with embedded derivatives.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis by the guidance hierarchy levels described above as of December 31, 2018:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial Assets:				
Fixed maturity securities available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	$ —	$ 85,578	$ —	$ 85,578
Debt securities issued by states of the United States and political subdivisions of the states	—	57,163	20,770	77,933
Foreign government securities	—	2,314	—	2,314
U.S. corporate securities	—	5,056,152	555,707	5,611,859
Residential mortgage-backed securities	—	452,498	167,463	619,961
Commercial mortgage-backed securities	—	79,573	—	79,573
Asset-backed securities	—	143,552	1,023,007	1,166,559
Collateralized debt obligations	—	—	306,417	306,417
Foreign corporate securities	—	1,164,213	717,077	1,881,290
Fixed maturity securities trading:				
U.S. corporate securities	—	67,824	2,057	69,881
Foreign corporate securities	—	25,990	4,297	30,287
Equity securities:				
Available for sale	317,657	—	—	317,657
Trading	96,230	—	—	96,230
Other investments:				
Exchange traded call and put options	8,157	—	—	8,157
Over the counter index call options	—	10,207	—	10,207
Municipal warrants	—	—	659	659
Private equity securities	—	—	846	846
Cash equivalents	226,290	—	—	226,290
Subtotal excluding assets related to separate accounts	648,334	7,145,064	2,798,300	10,591,698
Assets related to separate accounts[1]	—	—	—	9,221,857
Total assets accounted for at fair market value	$ 648,334	$ 7,145,064	$ 2,798,300	$ 19,813,555
Financial Liabilities:				
Exchange traded call and put options (written)	$ (3,418)	$ —	$ —	$ (3,418)
Liabilities for products with embedded derivatives and equity indexed products	—	—	(51,360)	(51,360)
Total liabilities accounted for at fair market value	$ (3,418)	$ —	$ (51,360)	$ (54,778)

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis by the guidance hierarchy levels described above as of December 31, 2017:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial Assets:				
Fixed maturity securities available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	$ —	$ 103,381	$ —	$ 103,381
Debt securities issued by states of the United States and political subdivisions of the states	—	65,570	21,137	86,707
Foreign government securities	—	2,349	—	2,349
U.S. corporate securities	—	5,418,470	485,443	5,903,913
Residential mortgage-backed securities	—	600,327	150,449	750,776
Commercial mortgage-backed securities	—	76,826	—	76,826
Asset-backed securities	—	399,464	552,488	951,952
Collateralized debt obligations	—	58,352	83,702	142,054
Foreign corporate securities	—	1,193,604	697,546	1,891,150
Fixed maturity securities trading:				
U.S. corporate securities	—	62,535	—	62,535
Foreign corporate securities	—	28,360	—	28,360
Equity securities:				
Available for sale	415,188	146	—	415,334
Trading	103,038	—	—	103,038
Other investments:				
Exchange traded call and put options	62,278	—	—	62,278
Over the counter index call options	—	31,468	—	31,468
Municipal warrants	—	—	239	239
Private equity securities	—	—	73,588	73,588
Cash equivalents	224,038	—	—	224,038
Subtotal excluding assets related to separate accounts	804,542	8,040,852	2,064,592	10,909,986
Assets related to separate accounts[1]	—	—	—	7,526,296
Total assets accounted for at fair market value	$ 804,542	$ 8,040,852	$ 2,064,592	$ 18,436,282
Financial Liabilities:				
Exchange traded call and put options (written)	$ (36,336)	$ —	$ —	$ (36,336)
Liabilities for products with embedded derivatives and equity indexed products	—	—	(97,625)	(97,625)
Total liabilities accounted for at fair market value	$ (36,336)	$ —	$ (97,625)	$ (133,961)

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

The market approach is utilized for the majority of the Company's fair value measurements; however, certain Level 2 and Level 3 measurements utilize a combination of the market and income approaches. The valuation techniques used to measure the fair values by type of investment and liabilities in the above table follow:

Fixed maturity securities:

- *U.S. Treasury securities and obligations of U.S. government agencies:* The primary inputs to valuation include reported trades, benchmark yields and credit spreads. The fair values of the agency securities are generally classified as Level 2 as the prices are based on observable market data.

Fixed maturity securities, (continued):

- *U.S. Government Agency and non-agency commercial and residential mortgage-backed and asset-backed securities:* The primary inputs to valuation include reported trades, bids, benchmark yields, credit spreads, estimated cash flows, prepayment speeds and collateral performance. Collateral performance is analyzed for each security and includes delinquency rates, loss severity rates and prepayment speeds. U.S. government agency securities are classified as Level 2 as the prices are based on observable market data. Non-agency commercial and residential mortgage-backed and asset-backed securities are classified as Level 2 if the prices are based on observable market data. If sufficient observable market data does not exist, such securities are classified as Level 3.

- *All other fixed maturity securities:* The primary inputs to valuation include reported trades, bids, benchmark yields, observations of credit default swap curves and credit spreads. A pricing matrix is used to price non-public fixed maturity securities. Fixed maturity securities are generally classified as Level 2 as the fair values are based on observable market data. Fixed maturity securities with a fair value based only on uncorroborated dealer quotes or internal valuations are assigned to Level 3.

Equity securities and assets related to separate accounts:

- *Public equity securities and retail and institutional mutual funds:* Classified primarily as Level 1 as the fair values are based on quoted prices in active markets for identical securities for public equity securities and retail mutual funds, while fair values for institutional mutual funds represent NAV as a practical expedient received from fund managers who stand ready to transact at the quoted values. Public equity securities with a fair value based on observable market data are classified as Level 2.

Other investments:

- *Exchange traded call and put options:* Valuation is based on quoted net asset values in active markets for identical securities. Exchange traded call options and equity put options are classified as Level 1.

- *Over the Counter index call options:* The primary inputs to valuation include broker quotes that utilize inputs tailored to the remaining term of each call option. Over the counter index call options are classified as Level 2.

- *Private equity securities:* The primary inputs to valuation include comparisons to similar publicly traded securities and other widely accepted valuation techniques as detailed in the Level 3 fair value measurement unobservable input table. Private equity securities are categorized as Level 3 as internal valuations are required to value the securities.

- *Municipal warrants:* Municipal warrants are categorized as Level 3 as internal valuations are used to value the Company's municipal warrants investments and significant inputs are unobservable.

Cash equivalents:

- *Money market funds:* Classified primarily as Level 1 as the valuation is based on quoted net asset values in active markets for identical securities.

Financial Liabilities:

- *Exchange traded call and put options (written):* Valuation is based on quoted net asset values in active markets for identical securities. Written exchange traded call options and written equity put options are classified as Level 1.

- *Liabilities for products with embedded derivatives:* The Company has three products with embedded derivatives: equity index annuity, equity index universal life, and variable annuity with a guaranteed lifetime withdrawal benefit rider. These liabilities are classified as Level 3 as observable market prices are not available and actuarial methods are used to estimate the fair values.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

The following summarizes changes to our financial instruments for the years 2018 and 2017 carried at fair value for which the Company used significant unobservable inputs (Level 3) to determine fair value measurements:

	Fair Value Measurements Using Significant Unobservable Inputs - Level 3							
		Total gains or losses (realized/unrealized)						
	Fair value at Dec 31, 2017	*Included in net income*	*Included in other compre- hensive income (loss)*	*Purchases and issuances*	*Sales and settlements*	*Transfers into Level 3*	*Transfers out of Level 3*	*Fair value at Dec 31, 2018*
Fixed maturity securities available for sale:								
Debt securities issued by states of the United States and political subdivisions of the states	$ 21,137	$ (14)	$ (353)	$ —	$ —	$ —	$ —	$ 20,770
U.S. corporate securities	485,443	(253)	(13,394)	129,146	(42,235)	—	(3,000)	555,707
Residential mortgage-backed securities	150,449	111	(4,957)	32,774	(10,914)	—	—	167,463
Asset-backed securities	552,488	1,397	2,856	524,083	(182,003)	134,186	(10,000)	1,023,007
Collateralized debt obligations	83,702	523	(4,337)	190,115	(21,614)	58,028	—	306,417
Foreign corporate securities	697,546	31	(18,825)	78,000	(42,675)	3,000	—	717,077
Fixed maturity securities trading:								
U.S. corporate securities	—	(158)	—	2,215	—	—	—	2,057
Foreign corporate securities	—	(225)	—	—	—	4,522	—	4,297
Other investments:								
Municipal warrants	239	4	—	—	416	—	—	659
Private equity securities	73,588	(2,940)	(43,023)	1,721	(28,500)	—	—	846
Embedded derivatives	(97,625)	45,126	—	(1,153)	2,292	—	—	(51,360)
Total	$ 1,966,967	$ 43,602	$ (82,033)	$ 956,901	$ (325,233)	$ 199,736	$ (13,000)	$ 2,746,940

Purchases and issuances in the above table reflect purchases except for issuances of $(1,153) of embedded derivatives. Sales and settlements in the above table reflect settlements except for sales of $(103,425) of fixed maturity securities available for sale.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

	Fair Value Measurements Using Significant Unobservable Inputs - Level 3							
		Total gains or losses (realized/unrealized)						
	Fair value at Dec 31, 2016	*Included in net income*	*Included in other compre-hensive income (loss)*	*Purchases and issuances*	*Sales and settlements*	*Transfers into Level 3*	*Transfers out of Level 3*	*Fair value at Dec 31, 2017*
Fixed maturity securities available for sale:								
Debt securities issued by states of the United States and political subdivisions of the states	$ 23,034	$ (85)	$ 13	$ 1,154	$ (2,979)	$ —	$ —	$ 21,137
U.S. corporate securities	470,718	(218)	9,066	66,283	(66,423)	6,017	—	485,443
Residential mortgage-backed securities	101,754	1,967	(447)	59,390	(12,215)	—	—	150,449
Asset-backed securities	513,508	5,751	6,693	185,985	(108,733)	—	(50,716)	552,488
Collateralized debt obligations	8,495	276	1,626	74,332	(1,027)	—	—	83,702
Foreign corporate securities	618,372	(677)	11,599	123,387	(55,135)	—	—	697,546
Fixed maturity securities trading:								
U.S. corporate securities	—	—	—	—	—	—	—	—
Foreign corporate securities	—	—	—	—	—	—	—	—
Other investments:								
Municipal warrants	166	(4)	—	—	77	—	—	239
Private equity securities	67,769	(200)	4,454	1,565	—	—	—	73,588
Embedded derivatives	(95,564)	(2,485)	—	(1,253)	1,677	—	—	(97,625)
Total	$ 1,708,252	$ 4,325	$ 33,004	$ 510,843	$ (244,758)	$ 6,017	$ (50,716)	$ 1,966,967

Purchases and issuances in the above table reflect purchases except for issuances of $(1,253) of embedded derivatives. Sales and settlements in the above table reflect settlements except for sales of $(43,733) of fixed maturity securities available for sale.

In the net income column in the tables above for fixed maturity securities and other investments, $1,540 and $7,324 was included in net investment income and $(3,064) and $(514) was included in net realized capital gains on the consolidated statements of operations in 2018 and 2017, respectively. For embedded derivatives, $45,126 and $(2,485) was included in change in policy and contract liabilities on the consolidated statements of operations in 2018 and 2017, respectively. The amount of total gains (losses) in 2018 and 2017 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2018 and 2017 was $(825) and $0 for fixed maturities, $4 and $(4) for municipal warrants, and $44,579 and $3,002 for embedded derivatives, respectively.

Transfers into and out of Level 3 typically occur due to changes in the valuation source and the availability of observable market inputs. Transfers into Level 3 in 2018 and 2017 included situations where a fair value quote based on observable market inputs was not available and the price was replaced with a broker quote that could not be corroborated to observable market inputs. Transfers out of Level 3 in 2018 and 2017 included situations where a fair value quote based on observable market inputs was available and the price had been based in the prior period on a broker quote that could not be corroborated to observable market inputs.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

The following table presents information about significant unobservable inputs used in Level 3 fair value measurements at December 31, 2018:

Assets accounted for at Fair Value on a recurring basis	*Fair Value*	*Predominant Valuation Method*	*Significant Unobservable Input*	*Range of Values - Unobservable Inputs (Weighted Average)* [1]	*Impact of Increase in Input on Fair Value* [2]
Debt securities issued by states of the U.S. or political subdivisions of the states[3]	$ 20,770	Broker quote	Price	101 - 105 (103)	Increase
U.S. corporate securities[4]	$ 554,041	Discounted cash flows	Spread	15 bps - 345 bps (120 bps)	Decrease
	3,723	Vendor price	Price	78 - 96 (86)	Increase
Residential mortgage-backed securities[5]	$ 99,668	Discounted cash flows	Constant prepayment rate	0% - 31% (13%)	Decrease
			Constant default rate	0% - 16% (2%)	Decrease
			Loss severity	0% - 100% (27%)	Decrease
	9,947	Broker quote	Price	101 - 104 (103)	Increase
	57,848	Vendor price	Price	65 - 101 (92)	Increase
Asset-backed securities[6]	$ 303,006	Discounted cash flows	Constant prepayment rate	0% - 100% (24%)	Decrease
			Constant default rate	0% - 3% (0%)	Decrease
			Loss severity	0% - 100% (15%)	Decrease
	285,030	Broker quote	Price	91 - 104 (98)	Increase
	431,994	Vendor price	Price	70 - 105 (99)	Increase
	2,977	Discounted cash flows	Spread	223 bps - 223 bps (223 bps)	Decrease
Collateralized debt obligation securities[7]	$ 43,210	Vendor price	Price	96 - 100 (98)	Increase
	263,207	Broker quote	Price	92 - 100 (98)	Increase
Foreign corporate securities[8]	$ 717,077	Discounted cash flows	Spread	15 bps - 508 bps (132 bps)	Decrease
	4,297	Broker quote	Price	101 - 101 (101)	Increase
Municipal warrants	$ 659	Discounted cash flows	Discount Rate	11.1%	Decrease
Private equity securities	846	Vendor price	Price	1 - 398 (199)	Increase
VA GLWB Embedded Derivatives	$ (40,167)	Stochastic Cash Flow Model	Mortality	104% -105% of 2012 IAM Basic with scale G2 improvement (104%)	Decrease
			Base Surrenders	2.3% - 17.1% (7.4%)	Decrease
			Delay Prior to Withdrawals	0 - 10 years (5.2)	Increase
			Volatility	1.0% - 29.5% (14.2%)	Increase
			Nonperformance Risk Spread	0.5% - 1.0% (0.5%)	Decrease
Equity Indexed Products	$ (11,193)	Actuarial Cash Flow	Projected Option Cost	2.2% - 4.4% (3.0%)	Increase
			Base Withdrawals	4.1% - 23.0% (7.5%)	Decrease
			Mortality	81% -130% of 1994 GAM with scale G2 improvement (100%)	Decrease
			Nonperformance Risk Spread	0.5% - 1.0% (0.6%)	Decrease

[1]The weighted average is determined based on the fair value of the securities.
[2]Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table above.
[3]Includes $20,770 of investment grade securities based on NAIC rating.
[4]Includes $547,777 of privately placed securities and $554,691 of investment grade securities based on NAIC rating.
[5]Primarily subordinated tranches of non-agency residential mortgage-backed securities and includes $166,165 of investment grade securities based on NAIC rating.
[6]Securities are diversified by asset class and include $993,763 of investment grade securities based on NAIC rating.
[7]Includes $306,417 of investment grade securities based on NAIC rating.
[8]Includes $717,077 of privately placed securities and $697,748 of investment grade securities based on NAIC rating.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

The following table presents information about significant unobservable inputs used in Level 3 fair value measurements at December 31, 2017:

Assets accounted for at Fair Value on a recurring basis	*Fair Value*	*Predominant Valuation Method*	*Significant Unobservable Input*	*Range of Values - Unobservable Inputs (Weighted Average)* [1]	*Impact of Increase in Input on Fair Value* [2]
Debt securities issued by states of the U.S. or political subdivisions of the states[3]	$ 21,137	Broker quote	Price	102 - 108 (105)	Increase
U.S. corporate securities[4]	$ 482,611	Discounted cash flows	Spread	49 bps - 187 bps (98 bps)	Decrease
	2,832	Vendor price	Price	91 - 98 (94)	Increase
Residential mortgage-backed securities[5]	$ 105,080	Discounted cash flows	Constant prepayment	0% - 28% (13%)	Decrease
			Constant default rate	0% - 34% (3%)	Decrease
			Loss severity	0% - 100% (28%)	Decrease
	1,919	Broker quote	Price	101	Increase
	43,450	Vendor price	Price	69 - 103 (94)	Increase
Asset-backed securities[6]	$ 88,173	Discounted cash flows	Constant prepayment	0% - 36% (9%)	Decrease
			Constant default rate	0% - 7% (2%)	Decrease
			Loss severity	0% - 100% (47%)	Decrease
	288,933	Broker quote	Price	90 - 101 (97)	Increase
	175,382	Vendor price	Price	70 - 108 (98)	Increase
Collateralized debt obligation securities[7]	$ 83,702	Broker quote	Price	89 - 102 (98)	Increase
Foreign corporate securities[8]	$ 694,581	Discounted cash flows	Spread	49 bps - 353 bps (108 bps)	Decrease
	2,965	Broker quote	Price	89	Increase
Municipal warrants	$ 239	Discounted cash flows	Discount Rate	11.5%	Decrease
Private equity securities	$ 69,973	Market comparables	Times revenue multiple	3.45	Increase
			Marketability discount	30%	Decrease
	3,615	Vendor price	Price	1.00	Increase
VA GLWB Embedded Derivatives	$ (32,019)	Stochastic Cash Flow Model	Mortality	80% of US Annuity Basic Table (2000)	Decrease
			Base Surrenders	2.3% - 17.1% (7.9%)	Decrease
			Delay Prior to Withdrawals	0 - 10 years (5.2)	Increase
			Volatility	1.0% - 28.4% (13.4%)	Increase
			Nonperformance Risk Spread	0.2% - .7% (0.2%)	Decrease
Equity Indexed Products	$ (65,606)	Actuarial Cash Flow	Projected Option Cost	2.1% - 4.5% (3.0%)	Increase
			Base Withdrawals	4.1% - 23.0% (7.5%)	Increase
			Mortality	81% -130% of 1994 GAM with scale G2 improvement (109%)	Increase
			Nonperformance Risk Spread	0.2% - .7% (0.3%)	Decrease

[1]The weighted average is determined based on the fair value of the securities.
[2]Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table above.
[3]Includes $21,137 of investment grade securities based on NAIC rating.
[4]Includes $473,875 of privately placed securities and $481,750 of investment grade securities based on NAIC rating.
[5]Primarily mezzanine tranches of non-agency residential mortgage-backed securities and includes $144,974 of investment grade securities based on NAIC rating.
[6]Primarily collateralized by home equity and manufactured housing and includes $544,960 of investment grade securities based on NAIC rating.
[7]Includes $83,702 of investment grade securities based on NAIC rating.
[8]Includes $658,244 of privately placed securities and $661,208 of investment grade securities based on NAIC rating.

NOTE 13 - FAIR VALUE MEASUREMENTS, (continued)

Nonrecurring Fair Value Measurements
The Company may be required to measure certain other financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the write-downs of individual assets, primarily impaired assets for the Company.

	December 31, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Mortgage loans on real estate	$ —	$ —	$ 1,624	$ 1,624
Real estate	—	—	1,091	1,091
Total	$ —	$ —	$ 2,715	$ 2,715

	December 31, 2017			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Mortgage loans on real estate	$ —	$ —	$ 5,409	$ 5,409
Real estate	—	—	5,092	5,092
Venture capital limited partnerships	—	—	416	416
Total	$ —	$ —	$ 10,917	$ 10,917

The valuation techniques used to measure the fair values by type of investment in the above table follow:

Mortgage loans on real estate:

- The Company considers a loan impaired when it is probable that it will be unable to collect all amounts due according to the contractual terms of the note agreement, including principal and interest. Management has determined that loan relationships that have nonaccrual status or have had their terms restructured meet this impaired loan definition, with the amount of impairment based upon the loan's observable market price, the estimated fair value of the collateral for collateral-dependent loans, or alternatively, the present value of the expected future cash flows discounted at the loan's effective interest rate. The use of observable market price or estimated fair value of collateral on collateral-dependent loans is considered a fair value measurement subject to the fair value hierarchy. Appraised values, adjusted for management's assumptions, are generally used on real estate collateral-dependent impaired loans, which the Company classifies as a Level 3 nonrecurring fair value measurement.

Real estate:

- The fair value is based on appraised value of collateral or the present value of expected future cash flows, which often results in significant management assumptions and input with respect to the determination and as such are classified as a Level 3 nonrecurring fair value measurement.

Venture capital limited partnerships:

- The Company measures based on management's assumptions as to the expected realizable proceeds, and as such are classified as a Level 3 nonrecurring fair value measurement.

The Company may also be required to measure certain other nonfinancial assets at fair value on a nonrecurring basis. These fair value measurements are typically related to intangible assets acquired in a business acquisition or goodwill which has been impaired to fair value after initial recognition.

There were no nonfinancial assets at fair value on a nonrecurring basis after initial recognition at December 31, 2018 or 2017.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures are made regarding fair value information about certain financial instruments for which it is practicable to estimate fair value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates, in many cases, could not be realized on immediate settlement of the instrument. All nonfinancial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2018 and 2017. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for each class of financial instrument for which it is practicable to estimate a value:

Fixed maturity securities – Fair value is determined as described in Note 13 on available for sale and trading securities. For held to maturity securities which are publicly traded securities, fair value is determined utilizing methodologies consistent with those described in Note 13 for fixed maturity securities. For held to maturity securities without a readily ascertainable fair value, the value has been determined using an interest rate spread matrix based upon quality, weighted average maturity and U.S. Treasury yields.

Mortgage loans on real estate, net – The fair value of commercial mortgage loans is primarily determined by estimating expected future cash flows and discounting the cash flows using current interest rates for similar mortgage loans with similar credit risk. The fair value of residential mortgage loans is determined by the Yields-Based or Price-Based approach. The Yield-Based approach, applied to performing and sub-performing loans, estimates fair value by first modeling contractual cash flows and then discounting the cash flows at an appropriate discount rate that incorporates an appropriate base rate (e.g., Treasury) to which a risk premium (spread) is added. The Price-Based approach, applied to non-performing loans (greater than 90 days past due) along with certain sub-performing loans, utilizes a direct estimate of a loan's net present value or dollar price, largely based on underlying collateral values. The valuation techniques used to measure the fair value of impaired loans are described in Note 13.

Loans on insurance policies – The fair values for loans on insurance policies are estimated using discounted cash flow analysis at interest rates currently offered for similar loans. Loans on insurance policies with similar characteristics are aggregated for purposes of the calculations.

Other investments – Fair value for venture capital limited partnerships is based on the underlying net asset value of the partnerships, adjusted for significant market events if the net asset value was not calculated as of December 31, 2018 and 2017. The fair value for private equity securities is determined based on internal valuations. Venture capital partnerships and real estate partnerships that are carried on the equity method are excluded from the fair value disclosure.

Cash, restricted cash and accrued investment income - The carrying amounts approximate fair value due to the short maturity of these instruments.

Accumulated contract values – Only contracts defined as investment contracts where there is no risk arising from policyowner mortality or morbidity are included in the fair value disclosure. Funds on deposit with a fixed maturity are valued at discounted present value using market interest rates. Funds on deposit which do not have fixed maturities are carried at the amount payable on demand at the reporting date, which approximates fair value.

Borrowings - Fair value for the Company's borrowed money was estimated using discounted cash flow calculations based on current interest rates consistent with the maturity of the obligation.

Surplus notes payable - Fair value for the Company's surplus notes liability was estimated using a discounted cash flow calculation based on current interest rates consistent with the maturity of the surplus notes.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS, (continued)

Separate account liabilities - Fair value is determined as described in Note 13. Separate account liabilities are carried at the fair value of the underlying assets.

Assets or liabilities where carrying amount equals fair value are previously disclosed in Note 13. Estimated fair values of assets or liabilities not carried at fair value are as follows:

	December 31, 2018		*December 31, 2017*	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
Financial assets:				
Fixed maturity securites held to maturity	$ 1,370	$ 1,451	$ 2,599	$ 2,774
Mortgage loans on real estate, net	2,161,721	2,200,496	1,969,464	2,023,616
Loans on insurance policies	438,858	466,506	411,096	477,372
Other investments	19,609	20,538	93,450	95,397
Cash	118,481	118,481	158,755	158,755
Accrued investment income	111,228	111,228	109,746	109,746
Financial liabilities:				
Accumulated contract values	902,362	901,167	890,866	890,307
Borrowings	14,144	13,639	14,538	14,528
Surplus notes payable	49,727	55,993	49,693	62,035
Liabilities related to separate accounts	9,221,857	9,221,857	7,526,296	7,526,296

NOTE 15 - SURPLUS NOTES

On November 1, 1996, Ameritas Life issued $50,000 of 8.20% Surplus Notes (Notes). The Notes mature on November 1, 2026 and may not be redeemed prior to maturity. The Notes are unsecured and subordinated to all present and future policy claims, prior claims and senior indebtedness. Subject to prior written approval of the Commissioner of the DOI-NE, these Notes pay interest semi-annually on May 1 and November 1. Interest expense of $4,100 was incurred in 2018, 2017 and 2016, and was recorded in interest expense on the consolidated statements of operations. In connection with issuing the Notes, Ameritas Life incurred and capitalized $765 of issuance cost. This cost is recorded as an offset to surplus notes payable on the consolidated balance sheets, and totaled $205 and $230 as of December 31, 2018 and 2017 respectively. Issuance cost of $25, $26 and $25 was amortized in 2018, 2017 and 2016, respectively, and recorded to sales and operating expenses on the consolidated statements of operations. Additionally, the Notes have an original issue discount of $260, which is deducted from the balance of the Notes. Issuance costs and original issue discount will be amortized under the straight-line method over the term of the Notes. Amortization relating to original issue discount of $9, $9 and $8 was recorded in 2018, 2017 and 2016, respectively, in sales and operating expenses on the consolidated statements of operations. Unamortized original issue discount of $68 and $77 was deducted from the balance of the Notes as of December 31, 2018 and 2017, respectively.

NOTE 16 – OTHER COMPREHENSIVE INCOME ACTIVITY AND BALANCES

The following table presents information about the changes in the balances for each component of accumulated other comprehensive income:

	Net Unrealized Gains/(Losses) on Available for Sale Securities	*Other than Temporary Impairments*	*Unrealized Losses on Defined Benefit Plan Obligations*	*Total Accumulated Other Comprehensive Income*
Balance, January 1, 2016	$ 135,122	$ 6,047	$ (79,962)	$ 61,207
Other comprehensive income before reclassifications, net of tax	85,329	(402)	(10,795)	74,132
Amounts reclassified from AOCI, net of tax	(25,602)	—	6,546	(19,056)
Balance, December 31, 2016	194,849	5,645	(84,211)	116,283
Other comprehensive income before reclassifications, net of tax	137,677	(2,464)	(816)	134,397
Amounts reclassified from AOCI, net of tax	(25,606)	—	6,921	(18,685)
Reclassification of tax effects of the Tax Act	64,128	685	(17,712)	47,101
Balance, December 31, 2017	371,048	3,866	(95,818)	279,096
Other comprehensive income before reclassifications, net of tax	(328,285)	165	6,595	(321,525)
Amounts reclassified from AOCI, net of tax	(83,386)	—	8,043	(75,343)
Other	1,978	—	—	1,978
Balance, December 31, 2018	$ (38,645)	$ 4,031	$ (81,180)	$ (115,794)