Annuity Investors Life Insurance Company

Statutory-Basis Financial Statements

As of December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, 2022 and 2021 with Independent Auditors' Report

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KPMG LLP
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312 Walnut Street
Cincinnati, OH 45202

Independent Auditors' Report

The Board of Directors
Annuity Investors Life Insurance Company:

Opinions

We have audited the financial statements of Annuity Investors Life Insurance Company (the Company), which comprise the balance sheets statutory-basis as of December 31, 2023 and 2022, and the related statements of operations statutory-basis, statements of changes in capital and surplus statutory-basis, and statements of cash flow statutory basis for the years then ended, and the related notes to the financial statements (collectively, financial statements).

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets statutory-basis of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flow for the years then ended in accordance with accounting practices prescribed or permitted by the Ohio Department of Insurance described in Note B.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note B to the financial statements, the financial statements are prepared by the Company using accounting practices prescribed or permitted by the Ohio Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles. The effects on the financial statements of the variances between the statutory accounting practices described in Note B and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2022, the Company elected to apply a prescribed practice promulgated under Ohio Administrative Code Section 3901-1-67 ("OAC 3901-1-67") to its derivative instruments hedging indexed products and indexed annuity reserve liabilities. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the Ohio Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the supplemental schedule of selected statutory-basis financial data, supplemental investment disclosures, and supplemental schedule of life and health reinsurance disclosures is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Ohio Department of Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ KPMG LLP

Cincinnati, Ohio
April 23, 2024

ANNUITY INVESTORS LIFE INSURANCE COMPANY
BALANCE SHEETS
STATUTORY-BASIS
(Dollars in thousands, except share data)

	December 31	
	2023	**2022**
ADMITTED ASSETS		
Cash and invested assets:		
Bonds - at amortized cost (fair value: $1,893,187 and $2,149,123)	$ 1,997,742	$ 2,322,409
Preferred stocks - principally at fair value (cost: $4,000 and $4,000)	4,181	4,000
Cash, cash equivalents and short-term investments	130,811	45,324
Policy loans	43,633	45,036
Equity index call options	20,275	24,814
Other invested assets	7,989	18,132
Total cash and invested assets	2,204,631	2,459,715
Investment income due and accrued	23,391	24,495
Net deferred federal income tax asset	4,933	1,713
Admitted disallowed interest maintenance reserve	11,396	-
Other admitted assets	925	1,604
Total general account admitted assets	2,245,276	2,487,527
Separate account assets	524,809	499,063
Total admitted assets	$ 2,770,085	$ 2,986,590
LIABILITIES, CAPITAL AND SURPLUS		
Liabilities:		
Annuity reserves	$ 1,752,011	$ 2,027,101
Liability for deposit-type contracts	14,536	16,363
Policy and contract claims	4,167	6,869
Asset valuation reserve	17,977	17,914
Interest maintenance reserve	-	4,867
Current federal income tax payable	1,199	752
Commissions and general expenses due and accrued	3,327	2,954
Taxes, licenses and fees due and accrued	206	331
Transfers from separate accounts due and accrued	(48)	-
Collateral	6,149	2,269
Equity index call options	15,291	20,131
Other liabilities	2,954	3,816
Total general account liabilities	1,817,769	2,103,367
Separate account liabilities	524,809	499,063
Total liabilities	2,342,578	2,602,430
Capital and surplus:		
Common stock - $125 par value; 25,000 shares authorized;		
20,000 shares issued and outstanding	2,500	2,500
Gross paid-in and contributed surplus	171,550	171,550
Unassigned funds	242,061	210,110
Aggregate write-in for special surplus funds	11,396	-
Total capital and surplus	427,507	384,160
Total liabilities, capital and surplus	$ 2,770,085	$ 2,986,590

See accompanying notes to statutory-basis financial statements.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
STATEMENTS OF OPERATIONS
STATUTORY-BASIS
(Dollars in thousands)

	Year Ended December 31		
	2023	**2022**	**2021**
Premiums and other revenues:			
Premiums and annuity considerations	$ 65,103	$ 82,172	$ 97,434
Net investment income	102,481	92,554	105,179
Amortization of interest maintenance reserve	(71)	1,633	1,444
Contract charges - separate accounts	6,866	7,507	9,237
Charges and fees for deposit-type contracts	374	149	191
Other income	2,842	3,034	3,327
Total premiums and other revenues	177,595	187,049	216,812
Benefits and expenses:			
Policyholders' benefits	447,778	270,838	304,671
Change in policy and contract reserves	(275,090)	(79,670)	(65,290)
Change in policy and contract claim reserves	(2,702)	1,750	565
Commission expenses	6,243	7,481	8,691
General insurance expenses	6,706	11,245	12,350
Insurance taxes, licenses and fees	612	950	919
Net transfers from separate accounts	(62,026)	(54,798)	(76,609)
Total benefits and expenses	121,521	157,796	185,297
Income from operations before federal income taxes and net realized capital (losses) gains	56,074	29,253	31,515
Federal income tax expense	(11,846)	(4,222)	(5,321)
Income from operations before net realized capital (losses) gains	44,228	25,031	26,194
Net realized capital (losses) gains:			
Net realized capital (losses) gains before related federal income taxes and transfers to interest maintenance reserve	(23,088)	(521)	8,713
Federal income tax benefit (expense) on net realized capital (losses) gains	2,445	22	(2,059)
Interest maintenance reserve transfers, net of tax	16,334	(441)	(4,733)
Net realized capital (losses) gains	(4,309)	(940)	1,921
Net income	$ 39,919	$ 24,091	$ 28,115

See accompanying notes to statutory-basis financial statements.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
STATUTORY-BASIS
(Dollars in thousands)

	Year Ended December 31		
	2023	**2022**	**2021**
Common stock:			
Balance at beginning and end of year	$ 2,500	$ 2,500	$ 2,500
Gross paid-in and contributed surplus:			
Balance at beginning and end of year	$ 171,550	$ 171,550	$ 171,550
Unassigned funds:			
Balance at end of prior year	$ 210,110	$ 196,452	$ 169,222
Change in reserve on account of change in valuation basis*	-	3,418	-
Cumulative effect of change in accounting principle*	-	(11,112)	-
Adjusted beginning balance*	210,110	188,757	169,222
Net income	39,919	24,091	28,115
Change in net unrealized losses on equity index call options	-	-	(423)
Change in net unrealized capital gains (losses), net of deferred taxes	375	(603)	91
Change in net deferred tax asset	2,557	387	107
Change in nonadmitted assets	559	(826)	11
Change in admitted disallowed interest maintenance reserve	(11,396)	-	-
Change in asset valuation reserve	(63)	(1,696)	(671)
Balance at end of year	$ 242,061	$ 210,110	$ 196,452
Special surplus funds:			
Balance at end of prior year	$ -	$ -	$ -
Change in admitted disallowed interest maintenance reserve	11,396	-	-
Balance at end of year	$ 11,396	$ -	$ -
Total capital and surplus	$ 427,507	$ 384,160	$ 370,502

* Effective January 1, 2022, the Company elected to apply Ohio Administrative Code 3901-1-67, Alternative Derivative and Reserve Accounting Practices (OAC 3901-1-67) to its derivative instruments hedging fixed-indexed products and fixed-indexed annuity reserve liabilities. At adoption, the decrease in statutory surplus of ($5.5 million) was comprised of $3.4 million in change in reserve on account of change in valuation basis, ($11.1 million) in cumulative effect of change in accounting principle, $1.6 million in change in net deferred income tax and $0.6 million in change in nonadmitted assets.

See accompanying notes to statutory-basis financial statements.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
STATEMENTS OF CASH FLOW
STATUTORY-BASIS
(Dollars in thousands)

	Year Ended December 31		
	2023	**2022**	**2021**
Operations:			
Premiums and annuity considerations	$ 65,103	$ 82,172	$ 97,434
Net investment income	112,328	100,589	117,493
Benefits paid	(444,028)	(266,807)	(300,141)
Commissions, expenses and other deductions	(13,623)	(21,375)	(21,498)
Net transfers from separate accounts	55,111	47,291	68,953
Contract charges - separate accounts	6,866	7,507	9,237
Federal income taxes paid	(8,954)	(5,501)	(6,581)
Other	9,774	10,544	12,552
Net cash used in operations	(217,423)	(45,580)	(22,551)
Investing activities:			
Sales, maturities or repayments of investments, net:			
Bonds	452,927	297,166	426,590
Stocks	-	-	2,008
Other invested assets	9,461	-	-
Purchases of investments:			
Bonds	(149,078)	(422,466)	(247,092)
Stocks	-	(4,000)	-
Miscellaneous applications	(10,191)	(9,657)	(13,623)
Net decrease in policy loans	1,403	2,155	3,452
Net cash provided by (used in) investing activities	304,522	(136,802)	171,335
Financing and miscellaneous activities:			
Net withdrawals on deposit-type contracts	(5,203)	(5,584)	(6,338)
Other	3,591	4,055	(1,961)
Net cash used in financing and miscellaneous activities	(1,612)	(1,529)	(8,299)
Net increase (decrease) in cash, cash equivalents and short-term investments	85,487	(183,911)	140,485
Cash, cash equivalents and short-term investments at beginning of year	45,324	229,235	88,750
Cash, cash equivalents and short-term investments at end of year	$ 130,811	$ 45,324	$ 229,235
Cash flow information for non-cash transactions:			
Bonds transferred to other invested assets	$ 350	$ -	
Bond conversions and refinancing	-	12,804	

See accompanying notes to statutory-basis financial statements.

A. ORGANIZATION AND NATURE OF OPERATIONS

Annuity Investors Life Insurance Company ("AILIC" or "the Company"), a stock life insurance company domiciled in the State of Ohio, is a wholly-owned subsidiary of MassMutual Ascend Life Insurance Company ("MMALIC"). As of May 28, 2021, MMALIC is a wholly-owned subsidiary of Glidepath Holdings, Inc., a financial services holding company wholly-owned by Massachusetts Mutual Life Insurance Company ("MassMutual"). Prior to that date, MMALIC, previously known as Great American Life Insurance Company, was a direct wholly-owned subsidiary of Great American Financial Resources, Inc., a financial services holding company wholly-owned by American Financial Group, Inc. ("AFG"). AILIC markets individual and group fixed, individual fixed-indexed, and individual and group variable annuities nationwide primarily to the savings and retirement markets. The Company is licensed in forty-eight states and the District of Columbia.

B. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("NAIC") and the Ohio Department of Insurance, which vary in some respects from U.S. generally accepted accounting principles ("GAAP"). Although the differences to GAAP have not been quantified, they are presumed to be material. The more significant of the differences using these statutory policies versus GAAP are as follows:

(a) annuity receipts are accounted for as revenues versus liabilities for GAAP,
(b) costs incurred in the acquisition of new business such as commissions, underwriting and policy issuance costs, are expensed at the time incurred versus being capitalized for GAAP,
(c) reserves established for future policy benefits are calculated using more conservative assumptions for mortality and interest rates than would be used under GAAP. Beginning on January 1, 2022, certain indexed annuity reserves are calculated in accordance with a prescribed practice under the Ohio Administrative Code discussed in footnote E,
(d) for statutory reporting, an Interest Maintenance Reserve ("IMR") is provided, whereby portions of certain realized gains and losses from fixed income investments are deferred and amortized into investment income as prescribed by the NAIC,
(e) investments in bonds considered "available for sale" (as defined by GAAP) are generally recorded at amortized cost versus fair value for GAAP, except those with an NAIC designation of "6," which are stated at the lower of amortized cost or fair value,
(f) investments in non-affiliated common stocks are carried at fair value. Redeemable preferred stocks rated RP1 through RP3 are stated at book value. All other redeemable preferred stocks are stated at the lower of book value or fair value. Perpetual preferred stocks are stated at fair value, not to exceed any effective call price. GAAP requires that equity securities are carried at fair value with holding gains and losses reported in realized gains,
(g) for statutory reporting, surplus notes are carried at book value. Under GAAP, surplus notes are considered investment in bonds "available for sale" recorded at fair value,
(h) for statutory reporting, an Asset Valuation Reserve ("AVR") is provided under a formula prescribed by the NAIC as a valuation allowance for invested assets, which reclassifies a portion of surplus to liabilities,
(i) the cost of certain assets designated as "nonadmitted assets" (principally advance commissions paid to agents, certain investment income due and accrued, deferred tax assets ("DTA") in excess of statutory limitations) is charged against surplus,
(j) prior to January 1, 2022, the mark to market on equity index call options was included as an unrealized gain/(loss) in unassigned funds versus income for GAAP,
(k) the fixed-indexed annuity options are carried at amortized cost versus fair value for GAAP. Prior to January 1, 2022, fixed-indexed annuity options were carried at fair value,
(l) the expense allowance associated with statutory reserving practices for investment contracts held in the separate accounts is reported in the general account as a negative liability,

B. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) in accordance with Statement of Statutory Accounting Principle ("SSAP") No. 101 – *Income Taxes*, DTAs are limited to: 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with Internal Revenue Service ("IRS") tax loss carryback provisions, not to exceed three years, including amounts established in accordance with the provision of SSAP No. 5R, plus 2) for entities who meet the required realization threshold in SSAP No. 101, the lesser of the remaining gross DTAs expected to be realized within three years of the balance sheet date or 15% of capital and surplus excluding any net DTAs, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of remaining gross DTAs that can be offset against existing gross deferred tax liabilities ("DTL"). The remaining DTAs are nonadmitted. Deferred taxes do not include amounts for state taxes. Under GAAP, a DTA is recorded for the amount of gross DTAs expected to be realized in future years, and a valuation allowance is established for DTAs not realizable,
(n) for statutory reporting, cash, cash equivalents, and short-term investments represent cash balances and investments with initial maturities of one year or less. Under GAAP, cash and cash equivalents include cash balances and investments with initial maturities of three months or less, and negative cash balances are reported as negative assets,
(o) changes in deferred taxes are recognized in operations under GAAP versus a change in surplus for statutory reporting,
(p) statutory financial statements are prepared using language and groupings substantially the same as the annual statements of the Company filed with the Ohio Department of Insurance,
(q) statutory statements of cash flows are presented on the basis prescribed by the NAIC, and
(r) statutory financial statements do not include accumulated other comprehensive income.

INTEREST RATE RISK

Significant changes in interest rates expose the Company to the risk of not earning income or experiencing losses based on the differences between the interest rates earned on investments and the credited interest rates paid on outstanding fixed annuity contracts and life insurance products with account values. Significant changes in interest rates may affect:

- the unrealized gains and losses in the investment portfolio;
- the book yield of the investment portfolio; and
- the ability of the Company to maintain appropriate interest rate spreads over the fixed rates guaranteed in life and annuity products.

CREDIT RISK

Third party debtors may not pay or perform their obligations. These parties may include the issuers of securities, customers, reinsurers, and other financial intermediaries.

PRESCRIBED OR PERMITTED PRACTICES

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The NAIC's *Accounting Practices and Procedures Manual*, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Ohio. The Company has no prescribed or permitted practices that would result in differences between NAIC SAP and the State of Ohio with the exception of OAC 3901-1-67.

Effective January 1, 2022, the Company elected to apply OAC 3901-1-67 to its derivative instruments hedging fixed- indexed products and fixed-indexed reserve liabilities. Under OAC 3901-1-67, derivative instruments are carried at amortized cost with the initial hedge cost amortized over the term and asset payoffs realized at the end of the term being reported through net investment income. Additionally, the cash surrender value reserves for fixed-indexed products only reflect index interest credits at the end of the crediting term as compared to partial index interest credits accumulating throughout the crediting term through change in policy and contract reserves.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the prescribed or permitted practices were not applied, the Company's risk-based capital would continue to be above regulatory action levels. A reconciliation of the Company's net income (loss) between NAIC SAP and prescribed practice is shown below:

Net Income (*in thousands*)	SSAP #	F/S Page	State of Domicile	Year Ended December 31 2023	2022	2021
(1) State basis	XXX	XXX	XXX	$ 39,919	$ 24,091	$ 28,115
(2) State prescribed practices that increase/(decrease) NAIC SAP	XXX	XXX	XXX			
OAC 3901-1-67:						
Derivative instruments	86	4	OH	36	797	-
Reserves for fixed indexed annuities	51	4	OH	2,473	(3,117)	-
(3) State permitted practices that increase/(decrease) NAIC SAP	XXX	XXX	XXX	-	-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	$ 37,410	$ 26,411	$ 28,115

A reconciliation of the Company's capital and surplus between the NAIC SAP and prescribed practice is shown below:

Surplus (*in thousands*)	SSAP #	F/S Page	State of Domicile	Year Ended December 31 2023	2022	2021
(5) Statutory surplus state basis	XXX	XXX	XXX	$ 427,507	$ 384,160	$ 370,502
(6) State prescribed practices that increase/(decrease) NAIC SAP						
OAC 3901-1-67:						
Derivative instruments	86	2, 4	OH	(8,924)	(749)	-
Reserves for fixed indexed annuities	51	3, 4	OH	2,774	301	-
Tax impact	101	2, 4	OH	1,858	661	-
(7) State permitted practices that increase/(decrease) NAIC SAP	XXX	XXX	XXX	-	-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	$ 431,799	$ 383,947	$ 370,502

Preparation of the statutory-basis financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

INVESTMENTS

Investments are generally stated as follows:

a) bonds with a NAIC rating 1 through 5 are stated at amortized cost using the interest method; all others are stated at the lower of amortized cost or fair value. For residential mortgage-backed securities ("MBS"), commercial MBS and loan-backed and structured securities ("LBASS"), the NAIC has retained a third-party investment management firm to assist in the determination of the appropriate NAIC designations and Book Adjusted Carrying Values based on not only the probability of loss, but also the severity of loss. Those residential MBS, commercial MBS and LBASS securities that are not modeled but receive a current year NAIC Credit Rating Provider rating equal to NAIC 1 and 2 are stated at amortized cost and NAIC 3-6 are stated at lower of amortized cost or fair value. Dealer modeled prepayment assumptions are used for mortgage-backed and asset-backed securities at the date of purchase to determine effective yields; significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis,
b) short-term investments are carried at cost,
c) redeemable preferred stocks rated RP1 through RP3 are stated at book value. All other redeemable preferred stocks are stated at the lower of book value or fair value. Perpetual preferred stocks are stated at fair value, not to exceed any effective call price,
d) common stocks are carried at fair value,
e) fixed-indexed annuity options are carried at amortized cost. Prior to January 1, 2022, fixed indexed annuity options were carried at fair value,
f) other invested assets, consisting of surplus notes, are stated at the lower of amortized cost or fair value,
g) policy loans are stated at the aggregate unpaid balance.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If it is determined that a decline in fair value of a specific investment is other-than-temporary, an impairment is recognized as a realized capital loss. Investments that are in an unrealized loss position that the Company intends to sell, or does not have the intent and ability to hold until recovery, are written down to fair value. Loan-backed and structured securities (included in bonds) that are in an unrealized loss position that the Company has the intent and ability to hold until recovery, are written down only to the extent the present value of expected future cash flows using the security's effective yield is lower than the amortized cost. All other bonds that are in an unrealized loss position that the Company has the intent and ability to hold until recovery are written down to fair value if declines are credit-related and not written down for interest-related declines. When a decline in the value of a specific investment is considered to be other-than-temporary, a provision for impairment is charged to earnings (included in net realized capital losses) and the cost basis of that investment is reduced by the amount of the charge.

The Company's equity index call options are derivative instruments. The Company's derivative instruments do not meet the criteria for hedge accounting and are accounted for at amortized cost. Subsequent to the adoption of OAC 3901-1-67 on January 1, 2022, options related to fixed-indexed annuities are recorded at amortized cost with amortization and expirations recorded in net investment income.

Counterparties to financial instruments expose the Company to credit-related losses in the event of nonperformance, but the Company does not expect any counterparties to fail to meet their obligations and expects any nonperformance to not have a material impact on the Company's financial statements.

Investments having maturities of three months or less when purchased are considered to be cash equivalents for purposes of the statutory-basis financial statements. The carrying values of cash and short-term investments approximate their fair values.

Gains or losses on sales of securities are recognized at the time of disposition with the amount of gain or loss determined on the specific identification basis.

The IMR applies to interest-related realized capital gains and losses (net of tax) and is intended to defer realized gains and losses resulting from changes in the general level of interest rates. Gains and losses deferred from realized capital gains and losses are reported in interest maintenance reserve transfers, net of tax on the Statement of Operations. The IMR is amortized into investment income over the approximate remaining life of the investments sold.

The AVR provides for possible credit-related losses on securities and is calculated according to a specified formula as prescribed by the NAIC for the purpose of stabilizing surplus against fluctuations in the fair value of investment securities. Changes in the required reserve balances are made by direct credits or charges to surplus.

PREMIUMS

Annuity premiums and considerations are recognized as revenue when received.

SEPARATE ACCOUNTS

Separate account assets and liabilities reported in the accompanying statutory-basis balance sheet represent funds that are separately administered for annuity contracts, and for which the contract holder, rather than AILIC, bears the investment risk. Assets of the separate accounts are not chargeable with liabilities incurred in any other business operation of AILIC. Separate account assets are reported at fair value. The operations of the separate accounts are not included in the accompanying statutory-basis financial statements. Fees charged on separate account policyholder account values are included in Contract charges – separate accounts in the Statement of Operations.

POLICY BENEFIT RESERVES

Annuity reserves are developed by actuarial methods and are determined based on published tables using statutorily specified interest rates and valuation methods that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed policy cash values or the amounts required by the Ohio Department of Insurance.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuity policy and deposit fund reserves are based on principles underlying the Commissioners Annuity Reserve Valuation Method. Valuation interest rates range from 2.00% to 7.00%. Valuation mortality rates are from the 1983 Individual Annuity Mortality table, 1994 Minimum Guaranteed Death Benefit Mortality table, the Annuity 2000 mortality table and the 2012 Individual Annuity Reserving mortality table. Reserves for fixed-indexed annuities are calculated using the market value reserve method as defined in NAIC Actuarial Guideline 35, adjusted in accordance with OAC 3901-1-67. Prior to 2022, reserves for fixed-indexed annuities were calculated using the market value reserve method as defined in NAIC Actuarial Guideline 35.

Tabular interest, tabular less actual reserves released and tabular costs have been determined by formula. Tabular interest on funds not involving life contingencies is calculated as the product of such valuation rate of interest times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

AILIC’s variable annuity contracts contain a guaranteed minimum death benefit (“GMDB”) to be paid if the policyholder dies before the annuity payout period commences. In periods of declining equity markets, the GMDB may exceed the value of the policyholder’s account. The total reserve for variable annuities, which includes a provision for the GMDB, is determined according to the provisions of NAIC VM-21.

The liability for unreported claims is based on actual, recent Company experience of unreported annuity claim development. This experience is monitored and the liability is adjusted accordingly each quarter.

The Company is required to perform an annual asset adequacy test of reserves, to determine if they are adequate under moderately adverse conditions. The Appointed Actuary oversees the analysis and determines if and how much additional reserves are required. As of December 31, 2023 and 2022 additional reserves were not required.

FEDERAL INCOME TAXES

Through the first five months of 2021, the Company had an intercompany tax allocation agreement with AFG. Pursuant to the agreement, the Company's tax expense was determined based upon its inclusion in the consolidated tax return of AFG and its includable subsidiaries. Estimated payments were made quarterly during the year. Following year-end, additional settlements would be made on the original due date of the return and, when extended, at the time the return was filed. The method of allocation among the companies under the agreement was based upon separate return calculations with current credit for net losses to the extent the losses provided a benefit in the consolidated return.

Beginning in June of 2021, MMALIC and its subsidiaries entered into a separate intercompany tax allocation agreement (the Tax Agreement). The Tax Agreement sets forth the manner in which the total combined federal income is allocated among the subsidiaries. The Tax Agreement provides MMALIC with the enforceable right to recoup federal income taxes paid in prior years in the event of future net capital losses, which it may incur. Further, the Tax Agreement provides MMALIC with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes. Estimated payments are made quarterly during the year. Following year-end, additional settlements are made on the original due date of the return and, when extended, at the time the return is filed.

NEW ACCOUNTING STANDARDS

In June 2022, the NAIC adopted modifications to SSAP No. 25, *Affiliates and Other Related Parties* and SSAP No. 43R, *Loan-Backed and Structured Securities*, effective December 31, 2022. The modifications clarify application of the existing affiliate definition and incorporate disclosure requirements for all investments that involve related parties, regardless of whether they meet the affiliate definition. The revisions to SSAP No. 43R also included additional clarifications that the investments from any arrangements that results in direct or indirect control, which include but are not limited to control through a servicer, shall be reported as affiliated investments. The modifications did not have a material effect on the Company’s financial statements.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In August 2023, the NAIC adopted INT 23-01T — *Disallowed IMR* ("INT 23-01T"). INT 23-01T provides optional, limited-term guidance for the assessment of disallowed IMR for up to 10% of adjusted general account capital and surplus. An insurer's capital and surplus must first be adjusted to exclude certain "soft assets" including net positive goodwill, electronic data processing equipment and operating system software, net deferred tax assets and admitted disallowed IMR. An insurer will only be able to admit the negative IMR if the insurer's risk-based capital is over 300% authorized control level after adjusting to remove the assets described above.

As adopted, negative IMR may be admitted first in the insurer's general account and then, if all disallowed IMR in the general account is admitted and the percentage limit is not reached, to the separate account proportionately between insulated and noninsulated accounts. If the insurer can demonstrate historical practice in which acquired gains from derivatives were also reversed to IMR (as liabilities) and amortized, there is no exclusion for derivatives losses. INT 23-01T was adopted by the Company as of September 30, 2023 and will be effective through December 31, 2025. To the extent the Company's IMR balance is a net negative, the effects of INT 23-01T will be reflected in the Company's financial position, results of operations, and financial statement disclosures. The Company has adopted this guidance and the adoption resulted in an admitted disallowed IMR of $11.4 million.

In March 2023, the NAIC adopted modifications to SSAP No. 34 – *Investment Income Due and Accrued*, effective December 31, 2023. The modifications require additional disclosures and data capture related to gross, non-admitted and admitted amounts for interest income due and accrued, deferred interest, and paid-in-kind ("PIK") interest.

In August 2023, the NAIC adopted revisions to further clarify the PIK interest disclosure in SSAP No. 34, effective December 31, 2023. The revisions clarify that decreasing amounts to principal balances are first applied to any PIK interest included in the principal balance. The original principal would not be reduced until the PIK interest had been fully eliminated from the balance. The revisions also provide a practical expedient for determining the PIK interest in the cumulative balance by subtracting the original principal/ par value from the current principal/ par value, with the resulting PIK interest not to go less than zero. The modifications did not have a material effect on the Company's impact of PIK in relation to the financial statements.

In August 2023, the NAIC adopted revisions to clarify and incorporate a new bond definition within disclosures SSAP No. 26 – *Bonds*, SSAP No. 43 – *Asset-Backed Securities*, and other related SSAPs, effective January 1, 2025. The revisions were issued in connection with its principle-based bond definition project, the Bond Project.

The Bond Project began in October 2020 through the development of a principle-based bond definition to be used for all securities in determining whether they qualify for reporting on the statutory annual statement Schedule D. Within the new bond definition, bonds are classified as an "issuer credit obligation" or an "asset-backed security." An "issuer credit obligation" is defined as a bond where repayment is supported by the general creditworthiness of an operating entity, and an "asset-backed security" is defined as a bond issued by an entity created for the primary purpose of raising capital through debt backed by financial assets. The revisions to SSAP No. 26 reflect the principle-based bond definition, and SSAP No. 43 provides accounting and reporting guidance for investments that qualify as asset-backed securities under the new bond definition. Upon adoption, investments that do not qualify as bonds will not be permitted to be reported as bonds on Schedule D, Part 1 thereafter as there will be no grandfathering for existing investments that do not qualify under the revised SSAPs. The Company is currently assessing the impacts of the adopted SSAP No. 26, SSAP No. 43 and other related SSAPs in relation to the financial statements.

SUBSEQUENT EVENTS

Management has evaluated all events occurring after December 31, 2023, through the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements.

C. FAIR VALUE MEASUREMENTS

Fair value is defined 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. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In determining fair value, the Company uses various methods, including market, income and cost approaches.

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 or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The three levels of the hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). AILIC's Level 1 financial instruments consist primarily of cash, cash equivalents and short-term investments and publicly traded equity securities for which quoted market prices in active markets are available.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. AILIC's Level 2 financial instruments include fixed maturities, separate account assets and liabilities, and equity index call options. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 - Valuations derived from market valuation techniques generally consistent with those used to estimate the fair value of Level 2 financial instruments in which one or more significant inputs are unobservable or when the market for a security exhibits significantly less liquidity relative to markets supporting Level 2 fair value measurements. The unobservable inputs may include management's own assumptions about the assumptions market participants would use based on the best information available in the circumstances. AILIC's Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information.

Management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, the investment manager considers widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, management communicates directly with the pricing service regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities. See "Note D - Investments" for fair value of investment securities.

C. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets and liabilities measured at fair value on a recurring basis categorized into the three-level fair value hierarchy at December 31, 2023 are summarized below (in thousands):

Description	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
Industrial and miscellaneous	$ -	$ 14	$ -	$ 14
Total bonds	$ -	$ 14	$ -	$ 14
Non-affiliated preferred stock	$ -	$ 2,181	$ -	$ 2,181
Separate account assets	-	524,809	-	524,809
Total assets accounted for at fair value	$ -	$ 526,990	$ -	$ 526,990
Liabilities:				
Separate account liabilities	$ -	$ 524,809	$ -	$ 524,809
Total liabilities accounted for at fair value	$ -	$ 524,809	$ -	$ 524,809

Financial assets and liabilities measured at fair value on a recurring basis categorized into the three-level fair value hierarchy at December 31, 2022 are summarized below (in thousands):

Description	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
Industrial and miscellaneous	$ -	$ 139	$ -	$ 139
Total bonds	$ -	$ 139	$ -	$ 139
Separate account assets	-	499,063	-	499,063
Total assets accounted for at fair value	$ -	$ 499,063	$ -	$ 499,063
Liabilities:				
Separate account liabilities	$ -	$ 499,063	$ -	$ 499,063
Total liabilities accounted for at fair value	$ -	$ 499,063	$ -	$ 499,063

The Company did not have any material transfers in or out of Level 3 during the 2023 and 2022 reporting periods.

The Company did not have any assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2023 and 2022.

C. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table categorizes all the financial assets and liabilities in the financial statements into the three-level fair value hierarchy at December 31, 2023 (in thousands):

Description	Fair Value	Carrying Value	Level 1	Level 2	Level 3
Financial assets:					
Bonds:					
U.S. Government and					
government agencies	$ 942	$ 949	$ -	$ 942	$ -
All other governments	999	1,000	-	999	-
States, territories,and possessions	29,943	31,186	-	29,943	-
Political subdivisions of					
states, territories	20,378	21,059	-	20,378	-
Special Revenue	159,844	174,837	-	159,844	-
Industrial & Miscellaneous	1,661,085	1,749,036	-	1,653,774	7,311
Parent, Subs and Affiliates	19,996	19,675	-	19,996	-
Total bonds	$ 1,893,187	$ 1,997,742	$ -	$ 1,885,876	$ 7,311
Non-affiliated preferred stocks	4,253	4,181	2,072	2,181	-
Equity index call options*	13,907	20,275	5,442	8,465	-
Separate account assets	524,809	524,809	-	524,809	-
Cash, cash equivalents and					
short-term investments	130,811	130,811	130,811	-	-
Policy loans	43,633	43,633	-	-	43,633
Other investments	5,713	7,989	-	5,713	-
Total financial assets	$ 2,616,313	$ 2,729,440	$ 138,325	$ 2,427,044	$ 50,944
Financial liabilities:					
Equity index call options*	-	15,291	-	-	-
Separate account liabilities	524,809	524,809	-	524,809	-
Total financial liabilities	$ 524,809	$ 540,100	$ -	$ 524,809	$ -

*Effective 1/1/2022, Equity index call options are carried at amortized cost per OAC 3901-1-67. Fair Value of options is reported net in the asset section for disclosure.

C. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table categorizes all the financial assets and liabilities in the financial statements into three-level fair value hierarchy at December 31, 2022 (in thousands):

Description	Fair Value	Carrying Value	Level 1	Level 2	Level 3
Financial assets:					
Bonds:					
U.S. Government and government agencies	$ 405	$ 419	$ -	$ 405	$ -
All other governments	986	999	-	986	-
States, territories,and possessions	32,241	33,981	-	32,241	-
Political subdivisions of states, territories	26,677	27,621	-	26,677	-
Special Revenue	174,597	192,919	-	174,597	-
Industrial & Miscellaneous	1,897,495	2,049,676	-	1,889,936	7,559
Parent, Subs and Affiliates	16,722	16,794	-	16,722	-
Total bonds	$ 2,149,123	$ 2,322,409	$ -	$ 2,141,564	$ 7,559
Non-affiliated preferred stocks	4,053	4,000	2,053	-	2,000
Equity index call options*	5,432	24,814	2,207	3,225	-
Separate account assets	499,063	499,063	-	499,063	-
Cash, cash equivalents and short-term investments	45,324	45,324	45,324	-	-
Policy loans	45,036	45,036	-	-	45,036
Other investments	16,613	18,132	-	16,613	-
Total financial assets	$ 2,764,644	$ 2,958,778	$ 49,584	$ 2,660,465	$ 54,595
Financial liabilities:					
Equity index call options*	-	20,131	-	-	-
Separate account liabilities	499,063	499,063	-	499,063	-
Total financial liabilities	$ 499,063	$ 519,194	$ -	$ 499,063	$ -

*Effective 1/1/2022, Equity index call options are carried at amortized cost per OAC 3901-1-67. Fair Value of options is reported net in the asset section for disclosure.

C. FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair values of financial instruments:

Separate Accounts: Separate Account Assets are stated at the net asset values of their respective portfolios.

Bonds: Fair value for investments in publicly traded bonds are obtained from nationally recognized pricing services. Fair values for privately placed investment grade bonds are obtained from broker quotes or determined internally by security analysts of the Company's affiliated investment portfolio manager.

Equity index call options: The fair values for AILIC's equity index call options are based on settlement values, quoted market prices of comparable instruments, fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and counterparties' credit standing (guarantees, loan commitments), or, if there are no relevant comparables, on pricing models or formulas using current assumptions.

Surplus notes: Surplus notes are stated at the lower of amortized cost or fair value. Fair values are based on market prices provided by an outside pricing service.

Policy Loans: The Company states policy loans at the aggregate unpaid balance, which approximates fair value.

Non-affiliated preferred and common stock: Fair values of equity securities are generally based on closing prices obtained from the exchanges on which the securities are traded. For the remainder of these securities, fair values are determined by management's internal investment professionals using data from nationally recognized pricing services as well as non-binding broker quotes.

Cash, cash equivalents and short-term investments: Cash and cash equivalents, which are carried at amortized cost, consist of all highly liquid investments purchased with original maturities of three months or less. Short-term investments, which are carried at amortized cost, consist of short-term bonds, money market mutual funds and all highly liquid investments purchased with maturities of greater than three months and less than or equal to 12 months. The carrying value reported in the Statutory Balance Sheet for cash, cash equivalents and short-term investment instruments approximates the fair value.

D. INVESTMENTS

Bonds at December 31 consisted of the following (in thousands):

	2023			
	Carrying Value	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. Government and agencies	$ 949	$ 942	$ 2	$ 9
All other governments	1,000	999	-	1
States, territories and possessions	31,186	29,943	4	1,247
Political subdivisions	21,059	20,378	21	702
Special revenue	174,837	159,844	86	15,079
Industrial and miscellaneous	1,749,036	1,661,085	6,815	94,766
Parent, subsidiaries and affiliates	19,675	19,996	321	-
Total bonds	$ 1,997,742	$ 1,893,187	$ 7,249	$ 111,804

	2022			
	Carrying Value	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. Government and agencies	$ 419	$ 405	$ -	$ 14
All other governments	999	986	-	13
States, territories and possessions	33,981	32,241	4	1,744
Political subdivisions	27,621	26,677	76	1,020
Special revenue	192,919	174,597	132	18,454
Industrial and miscellaneous	2,049,676	1,897,495	6,109	158,290
Parent, subsidiaries and affiliates	16,794	16,722	-	72
Total bonds	$ 2,322,409	$ 2,149,123	$ 6,321	$ 179,607

At December 31, 2023 and 2022 the Company held unrated or less-than-investment grade bonds of $23.7 million and $30.7 million, respectively, with an aggregate fair value of $21.4 million and $27.5 million, respectively. Those holdings amounted to 1.2% and 1.2% of the Company's investments in bonds and approximately 0.8% and 1.0% of the Company's total admitted assets at December 31, 2023 and 2022, respectively. The Company performs periodic evaluations of the relative credit standing of the issuers of these bonds.

D. INVESTMENTS (CONTINUED)

Unrealized gains and losses on investments in non-affiliated preferred and common stocks are reported directly in unassigned surplus and do not affect operations. The cost, gross unrealized gains and losses and fair value of those investments are summarized as follows (in thousands):

	Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
At December 31, 2023				
Non-affiliated preferred stocks	$ 4,000	$ 4,253	$ 253	$ -
Non-affiliated common stocks	-	-	-	-
Total	$ 4,000	$ 4,253	$ 253	$ -

	Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
At December 31, 2022				
Non-affiliated preferred stocks	$ 4,000	$ 4,053	$ 53	$ -
Non-affiliated common stocks	-	-	-	-
Total	$ 4,000	$ 4,053	$ 53	$ -

The following tables present gross unrealized losses and fair values on bonds and non-affiliated preferred and common stocks by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31 (dollars in thousands):

	2023					
	Twelve Months or Less			More Than Twelve Months		
	Fair Value	Gross Unrealized Loss	Number of Issuers	Fair Value	Gross Unrealized Loss	Number of Issuers
U.S. Government and agencies	$ 497	$ 3	1	$ 243	$ 6	1
All other governments	-	-	0	999	1	1
States, territories and possessions	4,048	36	3	23,797	1,211	11
Political subdivisions	2,506	14	2	11,077	688	8
Special revenue	11,708	244	10	135,346	14,835	64
Industrial and miscellaneous	148,348	1,619	50	1,292,592	93,166	603
Parent, subsidiaries and affiliates	-	-	-	-	-	-
Total bonds	$ 167,107	$ 1,916	66	$ 1,464,054	$ 109,907	688

D. INVESTMENTS (CONTINUED)

	2022					
	Twelve Months or Less			More Than Twelve Months		
	Fair Value	Gross Unrealized Loss	Number of Issuers	Fair Value	Gross Unrealized Loss	Number of Issuers
U.S. Government and agencies	$ 405	$ 14	1	$ -	$ -	-
All other governments	986	13	1	-	-	-
States, territories and possessions	31,847	1,744	13	-	-	-
Political subdivisions	19,852	1,020	12	-	-	-
Special revenue	135,839	12,287	69	25,117	6,167	6
Industrial and miscellaneous	1,483,279	102,783	624	276,617	55,818	172
Parent, subsidiaries and affiliates	16,722	72	2	-	-	-
Total bonds	$ 1,688,930	$ 117,933	722	$ 301,734	$ 61,985	178
Non-affiliated preferred stocks	$ -	$ -	-	$ -	$ -	-
Non-affiliated common stocks	-	-	-	-	-	1
Total non-affiliated preferred and common stocks	$ -	$ -	-	$ -	$ -	1

The December 31, 2022 gross unrealized losses include $0.3 million of losses included in the carrying value. These losses include $0.2 million from NAIC Class 6 bonds and $0.1 million from RMBS whose ratings were obtained from outside modelers. These losses were primarily included in industrial and miscellaneous.

The quality of the bond portfolio is determined by the use of SVO ratings and the equivalent rating agency designations. The following sets forth the NAIC class ratings for the bond portfolio as of December 31 (in thousands):

		2023		2022	
NAIC Class	Equivalent Rating Agency Designation	Carrying Value	% of Total	Carrying Value	% of Total
1	Aaa/ Aa / A	$ 1,129,251	57%	$ 1,305,296	56%
2	Baa	844,836	43%	986,452	43%
3	Ba	9,956	0%	20,361	1%
4	B	9,797	0%	6,782	0%
5	Caa and lower	3,902	0%	3,398	0%
6	In or near default	-	0%	120	0%
		$ 1,997,742	100%	$ 2,322,409	100%

When a decline in the value of a specific investment is considered to be other-than-temporary, a provision for impairment is charged to earnings (accounted for as realized capital loss) and the cost basis of that investment is reduced by the amount of the charge. The determination of whether unrealized losses are other-than-temporary requires judgment based on subjective as well as objective factors. Factors considered and resources used by management include:

(a) whether the unrealized loss is credit-driven or a result of changes in market interest rates,
(b) the extent to which fair value is less than cost basis,
(c) cash flow projections received from independent sources,
(d) historical operating, balance sheet and cash flow data contained in issuer Securities and Exchange Commission filings and news releases,
(e) near-term prospects for improvement in the issuer and/or its industry,
(f) third party research and communications with industry specialists,
(g) financial models and forecasts,

D. INVESTMENTS (CONTINUED)

(h) the continuity of dividend payments, maintenance of investment grade ratings and hybrid nature of certain investments,
(i) discussions with issuer management, and
(j) the ability and intent to hold investment for a period of time sufficient to allow for any anticipated recovery in fair value. Based on its analysis of the factors enumerated above, management believes (i) AILIC will recover its cost basis in the securities with unrealized losses and (ii) that AILIC has the ability and intent to hold securities until they recover in value. Although AILIC has the ability to continue holding its investments with unrealized losses, its intent to hold them may change due to deterioration in the issuers' creditworthiness, decisions to lessen exposure to a particular issuer or industry, asset/liability management decisions, market movements, changes in views about appropriate asset allocation or the desire to offset taxable realized gains. Should AILIC's ability or intent change with regard to a particular security, a charge for impairment would likely be required. While it is not possible to accurately predict if or when a specific security will become impaired, charges for other-than-temporary impairment ("OTTI") could be material to results of operations in future periods.

Net realized gains (losses) on investments sold and charges for OTTI on investments held were as follows for the years ended December 31 (dollars in thousands):

Year	Net Realized (Losses) Gains (Net of IMR Transfers and Taxes)	Charges for Impairment	Total	Number of Investments with Impairment Charges
2023	$ (2,885)	$ (1,424)	$ (4,309)	51
2022	$ 449	$ (1,389)	$ (940)	58
2021	$ 1,942	$ (21)	$ 1,921	3

The following is a summary of the carrying value and fair value of bonds as of December 31, 2023 and 2022 (in thousands) by contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without prepayment penalties. Securities with more than one maturity date are included in the table using the final maturity date.

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Maturity:				
One year or less	$ 143,499	$ 142,380	$ 81,211	$ 80,757
After one year through five years	816,715	799,872	729,651	703,394
After five years through ten years	386,284	362,648	712,717	656,166
After ten years	651,244	588,287	798,830	708,806
Total bonds by maturity	$ 1,997,742	$ 1,893,187	$ 2,322,409	$ 2,149,123

The aggregate amount of investment income generated as a result of prepayment penalties and accelerations fees was $0.0 million, $0.1 million, and $3.2 million during 2023, 2022, and 2021, respectively.

Proceeds from sales of bonds were $236.6 million, $28.4 million, and $23.0 million for 2023, 2022, and 2021, respectively. Gross realized gains of $0.4 million, $1.2 million, and $8.0 million and gross realized losses of $21.2 million, $0.3 million, and $0.1 million were realized on bonds during 2023, 2022, and 2021, respectively. The number of securities disposed of with a callable feature in 2023 and 2022 was 49 and 63, respectively.

D. INVESTMENTS (CONTINUED)

AILIC's $198.5 million investment in MBS represents approximately 9.9% of the carrying value of its bonds at December 31, 2023. The Company's indirect exposure to subprime mortgage risk as of December 31, 2023 had a total actual cost and book adjusted carrying values of approximately $58.9 million and $59.6 million, respectively, and a total fair value of approximately $53.1 million. AILIC's $215.2 million investment in MBS represents approximately 9.3% of the carrying value of its bonds at December 31, 2022. The Company's indirect exposure to subprime mortgage risk as of December 31, 2022 had a total actual cost and book adjusted carrying values of approximately $39.3 million and $39.4 million, respectively, and a total fair value of approximately $37.3 million.

The Company has no aggregate loan-backed securities with an OTTI in which the Company has the intent to sell or the inability or lack of intent to retain the investment in the security for a period of time to recover the amortized cost basis.

The following table shows each loan-backed security with an OTTI recognized in 2023, as the present value of cash flows expected to be collected is less than the amortized cost basis of the security (in whole dollars):

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
61751DAE4	259,538	249,008	10,530	249,008	310,239	3/31/2023
059522AU6	283,671	262,829	20,842	262,829	272,104	3/31/2023
07386XAH9	539,771	538,985	786	538,985	495,812	3/31/2023
12628LAD2	247,700	240,964	6,736	240,964	208,557	3/31/2023
12667F4N2	284,910	281,796	3,113	281,796	281,274	3/31/2023
12668APC3	244,384	240,821	3,563	240,821	233,915	3/31/2023
17307GED6	135,314	133,746	1,568	133,746	139,716	3/31/2023
32051GT70	142,161	141,988	173	141,988	127,782	3/31/2023
46627MAD9	103,942	102,545	1,397	102,545	91,480	3/31/2023
46627MEJ2	284,660	284,158	502	284,158	239,305	3/31/2023
59020UW43	111,771	111,792	(21)	111,792	122,554	3/31/2023
643528AB8	14,649	14,369	280	14,369	14,178	3/31/2023
643529AC4	63,266	59,538	3,728	59,538	66,326	3/31/2023
74923HAQ4	107,495	107,624	(129)	107,624	96,032	3/31/2023
75115DAA3	244,726	241,998	2,728	241,998	228,182	3/31/2023
761118SC3	216,109	216,123	(14)	216,123	185,891	3/31/2023
761118UG1	131,387	130,591	796	130,591	111,157	3/31/2023
76112BNM8	856,578	856,818	(240)	856,818	898,416	3/31/2023
855541AC2	91,510	91,195	315	91,195	86,634	3/31/2023
86360BAJ7	187,702	184,178	3,524	184,178	192,115	3/31/2023
87222EAB4	419,459	405,894	13,565	405,894	368,397	3/31/2023
87222EAC2	485,781	466,534	19,247	466,534	397,916	3/31/2023
05949CHM1	307,419	302,325	5,094	302,325	309,449	3/31/2023
12544DAG4	54,392	53,050	1,342	53,050	47,002	3/31/2023
12545EAK2	77,168	74,869	2,299	74,869	67,350	3/31/2023
12638PAB5	242,477	235,057	7,420	235,057	185,281	3/31/2023
126694CS5	572,520	570,389	2,131	570,389	461,794	3/31/2023
16165MAG3	254,083	245,091	8,992	245,091	220,502	3/31/2023
2254582Y3	243,376	241,692	1,684	241,692	218,122	3/31/2023
225458L55	101,618	101,023	595	101,023	94,173	3/31/2023
225470VF7	241,497	235,282	6,216	235,282	231,644	3/31/2023
46630WAB6	186,949	185,762	1,188	185,762	173,166	3/31/2023

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
46630WAL4	126,624	125,196	1,427	125,196	119,906	3/31/2023
46631NAA7	143,852	138,697	5,155	138,697	113,964	3/31/2023
57643MLZ5	40,593	40,108	485	40,108	38,571	3/31/2023
61751DAE4	254,684	244,173	10,511	244,173	301,038	6/30/2023
07386XAH9	587,281	557,059	30,222	557,059	481,985	6/30/2023
12566UAN4	401,769	401,945	(176)	401,945	410,620	6/30/2023
12628LAD2	242,035	226,391	15,644	226,391	197,305	6/30/2023
12667F5E1	258,647	257,840	808	257,840	240,162	6/30/2023
12667GAC7	180,684	166,753	13,931	166,753	171,366	6/30/2023
12668APC3	230,663	228,714	1,948	228,714	219,422	6/30/2023
32051GT70	140,295	139,482	813	139,482	125,195	6/30/2023
46627MAD9	100,964	100,962	2	100,962	88,920	6/30/2023
46627MEJ2	279,525	278,401	1,124	278,401	230,457	6/30/2023
643528AB8	14,428	14,177	251	14,177	14,210	6/30/2023
643529AC4	61,238	57,771	3,467	57,771	65,594	6/30/2023
65535VSJ8	255,863	248,159	7,704	248,159	222,055	6/30/2023
74923HAQ4	105,153	103,853	1,301	103,853	88,736	6/30/2023
75116FBH1	863,072	861,830	1,242	861,830	737,036	6/30/2023
761118SC3	208,893	207,116	1,778	207,116	179,000	6/30/2023
761118UG1	126,026	125,408	617	125,408	106,207	6/30/2023
86360BAJ7	182,119	181,928	191	181,928	185,932	6/30/2023
87222EAB4	407,102	395,968	11,133	395,968	357,646	6/30/2023
87222EAC2	472,250	453,088	19,162	453,088	390,450	6/30/2023
05949CHM1	301,300	300,625	675	300,625	308,314	6/30/2023
12544DAG4	52,212	52,489	(276)	52,489	45,910	6/30/2023
12638PAB5	237,413	231,688	5,725	231,688	181,375	6/30/2023
12669G3S8	166,123	165,614	509	165,614	147,995	6/30/2023
16165MAG3	234,334	234,427	(93)	234,427	207,143	6/30/2023
17025AAH5	60,460	56,115	4,345	56,115	57,988	6/30/2023
2254582Y3	239,470	239,472	(2)	239,472	214,686	6/30/2023
225458L55	100,886	100,187	699	100,187	86,609	6/30/2023
225470VF7	232,112	232,126	(13)	232,126	221,781	6/30/2023
466247ZP1	61,209	60,073	1,136	60,073	53,651	6/30/2023
46630WAL4	128,820	121,470	7,351	121,470	117,149	6/30/2023
46631NAA7	138,285	135,727	2,558	135,727	106,446	6/30/2023
46631NDT3	371,795	368,097	3,699	368,097	361,352	6/30/2023
57643MLZ5	38,476	37,846	630	37,846	36,227	6/30/2023
863579XC7	275,143	269,471	5,672	269,471	279,519	6/30/2023
86363GAF1	163,311	152,051	11,260	152,051	154,496	6/30/2023
57430U301	301,979	230,593	71,386	230,593	203,803	9/30/2023
61751DAE4	247,557	237,983	9,574	237,983	273,061	9/30/2023
059522AU6	264,346	255,856	8,490	255,856	255,403	9/30/2023
07386XAH9	548,744	528,226	20,518	528,226	468,039	9/30/2023

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
12628LAD2	228,289	221,707	6,582	221,707	184,630	9/30/2023
12667F4N2	274,740	270,944	3,796	270,944	258,231	9/30/2023
12667F5E1	251,153	249,765	1,387	249,765	229,841	9/30/2023
12667GAC7	176,221	176,257	(36)	176,257	165,072	9/30/2023
12668APC3	221,360	221,714	(355)	221,714	211,544	9/30/2023
17307GED6	132,850	131,595	1,255	131,595	135,753	9/30/2023
32051GT70	137,038	136,120	918	136,120	120,302	9/30/2023
46627MAD9	97,406	95,481	1,925	95,481	83,787	9/30/2023
46627MEC7	243,066	240,387	2,679	240,387	215,376	9/30/2023
46627MEJ2	274,309	273,560	749	273,560	222,021	9/30/2023
643528AB8	14,153	14,185	(32)	14,185	13,463	9/30/2023
643529AC4	59,333	57,871	1,462	57,871	63,308	9/30/2023
65535VSJ8	250,069	245,704	4,364	245,704	213,573	9/30/2023
74923HAQ4	101,952	102,078	(125)	102,078	85,852	9/30/2023
75115DAA3	235,935	232,081	3,854	232,081	228,082	9/30/2023
761118SC3	202,737	203,963	(1,227)	203,963	173,490	9/30/2023
761118UG1	121,699	121,887	(188)	121,887	102,174	9/30/2023
86360BAJ7	178,518	177,937	581	177,937	181,862	9/30/2023
87222EAB4	397,136	378,770	18,367	378,770	347,503	9/30/2023
87222EAC2	458,714	437,546	21,169	437,546	367,741	9/30/2023
05949CHM1	266,430	264,376	2,053	264,376	276,241	9/30/2023
12638PAB5	234,051	227,587	6,465	227,587	172,609	9/30/2023
12669G4K4	188,971	188,934	37	188,934	174,054	9/30/2023
12669GR45	191,729	183,096	8,633	183,096	165,717	9/30/2023
17025AAH5	52,563	54,951	(2,388)	54,951	55,496	9/30/2023
225458L55	93,214	92,536	678	92,536	80,144	9/30/2023
225470VF7	229,365	220,422	8,943	220,422	214,715	9/30/2023
46631NDT3	358,326	358,919	(593)	358,919	335,400	9/30/2023
47233DAB7	267,824	92,093	175,731	92,093	306,628	9/30/2023
57643MLZ5	35,570	34,883	687	34,883	32,879	9/30/2023
863579XC7	263,321	248,924	14,397	248,924	259,484	9/30/2023
61751DAE4	243,413	236,367	7,046	236,367	283,563	12/31/2023
059522AU6	250,975	250,977	(1)	250,977	254,645	12/31/2023
07386XAH9	522,021	519,705	2,316	519,705	467,235	12/31/2023
12628LAD2	223,774	208,784	14,990	208,784	185,521	12/31/2023
12667F4N2	261,013	259,290	1,724	259,290	255,709	12/31/2023
12667F5E1	245,840	244,574	1,266	244,574	227,294	12/31/2023
12667GAC7	170,078	168,113	1,965	168,113	159,577	12/31/2023
32051GT70	132,673	131,254	1,418	131,254	114,609	12/31/2023
46627MCY1	589,481	565,190	24,291	565,190	574,237	12/31/2023
46627MEC7	235,719	234,460	1,259	234,460	217,659	12/31/2023

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
643528AB8	14,495	13,765	730	13,765	13,735	12/31/2023
643529AC4	59,493	57,292	2,201	57,292	64,885	12/31/2023
65535VSJ8	244,872	245,325	(453)	245,325	197,001	12/31/2023
75115DAA3	232,774	233,488	(715)	233,488	205,258	12/31/2023
75116FBH1	810,026	800,349	9,677	800,349	673,683	12/31/2023
855541AC2	80,386	79,805	581	79,805	74,033	12/31/2023
86360BAJ7	186,384	176,454	9,930	176,454	184,213	12/31/2023
87222EAB4	418,578	412,382	6,196	412,382	347,413	12/31/2023
87222EAC2	441,033	428,529	12,504	428,529	347,900	12/31/2023
05949CHM1	266,840	262,355	4,486	262,355	265,131	12/31/2023
12544DAG4	50,045	50,000	46	50,000	41,017	12/31/2023
12638PAB5	229,182	222,371	6,811	222,371	164,083	12/31/2023
1266942H0	94,329	93,960	369	93,960	78,026	12/31/2023
12669GR45	180,999	179,667	1,332	179,667	167,656	12/31/2023
2254582Y3	217,087	214,895	2,191	214,895	193,216	12/31/2023
225458L55	92,538	91,855	683	91,855	76,532	12/31/2023
46630WAL4	113,922	112,998	924	112,998	75,676	12/31/2023
46631NDT3	350,422	351,594	(1,172)	351,594	342,185	12/31/2023
57643MLZ5	32,802	32,208	593	32,208	29,291	12/31/2023
86363GAF1	144,622	143,975	647	143,975	145,708	12/31/2023
Total			$ 808,136			

The following table shows each loan-backed security with an OTTI recognized in 2022, as the present value of cash flows expected to be collected is less than the amortized cost basis of the security (in whole dollars):

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
05949CHM1	380,676	347,943	32,733	347,943	357,865	3/31/2022
57643MLZ5	54,956	53,283	1,673	53,283	53,735	3/31/2022
02147WAT6	254,695	248,452	6,243	248,452	228,809	6/30/2022
07386XAH9	688,941	659,083	29,858	659,083	594,752	6/30/2022
12566UAE4	151,894	144,576	7,318	144,576	134,417	6/30/2022
12566UAN4	535,654	446,281	89,373	446,281	476,193	6/30/2022
12628LAD2	296,809	280,204	16,605	280,204	244,888	6/30/2022
12668APC3	287,384	273,870	13,514	273,870	279,043	6/30/2022
225470Q89	87,163	74,240	12,923	74,240	59,241	6/30/2022
59020UW43	242,243	211,176	31,067	211,176	219,259	6/30/2022
65535VSJ8	275,122	267,699	7,423	267,699	244,161	6/30/2022
74923HAQ4	118,389	115,335	3,054	115,335	105,518	6/30/2022
75116FBH1	976,473	959,539	16,933	959,540	888,643	6/30/2022
761118SC3	237,537	237,117	419	237,118	216,385	6/30/2022
87222EAB4	494,716	455,093	39,622	455,094	457,642	6/30/2022
87222EAC2	534,519	510,051	24,468	510,051	477,058	6/30/2022

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
93934NAC9	157,084	143,257	13,827	143,257	134,032	6/30/2022
058931AT3	206,470	204,615	1,855	204,615	199,081	6/30/2022
12544DAG4	60,992	57,279	3,712	57,280	54,200	6/30/2022
12545EAK2	85,111	80,321	4,790	80,321	72,961	6/30/2022
12638PAB5	250,818	247,830	2,988	247,830	202,353	6/30/2022
1266942H0	111,759	106,426	5,333	106,426	92,409	6/30/2022
126694HP6	63,728	48,533	15,195	48,533	48,242	6/30/2022
12669G3S8	195,282	189,407	5,874	189,408	174,815	6/30/2022
12669G4K4	209,404	205,823	3,581	205,823	192,812	6/30/2022
16165MAG3	284,734	280,914	3,820	280,914	251,810	6/30/2022
17025AAH5	78,077	72,569	5,508	72,569	69,311	6/30/2022
225458L55	104,378	103,743	636	103,742	93,384	6/30/2022
46631NAA7	163,838	161,160	2,678	161,160	146,767	6/30/2022
46631NDT3	463,024	387,655	75,369	387,655	429,615	6/30/2022
863579XC7	359,201	339,386	19,816	339,385	357,327	6/30/2022
86363GAF1	215,253	193,854	21,400	193,853	203,201	6/30/2022
57430U301	340,561	251,093	89,468	251,093	200,857	9/30/2022
61751DAE4	270,138	253,109	17,029	253,109	355,148	9/30/2022
07386XAH9	650,123	633,063	17,060	633,063	549,390	9/30/2022
12566UAE4	141,627	137,170	4,457	137,170	123,985	9/30/2022
12566UAN4	430,379	409,912	20,467	409,912	429,238	9/30/2022
12628LAD2	288,997	264,493	24,504	264,493	225,987	9/30/2022
126670JP4	115,335	108,947	6,388	108,947	108,549	9/30/2022
12667F4N2	305,399	295,928	9,471	295,928	287,960	9/30/2022
12668APC3	264,194	259,221	4,973	259,221	257,596	9/30/2022
17307GED6	145,496	138,941	6,555	138,941	140,777	9/30/2022
46627MAD9	113,191	109,486	3,705	109,486	105,690	9/30/2022
46627MEJ2	322,501	303,746	18,755	303,746	261,419	9/30/2022
59020UW43	201,005	187,287	13,718	187,287	141,473	9/30/2022
643528AB8	16,684	15,216	1,468	15,216	14,848	9/30/2022
643529AC4	65,467	60,286	5,181	60,286	72,463	9/30/2022
65535VSJ8	264,947	261,552	3,395	261,552	228,867	9/30/2022
74923HAQ4	111,578	112,206	(628)	112,206	98,348	9/30/2022
75116CET9	197,884	124,934	72,950	124,934	172,420	9/30/2022
761118SC3	231,203	230,170	1,033	230,170	196,730	9/30/2022
87222EAB4	454,504	432,353	22,151	432,353	427,539	9/30/2022
87222EAC2	508,151	484,282	23,869	484,282	442,031	9/30/2022
93934FMD1	306,689	267,421	39,268	267,421	273,659	9/30/2022
05949CHM1	315,258	308,317	6,941	308,317	310,460	9/30/2022
12544DAG4	55,972	56,089	(117)	56,089	48,533	9/30/2022
12545EAK2	79,326	78,168	1,158	78,168	67,272	9/30/2022
12638PAB5	245,739	242,585	3,154	242,585	189,193	9/30/2022
1266942H0	104,382	103,371	1,011	103,371	86,966	9/30/2022
126694CS5	623,176	622,612	564	622,612	504,346	9/30/2022

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
126694HP6	46,541	45,249	1,292	45,249	44,058	9/30/2022
12669DUS5	55,425	55,347	78	55,347	53,203	9/30/2022
12669G3S8	187,145	187,165	(20)	187,165	167,194	9/30/2022
12669G4K4	204,076	202,035	2,041	202,035	184,928	9/30/2022
12669GR45	205,689	201,980	3,709	201,980	186,671	9/30/2022
16165MAG3	270,164	268,360	1,804	268,360	229,252	9/30/2022
17025AAH5	69,208	66,667	2,541	66,667	60,845	9/30/2022
2254582Y3	254,519	246,629	7,890	246,629	218,373	9/30/2022
225458L55	103,123	103,123	-	103,123	87,676	9/30/2022
466247ZP1	66,360	64,318	2,042	64,318	61,270	9/30/2022
46631NAA7	157,469	153,660	3,809	153,660	130,885	9/30/2022
46631NDT3	384,457	384,482	(25)	384,482	391,998	9/30/2022
57643MLZ5	45,725	44,549	1,176	44,549	42,256	9/30/2022
863579XC7	305,121	296,675	8,446	296,675	300,535	9/30/2022
86363GAF1	188,569	180,220	8,349	180,220	177,707	9/30/2022
61751DAE4	256,950	252,783	4,167	252,783	307,429	12/31/2022
07386XAH9	603,975	544,235	59,741	544,235	515,314	12/31/2022
12566UAE4	134,957	134,777	179	134,777	126,940	12/31/2022
12566UAN4	406,129	406,111	18	406,111	439,798	12/31/2022
12628LAD2	263,447	245,081	18,366	245,081	213,360	12/31/2022
126670JP4	107,769	104,735	3,033	104,735	105,110	12/31/2022
12667F4N2	292,040	289,509	2,531	289,509	285,318	12/31/2022
12668APC3	252,237	252,242	(5)	252,242	239,660	12/31/2022
17307GED6	138,535	136,088	2,447	136,088	140,482	12/31/2022
225470Q89	71,794	71,230	564	71,230	56,593	12/31/2022
32051GT70	157,690	144,677	13,013	144,677	128,833	12/31/2022
46627MAD9	106,687	104,743	1,944	104,743	92,542	12/31/2022
46627MCY1	785,136	739,716	45,420	739,716	766,138	12/31/2022
46627MEJ2	298,762	292,736	6,026	292,736	245,603	12/31/2022
59020UW43	183,171	118,651	64,519	118,651	142,478	12/31/2022
643528AB8	15,219	14,561	658	14,561	14,567	12/31/2022
643529AC4	61,282	61,277	5	61,277	72,993	12/31/2022
65535VSJ8	260,934	251,936	8,998	251,936	223,746	12/31/2022
74923HAQ4	110,525	110,137	388	110,137	97,256	12/31/2022
75115DAA3	252,318	250,517	1,801	250,517	236,281	12/31/2022
761118SC3	223,189	220,904	2,285	220,904	194,526	12/31/2022
761118UG1	136,181	135,664	517	135,664	113,457	12/31/2022
76112BNM8	961,773	890,023	71,750	890,023	925,763	12/31/2022
86360BAJ7	210,681	197,751	12,930	197,751	210,155	12/31/2022
87222EAB4	433,701	419,436	14,265	419,436	408,834	12/31/2022
87222EAC2	488,617	480,439	8,178	480,439	407,716	12/31/2022
93934FMD1	264,888	265,138	(250)	265,138	276,739	12/31/2022

D. INVESTMENTS (CONTINUED)

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Statement of Operations	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date Reported
058931AT3	202,340	200,756	1,584	200,756	191,586	12/31/2022
12545EAK2	75,613	76,382	(769)	76,382	67,050	12/31/2022
12638PAB5	243,064	239,967	3,097	239,967	186,247	12/31/2022
1266942H0	102,100	102,436	(336)	102,436	87,613	12/31/2022
126694HP6	45,018	44,692	326	44,692	43,686	12/31/2022
12669DUS5	54,045	53,996	49	53,996	52,037	12/31/2022
12669G4K4	195,766	194,617	1,149	194,617	182,213	12/31/2022
12669GR45	200,567	192,253	8,314	192,253	183,479	12/31/2022
16165MAG3	262,059	258,363	3,696	258,363	222,235	12/31/2022
17025AAH5	65,509	62,734	2,775	62,734	60,911	12/31/2022
2254582Y3	244,659	244,657	3	244,657	216,789	12/31/2022
225458L55	102,546	101,977	569	101,977	88,772	12/31/2022
225470VF7	258,722	254,646	4,076	254,646	245,421	12/31/2022
32051GXQ3	193,445	182,146	11,299	182,146	183,998	12/31/2022
466247ZP1	63,534	62,853	681	62,853	60,621	12/31/2022
46630WAB6	197,580	190,300	7,280	190,300	176,211	12/31/2022
46630WAL4	136,057	129,396	6,662	129,396	122,400	12/31/2022
46631NAA7	150,803	150,935	(132)	150,935	127,954	12/31/2022
46631NDT3	382,013	380,617	1,396	380,617	383,735	12/31/2022
57643MLZ5	41,404	40,971	432	40,971	38,694	12/31/2022
863579XC7	292,638	285,210	7,429	285,210	296,901	12/31/2022
86363GAF1	180,728	175,736	4,992	175,736	178,461	12/31/2022
Total			$ 1,388,748			

Securities (primarily United States Treasury Notes) with a carrying value of approximately $9.2 million and $9.3 million at December 31, 2023 and 2022, respectively, were on deposit as required by the insurance departments of various states.

Net investment income consisted of the following for the years ended December 31 (in thousands):

	2023	2022	2021
Investment income:			
Bonds	$ 94,692	$ 91,528	$ 93,063
Equity securities (non-affiliated)	327	44	374
Cash, cash equivalents and short-term investments	5,564	1,612	133
Policy loans	2,741	2,837	3,158
Equity index call options	322	(2,679)	9,133
Other	564	913	1,002
Gross investment income	104,210	94,255	106,863
Investment expenses	(1,481)	(1,668)	(1,684)
Interest expense	(248)	(33)	-
Net investment income	$ 102,481	$ 92,554	$ 105,179

D. INVESTMENTS (CONTINUED)

The carrying value of partnerships and limited liability companies was $8.0 million and $18.1 million as of December 31, 2023 and 2022, respectively, comprised entirely of surplus notes.

E. EQUITY INDEX CALL OPTIONS

AILIC utilizes equity index call options as part of its efforts to economically hedge and manage fluctuations in the fair value of its investment portfolio attributable to changes in general interest rate levels and to manage duration mismatch of assets and liabilities. The equity index call options are purchased in either the over-the-counter market or on the Chicago Board Options Exchange. Those instruments involve elements of credit and market risks in excess of the amounts recognized in the accompanying financial statements at a given point of time. The contract or notional amounts of those instruments reflect the extent of involvement in those financial instruments.

The Company enters derivative transactions through bilateral derivative agreements with counterparties, or through over the counter cleared derivatives with a counterparty and the use of a clearinghouse. To minimize credit risk for bilateral transactions, the Company and its counterparties generally enter into master netting agreements based on agreed upon requirements that outline the framework for how collateral is to be posted in the amount owed under each transaction, subject to certain minimums. For over the counter cleared derivative transactions between the Company and a counterparty, the parties enter into a series of master netting and other agreements that govern, among other things, clearing and collateral requirements. These transactions are cleared through a clearinghouse and each derivative counterparty is only exposed to the default risk of the clearinghouse.

Net collateral pledged by the counterparties was $6.1 million as of December 31, 2023, and $2.3 million as of December 31, 2022. In the event of default, the full market value exposure at risk in a net gain position, net of offsets and collateral, was $7.8 million as of December 31, 2023, and $3.5 million as of December 31, 2022. The statutory net amount at risk, defined as net collateral pledged and statement values excluding accrued interest, was $11.6 million as of December 31, 2023, and $3.0 million as of December 31, 2022.

The following table summarizes the carrying values and notional amounts of the Company’s derivative financial instruments within the general account:

	December 31, 2023			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(in thousands)			
Fixed-indexed options*	$ 20,275	$ 534,704	$ 15,291	$ 550,782
	$ 20,275	$ 534,704	$ 15,291	$ 550,782

*Beginning January 1, 2022, fixed-indexed options are held at amortized cost under OAC 3901-1-67. Prior to the adoption of OAC 3901-1-67, fixed-indexed options were carried at fair value. The fair value amount related to fixed-indexed options was $13.9 million as of December 31, 2023.

	December 31 ,2022			
	Assets		Liabilities	
	Carrying Value	Notional Amount	Carrying Value	Notional Amount
	(in thousands)			
Fixed-indexed options*	$ 24,814	$ 564,983	$ 20,131	$ 567,014
	$ 24,814	$ 564,983	$ 20,131	$ 567,014

E. EQUITY INDEX CALL OPTIONS (CONTINUED)

*Beginning January 1, 2022, fixed-indexed options are held at amortized cost under OAC 3901-1-67. Prior to the adoption of OAC 3901-1-67, fixed-indexed options were carried at fair value. The fair value amount related to fixed-indexed options was $5.4 million as of December 31, 2022.

Fixed-indexed options are carried at amortized cost with amortization and expirations recorded in net investment income. The company recorded gains on expirations of $9.9 million and amortization of $9.6 million in 2023. The company recorded gains on expirations of $7.7 million and amortization of $10.4 million in 2022.

F. FEDERAL INCOME TAXES

On August 16th, 2022, the Inflation Reduction Act was signed into law and includes certain corporate income tax provisions. Impacts to the Company could include the imposition of a CAMT applicable to tax years beginning after December 31, 2022. The CAMT imposes a 15% minimum tax on adjusted financial statement income on applicable corporations that have an average group wide adjusted financial statement income over $1 billion in the prior three-year period (2020-2022). As of December 31, 2023, the Company has determined that it is not an applicable corporation and therefore not liable for CAMT in 2023. While the Company is not an applicable corporation in 2023, any future CAMT liability will be allocated to MMALIC in accordance with the tax allocation agreement. The United States Treasury Secretary and the IRS have been authorized to issue further guidance and intend to publish proposed regulations in 2024.

The components of the net deferred tax assets at December 31 are as follows (in thousands):

	2023	2022	Change
DTAs resulting in book/tax differences in:			
Ordinary:			
Deferred acquisition costs	$ 139	$ 163	$ (24)
Investment items	1,874	-	1,874
Reserves	1,649	2,616	(967)
Nonadmitted assets	238	195	43
Other	692	630	62
Total ordinary DTAs	4,592	3,604	988
Capital:			
Investment items	899	761	138
Unrealized losses	-	65	(65)
Net capital loss carry-forward	1,769	-	1,769
Total capital DTAs	2,668	826	1,842
Total DTAs	7,260	4,430	2,830
Deferred tax assets nonadmitted	-	(762)	762
Admitted DTAs	7,260	3,668	3,592
DTLs resulting in book/tax differences in:			
Ordinary:			
Reserve transition adjustment	637	956	(319)
Investment items	1,625	-	1,625
Other	31	52	(21)
Total ordinary DTLs	2,293	1,008	1,285
Capital:			
Unrealized gains	34	-	34
Investment items	-	947	(947)
Total capital DTLs	34	947	(913)
Total DTLs	2,327	1,955	372
Total net deferred admitted tax assets	$ 4,933	$ 1,713	$ 3,220
Change in deferred tax assets nonadmitted	$ 762	$ (35)	

F. FEDERAL INCOME TAXES (CONTINUED)

The results of the admissibility calculations at December 31 are as follows (in thousands):

	2023			2022			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -	$ -	$ 826	$ 826	$ -	$ (826)	$ (826)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation. (The lesser of (b)1 and (b)2 below)	4,120	2,668	6,788	887	-	887	3,233	2,668	5,901
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	4,120	2,668	6,788	887	-	887	3,233	2,668	5,901
2. Adjusted gross deferred tax assets allowed per limitation	XXX	XXX	61,736	XXX	XXX	56,957	XXX	XXX	4,779
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from (a) and (b) above) offset by gross deferred tax liabilities	472	-	472	1,008	947	1,955	(536)	(947)	(1,483)
d. Deferred tax assets admitted as the result of application of SSAP No. 101	$ 4,592	$ 2,668	$ 7,260	$ 1,895	$ 1,773	$ 3,668	$ 2,697	$ 895	$ 3,592

The other admissibility criteria for the Company are as follows (dollars in thousands):

	2023	2022
a. Ratio percentage used to determine recovery period and threshold limitation amount	2407%	1391%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in the table above	$ 411,576	$ 379,712

The impact of the Company's tax planning strategies, which do not include the use of reinsurance, on the adjusted gross DTAs and net admitted adjusted gross DTAs by tax character is as follows:

	2023		2022		Change	
	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
a. Adjusted gross DTAs (% of total adjusted gross DTAs)	0.0%	0.0%	0.0%	11.9%	0.0%	-11.9%
b. Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	0.0%	100.0%	0.0%	16.8%	0.0%	83.2%

F. FEDERAL INCOME TAXES (CONTINUED)

The provision for incurred taxes on operating earnings and capital gains for the years ended December 31 are as follows (in thousands):

	2023	2022	2021
Current federal income tax expense on operations	$ 11,846	$ 4,222	$ 5,321
Federal income tax (benefit) expense on net realized capital gains (losses)	(2,445)	(22)	2,059
Total federal income tax expense	$ 9,401	$ 4,200	$ 7,380
Net DTA(L)	$ 3,220	$ 512	$ (14)
Less: Items not recorded in the change in net deferred tax asset:			
Tax-effect of unrealized gains (losses)	99	(160)	25
Tax-effect of changes in nonadmitted DTA	(762)	35	96
Change in net deferred tax asset	$ 2,557	$ 387	$ 107

The Company's income tax expense and change in DTA/DTL for the year ended December 31 differs from the amount obtained by applying the federal statutory rate of 21% to income from operations before federal income taxes for the following reasons (in thousands):

	2023	2022
Provision computed at federal statutory rate	$ 6,927	$ 6,034
OAC 3901-1-67 adoption	-	(1,616)
Investment items	(49)	(384)
Nonadmitted assets	(42)	(166)
Other	8	(55)
Total statutory income tax expense	$ 6,844	$ 3,813
Federal and foreign income tax expense	$ 9,401	$ 4,200
Change in net deferred income taxes	(2,557)	(387)
Total statutory income tax expense	$ 6,844	$ 3,813

F. FEDERAL INCOME TAXES (CONTINUED)

The Company's income tax expense and change in DTA/DTL for the year ended December 31 differs from the amount obtained by applying the federal statutory rate of 21% to income from operations before federal income taxes for the following reasons (in thousands):

	2021
Provision computed at statutory rate (operations and realized gains/losses, excluding amortization of IMR)	$ 8,145
Permanent differences:	
Dividend received deduction	(375)
Provision to return adjustments	(334)
Other	(47)
Total permanent differences	(756)
Timing adjustments:	
Investment differences	10
Reserves	136
DAC tax adjustment	(26)
Provision to return adjustments	(95)
Other	113
Total timing adjustments	138
Other adjustments:	
Unrealized (loss) gain on equity index call options	(89)
Miscellaneous items	(58)
Total other adjustments	(147)
Federal income tax expense on operations and realized losses	$ 7,380

Federal income tax expense on operations and realized losses	$ 7,380
Change in net deferred tax asset (excluding unrealized)	(107)
Total statutory income tax expense (excluding unrealized)	$ 7,273

As of December 31, 2023, and 2022, the Company does not have any operating loss carryforwards available to offset future net income subject to federal Income taxes. As of December 31, 2023, the Company has $8.4 million pretax capital loss carryforward, and did not have pretax capital loss carryforward as of December 31, 2022.

The Company has no income taxes incurred in current or prior years that would be available for recoupment in the event of future net losses.

F. FEDERAL INCOME TAXES (CONTINUED)

As of December 31, 2023, AILIC's consolidated federal income tax returns for the 2021 through 2023 tax years remain subject to examination by the IRS.

The consolidated federal income tax returns include the following entities:

AAG Insurance Agency, LLC
Annuity Investors Life Insurance Company
MM Ascend Life Investor Services, LLC
MassMutual Ascend Life Insurance Company
Manhattan National Holding, LLC
Manhattan National Life Insurance Company

The Company has determined that it is more likely than not that gross DTAs will be recoverable through future taxable income and that a valuation allowance is not necessary.

G. RELATED PARTY TRANSACTIONS

Certain administrative, management, accounting, actuarial, data processing, collection and investment services are provided under agreements between AILIC and affiliates at charges not unfavorable to AILIC or the insurance affiliates. The net amount paid to affiliates was $7.0 million, $11.6 million, and $12.8 million in 2023, 2022, and 2021, respectively, included in general insurance expenses in the Statement of Operations.

As of May 28, 2021, the Company has an agreement with Barings, LLC, an affiliate, which provides investment advisory services to the Company. Prior to that agreement and to the sale of the Company to MassMutual, the Company and affiliated insurance companies had contracts with American Money Management Corporation, which, subject to the direction of the Finance Committees, provided for management and accounting services related to the investment portfolios. AILIC expensed investment management charges of $1.5 million, $1.7 million, $1.6 million in 2023, 2022, and 2021, respectively, included in net investment income in the Statement of Operations.

For the first five months of 2021, AFG provided retirement benefits to qualified employees of participating companies through the AFG 401(k) Retirement and Savings Plan, a defined contribution plan. AFG made all contributions to the retirement fund portion of the plan and matched a percentage of employee contributions to the savings fund. Company contributions were expensed in the year for which they were declared. AFG and certain of its subsidiaries provided heath care and life insurance benefits to eligible retirees. Beginning in June of 2021, the Company participates in the retirement plans of MMALIC. MMALIC sponsors funded (qualified 401(k) thrift savings) and unfunded (nonqualified deferred compensation thrift savings) defined contribution plans for its employees and retirees. The qualified 401(k) thrift savings plan's net assets available for benefits were $58.7 million and $37.4 million as of December 31, 2023 and 2022, respectively. The Company matches a percentage of employee contributions to the qualified 401(k) thrift savings plan. AILIC expensed approximately $0.2 million, $0.3 million, and $0.3 million in 2023, 2022, and 2021, respectively, for its retirement and employee savings plan.

AILIC has an agreement with MM Ascend Life Investor Services, LLC ("MMALIS", formerly known as Great American Advisors, Inc.), a wholly-owned subsidiary of MMALIC, whereby MMALIS is the principal underwriter and distributor of AILIC's variable contracts. AILIC pays MMALIS for acting as underwriter under a distribution agreement. AILIC paid $1.8 million in 2023, $2.1 million in 2022, and $2.7 million in 2021 to MMALIS, 100% of which was paid to other broker/dealers as commissions. MMALIS exited the retail brokerage business on August 3, 2010 after MMALIC announced a definitive agreement with Lincoln Investment Planning, Inc., an independent broker dealer.

H. ANNUITY RESERVES AND DEPOSIT-TYPE FUNDS

At December 31, 2023 AILIC's annuity (individual and group) reserves and deposit-type funds that are subject to discretionary withdrawal (with adjustment), subject to discretionary withdrawal (without adjustment), and not subject to discretionary withdrawal are summarized as follows (in thousands):

A. Individual Annuities:

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ 47,044	$ -	$ -	$ 47,044	2.2%
b. At book value less current surrender charge of 5% or more	125,459	-	-	125,459	5.9%
c. At fair value	-	-	439,828	439,828	20.5%
d. Total with market value adjustment or at fair value (total of a through c)	172,504	-	439,828	612,331	28.6%
e. At book value without adjustment (minimal or no charge or adjustment)	1,500,239	-	-	1,500,239	70.0%
2. Not subject to discretionary withdrawal	30,813	-	-	30,813	1.4%
3. Total (gross: direct + assumed)	1,703,556	-	439,828	2,143,383	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	1,703,556	-	439,828	2,143,383	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ 32,803	$ -	$ -	$ 32,803	

B. Group Annuities:

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ -	$ -	$ -	$ -	0.0%
b. At book value less current surrender charge of 5% or more	282	-	-	282	0.2%
c. At fair value	-	-	84,933	84,933	63.7%
d. Total with market value adjustment or at fair value (total of a through c)	282	-	84,933	85,215	63.9%
e. At book value without adjustment (minimal or no charge or adjustment)	48,173	-	-	48,173	36.1%
2. Not subject to discretionary withdrawal	-	-	-	-	0.0%
3. Total (gross: direct + assumed)	48,455	-	84,933	133,388	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	48,455	-	84,933	133,388	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ -	$ -	$ -	$ -	

H. ANNUITY RESERVES AND DEPOSIT-TYPE FUNDS (CONTINUED)

C. Deposit-Type Funds
(no life contingencies):

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ -	$ -	$ -	$ -	0.0%
b. At book value less current surrender charge of 5% or more	-	-	-	-	0.0%
c. At fair value	-	-	-	-	0.0%
d. Total with market value adjustment or at fair value (total of a through c)	-	-	-	-	0.0%
e. At book value without adjustment (minimal or no charge or adjustment)	-	-	-	-	0.0%
2. Not subject to discretionary withdrawal	14,536	-	-	14,536	100.0%
3. Total (gross: direct + assumed)	14,536	-	-	14,536	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	14,536	-	-	14,536	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ -	$ -	$ -	$ -	

D. Reconciliation to total annuity reserves and deposit-type funds:

Net annuity reserves	$ 1,752,011
Deposit-type funds	14,536
Commissioner's Annuity Reserve Valuation Method adjustment	(49)
Separate Account nonguaranteed liabilities	524,809
Total	$ 2,291,307

H. ANNUITY RESERVES AND DEPOSIT-TYPE FUNDS (CONTINUED)

At December 31, 2022, AILIC's annuity reserves and deposit-type funds that are subject to discretionary withdrawal (with adjustment), subject to discretionary withdrawal (without adjustment), and not subject to discretionary withdrawal are summarized as follows (in thousands):

A. Individual Annuities:

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ 54,095	$ -	$ -	$ 54,095	2.3%
b. At book value less current surrender charge of 5% or more	217,243	-	-	217,243	9.3%
c. At fair value	-	-	419,174	419,174	17.9%
d. Total with market value adjustment or at fair value (total of a through c)	271,338	-	419,174	690,512	29.5%
e. At book value without adjustment (minimal or no charge or adjustment)	1,617,461	-	-	1,617,461	69.3%
2. Not subject to discretionary withdrawal	27,731	-	-	27,731	1.2%
3. Total (gross: direct + assumed)	1,916,530	-	419,174	2,335,704	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	1,916,530	-	419,174	2,335,704	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ 88,752	$ -	$ -	$ 88,752	

B. Group Annuities:

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ -	$ -	$ -	$ -	0.0%
b. At book value less current surrender charge of 5% or more	294	-	-	294	0.2%
c. At fair value	-	-	79,889	79,889	41.9%
d. Total with market value adjustment or at fair value (total of a through c)	294	-	79,889	80,183	42.1%
e. At book value without adjustment (minimal or no charge or adjustment)	110,277	-	-	110,277	57.9%
2. Not subject to discretionary withdrawal	-	-	-	-	0.0%
3. Total (gross: direct + assumed)	110,571	-	79,889	190,460	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	110,571	-	79,889	190,460	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ -	$ -	$ -	$ -	

H. ANNUITY RESERVES AND DEPOSIT-TYPE FUNDS (CONTINUED)

C. Deposit-Type Funds
(no life contingencies):

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
1. Subject to discretionary withdrawal:					
a. With market value adjustment	$ -	$ -	$ -	$ -	0.0%
b. At book value less current surrender charge of 5% or more	-	-	-	-	0.0%
c. At fair value	-	-	-	-	0.0%
d. Total with market value adjustment or at fair value (total of a through c)	-	-	-	-	0.0%
e. At book value without adjustment (minimal or no charge or adjustment)	-	-	-	-	0.0%
2. Not subject to discretionary withdrawal	16,363	-	-	16,363	100.0%
3. Total (gross: direct + assumed)	16,363	-	-	16,363	100.0%
4. Reinsurance ceded	-	-	-	-	
5. Total (net) (3) - (4)	16,363	-	-	16,363	
6. Amount included in A(1)b above that will move to A(1)e in the year after the statement date	$ -	$ -	$ -	$ -	

D. Reconciliation to total annuity reserves and deposit-type funds:

Net annuity reserves	$ 2,027,101
Deposit-type funds	16,363
Commissioner's Annuity Reserve Valuation Method adjustment	-
Separate Account nonguaranteed liabilities	499,063
Total	$ 2,542,527

I. SEPARATE ACCOUNTS

The Company utilizes separate accounts to record and account for assets and liabilities for individual and group variable annuities. The separate accounts are registered under the Investment Company Act of 1940, as amended, as a unit investment trust. In accordance with the State of Ohio procedures for approving items within the separate accounts, the separate accounts classification of the individual and group variable annuities are supported by Section 3907.15 of the Ohio Revised Code.

In accordance with the products and transactions recorded within the separate accounts, all assets are considered legally insulated from the general account and are not chargeable with liabilities incurred in any other business operation of the Company. As of December 31, 2023 and 2022, the Company's separate account statement included legally insulated variable annuity assets of $524.8 million and $499.1 million, respectively. The separate accounts are treated the same for GAAP reporting requirements.

In accordance with the products and transactions recorded within the separate accounts, some separate account liabilities are guaranteed by the general account. To compensate the general account for the risk taken, the separate account has paid risk charges of $0.3 million for each year ended December 31, 2023, 2022, and 2021, for guaranteed withdrawal benefits for variable annuity contracts.

As of December 31, 2023 and 2022, the general account of the Company had a maximum guarantee for separate account liabilities of $13.8 million and $52.2 million, respectively, for the guaranteed minimum death benefit of the variable annuity contracts. The total separate account guarantees paid by the general account for the years ended December 31, 2023, 2022, and 2021, were $0.3 million, $0.1 million, and $0.2 million, respectively.

I. SEPARATE ACCOUNTS (CONTINUED)

Net transfers from the Separate Accounts for the years ended December 31 are summarized as follows (in thousands):

	2023	2022	2021
Transfers to Separate Accounts - deposit-type funds	$ 8,778	$ 10,073	$ 11,913
Transfers from Separate Accounts - withdrawals and other transfers, net	(70,851)	(64,871)	(86,941)
Transfers from Separate Accounts - contingent deferred sales charges	47	-	(1,581)
Net transfers from Separate Accounts	$ (62,026)	$ (54,798)	$ (76,609)

All Separate Account reserves are non-guaranteed and subject to discretionary withdrawal at fair value. Investments in the Separate Accounts at December 31 consisted of the following (in thousands):

	2023			
		Fair	Gross Unrealized	
	Cost	Value	Gains	Losses
Separate Account A	$ 75,168	$ 86,127	$ 12,673	$ 1,714
Separate Account B	198,053	228,903	35,570	4,720
Separate Account C	204,386	209,779	15,996	10,603
Total Separate Accounts	$ 477,607	$ 524,809	$ 64,239	$ 17,037

	2022			
		Fair	Gross Unrealized	
	Cost	Value	Gains	Losses
Separate Account A	$ 78,451	$ 79,329	$ 7,781	$ 6,903
Separate Account B	216,686	216,352	18,357	18,691
Separate Account C	222,652	203,382	8,948	28,218
Total Separate Accounts	$ 517,789	$ 499,063	$ 35,086	$ 53,812

The Separate Account holdings are made up of a diverse portfolio of managed mutual funds with investment objectives of growth, growth and income, capital appreciation, total and real return with preservation of capital.

J. CAPITAL AND SURPLUS

The portion of the Company's unassigned funds represented or reduced by each item below is as follows at December 31 (in thousands):

	2023	2022
Unrealized gains and losses	$ 162	$ (311)
Nonadmitted asset values	$ (1,132)	$ (940)
Separate account business	$ 48	$ -
Asset valuation reserve	$ (17,977)	$ (17,914)

J. CAPITAL AND SURPLUS (CONTINUED)

Life/health insurance companies are subject to certain Risk-Based Capital (“RBC”) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life/health insurance company is to be determined based on the various risk factors related to it. At December 31, 2023 and 2022, AILIC exceeds the RBC requirement.

The maximum amount of dividends which can be paid to stockholders by life insurance companies domiciled in the State of Ohio without prior approval of the Insurance Commissioner is the greater of 10% of surplus as regards policyholders or net income as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. The maximum amount of dividends payable in 2024 without prior approval is $42.5 million, based on surplus as of the preceding December 31. At December 31, 2023, surplus as regards policyholders was $425.0 million, earned surplus was $242.1 million, and 2023 net income was $39.9 million.

The Company did not pay an ordinary dividend to its parent in 2023, 2022, and 2021.

SUPPLEMENTARY INFORMATION

ANNUITY INVESTORS LIFE INSURANCE COMPANY
NOTE TO SUPPLEMENTAL SCHEDULE OF SELECETED STATUTORY-BASIS FINANCIAL DATA
AND SUPPLEMENTAL INVESTMENT DISCLOSURES
DECEMBER 31, 2023

Basis of Presentation

The accompanying supplemental schedules and interrogatories present selected statutory-basis financial data as of December 31, 2023 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' ("NAIC") *Annual Statement Instructions* and the NAIC's *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2023 Statutory Annual Statement as filed with the Ohio Department of Insurance. Captions not presented were not applicable to the Company.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA
DECEMBER 31, 2023
(Dollars in thousands)

Investment income earned:		
U.S. Government bonds	$	91
Bonds exempt from U.S. tax		-
Other bonds (unaffiliated)		93,882
Bonds of Affiliates		719
Preferred stocks (unaffiliated)		327
Common stocks (unaffiliated)		-
Policy loans		2,741
Cash, cash equivalents and short-term investments		5,564
Derivative instruments		323
Other invested assets		563
Other		-
Gross investment income	$	104,210
Bonds (including short-term investments and cash equivalents) by expected maturity - statement value		
Due within one year or less	$	375,092
Over 1 year through 5 years		1,095,064
Over 5 years through 10 years		422,986
Over 10 years through 20 years		162,906
Over 20 years		66,120
Total by expected maturity	$	2,122,168
Bonds (including short-term investments and cash equivalents) by NAIC designation - statement value		
NAIC 1	$	1,129,615
NAIC 2		969,213
NAIC 3		9,956
NAIC 4		9,482
NAIC 5		3,902
NAIC 6		-
Total by NAIC designation	$	2,122,168
Total bonds publicly traded	$	1,304,860
Total bonds privately placed	$	817,308
Preferred stocks - statement value	$	4,181
Common stocks - market value	$	-
Short-term investments - book value	$	10,734
Cash equivalents	$	114,693
Equity index call options - amortized cost	$	4,984
Cash on deposit	$	5,384

(Continued)

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA
(CONTINUED)
DECEMBER 31, 2023
(Dollars in thousands)

Annuities:	
Ordinary:	
Immediate - amount of income payable	$ 5,366
Deferred - fully paid account balance	$ 148,207
Deferred - not fully paid - account balance	$ 1,988,819
Group:	
Fully paid account balance	$ -
Not fully paid - account balance	$ 133,316

See accompanying independent auditors' report.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL INVESTMENT DISCLOSURES
DECEMBER 31, 2023
(Dollars in thousands)

1. AILIC's total admitted assets as reported on page two of its Annual Statement excluding separate accounts assets is $2,245,276 thousand.

2. Following are the 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. Government, U.S. Government agency securities and those U.S. Government money market funds listed in the appendix to the SVO Practices and Procedures Manual as exempt, (ii) property occupied by AILIC, and (iii) policy loans:

Issuer	Amount	Percent of Total Admitted Assets
Gilead Sciences Inc	$ 27,067	1.2%
AbbVie Inc	26,298	1.2%
Verizon Communications Inc	25,496	1.1%
Enterprise Products Operating LLC	25,283	1.1%
Comcast Corp	19,086	0.9%
Bacardi Ltd	16,045	0.7%
Paramount Global	14,531	0.6%
Amgen Inc	14,365	0.6%
Penske Truck Leasing Co Lp / PTL Finance Corp	13,978	0.6%
Oracle Corp	13,944	0.6%

3. AILIC's total admitted assets held in bonds (including short-term investments and cash equivalents) and preferred stocks by NAIC rating are as follows:

Bonds			Preferred Stocks		
NAIC Rating	Amount	Percentage of Total Admitted Assets	NAIC Rating	Amount	Percentage of Total Admitted Assets
NAIC-1	$ 1,129,615	50.3%	P/RP-1	$ -	0.0%
NAIC-2	969,213	43.2%	P/RP-2	4,181	0.2%
NAIC-3	9,956	0.4%	P/RP-3	-	0.0%
NAIC-4	9,482	0.4%	P/RP-4	-	0.0%
NAIC-5	3,902	0.2%	P/RP-5	-	0.0%
NAIC-6	-	0.0%	P/RP-6	-	0.0%
Total	$ 2,122,168	94.5%	Total	$ 4,181	0.2%

4. Assets held in foreign investments:

	Amount	Percent of Total Admitted Assets
Total admitted assets held in foreign investments	$ 345,186	15.4%
Foreign-currency-denominated investments	-	0.0%
Insurance liabilities denominated in that same foreign currency	-	0.0%

(Continued)

(Dollar in thousands)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

	Amount	Percent of Total Admitted Assets
Countries rated NAIC-1	$ 288,313	12.8%
Countries rated NAIC-2	52,803	2.4%
Countries rated NAIC-3 or below	4,070	0.2%

6. Largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:

	Amount	Percent of Total Admitted Assets
Countries rated NAIC-1:		
Cayman Islands	$ 194,094	8.6%
United Kingdom	28,038	1.2%
Countries rated NAIC-2		
United Kingdom	$ 18,283	0.8%
Bermuda	16,045	0.7%
Countries rated NAIC-3 or below		
Mexico	$ 1,999	0.1%
United Kingdom	1,073	0.0%

7. The Company does not have any unhedged foreign currency exposure.

8. The Company does not have any unhedged foreign currency exposure.

9. The Company does not have any unhedged foreign currency exposure.

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent of Total Admitted Assets
Bacardi Ltd	2.C FE	$ 16,045	0.7%
Lloyds Banking Group PLC	1.G FE	13,057	0.6%
UBS Group AG	1.G FE	10,005	0.4%
Barings Clo Ltd 2022-II	1.A FE	9,763	0.4%
NatWest Group PLC	1.G FE	8,057	0.4%
Barings Clo Ltd 2022-IV	1.C FE	6,938	0.3%
MF1 2020-FL4 Ltd	1.A FE	5,812	0.3%
ARES XLVI CLO Ltd	1.A FE	5,542	0.2%
TotalEnergies Capital International SA	1.D FE	4,999	0.2%
National Australia Bank Ltd	1.E FE	4,998	0.2%

(Continued)

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL INVESTMENT DISCLOSURES (CONTINUED)
DECEMBER 31, 2023
(Dollars in thousands)

11. Assets held in Canadian investments are less than 2.5% of the Company's total admitted assets.

12. Investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets.

13. Assets held in equity interests are less than 2.5% of the Company's total admitted assets.

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Company's total admitted assets.

15. Assets held in general partnership interests are less than 2.5% of the Company's total admitted assets.

16. The Company does not have any assets held in mortgage loans reported in Schedule B.

17. The Company does not have any assets held in mortgage loans reported in Schedule B.

18. The assets held in real estate are less than 2.5% of the Company's total admitted assets.

19. Investments in mezzanine real estate loans are less than 2.5% of the Company's total admitted assets.

20. The Company does not have any admitted assets subject to securities lending, repurchase agreements, reverse repurchase agreements, dollar repurchase agreements, or dollar reverse repurchase agreements.

21. The Company owns $4,984 thousand in hedging options.

22. The Company does not have any collars, swaps, or forwards.

23. The Company does not have any futures contracts.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL INVESTMENT DISCLOSURES (CONTINUED)
DECEMBER 31, 2023
(Dollars in thousands)

Investment Categories	Gross Investment Holdings* Amount	Gross Investment Holdings* Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement Amount	Securities Lending Reinvested Collateral Amount	Total (Col 3 +4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds:						
1.01 U.S. Governments	949	0.0%	$ 949	$ -	$ 949	0.0%
1.02 All Other Governments	1,000	0.0%	1,000	-	1,000	0.0%
1.03 U.S. States, Territories and Possessions etc., Guaranteed	31,193	1.4%	31,193	-	31,193	1.4%
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	21,064	1.0%	21,064	-	21,064	1.0%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	174,873	7.9%	174,873	-	174,873	7.9%
1.06 Industrial and Miscellaneous	1,719,063	78.0%	1,719,063	-	1,719,063	78.0%
1.07 Hybrid Securities	29,913	1.4%	29,913	-	29,913	1.4%
1.08 Parent, Subsidiaries and Affiliates	19,687	0.9%	19,687	-	19,687	0.9%
1.09 SVO Identified Funds	-	0.0%	-	-	-	0.0%
1.10 Unaffiliated Bank Loans	-	0.0%	-	-	-	0.0%
1.11 Total Long-Term Bonds	1,997,742	90.6%	1,997,742	-	1,997,742	90.6%
2. Preferred Stocks:						
2.01 Industrial and Misc. (Unaffiliated)	4,181	0.2%	4,181	-	4,181	0.2%
2.02 Parent, Subsidiaries and Affiliates	-	0.0%	-	-	-	0.0%
2.03 Total Preferred Stock	4,181	0.2%	4,181	-	4,181	0.2%
3. Common Stocks:						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	-	0.0%	-	-	-	0.0%
3.02 Industrial and Miscellaneous Other (Unaffiliated)	-	0.0%	-	-	-	0.0%
3.03 Parent, Subsidiaries and Affiliates Publicly Traded	-	0.0%	-	-	-	0.0%
3.04 Parent, Subsidiaries and Affiliates Other	-	0.0%	-	-	-	0.0%
3.05 Mutual Funds	-	0.0%	-	-	-	0.0%
3.06 Unit Investment Trusts	-	0.0%	-	-	-	0.0%
3.07 Closed-End Funds.	-	0.0%	-	-	-	0.0%
3.08 Total Common Stocks	-	0.0%	-	-	-	0.0%
4. Mortgage Loans:						
4.01 Farm Mortgages	-	0.0%	-	-	-	0.0%
4.02 Residential Mortgages	-	0.0%	-	-	-	0.0%
4.03 Commercial Mortgages	-	0.0%	-	-	-	0.0%
4.04 Mezzanine Real Estate Loans	-	0.0%	-	-	-	0.0%
4.05 Total Mortgage Loans	-	0.0%	-	-	-	0.0%
5. Real estate:						
5.01 Properties Occupied by Company	-	0.0%	-	-	-	0.0%
5.02 Properties Held for Production of Income	-	0.0%	-	-	-	0.0%
5.03 Properties Held for Sale	-	0.0%	-	-	-	0.0%
5.04 Total Real Estate	-	0.0%	-	-	-	0.0%
6. Cash, Cash Equivalents, and Short-Term Investments:						
6.01 Cash	5,384	0.2%	5,384	-	5,384	0.2%
6.02 Cash Equivalents	114,693	5.2%	114,693	-	114,693	5.2%
6.03 Short-Term Investments	10,734	0.5%	10,734	-	10,734	0.5%
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	130,811	5.9%	130,811	-	130,811	5.9%
7. Contract Loans	43,633	2.0%	43,633	-	43,633	2.0%
8. Derivatives	20,275	0.9%	20,275	-	20,275	0.9%
9. Other Invested Assets	7,989	0.4%	7,989	-	7,989	0.4%
10. Receivables for Securities	790	0.0%	-	-	-	0.0%
11. Securities Lending	-	0.0%	-	-	-	0.0%
12. Other Invested Assets	-	0.0%	-	-	-	0.0%
13. Total Invested Assets	2,205,421	100.0%	2,204,631	-	2,204,631	100.0%

* Gross investment holdings as valued in compliance with NAIC SAP.

See accompanying independent auditors' report.

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF LIFE AND HEALTH REINSURANCE DISCLOSURES
FOR THE YEAR ENDED DECEMBER 31, 2023

The following information regarding reinsurance contracts is presented to satisfy the disclosure requirements in SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, which apply to reinsurance contracts entered into, renewed or amended on or after January 1, 1996.

1. Has Annuity Investors Life Insurance Company reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is subject to Appendix A-791, *Life and Health Reinsurance Agreements*, and includes a provision that limits the reinsurer's assumption of significant risks identified in Appendix A-791?

   Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or other provisions that result in similar effects.

   Yes ☐ No ☒

   If yes, indicate the number of reinsurance contracts to which such provisions apply: __________

   If yes, indicate if deposit accounting was applied for all contracts subject to Appendix A-791 that limit significant risks.

   Yes ☐ No ☐ N/A ☒

2. Has Annuity Investors Life Insurance Company reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is not subject to Appendix A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk?

   Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or other provisions that result in similar effects.

   Yes ☐ No ☒

   If yes, indicate the number of reinsurance contracts to which such provisions apply: __________

   If yes, indicate whether the reinsurance credit was reduced for the risk-limiting features.

   Yes ☐ No ☐ N/A ☒

3. Does Annuity Investors Life Insurance Company have any reinsurance contracts (other than reinsurance contracts with a federal or state facility) that contain one or more of the following features which may result in delays in payment in form or in fact:

   (a) Provisions that permit the reporting of losses to be made less frequently than quarterly;
   (b) Provisions that permit settlements to be made less frequently than quarterly;
   (c) Provisions that permit payments due from the reinsurer to not be made in cash within ninety (90) days of the settlement date (unless there is no activity during the period); or
   (d) The existence of payment schedules, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding entity.

   Yes ☐ No ☒

(Continued)

ANNUITY INVESTORS LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF LIFE AND HEALTH REINSURANCE DISCLOSURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

4. Has Annuity Investors Life Insurance Company reflected reinsurance accounting credit for any contracts that are not subject to Appendix A-791 and not yearly renewable term reinsurance, which meet the risk transfer requirements of SSAP No. 61R?

Type of contract:	Response:	Identify reinsurance contract(s):	Has the insured event(s) triggering contract coverage been recognized?
Assumption reinsurance – new for the reporting period	Yes ☐ No ☒		N/A
Non-proportional reinsurance, which does not result in significant surplus relief	Yes ☐ No ☒		Yes ☐ No ☐ N/A ☒

5. Has Annuity Investors Life Insurance Company ceded any risk, which is not subject to Appendix A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements, and either:

   (a) Accounted for that contract as reinsurance under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or

   Yes ☐ No ☒ N/A ☐

   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

   Yes ☐ No ☒ N/A ☐

   If the answer to item (a) or item (b) is yes, include relevant information regarding GAAP to SAP differences from the accounting policy footnote to the audited statutory-basis financial statements to explain why the contract(s) is treated differently for GAAP and SAP below:

See accompanying independent auditors' report.