2020 ANNUAL REPORT

NWLGI

Perseverance, secret of all triumphs.

Victor Hugo

TABLE OF CONTENTS

National Western Life Group, Inc.

PART I

PART II

National Western Life Group, Inc. (NWLGI) is the parent holding company of National Western Life Insurance Company, Ozark National Life Insurance Company, and various non-insurance subsidiaries (NASDAQ: NWLI).

National Western Life Insurance Company (NWLIC) is a stock life insurance company offering a broad portfolio of individual universal life, whole life and term insurance plans, annuity products, and investment contracts meeting the financial needs of its customers in 49 states, the District of Columbia, and certain U.S. territories or possessions.

Ozark National Life Insurance Company (Ozark National) is a Missouri domiciled, stock life insurance company organized and incorporated in 1964. It is licensed to conduct business in thirty states utilizing a unique distribution system to market its flagship "Balance Program" consisting of a coordinated sale of a traditional life insurance product in tandem with a mutual fund investment product.

AT A **GLANCE**

NWLGI COMPANY PROFILE

- Headquartered in Austin, Texas; Incorporated in Delaware
- Traded on the Nasdaq Stock Market, ticker symbol "NWLI"
- Direct wholly owned subsidiaries: National Western Life Insurance Company (NWLIC); N.I.S. Financial Services, Inc.; NWL Services, Inc.; Regent Care San Marcos Holdings, LLC
- $14.6 billion in total consolidated assets

NWLIC COMPANY PROFILE

- Founded in 1956
- Headquartered in Austin, Texas; Domiciled in Colorado
- 292 Home office employees
- A.M. Best Rating of "A" (Excellent)
  Standard & Poors Rating of "A-" (Strong)
- 113,000 annuity contracts and $15.9 billion of life insurance in force

OZARK NATIONAL COMPANY PROFILE

- Founded in 1964
- Headquartered in Kansas, City, Missouri; Domiciled in Missouri
- 63 Home office employees
- A.M. Best Rating of "A-" (Excellent)
- $6.0 billion of life insurance in force

FINANCIAL **HIGHLIGHTS**

BOOK VALUE PER SHARE

2016	$473.53
2017	$503.88
2018	$522.76
2019	$582.07
2020	$698.50

TOTAL ASSETS IN $ MILLIONS

2016	$11,895
2017	$12,225
2018	$11,932
2019	$12,553
2020	$14,648

STOCKHOLDERS' EQUITY IN $ MILLIONS

2016	$1,722
2017	$1,832
2018	$1,901
2019	$2,116
2020	$2,540

SELECTED FINANCIAL INFORMATION

($'s in thousands, except per share data)	2020	2019	2018	2017	2016
Insurance revenues	$658,917	$689,740	$623,180	$636,809	$640,934
Total revenues	694,742	819,188	551,599	874,448	682,368
Earnings from operations (a)	75,666	126,685	110,104	100,825	92,397
Net earnings	92,312	131,616	116,758	110,421	100,892
Earnings per Class A share from operations (a)					
Basic	$21.40	$35.83	$31.14	$28.52	$26.13
Diluted	$21.40	$35.83	$31.14	$28.52	$26.13
Earnings per Class A share					
Basic	$26.11	$37.22	$33.02	$31.23	$28.53
Diluted	$26.11	$37.22	$33.02	$31.23	$28.53
Total assets	14,648,270	12,553,447	11,931,691	12,225,094	11,894,981
Stockholders' equity	2,539,750	2,116,430	1,900,777	1,832,174	1,721,828
Book value per share	$698.50	$582.07	$522.76	$503.88	$473.53

(a) Excluding net realized gains (losses) on investments.

TO OUR **STOCKHOLDERS**

Our report to you this year is framed by the unprecedented and challenging period that defined 2020. Over the past year, our country has been confronted not only by a life threatening worldwide pandemic, but an economic meltdown like few ever encountered before, and a social environment mired by divisiveness, disruption, and angst. We have had to change the way we interact, the way we work, the way we plan and prepare, and the way we live.

I am tremendously proud of the resilience and grit demonstrated by the individuals who make up National Western Life Group, Inc. Their perseverance and dedication in navigating the abrupt changes and unforeseen challenges brought on by the COVID-19 pandemic were substantial and played a vital role in the significant progress we were able to make. In our letter to you at this time last year, we were in the throes of quickly shifting nearly all of our employees to a virtual work-from-home setting. Thanks to our agile system connectivity, high-speed internet resources, videoconferencing capabilities, and other adaptive technologies, we found that we could effectively and efficiently service our clients and distributors with a productivity level comparable to that which existed prior to the pandemic crisis.

By and large, although not back to business as usual, we as a nation are moving forward from the impediments that dominated so much of our attention and energy in 2020. It is appropriate to take this opportunity to pause and assess the lessons learned, the changes that have occurred, and the outcomes achieved. In retrospect, fighting through and overcoming have made us a stronger organization.

LESSONS LEARNED

The pandemic incursion was a brisk reminder that everything in our lives can change in a moment. People have a deep-seated yearning for stability and security and work hard to turn that desire into reality for their lives. To go through a season like that experienced during 2020 triggers an awareness of the fragility of life and the indispensable value of life insurance and the security that it provides. While older Americans traditionally have been more likely to incorporate life insurance coverage into their long-term personal financial programs, an outcome of the COVID-19 experience has been that younger individuals, millennials and Gen Xers, have come to realize their need for planning and the importance of including life insurance in those plans. This latter group has an affinity for ease of purchase transactions, electronic interaction, and non-invasive accelerated underwriting techniques.

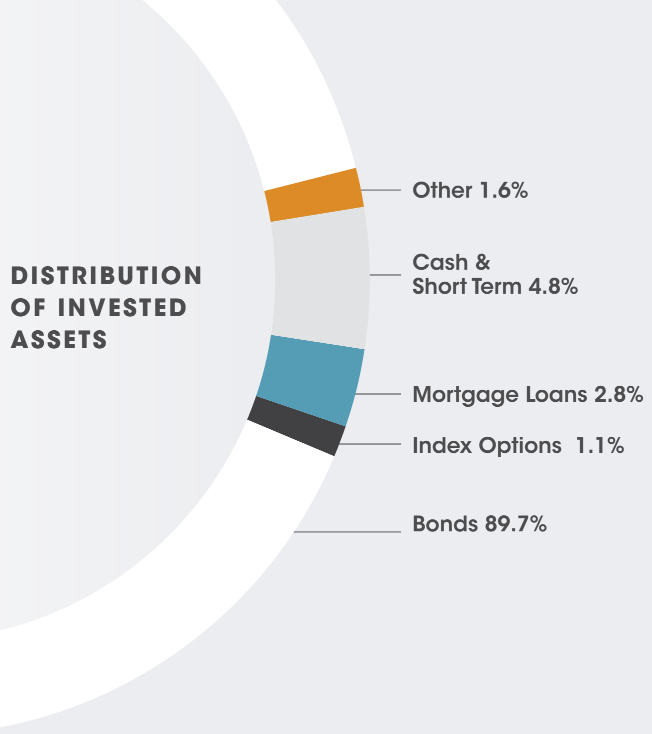
Coincidently, a byproduct of our past strategic planning efforts led to a statement encapsulating our vision, "To be the Company of choice for those seeking financial peace of mind through life insurance and annuity products." In keeping with that vision, years ago National Western Life Insurance Company emerged as a leader in the industry in developing equity-indexed universal life insurance products, policies that meet the traditional needs of protection and guarantees while also providing the opportunity for asset growth through market-type fund accumulation. We subsequently took this concept one step further by developing a single premium version of the product which facilitates wealth transfer from alternative investments into life insurance coverage through simplified or accelerated underwriting platforms.

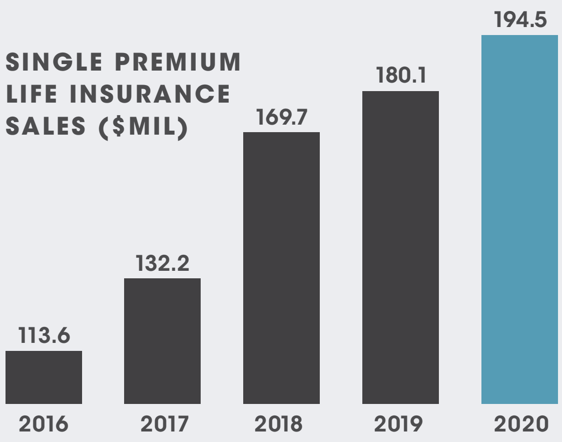
It is the courage to continue that counts.

Winston Churchill

TRADITIONALLY, LIFE INSURANCE

is a product sold in face-to-face settings with prospective consumers. The coronavirus changed that paradigm through mandated social distancing protocols. Beginning in the spring of 2020, state orders were promulgated expressly prohibiting direct contact with other individuals outside of households and people in general have been taking a cautious approach since that time. National Western's single premium equity-indexed universal life products proved to be an ideal fit for those seeking financial peace of mind in this quasi remote environment given its policy features and a simplified transactional sales process. In the midst of the COVID-19 affliction, we were reminded again of the importance of our policies and their promises, and witnessed continued increases in the sales of these products.





Perhaps one of the more enduring social effects of the pandemic is the crossover to virtual tools becoming the default choice of individuals in managing different aspects of their lives. A parallel outcome has been the raised awareness of the need for technology innovation and accelerated digital transformation for the life insurance industry. The rapid transition to remote work structures has prompted a rethinking of existing operating models, in turn, hastening a reconfiguration of IT architectures to digital environments.

Widespread remote workforces brought on by this unprecedented crisis further challenged and identified shortcomings in insurers' legacy systems.

Insurance is a risk-oriented business and the pandemic accelerated a mindset in which the risk of not making changes may significantly exceed the risk of innovating and trying new things. The coronavirus created a pronounced shift in the risk landscape. No one could have predicted total lockdowns and a virtual shutdown of the world economy. The financial markets reacted swiftly to the onset of the pandemic producing sharp declines early in 2020. In order to create additional liquidity, the Federal Reserve took an aggressive posture of cutting short-term interest rates to near zero. Paltry interest rates that have hobbled insurer balance sheets for the past decade or more appear to be holding near historical lows. For those in the business of selling fixed rate products and managing interest rate spread margins, the status quo was no longer a viable option. The progressive absorption of valuable capital resources for margin-constrained business required non-traditional analysis and approaches different from those in the past.

CHANGES MADE

Heading into 2020, our strategic planning efforts included the development of a supporting Information Technologies three year strategy. Embedded within this IT strategy were itemized points of emphasis which included: providing easy to use, market competitive and modern systems platforms; leveraging third party vendor relationships to maintain legacy systems until their retirement or transition to newer platforms; simplifying, streamlining and automating processes for gains in operational efficiencies; maintaining risk management plans to mitigate system, security and operational risks; and ongoing evaluation of emerging technology trends to support future business needs. Fortunately, the pre-pandemic identification of IT strategies prepared us for a subsequent compression of several years of technology innovation into just 12 months.

Prior to the COVID-19 lockdowns, we had already put in place virtual private networks (VPNs) to allow various professionals on our staff to supplement their in-office productivity with remote capability. Within days of being notified of the governmental lockdown requirements, our IT professionals replicated VPN access for the approximately 80% of home office staff who were able to shift their job duties to a work-at-home setup. What had been previously nice-to-have capabilities rapidly transformed into need-to-have necessities. Precepts of our established disaster recovery and business continuity programs, though not activated, were valuable guideposts in our response to the situation.

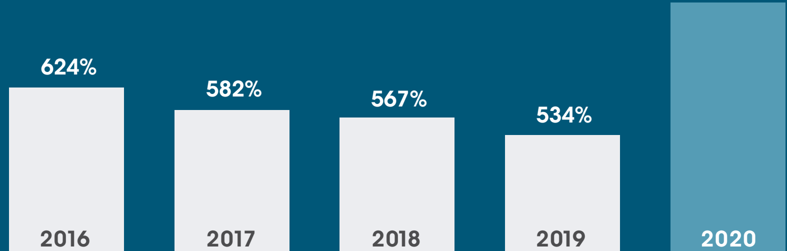
Foundational to developing a solid and resilient IT architecture with portable digital work environment features is transformation of legacy systems to new technologies. In the midst of all of the other challenges hoisted upon our IT resources during 2020, our IT professionals undertook the significant initiative of implementing a new policy administration system. Development and implementation of the Oracle Insurance Policy Administration platform was completed for our first product implementation launch by year-end 2020. Referred to internally as ATLAS (AnnuiTy and Life Administration System), this policy administrative platform provides leading edge processing throughput, fast-tracked digital transformation, and cloud-based capacity and security. All products currently being developed are configured for this new technology and timetables are established for the migration of all in force policies from existing legacy systems. This was a tremendous accomplishment by our IT professionals during the hectic background of COVID-19 and strengthens our ability to efficiently administer our business cost-effectively.

READERS OF OUR PAST REPORTS are familiar with our repeated espousing of a prudently conservative, traditional approach to investing. Our emphasis on high credit quality fixed income investments has served us well through the various down credit cycles during the years. However, lessons learned from the pandemic revealed that alternative investment strategies were needed to augment the chassis of our core investing philosophy. New risk-reward investment vehicles were required to confront the stubbornness of persistently low interest rates which now appear to be endemic to the global financial system. In collaboration with external investment consultants, in 2020 we began investing a portion of our cash flow funds into alternative investment vehicles and private placement securities which offer greater yield potential. We extended the maturities of our corporate bond purchases to better match the duration of our policy obligations. We continued to expand our mortgage loan investment portfolio through greater regional and collateral-type diversification subject to our same disciplined underwriting standards. We became a member of the Federal Home Loan Bank of Dallas to provide additional liquidity and nimbleness to take advantage of investment opportunities as they arise.

The pandemic presented a real-life stress test to our risk management programs which are focused on maintaining a strong capital position. The continuance of low interest rates and depressed investment yields has relentlessly compressed our interest margins, or spreads, particularly on vintage blocks of fixed rate annuity policies with high minimum interest guarantee rates. This compression progressively absorbed additional allocations of capital which were needed to pass cash flow measurement tests required of the actuaries. Our risk-based capital ("RBC") ratio, a primary analytic used by independent rating agencies and insurance regulators, although considered "strong," was following a declining pattern and the collateral financial market damage caused by the pandemic threatened to hasten the descent.

In order to address this predicament, we pursued identifying potential reinsurance partners having ample capital resources and demonstrated expertise in financial management of insurance blocks of business. We successfully concluded such an arrangement on December 31, 2020 with Prosperity Life Assurance Limited ("Prosperity"), a reinsurer based in Bermuda. Through a coinsurance with funds withheld basis, National Western Life Insurance Company ceded to Prosperity a 100% share of contractual liabilities of vintage fixed rate and payout annuity contracts in a full risk transfer agreement. Execution of the reinsurance transaction by the 2020 year-end achieved the objective of risk-based capital relief which, in turn, increased National Western's RBC ratio to nearly 800% or approximately double what it would have been without the agreement. This reinsurance transaction creates capital resource breathing room which provides us with the opportunity to strategically redirect for better growth potential.

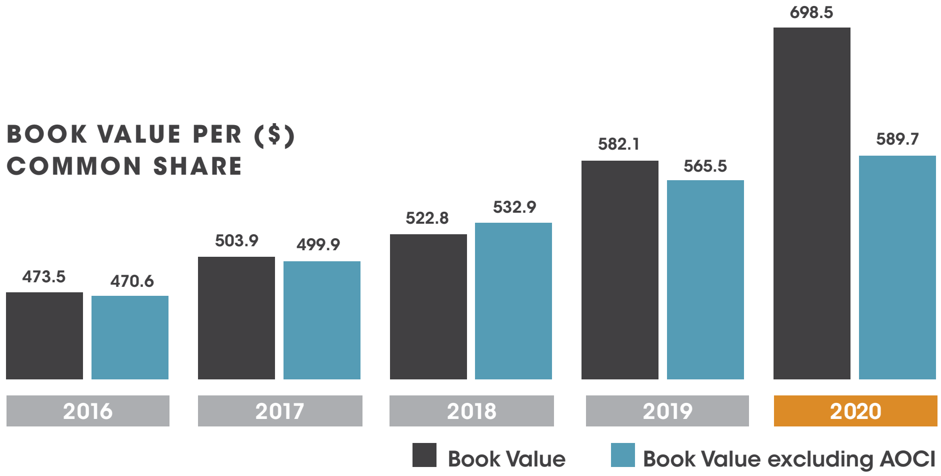
RISK-BASED CAPITAL RATIO



OUTCOMES ACHIEVED

Looking back, 2020 will be forever characterized as a time period fraught with tremendous uncertainty and unprecedented social and economic challenges. Navigating through this period, accumulating valuable lessons, pulling together to adapt and make significant changes, recognizing the important role we serve within society and individual lives – these will be the remnants that will be carried forward.

BOOK VALUE PER ($) COMMON SHARE



We finished the year with sizable sales growth percentages in both our annuity and life insurance lines of business. While expanding our investment horizons, we maintained exceptional credit quality from our longstanding core investment portfolios. Significant information technology advancements and crucial reinsurance relief were achieved without the addition of higher operating expenses. The recent additions to the enterprise, Ozark National Life Insurance Company and N.I.S. Financial Services, Inc., had more acute business challenges due to the pandemic induced lockdowns, but continued to contribute a meaningful portion to overall operating earnings.

The intrinsic worth of NWLGI, as measured by GAAP book value per share, continued its upward trajectory approaching $700 per common share. Removing the noise of unrealized fair market value gains and losses on fixed income securities recorded in Accumulated Other Comprehensive Income, and the Company's underlying core book value per share displays the same consistent positive momentum.

The Financial Summary chart following this letter displays selected financial data providing further insight into the financial trends mentioned above. The Company's Form 10-K filing is available on our website www.nwlgi.com located under the Financial Information link. For ready reference audited financial statements which were included in our annual Form 10-K filing submitted to the Securities and Exchange Commission are also a part of this Annual Report. We welcome any specific questions submitted through our Investors Relation link on our website.

CONCLUDING **WORDS**

As I am writing this report to you, we have just recently passed the one-year anniversary of the World Health Organization declaring COVID-19 a pandemic. The forepart of this year's letter describes the business lessons our organization learned in the past year. However, numerous other lessons, more important lessons, emerged as well. We rediscovered that family matters more than we realized, the importance of generations having to interact and depend upon each other, and the need to help and be helped. We were reminded of how essential it is to focus on self-care and well-being not because it is self-indulgent but because it is socially responsible and benefits those we have contact with in our daily lives. During a period where trust was in serious decline, we remembered that engaging with others for a common goal or a shared and desired outcome has the potential to mend the frayed cords of trust.

2020 reminded us how important our employees are, not just to the success of our company, but because of the type of individuals they are and the roles they fill at home as well as in the office. To that end, we went to great lengths to provide a safe work environment during the COVID-19 pandemic for our staff. We closed our office facilities at the onset of the crisis and spared no cost in providing the technology and tools for them to work safely and productively from home. It happens all too often that it takes a crisis to gain a true appreciation for the individuals who you live and work with.

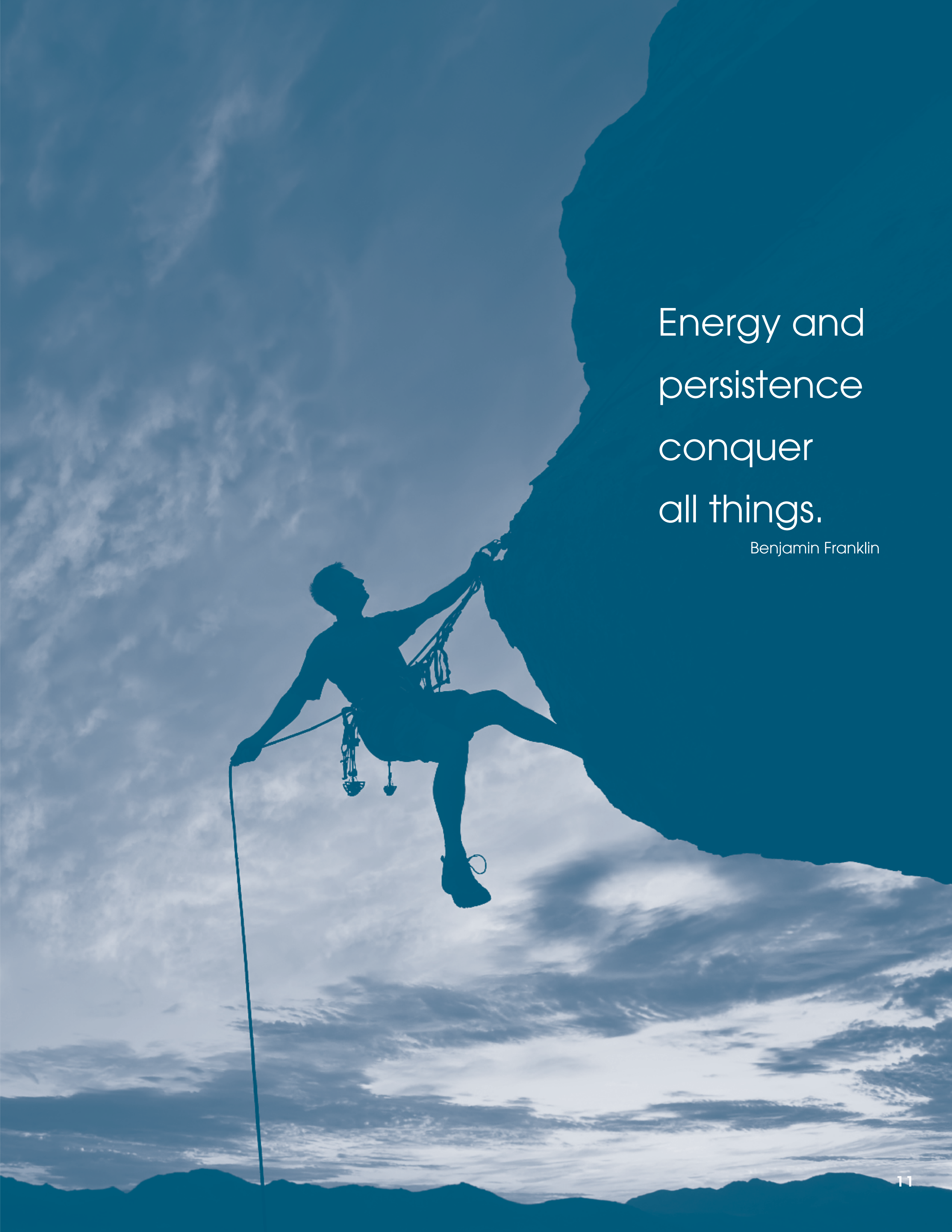
If there was ever a season to lean upon the counsel of experienced and sage leadership, this past year would have been it. I am extremely grateful to our Board of Directors for standing in the gap with myself and company management during this challenging time. Their oversight and advice have been invaluable to me.

To our stockholders, my sincere thanks for standing with us during this past year. I cannot help but be somewhat optimistic in looking forward. If history has demonstrated anything it is that when Americans encounter trying and tough times, they respond by adapting, working harder, devising creative solutions, and overcoming obstacles that are placed in the way. I saw evidence of that in our company in 2020 and it causes me to be hopeful about the future.

Best regards,

Ross R. Moody

Chairman of the Board
Chief Executive Officer and President


Energy and
persistence
conquer
all things.
Benjamin Franklin

FINANCIAL SUMMARY

($'s in thousands, except per share amounts)	2020	2019	2018	2017
Operating results				
Premiums and contract revenues	$237,947	$239,969	$173,496	$178,930
Net investment income (a)	402,448	432,285	429,081	436,810
Realized gains (losses) on investments	21,071	6,241	8,423	14,763
Total revenues	694,742	819,188	551,599	874,448
Policyholder benefits and contract interest	337,587	432,673	201,352	508,504
Operating expenses	245,087	221,360	208,740	221,389
Federal income taxes	19,756	33,540	24,749	34,134
Net earnings	92,312	131,616	116,758	110,421
Net earnings per class A share				
Basic	$26.11	$37.22	$33.02	$31.23
Diluted	$26.11	$37.22	$33.02	$31.23
Financial position				
Cash and investments	$12,013,264	$11,312,417	$10,710,219	$11,035,470
Other assets	2,635,006	1,241,030	1,221,472	1,189,624
Total assets	14,648,270	12,553,447	11,931,691	12,225,094
Liability for future policy benefits	9,933,419	10,141,971	9,744,286	10,098,484
Other liabilities	2,175,101	295,046	286,628	294,436
Stockholders' equity	2,539,750	2,116,430	1,900,777	1,832,174
Other year-end data				
Life insurance in force	$21,954,162	$23,299,827	$18,595,209	$19,675,583
Life insurance issued	$533,510	$599,437	$838,159	$1,221,327
Number of employees	355	353	276	279
Class A shares issued and outstanding	3,436,020	3,436,020	3,436,020	3,436,166
Closing stock price	$206.44	$290.88	$300.70	$331.02
Market capitalization	$709,332	$999,470	$1,033,211	$1,137,440
Book value per share	$698.50	$582.07	$522.76	$503.88

(a) Excluding Net Income (Loss) on Index Options

2016	2015	2014	2013	2012	2011	2010
$182,723	$175,307	$170,115	$167,466	$167,944	$150,211	$143, 757
439,312	440,864	436,814	434,534	432,901	424,369	384,771
13,070	7,209	11,605	8,653	13,200	6,063	5,475
682,368	589,796	708,780	860,267	664,662	572,747	575,992
313,919	244,353	352,553	514,644	314,181	279,282	319,532
215,587	198,775	198,706	203,926	209,900	210,629	151,897
51,970	48,272	51,933	45,450	48,023	27,209	31,666
100,892	98,396	105,588	96,247	92,558	55,627	72,897
$28.53	$27.83	$29.87	$27.23	$26.19	$15.74	$20.67
$28.53	$27.82	$29.85	$27.19	$26.19	$15.73	$20.61
$10,678,700	$10,395,021	$10,203,510	$9,681,762	$9,225,730	$8,683,895	$7,777,503
1,216,281	1,217,555	1,148,382	1,148,654	1,038,128	1,044,104	996,445
11,894,981	11,612,576	11,351,892	10,830,416	10,263,858	9,727,999	8,773,948
9,859,095	9,699,358	9,522,522	9,125,134	8,568,854	8,163,455	7,247,781
314,058	301,232	273,050	257,334	303,324	287,759	307,376
1,721,828	1,611,986	1,556,320	1,447,948	1,391,680	1,276,785	1,218,791
$20,909,257	$22,026,201	$23,081,004	$22,372,798	$21,602,618	$20,939,405	$19,672,126
$1,440,167	$2,346,669	$2,761,329	$2,802,859	$2,685,595	$2,927,780	$2,999,982
265	261	264	279	280	278	292
3,436,166	3,436,166	3,436,166	3,434,765	3,434,763	3,434,766	3,429,241
$310.80	$251.94	$269.25	$223.55	$157.74	$136.16	$166.72
$1,067,960	$865,708	$925,188	$767,842	$541,800	$467,678	$571,723
$473.53	$443.32	$428.01	$398.36	$382.88	$351.27	$335.83

NATIONAL WESTERN LIFE GROUP, INC.

BOARD OF DIRECTORS

Ross R. Moody
Chairman of the Board
President and Chief Executive Officer
Austin, Texas
Director 1981 to present

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Associate Dean for Graduate Medical
Education and Professor of Medicine
University of Texas Medical Branch
Galveston, Texas
Director 2017 to present

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Chief Executive Officer
United Allergy Services, LLC
Dallas, Texas
Director 2016 to present

Stephen E. Glasgow
Managing Partner
Texas GSA Holdings, LP, RAM Investments,
and ABIA Retail, LLC
Austin, Texas
Director 2004 to present

E. Douglas McLeod
Attorney at Law, Investments
Galveston, Texas
Director 1979 to present

Charles D. Milos
Senior Vice President – Mortgage Loans
and Real Estate
National Western Life Insurance Company®
Galveston, Texas
Director 1981 to present

Ann M. Moody
Member of Various Boards of Directors
Galveston, Texas
Director 2014 to present

Frances A. Moody-Dahlberg
Executive Director & Trustee
The Moody Foundation
Dallas, Texas
Director 1990 to present

E.J. Pederson
Retired Executive Vice President
and Chief Operating Officer
The University of Texas Medical Branch
Galveston, Texas
Director 1992 to present

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Chairman Emeritus
Former Chairman of the Board
and Chief Executive Officer
National Western Life Insurance Company®
Galveston, Texas
Director 1963 to 2016

Russell S. Moody
Advisory Director
Investments
League City, Texas
Director 1988 to 2016

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Gina Byrne Miller
Senior Vice President –
Chief Legal Officer and Secretary

Rey Perez
Senior Vice President

Brian M. Pribyl
Senior Vice President –
Chief Financial Officer and Treasurer

NATIONAL WESTERN
LIFE INSURANCE COMPANY

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Chief Executive Officer
National Western Life Insurance Company®

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Chief Executive Officer
United Allergy Services, LLC
Dallas, Texas

Stephen E. Glasgow
Managing Partner
Texas GSA Holdings, LP, RAM Investments,
and ABIA Retail, LLC
Austin, Texas

Kitty Kennedy Nelson
Retired President and Chief Operating Officer
National Western Life Insurance Company®

E.J. Pederson
Retired Executive Vice President
and Chief Operating Officer
The University of Texas Medical Branch
Galveston, Texas
Director 1992 to present

Rey Perez
President and Chief Operating Officer
National Western Life Insurance Company®

Brian M. Pribyl
Senior Vice President –
Chief Financial Officer and Treasurer
National Western Life Insurance Company®

In the middle of a difficulty lies opportunity.

Albert Einstein

NATIONAL WESTERN LIFE INSURANCE COMPANY

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Executive Vice President – Chief Marketing Officer

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CFA, Senior Vice President – Chief Investment Officer

Dr. Carlos A. Martinez
Senior Vice President – Head of Culturally Diverse Markets

Gina Byrne Miller
JD, Senior Vice President – Chief Legal Officer and Secretary

Charles D. Milos
Senior Vice President – Mortgage Loans and Real Estate

Gregory J. Owen
Senior Vice President – Chief Information Officer

Brian M. Pribyl
CPA, FLMI, Senior Vice President – Chief Financial Officer and Treasurer

James J. Ryan
Senior Vice President – Head of Sales

Stephen M. Van De Berg
FSA, MAAA Senior Vice President – Chief Actuary and Chief Risk Officer

Fabiola A. Best
FALU, FLMI, ACS, AIAA,
Vice President – Administration

Ayanna Burns
CFP, ChFC, Vice President – Domestic Marketing Operations

Paul T. Garofoli
FLMI, Vice President – Annuity Sales

Joseph J. Hathaway
ASA, MAAA, Vice President – Appointed Actuary

Patrick D. Johnson
SPHR, CEBS, Vice President – Human Resources

William M. Kennedy, III
JD, Vice President – Corporate Counsel

Jie Adam Lei
CFA, ASA, MAAA, Vice President – Risk Management

Allison L. Lounsbury
Vice President – Controller

D. Chad Mercer
Vice President – Sales Development and Analytics

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FLMI, ARA, ACS, Vice President – Life Pricing and Reinsurance

Cynthia L. Pearce-Karrick
Vice President – Marketing and Sales Operations

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Vice President – Mortgage Loans

Robert L. Woodard
Vice President – Investments

Nicole M. Antompietri
Assistant Vice President – Mortgage Loans

Rachel B. Beaulier
JD, Assistant Vice President – Corporate Counsel

Kimorn Bo Chheng
Assistant Vice President – Infrastructure Services

Matthew L. Childress
Assistant Vice President – Application Development

Karen A. Johnston
Assistant Vice President – I.T. Portfolio Management

Aaron A. Jones
CRPC, CMFC, CRPS, Assistant Vice President – Sales Support

Caroline Paver
CPFA, Assistant Vice President – Internal Audit

Jennifer E. Smith
Assistant Vice President – Mortgage Loans

Paul S. Stanton
Assistant Vice President – Sales Development and Analytics

Terry L. Valadez
FLMI, Assistant Vice President – General Accounting & Treasury

OZARK NATIONAL LIFE INSURANCE COMPANY

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National Western Life Insurance Company

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President
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James T. Emerson
Retired President
Ozark National Life Insurance Company

Patrick D. Johnson
Vice President – Human Resources
National Western Life Insurance Company

David R. Melton
Vice President – General Counsel and Secretary
Ozark National Life Insurance Company

Gregory J. Owen
Senior Vice President - Chief Information Officer
National Western Life Insurance Company

Brian M. Pribyl
Senior Vice President – Chief Financial
Officer and Treasurer
National Western Life Insurance Company

Michelle R. Salyer
President
N.I.S. Financial Services, Inc.

Chad J. Tope
Executive Vice President – Chief Marketing Officer
National Western Life Insurance Company

OFFICERS

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CPA, President

Phillip M. Kircher
Senior Vice President of Marketing and Agency

David R. Melton
Vice President
General Counsel and Secretary

Chad E. Carter
CPA, Vice President of Accounting and
Financial Reporting, Treasurer

Richard A. Otte
Vice President of Recruiting

Gregory P. Thompson
Vice President of Information Technology

Jill E. Thompson
Vice President

Charles A. Trollinger, Jr.
Vice President of Agency

CORPORATE INFORMATION

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Independent Auditors

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Little Rock, Arkansas 72203

General Counsel

Gregory S. Garrison
Greer, Herz & Adams, LLP
Galveston, Texas

Subsidiaries

National Western Life Insurance Company
Ozark National Life Insurance Company
NWL Services, Inc.
NWLSM, Inc.
NWL Financial, Inc.
The Westcap Corporation
Regent Care San Marcos Holdings, LLC
Braker P III, LLC
N.I.S. Financial Services, Inc.

Stock Transfer Agent

Continental Stock Transfer & Trust Company
1 State Street – 30th Floor, New York, NY 10004-1561
Telephone: (212) 509-4000

Communications regarding stock transfer requirements, lost certificates, and change of address should be directed to the Transfer Agent or to the Office of the Corporate Secretary of National Western Life Group, Inc.

Stock Information

Shares of National Western Life Group, Inc. are traded on The Nasdaq Stock Market under the symbol "NWLI."

Annual Stockholders' Meeting

The annual meeting of stockholders will be at 1:00 P.M. (CDT) on June 18, 2021, at the Company's Executive Offices.

Form 10-K

National Western Life Group, Inc.'s 2020 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, can be found on the World Wide Web at www.nwlgi.com or on the SEC's internet site at www.sec.gov. For other investor data, contact Investor Relations. Copies are available upon request without charge.

Investor Relations

Direct inquiries to
Chief Financial Officer
P.O. Box 209080
Austin, Texas 78720-9080
Telephone: (512) 719-2493

Information on the Internet

Information about our companies is available on the Internet.
Visit our home pages at:
www.nwlgi.com
www.nationalwesternlife.com
www.ozark-national.com

Believe you can and you're halfway there.

Theodore Roosevelt

NWLGI

National Western Life Group, Inc.

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
National Western Life Group, Inc.
Austin, Texas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of National Western Life Group, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and schedules I (summary of investments other than investments in related parties), II (condensed financial information of registrant), IV (reinsurance information), and V (valuation and qualifying accounts) (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 16, 2021, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Future Policy Benefits

Critical Audit Matter Description

Future policy benefits consist of universal life and annuity contracts of approximately $9.0 billion and traditional life reserves of approximately $900 million at December 31, 2020. As described in *Note 1*, the liability for future policy benefits on traditional products is calculated using assumptions as to future mortality, interest rates and withdrawals based on the Company's experience. The liability for future policy benefits for universal life and annuity contracts represents the contract balance. Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an equity index. The equity return component of such policy contracts is identified separately and accounted for at fair value as an embedded derivative. The remaining portion of these policy contracts are recorded separately as fixed annuity or universal life contracts. These contracts are recorded as discounted debt instruments that are accreted to their minimum account values at their projected maturities or termination dates using the effective yield method.

Auditing estimates for future policy benefits required a high degree of judgment, including the need to involve an actuarial specialist, due to the nature of the data utilized in the complex actuarial models and the high degree of judgment applied by management in determining these liabilities.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the future policy benefits liabilities included the following procedures, among others:

- Obtained an understanding, evaluated the design and tested the operating effectiveness of controls, including technology controls, over the Company's inputs and processes utilized in the calculation of future policy benefits, and the design and operating effectiveness of controls over the completeness and accuracy of the underlying source data.
- Tested the completeness and accuracy of the underlying policy data used in the actuarial analysis.
- Engaged an actuarial specialist to evaluate the appropriateness of actuarial methods and assumptions used in developing the estimates related to these liabilities.

Amortization of Deferred Policy Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

Critical Audit Matter Description

As described in *Note 1*, deferred policy acquisition costs include certain costs of successfully acquiring new insurance business, including commissions and other expenses directly related to the acquisition of new business, to the extent the costs are recoverable from future policy revenues and gross profits. Premium bonuses and bonus interest credited to contracts during the first contract year are also deferred to the extent the costs are recoverable. For interest sensitive universal life and annuity products, these costs are amortized in relation to the present value of expected gross margins or gross profits on these policies. For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies in proportion to the ratio of annual premium revenues to total anticipated premium revenues. The Company evaluates the recoverability of deferred policy acquisition costs and sales inducement costs by considering expected mortality, interest earned, credit rates, persistency and expenses and estimated future gross profits or future premiums. Amortization is reviewed each year and adjusted retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of investment gains and losses) to be realized from a group of products are revised. As discussed in *Note 12*, value of business acquired (VOBA) is an intangible asset based upon the difference between the fair value of policyholder liabilities acquired in a business combination and the same policyholder liability measured in accordance with the Company's accounting policies. The Company recorded VOBA of $145.8 million in connection with the acquisition of Ozark National Life Insurance Company on January 31, 2019. VOBA is amortized following a methodology similar to that used for deferred policy acquisition costs.

Auditing the amortization of deferred policy acquisition costs, deferred sales inducements and VOBA was especially challenging due to the complexity and high degree of judgment applied by management, including the need to involve an actuarial specialist, in determining estimated future gross profits. The estimate of future gross profits includes assumptions regarding premium payment and expense patterns, mortality, persistency and investment performance.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the amortization of deferred policy acquisition costs, deferred sales inducements and VOBA included the following procedures, among others:

- Obtained an understanding, evaluated the design and tested the operating effectiveness of controls, including technology controls, over the Company's inputs and processes utilized in estimating future gross profits and resulting amortization and the design and operating effectiveness of controls over the completeness and accuracy of the underlying source data.
- Tested the completeness and accuracy of the underlying data used in the actuarial analysis.

- Engaged an actuarial specialist to evaluate the appropriateness of actuarial methods and assumptions utilized in the estimated gross profits used for amortization.

BKD, LLP

BKD, LLP

We have served as the Company's auditor since 2014.

Little Rock, Arkansas
March 16, 2021

National Western Life Group, Inc.

Consolidated Financial Statements
As of December 31, 2020 and 2019 and the
Three-Year Period Ended December 31, 2020

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(In thousands)

ASSETS	2020	2019
Investments:		
Debt securities - held-to-maturity, at amortized cost (fair value: $0 and $7,407,703)	$ —	7,106,245
Debt securities - available-for-sale, at fair value (cost: $9,874,543 and $3,206,120)	10,770,923	3,356,945
Mortgage loans, net of allowance for credit losses ($2,486 and $675)	332,521	272,422
Policy loans	74,083	80,008
Derivatives, index options	132,821	157,588
Equity securities, at fair value (cost: $12,069 and $16,894)	17,744	23,594
Other long-term investments	104,113	62,090
Total investments	11,432,205	11,058,892
Cash and cash equivalents	581,059	253,525
Deferred policy acquisition costs	382,080	723,972
Deferred sales inducements	43,845	104,359
Value of business acquired	162,968	138,071
Cost of reinsurance	102,840	—
Accrued investment income	88,323	93,298
Federal income tax receivable	10,408	—
Amounts recoverable from reinsurers	1,709,232	42,428
Other assets	135,310	138,902
Total assets	$ 14,648,270	12,553,447

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	2020	2019
LIABILITIES:		
Future policy benefits:		
Universal life and annuity contracts (Note 1)	$ 9,035,316	9,303,233
Traditional life reserves	898,103	838,738
Other policyholder liabilities	138,480	127,607
Funds withheld liability	1,697,591	—
Deferred Federal income tax liability (Note 1)	145,126	36,767
Federal income tax payable	—	3,748
Other liabilities	193,904	126,924
Total liabilities	12,108,520	10,437,017
COMMITMENTS AND CONTINGENCIES (Notes 5, 14, and 17)		
STOCKHOLDERS' EQUITY (Note 12):		
Common stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2020 and 2019	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2020 and 2019	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income	395,421	60,108
Retained earnings (Note 1)	2,102,577	2,014,570
Total stockholders' equity	2,539,750	2,116,430
Total liabilities and stockholders' equity	$ 14,648,270	12,553,447

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands except per share amounts)

		2020	2019	2018
Premiums and other revenues:				
Universal life and annuity contract charges	$	145,405	149,721	155,205
Traditional life premiums		92,542	90,248	18,291
Net investment income		417,202	555,492	349,077
Other revenues		18,522	17,486	20,603
Net realized investment gains:				
Total other-than-temporary impairment (“OTTI”) gains (losses)		5	(7,838)	12
Portion of OTTI (gains) losses recognized in other comprehensive income		(5)	(9)	(12)
Net OTTI losses recognized in earnings		—	(7,847)	—
Other net investment gains		21,071	14,088	8,423
Total net realized investment gains		21,071	6,241	8,423
Total revenues		694,742	819,188	551,599
Benefits and expenses:				
Life and other policy benefits		131,337	137,342	65,297
Amortization of deferred policy acquisition costs and value of business acquired		140,503	116,802	114,771
Universal life and annuity contract interest		206,250	295,330	136,055
Other operating expenses		104,584	104,558	93,969
Total benefits and expenses		582,674	654,032	410,092
Earnings before Federal income taxes		112,068	165,156	141,507
Federal income taxes		19,756	33,540	24,749
Net earnings	$	92,312	131,616	116,758
Basic Earnings Per Share:				
Class A	$	26.11	37.22	33.02
Class B	$	13.05	18.61	16.51
Diluted Earnings Per Share:				
Class A	$	26.11	37.22	33.02
Class B	$	13.05	18.61	16.51

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Net earnings	$ 92,312	131,616	116,758
Other comprehensive income (loss), net of effects of deferred costs and taxes:			
Unrealized gains (losses) on securities:			
Net unrealized holding gains (losses) arising during period	352,561	96,954	(56,818)
Net unrealized liquidity gains (losses)	6	3	2
Reclassification adjustment for net amounts included in net earnings	(4,485)	3,997	(2,718)
Net unrealized gains (losses) on securities	348,082	100,954	(59,534)
Foreign currency translation adjustments	15	524	1,354
Benefit plans:			
Amortization of net prior service cost and net gain (loss)	(12,784)	(4,355)	11,298
Other comprehensive income (loss)	335,313	97,123	(46,882)
Comprehensive income (loss)	$ 427,625	$ 228,739	69,876

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Common stock:			
Balance at beginning of period	$ 36	36	36
Shares exercised under stock option plan	—	—	—
Balance at end of period	36	36	36
Additional paid-in capital:			
Balance at beginning of period	41,716	41,716	41,716
Shares exercised under stock option plan	—	—	—
Balance at end of period	41,716	41,716	41,716
Accumulated other comprehensive income (loss):			
Unrealized gains (losses) on non-impaired securities:			
Balance at beginning of period	70,665	(30,286)	33,664
Change in unrealized gains (losses) during period	348,076	100,951	(59,536)
Reclassification to retained earnings (see Note 1)	—	—	(4,414)
Balance at end of period	418,741	70,665	(30,286)
Unrealized losses on impaired held to maturity securities:			
Balance at beginning of period	(4)	(7)	(10)
Amortization	4	7	9
Change in shadow deferred policy acquisition costs	(2)	(4)	(6)
Disposals of previously impaired securities	2	—	—
Balance at end of period	—	(4)	(7)
Unrealized losses on impaired available for sale securities:			
Balance at beginning of period	(2)	(2)	(1)
Other-than-temporary impairments, non-credit, net of tax	—	—	—
Change in shadow deferred policy acquisition costs	—	—	(1)
Cumulative change in accounting principle (see Note 1)	2	—	—
Balance at end of period	—	(2)	(2)

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Foreign currency translation adjustments:			
Balance at beginning of period	5,101	4,577	3,223
Change in translation adjustments during period	15	524	1,354
Balance at end of period	5,116	5,101	4,577
Benefit plan liability adjustment:			
Balance at beginning of period	(15,652)	(11,297)	(22,595)
Amortization of net prior service cost and net gain, net of tax	(12,784)	(4,355)	11,298
Balance at end of period	(28,436)	(15,652)	(11,297)
Accumulated other comprehensive income (loss) at end of period	395,421	60,108	(37,015)
Retained earnings:			
Balance at beginning of period (1)	2,014,570	1,884,227	1,776,141
Reclassification from accumulated other comprehensive income (loss) (see Note 1)	(3,032)	—	4,414
Net earnings	92,312	131,616	116,758
Stockholder dividends	(1,273)	(1,273)	(1,273)
Balance at end of period	2,102,577	2,014,570	1,896,040
Total stockholders' equity	$ 2,539,750	2,116,430	1,900,777

(1) The 2019 beginning balance was revised by $11.8 million. See Note (1).

See accompanying notes to Consolidated Financial Statements.

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net earnings	$ 92,312	131,616	116,758
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Universal life and annuity contract interest	206,250	295,330	136,055
Surrender charges and other policy revenues	(26,623)	(32,909)	(37,138)
Realized (gains) losses on investments	(21,071)	(6,241)	(8,423)
Accretion/amortization of discounts and premiums, investments	3,371	2,264	(424)
Depreciation and amortization	11,903	11,677	12,147
Increase (decrease) in estimated credit losses on investments	(2,027)	—	—
(Increase) decrease in value of equity securities	937	(4,051)	1,789
(Increase) decrease in value of derivatives	(14,754)	(123,207)	80,004
(Increase) decrease in deferred policy acquisition and sales inducement costs, and value of business acquired	82,897	69,176	43,479
(Increase) decrease in accrued investment income	4,975	9,157	480
(Increase) decrease in reinsurance recoverable	728	(7,512)	(5,851)
(Increase) decrease in other assets	(620)	(5,236)	(539)
Increase (decrease) in liabilities for future policy benefits	14,138	13,758	(12,474)
(Decrease) increase in other policyholder liabilities	10,873	(21,955)	7,685
(Decrease) increase in Federal income tax liability	(14,156)	21,580	(20,635)
Increase (decrease) in deferred Federal income tax	20,031	(25,294)	26,438
(Decrease) increase in other liabilities	3,907	876	(12,728)
Net cash provided by operating activities	373,071	329,029	326,623
Cash flows from investing activities:			
Proceeds from sales of:			
Debt securities held-to-maturity	—	—	—
Debt securities available-for-sale	—	87,298	28,098
Other investments	9,198	30,082	4,433
Proceeds from maturities, redemptions, and prepayments of:			
Debt securities held-to-maturity	960,360	700,759	437,311
Debt securities available-for-sale	334,397	295,026	195,874
Other investments	13,715	6,263	2,027
Derivatives, index options	106,451	52,768	191,031
Property and equipment	—	—	8

(Continued on Next Page)

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	2020	2019	2018
Purchases of:			
Debt securities held-to-maturity	(544,092)	(257,928)	(472,224)
Debt securities available-for-sale	(297,998)	(187,570)	(264,999)
Equity securities	(1,395)	(1,342)	(2,442)
Derivatives, index options	(62,568)	(77,381)	(86,692)
Other investments	(52,944)	(7,315)	(8,314)
Property, equipment, and other productive assets	(12,106)	(2,844)	(3,138)
Payment to acquire businesses, net of cash acquired	—	(189,121)	—
Principal payments on mortgage loans	14,814	47,755	35,159
Cost of mortgage loans acquired	(80,220)	(121,420)	(29,884)
(Increase) decrease in policy loans	5,925	2,844	1,681
Net cash provided by (used in) investing activities	393,537	377,874	27,929
Cash flows from financing activities:			
Dividends on common stock	(1,273)	(1,273)	(1,273)
Deposits to account balances for universal life and annuity contracts	501,867	405,236	560,583
Return of account balances on universal life and annuity contracts	(939,309)	(989,980)	(1,001,224)
Borrowings under line of credit agreement	—	75,000	—
Principal payments on line of credit borrowings	—	(75,000)	—
Principal payments under finance lease obligation	(378)	—	—
Net cash provided by (used in) financing activities	(439,093)	(586,017)	(441,914)
Effect of foreign exchange	19	663	1,714
Net increase (decrease) in cash, cash equivalents, and restricted cash	327,534	121,549	(85,648)
Cash, cash equivalents, and restricted cash at beginning of year	253,525	131,976	217,624
Cash, cash equivalents, and restricted cash at end of year	$ 581,059	253,525	131,976

NATIONAL WESTERN LIFE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:				
Interest	$	75	271	40
Income taxes	$	13,980	37,153	19,202
Noncash operating activities:				
Net deferral and amortization of sales inducements	$	(12,464)	(17,195)	(12,753)
Establishment of funds withheld liability (see Note 5)	$	1,697,591	—	—
Deferred cost of reinsurance (see Note 5)	$	102,840	—	—
Noncash investing activities:				
Contingent consideration to acquire businesses	$	—	3,700	—
Exchange of debt securities available for sale for equity securities	$	—	2,452	—
Exchange of debt securities available for sale	$	—	782	—

See accompanying notes to Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

National Western Life Insurance Company ("National Western" or "NWLIC") became a wholly owned subsidiary of National Western Life Group, Inc. ("NWLGI") effective October 1, 2015 under a previously announced holding company reorganization. As a result of the reorganization, NWLGI replaced National Western as the publicly held company.

The accompanying Consolidated Financial Statements include the accounts of NWLGI and its wholly owned subsidiaries: National Western, Regent Care San Marcos Holdings, LLC, NWL Services, Inc., and N.I.S. Financial Services, Inc. ("NIS"). National Western's wholly owned subsidiaries include The Westcap Corporation, NWL Financial, Inc., NWLSM, Inc., Braker P III, LLC, and Ozark National Life Insurance Company ("Ozark National"). The 2019 results of operations for Ozark National and NIS include their respective business activity subsequent to their acquisition effective January 31, 2019 and all references herein to results for 2019 refer to their eleven month activity February 1, 2019 through December 31, 2019. All significant intercorporate transactions and accounts have been eliminated in consolidation.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the accompanying Consolidated Financial Statements include (1) liabilities for future policy benefits, (2) valuation of derivative instruments, (3) recoverability and amortization of deferred policy acquisition costs ("DPAC"), deferred sales inducements ("DSI") and the value of business acquired ("VOBA"), (4) valuation allowances for deferred tax assets, (5) goodwill, (6) allowances for credit losses and, prior to January 1, 2020, other-than-temporary impairment losses on debt securities, (7) commitments and contingencies, and (8) allowance for credit losses for mortgage loans and real estate. During the year ended December 31, 2019, the Company incorporated accounting estimates for business combinations, value of business acquired, and fair value measurement as a result of its acquisition of Ozark National and NIS.

The table below shows the unrealized gains and losses on available-for-sale securities that were reclassified out of accumulated other comprehensive income for the years ended December 31, 2020, 2019 and 2018.

Affected Line Item In the Consolidated Statements of Earnings	Amount Reclassified from Accumulated Other Comprehensive Income		
	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Other net investment gains (losses)	$ 5,677	2,787	3,441
Net OTTI losses recognized in earnings	—	(7,847)	—
Earnings before Federal income taxes	5,677	(5,060)	3,441
Federal income taxes	1,192	(1,063)	723
Net earnings	$ 4,485	(3,997)	2,718

National Western and Ozark National also file financial statements with insurance regulatory authorities which are prepared on the basis of statutory accounting practices prescribed or permitted by the Colorado Division of Insurance and Missouri Department of Commerce and Insurance, respectively, which are significantly different from Consolidated Financial Statements prepared in accordance with GAAP. These differences are described in detail in Note (9) *Statutory Information*.

Certain amounts in the prior year Consolidated Financial Statements have been reclassified to conform to the current year financial statement presentation.

Revision of Prior Period Consolidated Financial Statements

During the first quarter of 2020, management identified an understatement of an excess benefit reserve on a specific block of policies that dated back to the first quarter of 2004 with the adoption of the Statement of Position 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts* (SOP 03-1). Management concluded that this error was not material to previously issued consolidated financial statements and would be corrected through a revision to the comparative consolidated balance sheet presented for the year ended December 31, 2019. The impact of this revision as of December 31, 2019 was an increase to the future policy benefits liability of $15.0 million, a decrease to deferred federal income tax liability of $3.2 million, and a decrease to retained earnings of $11.8 million.

Investments

Fixed Maturities and Equity Securities

Historically, investments in debt securities the Company purchased with the intent to hold to maturity were classified as securities held-to-maturity and were reported at amortized cost (less declines in fair value that were deemed other-than-temporary). Effective December 31, 2020, the Company entered into a funds withheld reinsurance agreement under which certain securities were required to be reclassified from held-to-maturity to available-for-sale given a change in intent with respect to these securities by the reinsurer. Given this occurrence, it was determined that the held-to maturity classification of the other remaining held-to-maturity securities was no longer appropriate. Accordingly, all other debt securities previously classified as held-to-maturity were transferred at their fair value to available-for-sale as of December 31, 2020.

Investments in debt securities classified as securities available-for-sale are reported in the accompanying Consolidated Financial Statements at fair value. Valuation changes resulting from changes in the fair value of the securities are reflected as a component of Stockholders' Equity in Accumulated other comprehensive income. These unrealized gains or losses in stockholders' equity are reported net of taxes and adjustments to deferred policy acquisition costs.

Transfers of securities between categories are recorded at fair value at the date of transfer.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method. For mortgage-backed and asset-backed securities, the effective interest method is used based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied at the time of acquisition (retrospective method). This adjustment is reflected in net investment income. For loan-backed securities not meeting the definition of "highly rated", the prospective method is evaluated and, if materially different from the retrospective method, utilized to account for these securities. The retrospective adjustment method has been used to value all loan-backed and structured securities included in the accompanying Consolidated Financial Statements.

As further disclosed under *Accounting Standards and Changes in Accounting* in this note, the Company adopted new accounting guidance for debt securities in the held-to-maturity category as of January 1, 2020. The Company employed a cohort cumulative loss rate method in estimating current expected credit losses with respect to its held-to-maturity debt securities. This method applies publicly available industry wide statistics of default incidence by defined segmentations of debt security investments combined with future assumptions regarding economic conditions (i.e. GDP forecasts) both in the near term and the long term. The Company utilized Moody's loss rates by industry type and credit ratings and applied them to each major bond category. These bond categories were further segmented by credit ratings and by maturities of two years and less and more than two years.

The Company determines current expected credit losses for available-for-sale debt securities in accordance with FASB ASC Subtopic 326-30 when fair value is less than amortized cost, interest payments are missed and the security is experiencing credit issues. Provisions to and releases from the allowance for credit losses are recorded in net investment income in the Condensed Consolidated Statements of Earnings.

Previous accounting guidance required the Company to review its portfolio for potential other-than-temporary impairments which would require that affected securities be written down to an adjusted cost basis with the amount of the writedown recorded as part of net realized gains and losses in the Consolidated Statements of Earnings. Under this previous guidance, the Company reviewed its investment portfolio for market value changes to identify changes caused by issuer credit deterioration, changes in market interest rates and changes in economic conditions. If this review indicated a decline in fair value that was other-than-temporary, the Company's carrying amount in the investment was reduced to its estimated fair value as an other-than-temporary impairment ("OTTI"). In accordance with GAAP guidance the estimated credit versus non-credit components of the OTTI were bifurcated. The credit component was recorded in earnings and resulted in the establishment of a new cost basis for the security. The non-credit component was reclassified as unrealized loss in Other comprehensive income. The Company would not recognize impairment of securities due to changing of interest rates or market dislocations unless the Company had the intent to sell the securities prior to recovery or maturity.

The Company considered a number of factors in determining whether the impairment was other-than-temporary. These included, but were not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline in fair value, 4) the intent and ability to hold the investment until recovery, 5) the time period during which the decline had occurred, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performed a security-by-security review in evaluating the need for any other-than-temporary impairments. Although no set formula was used in this process, the investment performance, collateral position, and continued viability of the issuer were significant measures considered.

Equity securities, common and non-redeemable preferred stocks are reported at fair value with changes in fair value included in net investment income in the Consolidated Statement of Earnings.

Alternative Investments

The Company invests in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (i.e. investment funds). The Company does not have a controlling interest and is not the primary beneficiary for any of its alternative investments; accordingly, these investments are accounted for using the equity method of accounting where the cost is recorded as an investment in the fund. Adjustments to the carrying amount reflect the pro rata ownership percentage of the operating results as indicated by the net asset value in the investment fund financial statements, which can be done on a lag of up to three months when investee information is not received in a timely manner. Alternative investments are reported in other long-term investments in the Consolidated Balance Sheets. The proportionate share of investment fund income is reported as a component of Net realized investment gains in the Consolidated Statements of Earnings.

Derivatives

Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an underlying equity index. The equity return component of such policy contracts is identified separately and accounted for in future policy benefits as embedded derivatives on the Consolidated Balance Sheets. The remaining portions of these policy contracts are considered the host contracts and are recorded separately within future policy benefits as fixed annuity or universal life contracts. The host contracts are accounted for under debt instrument type accounting. The host contracts are recorded as discounted debt instruments that are accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The Company purchases over-the-counter index options, which are derivative financial instruments, to hedge the equity return component of its index annuity and life products. The amounts which may be credited to policyholders are linked, in part, to the returns of the underlying index. The index options act as hedges to match closely the returns on the underlying index. Cash is exchanged upon purchase of the index options and no principal or interest payments are made by either party during the option periods. Upon maturity or expiration of the options, cash is paid to the Company based on the underlying index performance and terms of the contract. As a result, amounts credited to policyholders' account balances are substantially offset by changes in the value of the options.

The Company does not elect hedge accounting relative to derivative instruments. The derivatives are reported at their fair value in the accompanying Consolidated Financial Statements. Changes in the values of the index options and changes in the policyholder liabilities are both reflected in the Consolidated Statement of Earnings. Any gains or losses from the sale or expiration of the options, as well as period-to-period changes in values, are reflected as net investment income in the Consolidated Statement of Earnings. Any changes relative to the embedded derivatives associated with policy contracts are reflected in contract interest in the Consolidated Statement of Earnings.

Although there is credit risk in the event of nonperformance by counterparties to the index options, the Company does not expect any counterparties to fail to meet their obligations, given their high credit ratings. In addition, credit support agreements are in place with all counterparties for option holdings in excess of specific limits, which further reduces the Company's credit exposure. At December 31, 2020 and 2019, the fair value of index options owned by the Company totaled $132.8 million and $157.6 million, respectively. Of these amounts, $71.0 million and $80.7 million represent unrealized gains and losses on the options held at December 31, 2020 and 2019, respectively.

Additionally, effective December 31, 2020, the Company is a party to a coinsurance funds withheld reinsurance agreement under which identified assets are maintained in a funds withheld account but the interest and credit risk of these assets has been transferred to the reinsurer, representing a total return swap with a floating rate leg. Accordingly the Company bifurcates the embedded derivative from the host contract in accordance with ASC 815-15. The fair value of the embedded derivative funds withheld liability is computed as the unrealized gain (loss) on the underlying funds withheld assets and is included in the funds withheld liability on the Consolidated Balance Sheets, with changes in the fair value of embedded derivatives reported in the net realized investment gains in the Consolidated Statements of Earnings. Contributions to and withdrawals from the funds withheld liability are reported in operating activities in the Consolidated Statements of Cash Flows. The value of the embedded derivative at December 31, 2020 was $0 million.

Mortgage Loans and Other Long-term Investments

Mortgage loans and other long-term investments are stated at cost, less unamortized discounts, deferred fees, and allowances for possible losses. Policy loans are stated at their aggregate unpaid balances. Real estate is stated at the lower of cost or fair value less estimated costs to sell.

As further disclosed under *Accounting Standards and Changes in Accounting* in this note, effective January 1, 2020, the Company implemented FASB ASU 2016-13, *Financial Instruments-Credit Losses*, which revises the credit loss recognition criteria for mortgage loans replacing the existing incurred loss recognition model with an expected loss recognition model ("CECL"). The objective of the CECL model is for the reporting entity to recognize its estimate of current expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. For mortgage loan investments the Company is using the Weighted Average Remaining Maturity ("WARM") method, which uses an average annual charge-off rate applied to each mortgage loan risk category. The WARM method is also used to calculate the CECL allowance on unfunded mortgage loan commitments. The CECL allowance on unfunded mortgage loan commitments is reported in other liabilities in the Consolidated Balance Sheets, with changes in the CECL allowance related to unfunded commitments recorded through Other operating expenses in the Consolidated Statements of Earnings.

Prior to January 1, 2020, impaired loans were those loans where it is probable that all amounts due according to contractual terms of the loan agreement would not be collected. The Company identified these loans through its normal loan review procedures. Impaired loans included: 1) nonaccrual loans, 2) loans which were 90 days or more past due, unless they were well secured and were in the process of collection, and 3) other loans which management believed were impaired. Impaired loans were measured based on: 1) the present value of expected future cash flows discounted at the loan's effective interest rate, 2) the loan's observable market price, or 3) the fair value of the collateral if the loan is collateral dependent. When the Company had loans considered impaired substantially all were measured at the fair value of the collateral. In limited cases, the Company used other methods to determine the level of impairment of a loan if such loan was not collateral dependent. Mortgage loans were placed on non-accrual status if there were concerns regarding the collectability of future payments. Interest income on non-performing loans is generally recognized on a cash basis. Once mortgage loans are classified as nonaccrual loans, the resumption of the interest accrual would commence only after all past due interest has been collected or the mortgage loan has been restructured such that the collection of interest is considered likely.

Accrued Investment Income

The accrual of investment income on invested assets is discontinued when it is determined that it is probable that the income will not be collected.

Realized Gains and Losses on Investments

Realized gains and losses for securities available-for-sale and securities held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold or called. Prepayment penalty fees received from issuers that call their securities before maturity are excluded from the calculation of realized gain or loss and are included as a component of investment income. After an OTTI write down of fixed maturities due to a credit-only impairment, the cost basis is not adjusted for subsequent recoveries in fair value. For fixed maturities for which a reasonable estimate of future cash flows are available after a write down, the discount or reduced premium recorded, based on the new cost basis, is amortized over the remaining life of the security. Amortization in this instance is computed using the prospective method and the current estimate of the amount and timing of future cash flows.

Fair Values

Fair values of equity securities are based on quoted market prices in active markets when available. Fair values of fixed maturities are based on market prices in the fixed income markets. Fair values of derivative investments are based on the latest counterparty model market prices. Items not readily marketable are generally based on values that are representative of the fair values of comparable issues. Fair values for all securities are reviewed for reasonableness by considering overall market conditions and values for similar securities. See Note (4) *Fair Values of Financial Instruments* for more information on fair value policies, including assumptions and the amount of securities priced using the valuation models.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers all short-term investments with a maturity at the date of purchase of three months or less to be cash equivalents.

Deferred Policy Acquisition Costs, Deferred Sales Inducements, and Value of Business Acquired

Deferred policy acquisition costs ("DPAC") include certain costs of successfully acquiring new insurance business, including commissions and other expenses related directly to the production of new business, to the extent recoverable from future policy revenues and gross profits (indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expenses as incurred). Also included are premium bonuses and bonus interest credited to contracts during the first contract year only. These deferred sales inducements ("DSI") are also deferrable to the extent recoverable.

For interest sensitive universal life and annuity products, these costs are amortized in relation to the present value of expected gross margins or gross profits on these policies. For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. The Company evaluates the recoverability of deferred policy acquisition and sales inducement costs on a quarterly basis. In this evaluation, the Company considers estimated future gross profits or future premiums, as applicable for the type of contract. The Company also considers expected mortality, interest earned and credited rates, persistency, and expenses.

In accordance with GAAP guidance, the Company must also write off deferred policy acquisition costs and unearned revenue liabilities upon internal replacement of certain contracts as well as annuitizations of deferred annuities. All insurance and investment contract modifications and replacements are reviewed to determine if the internal replacement results in a substantially changed contract. If so, the acquisition costs, sales inducements and unearned revenue associated with the new contract are deferred and amortized over the lifetime of the new contract. In addition, the existing deferred policy acquisition costs, sales inducement costs and unearned revenue balances associated with the replaced contract are written off. If an internal replacement results in a substantially unchanged contract, the acquisition costs, sales inducements and unearned revenue associated with the new contract are immediately recognized in the period incurred. In addition, the existing deferred policy acquisition costs, sales inducement costs or unearned revenue balance associated with the replaced contract are not written off, but instead are carried over to the new contract.

Amortization of DPAC and DSI is reviewed each year and adjusted retrospectively through an unlocking process when estimates of current or future gross profits/margins (including the impact of investment gains and losses) to be realized from a group of products are revised.

The value of insurance in force business acquired ("VOBA") is a purchase accounting convention for life insurance companies in business combinations based upon an actuarial determination of the difference between the fair value of policy liabilities acquired and the same policyholder liabilities measured in accordance with the acquiring company's accounting policies. The difference, referred to as VOBA, is an intangible asset subject to periodic amortization. It represents the portion of the purchase price allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. The Company began performing recoverability testing of value business acquired in 2020. Refer to Note (7) *Business Combinations* for more information.

Reinsurance

The Company cedes insurance and investment contracts under a coinsurance with funds withheld arrangement, following reinsurance accounting for transactions that provides indemnification against loss or liability relating to insurance risk. To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Cessions under reinsurance do not discharge the Company's obligations as the primary insurer. Assets and liabilities are presented on a gross basis on the Consolidated Balance Sheets. The funds withheld consist of a segregated portfolio of cash and invested assets which is sufficient to support the current balance of statutory reserves. The fair value of the funds withheld is recorded as a funds withheld liability and any excess or shortfall in relation to statutory reserves is settled periodically. Refer to Note (5) *Reinsurance* for more information.

Other Assets

Other assets include property and equipment, primarily comprised of capitalized software costs, furniture and equipment and leasehold improvements, which are reported at cost less allowances for depreciation and amortization. Costs incurred in the preliminary stages of developing internal-use software as well as costs incurred post-implementation for maintenance are expensed. Capitalization of internal-use software costs occurs after management has authorized the project and it is probable that the software will be used as intended. Amortization of software costs begins after the software has been placed in production. Depreciation and amortization expense is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Capitalized software, property, and equipment had a carrying value of $155.9 million at December 31, 2020 and $153.6 million at December 31, 2019, and accumulated depreciation and amortization of $72.6 million at December 31, 2020 and $62.5 million at December 31, 2019. Depreciation and amortization expense for capitalized software, furniture and equipment, and leasehold improvements was $11.9 million, $10.7 million, and $11.1 million in 2020, 2019, and 2018, respectively.

Other assets also include goodwill at December 31, 2020 and 2019 of $13.9 million related to the excess of the amounts paid to acquire companies over the fair value of other net tangible and intangible assets acquired. It represents the future economic benefits arising from assets acquired and liabilities assumed that could not be individually identified. Goodwill is not amortized but is subject to annual impairment analysis at the same time each year or more frequently if indicators are present. The Company annually reviews its goodwill balance to determine if indicators suggest an impairment may have occurred and would suggest the value has declined below the carrying value of goodwill. Refer to Note (7) *Business Combinations* for further information concerning the determination of goodwill.

Other assets at December 31, 2020 and 2019 further include $8.2 million and $8.9 million, respectively, of identifiable intangible assets acquired in a business combination. These intangible assets include trademarks and trade names, internally developed software, and various insurance licenses. Identifiable intangible assets are being amortized using a straight-line method over their estimated useful lives.

Future Policy Benefits

Under GAAP, the liability for future policy benefits on traditional products has been calculated using assumptions as to future mortality (based on the 1965-1970, 1975-1980, and 2001 Select and Ultimate mortality tables), interest ranging from 3.25% to 8.00%, and withdrawals based on Company experience. For universal life and annuity contracts, the liability for future policy benefits represents the account balance. Fixed-index products combine features associated with traditional fixed annuities and universal life contracts, with the option to have interest rates linked in part to an equity index. In accordance with GAAP guidance, the equity return component of such policy contracts must be identified separately and accounted for as embedded derivatives. The remaining portions of these policy contracts are considered the host contracts and are recorded separately as fixed annuity or universal life contracts. The host contracts are accounted for under GAAP guidance provisions that require debt instrument type accounting. The host contracts are recorded as discounted debt instruments that are accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The embedded derivatives are recorded at fair value. The fair value of the embedded derivative component of policy benefit reserves is estimated at each valuation date by (a) projecting policy and contract values and minimum guaranteed values over the expected lives of the policies and contracts and (b) discounting the excess of the projected value amounts at the applicable risk free interest rates adjusted for nonperformance risk related to those liabilities. The projections of policy and contract values are based upon best estimate assumptions for future policy growth and future policy decrements. Best estimate assumptions for future policy growth includes assumptions for the expected index credit on the next policy anniversary date which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual cost options purchased in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values.

Other Policy Claims and Benefits

Unearned revenue reserves are maintained that reflect the unamortized balance of charges assessed to interest sensitive contract holders which serve as compensation for services to be performed over future periods (policy premium loads). These charges have been deferred and are being recognized in income over the period benefited using the same assumptions and factors used to amortize deferred acquisition costs.

Share-based Compensation

The Company accounts for share-based compensation under GAAP using liability accounting, and measures compensation cost using the fair value method at each reporting date. For stock appreciation rights, fair value is determined using an option pricing model that takes into account various information and assumptions including the Company's stock price, volatility, option price, vesting dates, exercise dates and projected lapses from forfeiture or termination.

Deferred Income Taxes

Federal income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance for deferred tax assets is provided if all or some portion of the deferred tax asset may not be realized. An increase or decrease in a valuation allowance that results from a change in circumstances that affects the realizability of the related deferred tax asset is included in income in the period the change occurs.

Recognition of Premiums, Contract Revenues and Costs

Premiums on traditional life insurance products are recognized as revenues as they become due from policyholders. Benefits and expenses are matched with premiums in arriving at profits by providing for policy benefits over the lives of the policies and by amortizing costs over premium-paying periods of the policies.

Revenues for interest sensitive universal life and annuity products consist of policy charges for the cost of insurance asset charges, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. The timing of revenue recognition as it relates to these charges and fees is determined based on the nature of such charges and fees. Policy charges for the cost of insurance, asset charges and policy administration charges are assessed on a daily or monthly basis and are recognized as revenue when assessed and earned. Certain policy initiation fees that represent compensation for services to be provided in the future are reported as unearned revenue and recognized in income over the periods benefited. Surrender charges are determined based upon contractual terms and are recognized upon surrender of a contract. Policy benefits and claims charged to expense include interest amounts credited to policyholder account balances and benefit claims incurred in excess of policyholder account balances during the period. Amortization of DPAC, DSI, and VOBA balances are recognized as expense over the life of the policy. All insurance-related revenues, benefits and expenses are reported net of reinsurance ceded. The cost of reinsurance ceded is recognized over the contract periods of the reinsurance agreements.

Comprehensive Income

Comprehensive income includes net income, as well as other comprehensive income items not recognized through net income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities as well as the underfunded obligations for certain retirement and postretirement benefit plans. These items are included in accumulated other comprehensive income, net of tax and other offsets, in stockholders' equity. The changes in unrealized gains and losses reported in the Statement of Comprehensive Income (Loss), excludes net investment gains and losses included in net income that represent transfers from unrealized to realized gains and losses. These transfers are further discussed in Note (2) *Investments*. The components of the underfunded obligation for certain retirement and postretirement benefit plans are provided in Note (14) *Pension and Other Postretirement Plans*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. For example, significant estimates and assumptions are utilized in the valuation of investments, determination of credit losses and impairments of investments, recoverability and amortization of deferred policy acquisition costs, deferred sales inducements and value of business acquired, calculation of policyholder liabilities and accruals and determination of pension expense. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized, which could have a material impact on the Consolidated Financial Statements.

Accounting Standards and Changes in Accounting

Recent accounting pronouncements not yet adopted

In August 2018, the FASB issued ASU 2018-12 *Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI"). This update is aimed at improving the Codification as it relates to long-duration contracts which will improve the timeliness of recognizing changes in the liability for future policy benefits, simplify accounting for certain market-based options, simplify the amortization of deferred acquisition costs, and improve the effectiveness of required disclosures. Amendments include the following:

A. Require insurance entity to (1) review and update assumptions used to measure cash flows at least annually (with changes recognized in net income) and (2) update discount rate assumption at each reporting date (with changes recognized in other comprehensive income).

B. Require insurance entity to measure all market risk benefits associated with deposit (i.e. account balance) contracts at fair value, with change in fair value attributable to change in instrument-specific credit risk recognized in other comprehensive income.

C. Simplify amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require those balances be amortized on constant level basis over expected term of related contract. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to impairment test.

D. Require insurance entity to add disclosures of disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. Insurance entity must also disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.

In November 2020, the FASB released ASU 2020-11 *Financial Services – Insurance (Topic 944)*. The amendments in this Update deferred the effective date of adoption of ASU 2018-12 for all entities by one year. In particular, for public business entities, LDTI was made effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. During 2020, the Company performed a preliminary gap analysis, created a roadmap, and gathered data for implementation of this standard by the effective date. The Company is currently evaluating the impact of the new guidance on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12 *Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740)*, which simplifies various aspects of the income tax accounting guidance and will be applied using different approaches depending on the specific amendment. The amendments will be effective for fiscal periods beginning after December 15, 2020. Early adoption is permitted. The Company does not expect this guidance to have a material impact on the Consolidated Financial Statements and related disclosures upon adoption.

Accounting pronouncements adopted

In June 2016, the FASB released ASU 2016-13, *Financial Instruments-Credit Losses*, which revises the credit loss recognition criteria for certain financial assets measured at amortized cost. The new guidance replaces the existing incurred loss recognition model with an expected loss recognition model ("CECL"). The objective of the CECL model is for the reporting entity to recognize its estimate of current expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in this Update add clarification and correction to ASU 2016-13 around accrued interest, transfers between classifications or categories for loans and debt securities, consideration of recoveries in estimating allowances, reinsurance recoveries, consideration of prepayments and estimated costs to sell when foreclosure is probable. In November, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses.* The amendments in this Update add clarification and correction to ASU 2016-13 around expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, and financial assets secured by collateral maintenance provisions. The guidance for these pronouncements was effective for interim and annual periods beginning after December 15, 2019, and for most affected instruments must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained earnings. Effective January 1, 2020, the Company adopted the expected loss recognition model related to mortgage loans, debt securities held to maturity and reinsurance recoverable using a modified retrospective approach. The change in accounting, net of tax, of $3.0 million was recorded as a charge to retained earnings in the first quarter of 2020 reflecting initial allowance for estimated credit losses balances of $1.2 million on mortgage loans and $3.3 million on debt securities held to maturity. The estimated credit losses for the reinsurance recoverable were immaterial to the financial statements, but are monitored on a quarterly basis for any changes. Refer to Note (2) *Investments* for more information. Certain disclosures required by ASU 2016-13 are not included in the Consolidated Financial Statements as the impact of this standard was not material.

In April 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. The amendments will be effective for annual goodwill impairment tests occurring after December 15, 2019. The Company elected to adopt the requirements of this update in its Consolidated Financial Statements for the year ended December 31, 2019. The adoption of this amendment did not have an impact on the Company's results of operations or financial position.

In August 2018, FASB issued ASU 2018-13 F*air Value Measurement (Topic 820) Disclosure Framework* - *Changes to the Disclosure requirements for Fair Value Measurement.* This update removed disclosures for 1) amount of and reasons for transfers between Level 1 and Level 2 for fair value hierarchy, 2) policy for timing of transfers between levels, 3) valuation process for Level 3 fair value measurements. This update also added disclosure requirement as follows: 1) changes in unrealized gains and losses for the period included in OCI for recurring Level 3 fair value measurements held at end of reporting period; 2) range and weighted average (or other reasonable quantitative measurement) of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments will be effective for interim periods beginning after December 15, 2019. The Company elected to adopt the requirements of this update in its Consolidated Financial Statements for the year ended December 31, 2019. The adoption of this amendment did not have an impact on the Company's results of operations or financial position.

In August 2018, FASB issued ASU 2018-14 *Compensation-Retirement Benefits - Defined Benefit Plans-General (Subtopic 715-20) Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. This update removed disclosures for 1) amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year, 2) amount and timing of plan assets expected to be returned to the employer, 3) related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan, 4) the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of the net periodic benefit costs and (b) benefit obligation for postretirement health care benefits. This update also added disclosures as follows: 1) weighted-average interest crediting rates for cash balance plans and other plans with promised crediting rates, 2) explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Finally, this update clarified that the following information for defined benefit pension plans should be disclosed: 1) projected benefit obligation (PBO) and fair value of plan assets for plans with PBO in excess of plan assets, 2) accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets. The amendments are effective for fiscal periods ending after December 31, 2020. The Company elected to adopt the requirements of this update in its Consolidated Financial Statements for the year ended December 31, 2019. The adoption of this amendment did not have an impact on the Company's results of operations or financial position.

In August 2018, the SEC released a final rule updating disclosure requirements, Disclosure Update and Simplification, which resulted in the additional interim disclosure of an analysis of changes in stockholders' equity to be required for the current and comparative quarter and year-to-date interim periods. Registrants are required to provide an analysis of changes in each caption of stockholders' equity and noncontrolling interests, which will be accompanied by dividends per share and in the aggregate for each class of shares. The disclosure must be presented in the form of a reconciliation, either as a separate statement or in the footnotes. The adoption of this rule in 2019 did not have a material effect on the results of operations or financial position of the Company as this information in year-to-date format was already provided.

In March 2017, the FASB issued ASU 2017-08, *Receivables - Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities*, which amends the amortization period for certain purchased callable debt securities held at a premium. The amortization period for premiums is being shortened to the earliest call date. This guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The adoption of this ASU in 2019 did not have a material effect on the results of operations or financial position of the Company.

In January 2018, the Company adopted ASU 2017-07 *Compensation-Retirement Benefits (Topic 615): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The new guidance requires that an employer that offers to its employees defined benefit pension or other postretirement benefit plans report the service cost component in the same line item or items as other compensation costs. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item is not used, the line item used in the income statement to present the other components of net periodic benefit cost must be disclosed. In addition, the guidance allows only the service cost component to be eligible for capitalization when applicable. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements. The Company does not capitalize service costs.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires companies to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. As an insurance enterprise, the primary sources of revenue are excluded from this guidance, including insurance premiums, contract charges, and investment revenues. The Company has certain types of non-insurance and non-investment revenue from contracts with customers that fall under this guidance. These revenues are recognized when obligations under the terms of the contract are satisfied. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for those services. For these revenues, the performance obligation is fulfilled as services are rendered. Revenues from contracts with customers identified under Topic 606 are not material, representing 2% of Company total revenues for the year ended December 31, 2017. The guidance was effective for reporting periods beginning after December 15, 2017 and was to be applied either on a full or modified retrospective basis. The adoption of this ASU did not have a material effect on the results of operations or financial position of the Company.

In January 2016, the FASB released ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities.* The main provisions of the update eliminate the available for sale classification of accounting for equity securities and to adjust the fair value disclosures for financial instruments carried at amortized costs such that the disclosed fair values represent an exit price as opposed to an entry price. The provisions of this update require that equity securities be carried at fair market value on the balance sheet and any periodic changes in value be recorded as adjustments directly to the income statement. The provisions of this update became effective for the Company beginning January 1, 2018. The prospective adoption of this update resulted in the reclassification of $4.4 million pertaining to unrealized gains, net of tax, out of accumulated other comprehensive income into retained earnings as a cumulative effect of a change in accounting principle, as shown in the Condensed Consolidated Statements of Changes in Stockholders' Equity. Equity securities, previously included in securities available for sale are now reported as a separate line item on the Consolidated Balance Sheet. The change in fair value of equity securities, previously reported in other comprehensive income, is now included in net investment income in the Condensed Consolidated Statements of Earnings. As the Company's equity securities holdings are not significant, the adoption of the requirements of this update did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2017, the FASB released ASU 2017-09, *Compensation - Stock Compensation*. The update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Accounting Standards Codification ("ASC") Topic 718. An entity shall account for the effects of a modification described in ASC paragraphs 718-20-35-3 through 35-9, unless all the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The provisions of this update became effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. There was no impact to the Company's financial position, results of operations or cash flows as the result of the adoption of this ASU.

In July 2017, the FASB released ASU 2017-11, *Earnings Per Share; Distinguishing Liabilities from Equity; and, Derivatives and Hedging*. This update includes: (I) Accounting for Certain Financial Instruments with Down Round Features, and (II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interest with a Scope Exception. Part I of this update changes the classification analysis of certain equity-linked financial instruments with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. Part II of this update recharacterizes the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. There was no impact to the Company's financial position, results of operations or cash flows as the result of the adoption of this ASU.

In June 2018, the FASB released ASU 2018-07 *Compensation - Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting*. This update largely aligns the accounting for share-based payment awards issued to employees and nonemployees. Previously, nonemployee stock compensation was accounted for under Subtopic 505-50 but will now fall under Topic 718. Changes to the accounting for nonemployee awards include 1) measurement based on fair value of the equity instrument at grant date, rather than previous requirement to measure based on the more reliable option of the fair value of the consideration or the fair value of the equity instrument, 2) initial measurement at grant date, rather than the earlier of the date at which commitment for performance is reached or performance is complete, and 3) when performance conditions are present, the probability of satisfying performance conditions should be considered in measurement rather than the previous requirement to measure at the lowest aggregate fair value. The amendments in the new guidance were effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal period. There was no impact to the Company's financial position, results of operations or cash flows as the result of the adoption of this ASU.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, *Leases - Topic 842*). The new guidance was effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach (subject to optional practical expedients). The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Leases are to be classified as finance or operating leases and both types of leases are to be recognized on the balance sheet. Lessor accounting remains largely unchanged from current guidance except for certain targeted changes. The new guidance also requires new qualitative and quantitative disclosures. Early adoption is permitted. The Company elected to early adopt the requirements of this update in its Consolidated Financial Statements for the year ended December 31, 2018. There was no material impact to the Company's financial position, results of operations or cash flows as the result of the adoption of this ASU.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future Consolidated Financial Statements.

(2) INVESTMENTS

(A) Investment Income

The major components of net investment income are as follows:

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Gross investment income:			
Debt and equity securities	$ 373,479	403,372	399,645
Mortgage loans	13,162	12,595	12,066
Policy loans	3,361	3,539	3,185
Derivative gains (losses)	14,754	123,207	(80,004)
Short term investments	2,160	2,974	2,249
Other investment income	12,698	13,057	13,289
Total investment income	419,614	558,744	350,430
Less investment expenses	2,412	3,252	1,353
Net investment income	$ 417,202	555,492	349,077

(B) Mortgage Loans and Real Estate

A financing receivable is a contractual right to receive money on demand or on fixed or determinable dates that is recognized as an asset in a company's statement of financial position. The Company's mortgage, participation and mezzanine loans on real estate are the only financing receivables included in the Consolidated Balance Sheets.

In general, the Company originates loans on high quality, income-producing properties such as shopping centers, freestanding retail stores, office buildings, industrial and sales or service facilities, selected apartment buildings, hotels, and health care facilities. The location of these properties is typically in major metropolitan areas that offer a potential for property value appreciation. Credit and default risk is minimized through strict underwriting guidelines and diversification of underlying property types and geographic locations. In addition to being secured by the property, mortgage loans with leases on the underlying property are often guaranteed by the lease payments. This approach has proven to result in quality mortgage loans with few defaults. Mortgage loan interest income is recognized on an accrual basis with any premium or discount amortized over the life of the loan. Prepayment and late fees are recorded on the date of collection.

The Company targets a minimum specified yield on mortgage loan investments determined by reference to currently available debt security instrument yields plus a desired amount of incremental basis points. During the past several years, the low interest rate environment, a competitive marketplace, and in 2020 the COVID-19 pandemic, resulted in fewer loan opportunities being available that met the Company's required rate of return. Mortgage loans originated by the Company totaled $80.2 million and $121.4 million for the years 2020 and 2019, respectively.

Loans in foreclosure, loans considered impaired or loans past due 90 days or more are placed on a non-accrual status. If a mortgage loan is determined to be on non-accrual status, the mortgage loan does not accrue any revenue into the Consolidated Statements of Earnings. The loan is independently monitored and evaluated as to potential impairment or foreclosure. If delinquent payments are made and the loan is brought current, then the Company returns the loan to active status and accrues income accordingly. The Company has no loans past due 90 days which are accruing interest. In 2020, the pandemic crisis caused various mortgage loan borrowers to request a temporary forbearance of principal payments on loans for a period of three to nine months. During 2020, there were eight loans representing an aggregate principal balance of $29.2 million with borrowers meeting specified criteria of the Company that forbearance terms were agreed to. At December 31, 2020, only one of these loans with a principal balance of $4.7 million remained in forbearance.

The Company held net investments in mortgage loans, after allowances for credit losses, totaling $332.5 million and $272.4 million at December 31, 2020 and 2019, respectively. The diversification of the portfolio by geographic region, property type, and loan-to-value ratio was as follows:

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
	(In thousands)		(In thousands)	
Mortgage Loans by Geographic Region:				
West South Central	$ 201,501	60.1	$ 191,089	70.0
East North Central	16,478	4.9	17,248	6.3
South Atlantic	51,857	15.5	35,698	13.1
East South Central	27,590	8.2	8,063	2.9
West North Central	12,423	3.7	12,505	4.6
Pacific	6,228	1.9	6,436	2.4
Middle Atlantic	1,975	0.6	2,058	0.7
Mountain	16,955	5.1	—	—
Gross balance	335,007	100.0	273,097	100.0
Allowance for credit losses	(2,486)	(0.7)	(675)	(0.2)
Totals	$ 332,521	99.3	$ 272,422	99.8

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
	(In thousands)		(In thousands)	
Mortgage Loans by Property Type:				
Retail	$ 92,173	27.5	$ 91,790	33.6
Office	111,735	33.3	95,362	34.9
Storage facility	53,591	16.0	30,619	11.2
Industrial	29,131	8.7	5,733	2.1
Hotel	8,372	2.5	8,997	3.3
Land/lots	4,680	1.4	4,829	1.8
Apartments	29,743	8.9	30,000	11.0
All other	5,582	1.7	5,767	2.1
Gross balance	335,007	100.0	273,097	100.0
Allowance for credit losses	(2,486)	(0.7)	(675)	(0.2)
Totals	$ 332,521	99.3	$ 272,422	99.8

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
	(In thousands)		(In thousands)	
Mortgage Loans by Loan-to-Value Ratio (1):				
Less than 50%	$ 66,635	19.9	$ 52,778	19.3
50% to 60%	64,536	19.3	56,929	20.8
60% to 70%	153,414	45.8	117,377	43.0
70% to 80%	50,422	15.0	46,013	16.9
80% to 90%	—	—	—	—
Gross balance	335,007	100.0	273,097	100.0
Allowance for credit losses	(2,486)	(0.7)	(675)	(0.2)
Totals	$ 332,521	99.3	$ 272,422	99.8

(1) Loan-to-Value Ratio is determined using the most recent appraised value. Appraisals are required at the time of funding and may be updated if a material change occurs from the original loan agreement.

All mortgage loans are analyzed quarterly in order to monitor the financial quality of these assets. Based on ongoing monitoring, mortgage loans with a likelihood of becoming delinquent are identified and placed on an internal "watch list." Among the criteria that would indicate a potential problem include: major tenant vacancies or bankruptcies, late payments, and loan relief/restructuring requests. The mortgage loan portfolio is analyzed for the need for a valuation allowance on any loan that is on the internal watch list, in the process of foreclosure or that currently has a valuation allowance.

Prior to January 1, 2020, mortgage loans were considered impaired when, based on current information and events, it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement. When it was determined that a loan was impaired, a loss was recognized for the difference between the carrying amount of the mortgage loan and the estimated value reduced by the cost to sell. Estimated value was typically based on the loan's observable market price or the fair value of the collateral less cost to sell. Impairments and changes in the valuation allowance were reported in net realized investment gains (losses) in the Condensed Consolidated Statements of Earnings. The Company held a valuation allowance of $0.7 million at December 31, 2019.

As disclosed in Note (1) *Summary of Significant Accounting Policies*, the Company adopted new accounting guidance for credit loss recognition criteria for certain financial assets, including mortgage loans. For mortgage loan investments the Company employed the Weighted Average Remaining Maturity ("WARM") method in estimating current expected losses with respect to mortgage loan investments as of January 1, 2020 and each succeeding calendar quarter-end during 2020. The WARM method applies publicly available data of default incidence of commercial real estate properties by several defined segmentations combined with future assumptions regarding economic conditions (i.e. GDP forecasts) both in the near term and the long term. Under this new accounting guidance, at January 1, 2020 a balance of $1.2 million was recorded which incorporated the previous year-end balance under the prior accounting method. The adjustment resulted in a charge to retained earnings as a change in accounting, net of tax, of $0.4 million. Subsequent changes in the allowance for current expected credit losses were reported in net investment income in the Consolidated Statements of Earnings.

The following table represents the mortgage loan allowance for credit losses.

	Years Ended December 31,	
	2020	2019
	(In thousands)	
Mortgage Loans Allowance for Credit Losses:		
Balance, beginning of the period	$ 675	675
Impact of adoption of new accounting guidance	504	—
Provision during the period	1,307	—
Releases	—	—
Balance, end of period	$ 2,486	675

The Company does not recognize interest income on loans past due 90 days or more. The Company had no mortgage loans past due six months or more at December 31, 2020, 2019 and 2018. There was no interest income not recognized in 2020, 2019 or 2018.

The contractual maturities of mortgage loan principal balances at December 31, 2020 and 2019 were as follows:

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
	(In thousands)		(In thousands)	
Principal Balance by Contractual Maturity:				
Due in one year or less	$ 4,208	1.3	$ 497	0.2
Due after one year through five years	60,826	18.1	34,306	12.5
Due after five years through ten years	154,787	46.1	142,477	52.1
Due after ten years through fifteen years	107,662	32.1	96,359	35.2
Due after fifteen years	7,977	2.4	—	—
Totals	$ 335,460	100.0	$ 273,639	100.0

The Company's direct investments in real estate investments are not a significant portion of its total investment portfolio. These investments totaled approximately $33.8 million at December 31, 2020 and $34.6 million at December 31, 2019, and consist primarily of income-producing properties which are being operated by a wholly owned subsidiary of National Western. Included in the amount at December 31, 2020 and 2019 is a surface parking property owned by Ozark National which it contracts. The value of this real estate investment was appraised at $4.3 million at January 31, 2019 as part of the purchase accounting done as of that date. The Company’s real estate holdings are reflected in other long-term investments in the accompanying Consolidated Financial Statements. The Company records real estate at the lower of cost or fair value less estimated cost to sell, which is determined on an individual asset basis. The Company recognized operating income on these properties of approximately $2.9 million, $2.9 million and $2.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Company had real estate investments that were non-income producing for the preceding twelve months totaling $0.4 million, $0.4 million, and $5.2 million at December 31, 2020, 2019 and 2018, respectively. The balance at December 31, 2018 includes the Company's former home office facility which was held for sale and sold during 2019.

Net real estate gains for the year ended December 31, 2020 were $2.7 million, and related to the sale of a property located in Travis County Texas. The net real estate gains for the year ended December 31, 2019 primarily pertain to the Company's sale of its nursing home operations in Reno, Nevada and San Marcos, Texas as well as a property sold located in Austin, Texas. The sale of the Reno nursing home included a gain of $5.7 million realized on the sale of the land and building associated with the operation. The sale of the San Marcos nursing home recorded a loss of $(2.0) million associated with the sale of the land and building of this operation. The sale of the Company's prior home office realized a gain on the sale of $3.2 million. The net realized investment gain in 2018 was on a sale of previously occupied home office property located in Austin, Texas adjoining the property sold in 2019.

(C) Debt Securities

The table below presents amortized costs and fair values of debt securities available-for-sale at December 31, 2020.

	Debt Securities Available-for-Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
	(In thousands)				
Debt securities:					
US government agencies	$ 72,945	2,496	—	75,441	—
US treasury	3,152	126	—	3,278	—
States and political subdivisions	528,266	37,909	(86)	566,089	—
Foreign governments	11,115	334	—	11,449	—
Public utilities	831,990	77,920	—	909,910	—
Corporate	7,376,104	727,470	(4,601)	8,098,973	—
Commercial mortgage-backed	30,108	1,363	—	31,471	—
Residential mortgage-backed	902,974	50,970	(156)	953,788	—
Asset-backed	117,889	2,635	—	120,524	—
Totals	$ 9,874,543	901,223	(4,843)	10,770,923	—

The table below presents amortized costs and fair values of debt securities held-to-maturity at December 31, 2019.

	Debt Securities Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
U.S. agencies	$ 100,910	1,686	—	102,596
U.S. Treasury	3,782	140	—	3,922
States and political subdivisions	431,433	19,440	(84)	450,789
Foreign governments	1,144	55	—	1,199
Public utilities	888,444	36,638	(83)	924,999
Corporate	4,607,826	212,281	(718)	4,819,389
Commercial mortgage-backed	3,032	52	—	3,084
Residential mortgage-backed	1,066,899	32,706	(716)	1,098,889
Asset-backed	2,775	62	(1)	2,836
Totals	$ 7,106,245	303,060	(1,602)	7,407,703

The table below presents amortized costs and fair values of debt securities available-for-sale at December 31, 2019.

	Debt Securities Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
States and political subdivisions	$ 98,037	4,495	(3)	102,529
Foreign governments	9,983	203	—	10,186
Public utilities	67,895	3,476	—	71,371
Corporate	2,921,431	141,705	(2,479)	3,060,657
Commercial mortgage-backed	28,871	1,071	—	29,942
Residential mortgage-backed	12,815	1,077	(117)	13,775
Asset-backed	67,088	1,397	—	68,485
Totals	$ 3,206,120	153,424	(2,599)	3,356,945

The Company's investment policy is to invest in high quality securities with the primary intention of holding these securities until the stated maturity. As such, the portfolio has exposure to interest rate risk, which is the risk that funds are invested today at a market interest rate and in the future interest rates rise causing the current market price on that investment to be lower. This risk is not a significant factor relative to the Company's buy and hold portfolio, since the intention is to receive the stated interest rate and principal at maturity to match liability requirements to policyholders. The Company manages these risks, for example, by purchasing mortgage-backed securities types that have more predictable cash flow patterns.

The Company held below investment grade debt securities totaling $303.5 million and $83.7 million at December 31, 2020 and 2019, respectively. These amounts represent 2.7% and 0.8% of total invested assets for December 31, 2020 and 2019, respectively. Below investment grade holdings are the result of credit rating downgrades subsequent to purchase, as the Company only invests in high quality securities with ratings quoted as investment grade. Below investment grade securities generally have greater default risk than higher rated corporate debt. The issuers of these securities are usually more sensitive to adverse industry or economic conditions than are investment grade issuers.

For the year ended December 31, 2020, the Company recorded net realized gains totaling $21.1 million related to the disposition of investment securities and real estate. For the years ended December 31, 2019 and 2018, the Company recorded net realized gains totaling $6.2 million and $8.4 million, respectively, related to disposition of securities.

Debt securities balances at December 31, 2020 and 2019 include Ozark National holdings of $0.0 million and $307.2 million in held-to-maturity and $811.6 million and $415.7 million in available-for-sale, respectively. As part of the acquisition of Ozark National effective January 31, 2019 the Company employed purchase accounting procedures in accordance with GAAP which revalued the acquired investment portfolio to their fair values as of the date of the acquisition. These fair values became the book values for Ozark National from that point going forward. Accordingly, unrealized gains and losses for the Ozark National debt securities represent the changes subsequent to the purchase accounting book values established at January 31, 2019.

The following table shows the gross unrealized losses and fair values of the Company's available-for-sale investments by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2020.

	Debt Securities Available-For-Sale					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
States and political subdivisions	$ —	—	1,762	(86)	1,762	(86)
Public utilities	—	—	—	—	—	—
Corporate bonds	174,252	(3,836)	36,152	(765)	210,404	(4,601)
Residential mortgage-backed	—	—	500	(156)	500	(156)
Total	$ 174,252	(3,836)	38,414	(1,007)	212,666	(4,843)

The following table shows the gross unrealized losses and fair values of the Company's held-to-maturity investments by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2019.

	Debt Securities Held-to-Maturity					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
States and political subdivisions	$ 5,013	(33)	1,712	(51)	6,725	(84)
Public utilities	2,345	(83)	—	—	2,345	(83)
Corporate bonds	31,419	(337)	17,191	(381)	48,610	(718)
Residential mortgage-backed	25,859	(63)	43,498	(653)	69,357	(716)
Asset-backed	1,349	(1)	—	—	1,349	(1)
Total	$ 65,985	(517)	62,401	(1,085)	128,386	(1,602)

The following table shows the gross unrealized losses and fair values of the Company's available-for-sale investments by investment category, and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2019.

	Debt Securities Available-For-Sale						
	Less than 12 Months		12 Months or Greater		Total		
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)						
Debt securities:							
States and political subdivisions	$	470	(3)	—	—	470	(3)
Public utilities		—	—	—	—	—	—
Corporate bonds		40,080	(105)	28,582	(2,374)	68,662	(2,479)
Residential mortgage-backed		—	—	710	(117)	710	(117)
Total	$	40,550	(108)	29,292	(2,491)	69,842	(2,599)

Unrealized losses decreased in 2020 from 2019 amounts primarily as a result of a decrease in market interest rate levels during 2020.

The amortized cost and fair value of investments in debt securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Debt Securities Available-for-Sale		
	Amortized Cost		Fair Value
	(In thousands)		
Due in 1 year or less	$	686,634	695,720
Due after 1 year through 5 years		4,357,824	4,683,122
Due after 5 years through 10 years		2,441,991	2,755,827
Due after 10 years		1,337,123	1,530,471
		8,823,572	9,665,140
Mortgage and asset-backed securities		1,050,971	1,105,783
Total before allowance for credit losses		9,874,543	10,770,923
Allowance for credit losses		—	—
Total	$	9,874,543	10,770,923

The Company uses the specific identification method in computing realized gains and losses. The table below details the nature of realized gains and losses, excluding impairments, during the year.

	Years Ended December 31,		
	2020	2019	2018
	(In thousands)		
Available-for-sale debt securities:			
Realized gains on disposal	$ 5,677	3,798	3,447
Realized losses on disposal	—	(1,011)	(6)
Held-to-maturity debt securities:			
Realized gains on redemption	12,734	4,390	3,208
Realized losses on redemption	(1)	—	—
Real estate	2,661	6,911	1,799
Mortgage loans	—	—	(25)
Other	—	—	—
Totals	$ 21,071	14,088	8,423

No sales were made out of the held-to-maturity portfolio in 2020, 2019 or 2018.

Except for the total U.S. government agency mortgage-backed securities held, the Company had no other investments in any entity in excess of 10.0% of stockholders' equity at December 31, 2020 or 2019.

As disclosed in Note (1) *Summary of Significant Accounting Policies*, the Company adopted new accounting guidance as of January 1, 2020 for credit loss recognition of certain financial assets, including debt securities classified in the held-to-maturity category. The Company employs a cohort cumulative loss rate method in estimating current expected credit losses with respect to its held-to-maturity debt securities. This method applies publicly available industry wide statistics of default incidence by defined segmentations of debt security investments combined with future assumptions regarding economic conditions (i.e. GDP forecasts) both in the near term and the long term. The Company utilizes Moody's loss rates by industry type and credit ratings and applies them to each major bond category. These bond categories are further segmented by credit ratings and by maturities of two years and less and more than two years. The following table presents the allowance for credit losses for December 31, 2020.

	December 31, 2020	
	Debt Securities Held-to-Maturity	Debt Securities Available-for-Sale
	(In thousands)	
Balance, beginning of period	$ —	—
Impact of adoption of new accounting guidance	3,334	—
(Releases)/provision during period	(3,334)	—
Balance, end of period	$ —	—

Provisions to and releases from the allowance for credit losses are recorded in net investment income in the Consolidated Statements of Earnings. Previous accounting guidance required the Company to review its portfolio for potential other-than-temporary impairments which would require that affected securities be written down to an adjusted cost basis with the amount of the writedown recorded as part of net realized gains and losses in the Consolidated Statements of Earnings.

The Company determines current expected credit losses for available-for-sale debt securities in accordance with FASB ASC Subtopic 326-30 when fair value is less than amortized cost, interest payments are missed and the security is experiencing credit issues. At December 31, 2020, the Company performed additional analyses on certain available-for-sale securities whose market values were negatively impacted by the change in the economic environment precipitated by the COVID-19 pandemic crisis. Based on its review, the Company determined none of these investments required an allowance for credit loss at December 31, 2020. Under the previous guidance, debt securities were not considered to be other-than-temporarily impaired when a decline in market value was attributable to factors such as market volatility, liquidity, spread widening and credit quality in which it was anticipated that a recovery of all amounts due under the contractual terms of the security would occur and the Company had the intent and ability to hold the security until recovery or maturity. There was a $7.8 million other-than-temporary impairment recorded on a single debt security during the year ended December 31, 2019. The Company's operating procedures include monitoring the investment portfolio on an ongoing basis for any changes in issuer facts and circumstances that might lead to future need for a credit loss allowance.

(D) Net Unrealized Gains (Losses)

Net unrealized gains (losses) on investment securities included in stockholders' equity at December 31, 2020 and 2019, are as follows:

	December 31, 2020	December 31, 2019
	(In thousands)	
Gross unrealized gains	$ 901,222	153,417
Gross unrealized losses	(4,843)	(2,603)
Adjustments for:		
Deferred policy acquisition costs and sales inducements	(366,327)	(61,372)
Deferred Federal income tax expense	(111,311)	(18,783)
	418,741	70,659
Net unrealized gains related to securities transferred to held-to-maturity	—	—
Net unrealized gains (losses) on investment securities	$ 418,741	70,659

(E) Transfer of Securities

The Company reassessed its classification of its held-to-maturity portfolio as a result of a funds withheld coinsurance agreement entered into with a third party reinsurer. A portion of the transferred debt securities were added to a funds withheld account for which the reinsurer provides investment management services and does not intend to hold the securities until maturity. The Company determined that its continued classification of held-to-maturity debt securities was not appropriate. As a result, the entire portfolio of debt securities held-to-maturity with a fair value of $7.3 billion and amortized value of $6.7 billion were transferred into the available-for-sale portfolio at December 31, 2020. The unrealized gains on securities of $0.6 billion were reclassified into accumulated other comprehensive income at December 31, 2020. There were no transfers in 2019 or 2018 between the held-to-maturity, available-for-sale, or trading portfolios.

(3) DERIVATIVE INVESTMENTS

Fixed-index products provide traditional fixed annuities and universal life contracts with the option to have credited interest rates linked in part to an underlying equity index or a combination of equity indices. The equity return component of such policy contracts is identified separately and accounted for in future policy benefits as embedded derivatives on the Consolidated Balance Sheets. The remaining portions of these policy contracts are considered the host contracts and are recorded separately as fixed annuity or universal life contracts. The host contracts are accounted for under debt instrument type accounting in which future policy benefits are recorded as discounted debt instruments that are accreted, using the effective yield method, to their minimum account values at their projected maturities or termination dates.

The Company purchases over-the-counter index options, which are derivative financial instruments, to hedge the equity return component of its fixed-index annuity and life products. The index options act as hedges to match closely the returns on the underlying index or indices. The amounts which may be credited to policyholders are linked, in part, to the returns of the underlying index or indices. As a result, changes to policyholders' liabilities are substantially offset by changes in the value of the options. Cash is exchanged upon purchase of the index options and no principal or interest payments are made by either party during the option periods. Upon maturity or expiration of the options, cash may be paid to the Company depending on the performance of the underlying index or indices and terms of the contract.

The Company does not elect hedge accounting relative to these derivative instruments. The index options are reported at fair value in the accompanying Consolidated Financial Statements. The changes in the values of the index options and the changes in the policyholder liabilities are both reflected in the Consolidated Statements of Earnings. Any changes relative to the embedded derivatives associated with policy contracts are reflected in contract interest in the Consolidated Statements of Earnings. Any gains or losses from the sale or expiration of the options, as well as period-to-period changes in values, are reflected as net investment income in the Consolidated Statements of Earnings.

Although there is credit risk in the event of nonperformance by counterparties to the index options, the Company does not expect any of its counterparties to fail to meet their obligations, given their high credit ratings. In addition, credit support agreements are in place with all counterparties for option holdings in excess of specific limits, which may further reduce the Company's credit exposure.

The tables below present the fair value of derivative instruments.

	December 31, 2020			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		(In thousands)
Derivatives not designated as hedging instruments:				
Equity index options	Derivatives, Index Options	$ 132,821		
Fixed-index products			Universal Life and Annuity Contracts	$ 161,351
Total		$ 132,821		$ 161,351

	December 31, 2019			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		(In thousands)
Derivatives not designated as hedging instruments:				
Equity index options	Derivatives, Index Options	$ 157,588		
Fixed-index products			Universal Life and Annuity Contracts	$ 155,902
Total		$ 157,588		$ 155,902

The table below presents the effect of derivative instruments in the Consolidated Statements of Earnings for the years ended December 31, 2020, 2019 and 2018.

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized In Income on Derivatives	Amount of Gain or (Loss) Recognized In Income on Derivatives 2020	2019	2018
		(In thousands)		
Equity index options	Net investment income (loss)	$ 14,754	123,207	(80,004)
Fixed-index products	Universal life and annuity contract interest	(44,970)	(91,424)	66,335
		$ (30,216)	31,783	(13,669)

The embedded derivative liability, the change of which is recorded in universal life and annuity contract interest in the Consolidated Statements of Earnings, includes projected interest credits that are offset by the expected collectability by the Company of asset management fees on fixed-index products. The anticipated asset management fees assumed to be collected increases or decreases based upon the most recent performance of index options and adds to or reduces the offset applied to the embedded derivative liability (increasing or decreasing contract interest expense). In the years ended December 31, 2020, 2019, and 2018, the change in the embedded derivative liability due to the expected collectability of asset management fees increased/(decreased) contract interest expense by $34.6 million, $(33.6) million, and $17.6 million, respectively. During 2020, the Company changed its budget for purchasing options to match the collection of asset management fees with the payoff from out of the money options, thereby removing the option premium currently being paid for the probability or expectation of collecting asset management fees ("out of the money" hedging). As the current one year options outstanding at December 31, 2020 expire and are replaced by out of the money hedges, the embedded derivative liability component due to the projected collectability of asset management fees will be eliminated.

(4) FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments the FASB provides guidance which defines fair value, establishes a framework for measuring fair value under GAAP, and requires additional disclosures about fair value measurements. In compliance with this GAAP guidance, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Company's Level 1 assets are equity securities and an alternative asset that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs. The Company’s Level 2 assets include fixed maturity debt securities (corporate and private bonds, government or agency securities, asset-backed and mortgage-backed securities). Valuations are generally obtained from third party pricing services for identical or comparable assets or determined through use of valuation methodologies using observable market inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity’s or third party pricing service’s assumptions about the assumptions market participants would use in pricing an asset or liability. The Company’s Level 3 assets are over-the-counter derivative contracts and the Company’s Level 3 liabilities consist of share-based compensation obligations and certain product-related embedded derivatives and contingent consideration in the acquisition of businesses. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

The following table sets forth the Company’s assets and liabilities that are measured at fair value on a recurring basis as of the date indicated.

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale	$ 10,770,923	—	10,770,923	—
Equity securities	17,744	17,744	—	—
Derivatives, index options	132,821	—	—	132,821
Total assets	$ 10,921,488	17,744	10,770,923	132,821
Policyholder account balances (a)	$ 161,351	—	—	161,351
Other liabilities (b)	6,202	—	—	6,202
Total liabilities	$ 167,553	—	—	167,553

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale	$ 3,356,945	—	3,356,945	—
Equity securities	23,594	23,594	—	—
Derivatives, index options	157,588	—	—	157,588
Other invested assets	2	2	—	—
Total assets	$ 3,538,129	23,596	3,356,945	157,588
Policyholder account balances (a)	$ 155,902	—	—	155,902
Other liabilities (c)	15,301	—	—	15,301
Total liabilities	$ 171,203	—	—	171,203

(a) Represents the fair value of certain product-related embedded derivatives that were recorded at fair value.
(b) Represents the liability for share-based compensation.
(c) Represents the liability for share-based compensation and contingent consideration for businesses acquired.

The following table provides additional information about fair value measurements for which significant unobservable inputs (Level 3) were utilized to determine fair value.

	December 31, 2020					
	Assets		Other Liabilities			
	Derivatives, Index Options	Total Assets	Policyholder Account Balances	Share-based Comp	Contingent Consideration	Total Other Liabilities
	(In thousands)					
Beginning balance, January 1, 2020	$ 157,588	157,588	155,902	11,225	4,076	171,203
Total realized and unrealized gains (losses):						
Included in net earnings	14,754	14,754	44,970	(2,350)	(4,076)	38,544
Included in other comprehensive income	—	—	—	—	—	—
Purchases, sales, issuances and settlements, net:						
Purchases	61,837	61,837	61,837	—	—	61,837
Sales	—	—	—	—	—	—
Issuances	—	—	—	164	—	164
Settlements	(101,358)	(101,358)	(101,358)	(2,837)	—	(104,195)
Transfers into (out of) Level 3	—	—	—	—	—	—
Balance at end of period	$ 132,821	132,821	161,351	6,202	—	167,553
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/ liabilities held at the end of the reporting period:						
Net investment income	$ 70,984	70,984	—	—	—	—
Benefits and expenses	—	—	70,984	(2,350)	(4,076)	64,558
Total	$ 70,984	70,984	70,984	(2,350)	(4,076)	64,558

	December 31, 2019					
	Assets		Other Liabilities			
	Derivatives, Index Options	Total Assets	Policyholder Account Balances	Share-based Comp	Contingent Consideration	Total Other Liabilities
	(In thousands)					
Beginning balance, January 1, 2019	$ 14,684	14,684	44,781	11,923	—	56,704
Total realized and unrealized gains (losses):						
Included in net earnings	123,207	123,207	91,424	2,306	376	94,106
Included in other comprehensive income	—	—	—	—	—	—
Purchases, sales, issuances and settlements, net:						
Purchases	76,928	76,928	76,928	—	—	76,928
Sales	—	—	—	—	—	—
Issuances	—	—	—	115	3,700	3,815
Settlements	(57,231)	(57,231)	(57,231)	(3,119)	—	(60,350)
Transfers into (out of) Level 3	—	—	—	—	—	—
Balance at end of period	$ 157,588	157,588	155,902	11,225	4,076	171,203
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets/liabilities held at the end of the reporting period:						
Net investment income	$ 80,724	80,724	—	—	—	—
Benefits and expenses	—	—	80,724	2,306	376	83,406
Total	$ 80,724	80,724	80,724	2,306	376	83,406

The following table presents the valuation method for financial assets and liabilities categorized as level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

	December 31, 2020			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(In thousands)			
Assets:				
Derivatives, index options	$ 132,821	Broker prices	Implied volatility	12.96% - 53.69% (20.70%)
Total assets	$ 132,821			
Liabilities:				
Policyholder account balances	$ 161,351	Deterministic cash flow model	Projected option cost	0.0% - 45.04% (3.27%)
Share based compensation	6,202	Black-Scholes model	Expected term	1.0 to 9.9 years
			Expected volatility	33.47%
Total liabilities	$ 167,553			

	December 31, 2019			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(In thousands)			
Assets:				
Derivatives, index options	$ 157,588	Broker prices	Implied volatility	13.10% - 19.90% (15.25%)
Total assets	$ 157,588			
Liabilities:				
Policyholder account balances	$ 155,902	Deterministic cash flow model	Projected option cost	0.0% - 17.55% (3.14%)
Share based compensation	11,225	Black-Scholes model	Expected term	1.9 to 10 years
			Expected volatility	22.19%
Contingent consideration on businesses acquired	4,076	Probabilistic Method	Discount rate	10.0%
			Projected renewal premium	$57.2 - $82.4 million ($71.9)
Total liabilities	$ 171,203			

Realized gains (losses) on debt securities are reported in the Consolidated Statements of Earnings as net investment gains (losses) with liabilities reported as expenses. Unrealized gains (losses) on available-for-sale debt securities are reported as other comprehensive income (loss) within stockholders' equity of the Consolidated Balance Sheets.

The fair value hierarchy classifications are reviewed each reporting period. Reclassification of certain financial assets and liabilities may result based on changes in the observability of valuation attributes. Reclassifications are reported as transfers into and out of Level 3 at the beginning fair value for the reporting period in which the changes occur.

GAAP defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. Fair value is based on an exit price, which is 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. The objective of a fair value measurement is to determine that price for each financial instrument at each measurement date. GAAP also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a variety of factors including the type of instrument and the characteristics of instruments. Financial instruments with readily available active quoted prices or those for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measures.

The following methods and assumptions were used in estimating the fair value of financial instruments and liabilities during the periods presented in the Consolidated Financial Statements.

Fixed maturity securities. Fair values for debt securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from various independent pricing services with any adjustments based upon observable data. In the cases where prices are unavailable for these sources, values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments.

Equity securities. Fair values for equity securities are based upon quoted market prices, where available. For equity securities that are not actively traded, estimated values are based on values of comparable issues or audited financial statements of the issuer.

Cash and cash equivalents. The carrying amounts reported in the Consolidated Balance Sheets for these instruments approximate their fair values due to the relatively short time between the purchase of the instrument and its expected repayment or maturity.

Mortgage and other loans. The fair values of performing mortgage and other loans are estimated by discounting scheduled cash flows through the scheduled maturities of the loans, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Fair values for significant nonperforming loans are based on recent internal or external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information.

Policy Loans. Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these loans are collateralized by the cash surrender value of the underlying insurance policy.

Derivatives. Fair values for index (call) options are based on counterparty market prices. The counterparties use market standard valuation methodologies incorporating market inputs for volatility and risk free interest rates in arriving at a fair value for each option contract. Prices are monitored for reasonableness by the Company using analytical tools. There are no performance obligations related to the call options purchased to hedge the Company's fixed-index life and annuity policy liabilities.

Life interest in Libbie Shearn Moody Trust. The fair value of the life interest asset is determined annually based on assumptions as to future distributions from the Trust over the life expectancy of Robert L. Moody, Sr., Chairman Emeritus of the Board of Directors of NWLGI. These estimated cash flows are discounted at a rate consistent with uncertainties relating to the amount and timing of future cash distributions subject to the maximum amount to be received by the Company from life insurance proceeds in the event of Mr. Moody's death. The carrying value or cost basis of the life interest asset is amortized ratably over the remaining expected life of Mr. Moody, updated for changes in expected mortality.

Annuity and supplemental contracts. Fair values for the Company's insurance contracts other than annuity contracts are not required to be disclosed. This includes the Company's traditional and universal life products. Fair values for immediate annuities without mortality features are based on the discounted future estimated cash flows using current market interest rates for similar maturities. Fair values for deferred annuities, including fixed-index annuities, are determined using estimated projected future cash flows discounted at the rate that would be required to transfer the liability in an orderly transaction. The fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance and annuity contracts.

Contingent consideration. The fair value of contingent consideration in the acquisition of businesses is valued using a probabilistic method that includes a discounted projection of renewal premiums.

The Company utilizes independent third-party pricing services to determine the majority of its fair values of investment securities. The independent pricing services provide quoted market prices when available or otherwise incorporate a variety of observable market data in their valuation techniques including reported trading prices, broker-dealer quotes, bids and offers, benchmark securities, benchmark yields, credit ratings, and other reference data. The Company reviews prices received from service providers for unusual fluctuations to ensure that the prices represent a reasonable estimate of fair value but generally accepts the price identified from the primary pricing service.

When quoted market prices in active markets are unavailable, the Company determines fair values using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed in Level 2 of the fair value hierarchy. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

Fair value measurements for investment securities where there exists limited or no observable data are calculated using the Company’s own estimates based on current interest rates, credit spreads, liquidity premium or discount, the economic and competitive environment, unique characteristics of the security and other pertinent factors. These estimates are derived a number of ways including, but not limited to, pricing provided by brokers where the price indicates reliability as to value, fair values of comparable securities incorporating a spread adjustment (for maturity differences, credit quality, liquidity, and collateralization), discounted cash flow models and margin spreads, bond yield curves, and observable market prices and exchange transaction information not provided by external pricing services. The resulting prices may not be realized in an actual sale or immediate settlement and there may be inherent weaknesses in any calculation technique. In addition, changes in underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

The following table presents, by pricing source and fair value hierarchy level, the Company's assets that are measured at fair value on a recurring basis:

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Debt securities, available-for-sale:				
Priced by third-party vendors	$10,770,923	—	10,770,923	—
Priced internally	—	—	—	—
Subtotal	10,770,923	—	10,770,923	—
Equity securities:				
Priced by third-party vendors	17,744	17,744	—	—
Priced internally	—	—	—	—
Subtotal	17,744	17,744	—	—
Derivatives, index options:				
Priced by third-party vendors	132,821	—	—	132,821
Priced internally	—	—	—	—
Subtotal	132,821	—	—	132,821
Total	$10,921,488	17,744	10,770,923	132,821
Percent of total	100.0 %	0.2 %	98.6 %	1.2 %

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2020				
			Fair Value Hierarchy Level		
	Carrying Values	Fair Values	Level 1	Level 2	Level 3
	(In thousands)				
ASSETS					
Debt securities, available-for-sale	$ 10,770,923	10,770,923	—	10,770,923	—
Cash and cash equivalents	581,059	581,059	581,059	—	—
Mortgage loans	332,521	348,175	—	—	348,175
Real estate	33,783	48,577	—	—	48,577
Policy loans	74,083	121,260	—	—	121,260
Other loans	23,396	23,691	—	—	23,691
Derivatives, index options	132,821	132,821	—	—	132,821
Equity securities	17,744	17,744	17,744	—	—
Life interest in Libbie Shearn Moody Trust	9,083	12,775	—	—	12,775
Other invested assets	4,513	22,580		—	22,580
LIABILITIES					
Deferred annuity contracts	$ 6,662,730	5,192,663	—	—	5,192,663
Immediate annuity and supplemental contracts	412,526	467,538	—	—	467,538
Contingent consideration on businesses acquired	—	—	—	—	—

	December 31, 2019				
			Fair Value Hierarchy Level		
	Carrying Values	Fair Values	Level 1	Level 2	Level 3
			(In thousands)		
ASSETS					
Debt securities, held-to-maturity	$ 7,106,245	7,407,703	—	7,407,703	—
Debt securities, available-for-sale	3,356,945	3,356,945	—	3,356,945	—
Cash and cash equivalents	253,524	253,524	253,524	—	—
Mortgage loans	272,422	270,931	—	—	270,931
Real Estate	34,588	57,204	—	—	57,204
Policy loans	80,008	123,650	—	—	123,650
Other loans	13,547	13,698	—	—	13,698
Derivatives, index options	157,588	157,588	—	—	157,588
Equity Securities	23,594	23,594	23,594	—	—
Life interest in Libbie Shearn Moody Trust	9,230	12,775	—	—	12,775
Other invested assets	197	16,182	2	—	16,180
LIABILITIES					
Deferred annuity contracts (1)	$ 7,014,833	5,931,352	—	—	5,931,352
Immediate annuity and supplemental contracts	400,465	422,931	—	—	422,931
Contingent consideration on businesses acquired	4,076	4,076	—	—	4,076

(1) Revised for an adjustment related to reserve liabilities of $15.0 million. See Note (1).

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(5) REINSURANCE

National Western reinsures the risk on any one life in excess of $500,000. Total life insurance in force was $15.9 billion and $17.1 billion at December 31, 2020 and 2019, respectively. Of these amounts, life insurance in force totaling $3.5 billion and $3.7 billion was ceded to reinsurance companies on a yearly renewable term basis at December 31, 2020 and 2019, respectively. In accordance with these reinsurance contracts, reinsurance receivables, including amounts related to claims incurred but not reported and liabilities for future policy benefits, totaled $8.6 million and $20.7 million at December 31, 2020 and 2019, respectively. Premiums and contract revenues were reduced by $21.0 million, $21.1 million and $20.8 million for reinsurance premiums ceded during 2020, 2019 and 2018, respectively. Benefit expenses were reduced by $8.4 million, $22.0 million and $31.2 million, for reinsurance recoveries during 2020, 2019 and 2018, respectively.

In addition to the above, on December 31, 2020, National Western entered into a Funds Withheld Coinsurance Agreement ("FWC Agreement") with Prosperity Life Assurance Limited ("Prosperity"), an unauthorized reinsurer organized under the Laws of Bermuda. Under the FWC Agreement, National Western ceded, on a coinsurance with funds withheld basis, a 100% quota share of contractual statutory reserve liabilities approximating $1.7 billion pertaining to a group of in force fixed rate and payout annuity contracts issued by the company on or before December 31, 2020, and paid to Prosperity a ceding commission of $48.0 million. At December 31, 2020, the Company held a reinsurance recoverable of $1.7 billion under the Agreement. The annuity statutory reserve liabilities that have been ceded to Prosperity are secured by the funds withheld assets and a comfort trust established by Prosperity under which National Western is the sole beneficiary. The funds withheld assets and the assets in the trust are required to remain at a value prescribed under the FWC Agreement which is sufficient to support the current balance of policy benefit liabilities of the ceded business on a statutory basis. If the value of the funds withheld assets and the comfort trust account assets were ever to be less than the prescribed amount under the FWC Agreement, Prosperity is required to deposit funds into the trust for the amount of any shortfall.

At December 31, 2020, the Company has recorded as an asset on the Consolidated Balance Sheet a deferred cost of reinsurance amount of $102.8 million associated with the funds withheld reinsurance transaction. This represents the amount of assets transferred at the closing date of the FWC Agreement (debt securities, policy loans, and cash) in excess of the GAAP liability ceded to Prosperity. This balance will be amortized going forward as a component of benefits and expenses commensurate with the runoff of the ceded block of funds withheld business.

Ozark National generally reinsures the risk on any one life in excess of $200,000. Total life insurance in force was $6.0 billion and $6.2 billion at December 31, 2020 and 2019, respectively. Of this amount, life insurance in force totaling $0.5 billion and $0.5 billion was ceded to reinsurance companies at December 31, 2020 and 2019, respectively. In accordance with the reinsurance contracts, reinsurance receivables, including amounts related to claims incurred but not reported and liabilities for future policy benefits, totaled $33.1 million and $21.7 million at December 31, 2020 and 2019, respectively. Premiums and contract revenues were reduced by $2.7 million and $2.5 million for reinsurance premiums ceded during 2020 and 2019, respectively. Benefit expenses were reduced by $2.6 million and $2.2 million for reinsurance recoveries during 2020 and 2019, respectively.

A contingent liability exists with respect to reinsurance, as the Company remains liable if the reinsurance companies are unable to perform and meet their obligations under the existing agreements. The Company does not assume reinsurance but Ozark National maintains a closed block of assumed reinsurance.

As discussed in Note (1) *Summary of Significant Accounting Policies*, the Company adopted ASU 2016-13 pertaining to the recognition and measurement of credit losses on most financial assets. For a reinsurance agreement to qualify for reinsurance accounting, it must meet certain risk transfer conditions that include the possibility of financial loss by the assuming reinsurer. The Company records, among other items, amounts recoverable under reinsurance agreements which is a financial asset subject to the credit loss requirements of ASU 2016-13. The Company's credit loss analysis included historical loss information, historical credit rating data, and existing collateral arrangements to estimate expected credit losses over the life of the reinsurance recoverable assets and determined that an allowance was not required at December 31, 2020.

(6) DEFERRED POLICY ACQUISITION COSTS, DEFERRED SALES INDUCEMENTS, AND VALUE OF BUSINESS ACQUIRED

A summary of information related to DPAC is provided in the following table:

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Balance, beginning of year	$ 723,972	841,704	819,511
Deferrals	69,857	64,824	84,094
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(107,917)	(117,748)	(115,721)
Unlocking	(22,358)	8,643	950
Adjustments related to unrealized gains (losses)	(261,186)	(73,451)	52,870
Reinsurance	(20,288)	—	—
Balance, end of year	$ 382,080	723,972	841,704

A summary of information related to DSI is provided in the following table:

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Balance, beginning of year	$ 104,359	133,714	135,570
Deferrals	10,344	3,160	7,546
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(22,808)	(19,714)	(21,569)
Unlocking	—	(641)	1,270
Adjustments related to unrealized gains (losses)	(43,557)	(12,160)	10,897
Reinsurance	(4,493)	—	—
Balance, end of year	$ 43,845	104,359	133,714

Changes in VOBA were as follows:

	Years Ended December 31,	
	2020	2019
	(In thousands)	
Balance, beginning of year	$ 138,071	—
Business acquired	—	145,768
Other increase	35,125	—
Amortization:		
Amortization, excluding unlocking	(10,228)	(7,697)
Balance as of end of year	$ 162,968	138,071

During the year ended December 31, 2020, the cash value of certain acquired reserves was increased which resulted in a commensurate increase in both the traditional life reserve liability and the related VOBA balance reported on the Consolidated Balance Sheets.

Estimated future amortization of VOBA, net of interest (in thousands), as of December 31, 2020, was as follows:

2021	$ 9,707
2022	9,214
2023	8,786
2024	8,402
2025	8,070

(7) BUSINESS COMBINATIONS

Effective January 31, 2019, the Company acquired Ozark National and NIS following the receipt of regulatory approvals. NWLGI and National Western paid cash in an aggregate amount of approximately $205.4 million in exchange for all of the outstanding stock of Ozark National (wholly owned by National Western) and NIS (wholly owned by NWLGI). In addition to the cash price paid, National Western recorded a contingent liability for an "earn-out payment" based upon the subsequent persistency of Ozark National's acquired in force business achieving thresholds as specified in the Stock Purchase Agreement ("Agreement"). The earn-out payment to the seller per the Agreement had a maximum limit of $5.0 million. Using a probabilistic method for valuing contingent consideration, the Company at January 31, 2019 recorded a liability of $3.7 million representing the estimated fair value of the additional consideration estimated to be paid as part of the acquisition. The contingent consideration was revalued during the earn-out term using the same probabilistic method and had a fair value of $4.1 million as of December 31, 2019. Changes in fair value during the year ended December 31, 2019 were recorded through Other operating expenses.

During 2020, the Company and the Seller executed an agreement under which the parties agreed that the Company had fulfilled its payment obligation under the Stock Purchase Agreement executed October 3, 2018. As a result, the Company reversed the contingent earn-out liability balance of $4.2 million recorded at that time and reflected this amount in Other revenues.

In addition to the purchase price, the Company incurred $3.3 million of acquisition-related costs in 2019, and an additional $1.0 million in acquisition-related costs during the year ended December 31, 2018. In accordance with GAAP, these costs are included in Other operating expenses in the Consolidated Statements of Earnings and are not considered a part of the purchase price.

The acquisition has been accounted for in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. Purchase accounting, as defined by ASC 805, requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The fair values shown below were determined based on management's best estimates, employing fair valuation methodologies commonly utilized in preparing financial statements in accordance with GAAP, and are subject to revision for one year following the acquisition date. The excess of the purchase price paid above net tangible assets acquired has been assigned to identifiable intangible assets and goodwill. During the year ended December 31, 2020, the cash value of certain acquired reserves was increased which resulted in a commensurate increase in both the traditional life reserve liability and the related VOBA balance reported on the Consolidated Balance Sheets. The following table presents the fair values of the net assets acquired as of January 31, 2019.

Assets	January 31, 2019 Fair value (In thousands)
Debt securities held to maturity	$ 261,059
Debt securities available for sale	400,719
Policy loans	28,128
Real estate	4,600
Cash and cash equivalents	16,275
Accrued investment income	6,116
Value of business acquired	145,768
Reinsurance recoverables	21,895
Other intangible assets	9,600
Other assets acquired	12,075
Total assets acquired	906,235
Liabilities	
Traditional life reserves	691,297
Other policyholder liabilities	13,867
Other liabilities acquired	5,840
	711,004
Net identifiable assets acquired	195,231
Goodwill	13,864
Net assets acquired	$ 209,095

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented in the acquisition above.

Debt securities - The fair value of debt securities acquired was calculated using a market approach that utilizes prices and other relevant information generated by market transactions involving identical or comparable securities as provided by third party pricing services.

Policy loans - The fair value of policy loans acquired was calculated using a present value calculation of discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flows were discounted using current risk-free interest rates consistent with fair value calculations used for National Western's policy loans.

Real estate - The fair value of the investment real estate acquired was determined using the sales comparison approach which compares market information for similar properties based on relevant, market-derived elements of comparison.

Cash and cash equivalents - The fair value of cash and cash equivalents acquired approximated their carrying values at the time of acquisition.

Other assets acquired - The fair value of certain receivables, guaranty assessment assets, and reinsurance recoverable were determined to approximate their carrying values at the time of acquisition. The fair value of tangible home office property acquired was determined using mostly a sales comparison approach which compares market information for similar properties based on relevant, market-derived elements of comparison.

Goodwill and Specifically Identifiable Intangible Assets

Goodwill

The changes in the carrying amount of goodwill (in thousands) were as follows:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Gross goodwill as of beginning of year	$ 13,864	—
Goodwill resulting from business acquisition	—	13,864
Gross goodwill, before impairments	13,864	13,864
Accumulated impairment as of beginning of year	—	—
Current year impairments	—	—
Net goodwill as of end of year	$ 13,864	13,864

Due to the severe change in economic climate during 2020 as a result of the COVID-19 pandemic, the Company periodically evaluated the goodwill balance for potential impairment and determined that there was sufficient evidence to support not impairing the balance.

Identifiable Intangible Assets

The following table presents the fair value of identifiable intangible assets acquired at January 31, 2019:

	Fair Value	Weighted-Average Amortization Period
	(In thousands)	
Trademarks / trade names	$ 2,800	15
Internally developed software	3,800	7
Insurance licenses	3,000	NA
Total identifiable intangible assets	$ 9,600	

The gross carrying amounts and accumulated amortization for each specifically identifiable intangible asset were as follows.

	December 31, 2020			December 31, 2019	
	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
			(In thousands)		
Trademarks/trade names	15	$ 2,800	(358)	2,800	(171)
Internally developed software	7	3,800	(1,040)	3,800	(498)
Insurance licenses	N/A	3,000	—	3,000	—
		$ 9,600	(1,398)	9,600	(669)

The value of trademarks was estimated using the relief from royalty method, based on the assumption that in lieu of ownership, an organization would be willing to pay a royalty in order to receive the related benefits of using the brand. The value of insurance licenses was estimated using the market approach to value, based on values paid for licenses in recent shell company transactions. The value of internally developed software was estimated using the replacement cost method. Trademarks, trade names and internally developed software are amortized using a straight-line method over their estimated useful lives. These intangibles assets will be evaluated for impairment if indicators of impairment arise. Insurance licenses were determined to have an indefinite useful life. The Company evaluates the useful life of the insurance licenses at each reporting period to determine whether the useful life remains indefinite.

As of December 31, 2020, expected amortization expenses relating to purchased intangible assets for each of the next 5 years and thereafter is as follows:

	Expected Amortization
	(In thousands)
2021	$ 730
2022	730
2023	730
2024	730
2025	730
Thereafter	1,552
	$ 5,202

Financial Information

For the year ended December 31, 2019, Ozark National and NIS combined total revenues of $106.2 million and net earnings of $17.1 million for the eleven months subsequent to January 31, 2019 were included in the Consolidated Statements of Earnings. These results for segment reporting purposes are combined in the Acquired Businesses segment.

The following unaudited comparative pro forma total revenues and net earnings represent Consolidated Results of Operations for the Company which assume amounts estimated had the acquisition of Ozark National and NIS been effective January 1, 2018. Pro forma results of operations include estimated revenue and net earnings of the acquired businesses for each period, as well as the amortization of identifiable intangible assets and fair value adjustments of acquired invested assets and traditional life insurance reserves as proxy to illustrate comparative yearly performance. The proxy was determined by using the ratio of the 2019 results of operations and the number of months since acquisition.

	Years Ended December 31,	
	2019	2018
	(In thousands)	
Total revenues	$ 828,846	667,392
Net earnings	$ 133,175	134,858

(8) SEGMENT AND OTHER OPERATING INFORMATION

(A) Operating Segment Information

The Company defines its reportable operating segments as domestic life insurance, international life insurance, annuities, and acquired businesses. These segments are organized based on product types, geographic marketing areas, and business groupings. Ozark National and NIS have been combined into the segment "Acquired Businesses" given its inter-related marketing and sales approach which consists of a coordinated sale of a non-participating whole life insurance product (Ozark National) and a mutual fund investment product (NIS). A fifth category "All Others" primarily includes investments and earnings of non-operating subsidiaries as well as other remaining investments and assets not otherwise supporting specific segment operations. In accordance with GAAP guidance for segment reporting, the Company excludes or segregates realized investment gains and losses.

A summary of segment information is provided below.

	Domestic Life Insurance	International Life Insurance	Annuities	Acquired Businesses	All Others	Totals
			(In thousands)			
2020:						
Selected Balance Sheet Items:						
Deferred policy acquisition costs, sales inducements, and value of business acquired	$ 94,100	124,480	199,557	170,756	—	588,893
Total segment assets	3,242,794	1,034,280	7,976,588	1,117,509	382,149	13,753,320
Future policy benefits	1,337,174	798,952	7,028,860	768,433	—	9,933,419
Other policyholder liabilities	16,378	11,086	94,049	16,967	—	138,480
Condensed Income Statements:						
Premiums and contract revenues	$ 53,834	88,167	17,025	78,921	—	237,947
Net investment income	54,516	27,273	290,576	26,383	18,454	417,202
Other revenues	58	67	43	10,118	8,236	18,522
Total revenues	108,408	115,507	307,644	115,422	26,690	673,671
Life and other policy benefits	18,471	14,084	31,043	67,739	—	131,337
Amortization of deferred policy acquisition costs and value of business acquired	17,661	24,929	87,133	10,780	—	140,503
Universal life and annuity contract interest	44,782	(2,087)	163,555	—	—	206,250
Other operating expenses	25,730	17,829	36,870	18,454	5,701	104,584
Federal income taxes (benefit)	265	9,143	(1,649)	4,413	3,159	15,331
Total expenses	106,909	63,898	316,952	101,386	8,860	598,005
Segment earnings (loss)	$ 1,499	51,609	(9,308)	14,036	17,830	75,666

	Domestic Life Insurance	International Life Insurance	Annuities	Acquired Businesses	All Others	Totals
			(In thousands)			
2019:						
Selected Balance Sheet Items:						
Deferred policy acquisition costs, sales inducements, and value of business acquired	$ 127,557	209,858	486,553	142,434	—	966,402
Total segment assets	1,399,818	1,153,105	8,198,730	978,243	362,900	12,092,796
Future policy benefits (1)	1,198,103	870,461	7,366,894	706,513	—	10,141,971
Other policyholder liabilities	18,016	14,903	80,002	14,686	—	127,607
Condensed Income Statements:						
Premiums and contract revenues	$ 45,709	99,417	20,317	74,526	—	239,969
Net investment income	77,672	47,004	380,357	22,593	27,866	555,492
Other revenues	313	86	(34)	8,445	8,676	17,486
Total revenues	123,694	146,507	400,640	105,564	36,542	812,947
Life and other policy benefits	18,948	17,064	41,487	59,843	—	137,342
Amortization of deferred policy acquisition costs and value of business acquired	11,797	17,593	79,064	8,348	—	116,802
Universal life and annuity contract interest	69,849	48,561	176,920	—	—	295,330
Other operating expenses	20,376	19,447	35,699	17,056	11,980	104,558
Federal income taxes (benefit)	561	9,024	13,888	3,700	5,056	32,229
Total expenses	121,531	111,689	347,058	88,947	17,036	686,261
Segment earnings (loss)	$ 2,163	34,818	53,582	16,617	19,506	126,686

(1) Revised for an adjustment to reserve liabilities of $15.0 million. Refer to Note (1).

	Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
			(In thousands)		
2018:					
Selected Balance Sheet Items:					
Deferred policy acquisition costs and sales inducements	$ 122,661	243,518	609,239	—	975,418
Total segment assets	1,215,864	1,211,036	8,791,463	370,118	11,588,481
Future policy benefits	1,039,150	894,891	7,810,245	—	9,744,286
Other policyholder liabilities	17,439	20,381	97,874	—	135,694
Condensed Income Statements:					
Premiums and contract revenues	$ 40,879	108,923	23,694	—	173,496
Net investment income	23,579	22,603	276,123	26,772	349,077
Other revenues	19	87	66	20,431	20,603
Total revenues	64,477	131,613	299,883	47,203	543,176
Life and other policy benefits	21,688	22,333	21,276	—	65,297
Amortization of deferred policy acquisition costs	11,539	24,358	78,874	—	114,771
Universal life and annuity contract interest	8,826	24,590	102,639	—	136,055
Other operating expenses	20,731	19,593	32,584	21,061	93,969
Federal income taxes (benefit)	292	7,035	11,139	4,514	22,980
Total expenses	63,076	97,909	246,512	25,575	433,072
Segment earnings (loss)	$ 1,401	33,704	53,371	21,628	110,104

Reconciliations of segment information to the Company's Consolidated Financial Statements are provided below.

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Premiums and Other Revenue:			
Premiums and contract revenues	$ 237,947	239,969	173,496
Net investment income	417,202	555,492	349,077
Other revenues	18,522	17,486	20,603
Realized gains on investments	21,071	6,241	8,423
Total consolidated premiums and other revenue	$ 694,742	819,188	551,599

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Federal Income Taxes:			
Total segment Federal income taxes	$ 15,331	32,229	22,980
Taxes on realized gains on investments	4,425	1,311	1,769
Total consolidated Federal income taxes	$ 19,756	33,540	24,749

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Net Earnings:			
Total segment earnings	$ 75,666	126,686	110,104
Realized gains on investments, net of taxes	16,646	4,930	6,654
Total consolidated net earnings	$ 92,312	131,616	116,758

	December 31,		
	2020	2019	2018
		(In thousands)	
Assets:			
Total segment assets	$ 13,753,320	12,092,796	11,588,481
Other unallocated assets	894,950	460,651	343,210
Total consolidated assets	$ 14,648,270	12,553,447	11,931,691

(B) Geographic Information

A portion of the Company's premiums and contract revenues are from international policies with residents of countries other than the United States. Premiums and contract revenues detailed by country are provided below.

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
United States	$ 165,233	156,330	82,614
Brazil	22,190	24,975	27,280
Taiwan	11,433	12,054	14,414
Venezuela	9,949	11,763	12,864
Peru	9,167	10,127	10,969
Chile	7,024	8,122	8,769
Other foreign countries	36,637	40,217	37,346
Revenues, excluding reinsurance premiums	261,633	263,588	194,256
Reinsurance premiums	(23,686)	(23,619)	(20,760)
Total premiums and contract revenues	$ 237,947	239,969	173,496

Premiums and contract revenues are attributed to countries based on the location of the policyholder. The Company has no significant assets, other than certain limited financial instruments, located in countries other than the United States.

(C) Major Agency Relationships

A portion exceeding 10% of National Western's annual annuity sales has been sold through one or more of its top independent marketing agencies in recent years. Business from two top agencies accounted for approximately 15% and 11%, respectively, of annuity sales in 2020. In 2020, one domestic independent marketing agency exceeded 10% of total Domestic Life sales accounting for 55%. Ozark National did not have a single distributor accounting for 10% or more of its sales in 2020.

(9) STATUTORY INFORMATION

Domiciled in Colorado, National Western prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the Colorado Division of Insurance, while Ozark National, domiciled in Missouri, follows the accounting practices prescribed or permitted by the Missouri Department of Commerce and Insurance. These insurance departments have adopted the provisions of the National Association of Insurance Commissioners' ("NAIC") Statutory Accounting Practices (“SSAP”) as the basis for its statutory accounting practices.

The following are major differences between GAAP and SSAP.

1. The Company accounts for universal life and annuity contracts based on the provisions of GAAP. The basic difference between GAAP and SSAP with respect to certain long-duration contracts is that deposits for universal life and annuity contracts are not reflected as revenues, and surrenders and certain other benefit payments are not reflected as expenses. Only contracts with no insurance risk qualify for such treatment under statutory accounting practices. For all other contracts, SSAP does reflect such items as revenues and expenses.

A summary of direct premiums and deposits collected is provided below.

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Annuity deposits	$ 358,900	264,667	411,208
Universal life insurance deposits	267,809	266,600	278,971
Traditional life and other premiums	98,711	95,695	21,561
Totals	$ 725,420	626,962	711,740

2. SSAP requires commissions and related acquisition costs to be expensed as incurred, whereas under GAAP these items are deferred and amortized.

3. For SSAP, liabilities for future policy benefits for life insurance policies are calculated by the net level premium method, the commissioners reserve valuation method, or principles-based reserving under VM-20. Future policy benefit liabilities for annuities are calculated based on the continuous commissioners annuity reserve valuation method and provisions of Actuarial Guidelines 33 and 35.

4. Deferred Federal income taxes are provided for temporary differences which are recognized in the Consolidated Financial Statements in a different period than for Federal income tax purposes. Deferred taxes are also recognized under SSAP; however, there are limitations as to the amount of deferred tax assets that may be reported as admitted assets. The change in the deferred taxes is recorded directly in surplus, rather than as a component of income tax expense.

5. For SSAP, debt securities are recorded at amortized cost, except for securities in or near default, which are reported at fair value. Under GAAP, debt securities are carried at amortized cost or fair value based on their classification as either held-to-maturity, available-for-sale, or trading.

6. Investments in subsidiaries are recorded as affiliated common stock investments at their respective SSAP investment value under statutory accounting, whereas the financial statements of the subsidiaries have been consolidated with those of the Company under GAAP.

7. The asset valuation reserve and interest maintenance reserve, which are investment valuation reserves prescribed by SSAP, have been eliminated, as they are not required under GAAP.

8. The table below provides the National Western and Ozark National net gain from operations, net income, unassigned surplus (retained earnings) and capital and surplus (stockholders' equity), on the statutory basis used to report to regulatory authorities for the years ended December 31.

	2020	2019	2018
		(In thousands)	
National Western Life Insurance Company:			
Net gain from operations before Federal and foreign income taxes	$ 36,970	209,139	27,359
Net income	$ 42,034	151,316	31,296
Unassigned surplus	$ 1,461,100	1,485,424	1,374,963
Capital and surplus	$ 1,505,163	1,529,487	1,419,026
Ozark National Life Insurance Company:			
Net gain from operations before Federal and foreign income taxes	$ 24,976	22,870	—
Net income	$ 20,966	(854)	—
Unassigned surplus	$ 50,054	29,452	—
Capital and surplus	$ 78,009	58,404	—

(10) EARNINGS PER SHARE

Basic earnings per share of common stock are computed by dividing net earnings available to each class of common stockholders on an as if distributed basis by the weighted-average number of common shares outstanding for the period. Diluted earnings per share, by definition, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock, that then shared in the distributed earnings of each class of common stock. U.S. GAAP requires a two-class presentation for the Company’s two classes of common stock (refer to Note (13) *Information Regarding Controlling Stockholder*). The Company currently has no share-based compensation awards outstanding that could be redeemed for shares of common stock.

Net earnings for the periods shown below are allocated between Class A shares and Class B shares based upon (1) the proportionate number of shares issued and outstanding as of the end of the period, and (2) the per share dividend rights of the two classes under the Company's Restated Certificate of Incorporation (the Class B dividend per share is equal to one-half the Class A dividend per share).

	Years Ended December 31,					
	2020		2019		2018	
	Class A	Class B	Class A	Class B	Class A	Class B
	(In thousands except per share amounts)					
Numerator for Basic and Diluted Earnings Per Share:						
Net earnings	$ 92,312		131,616		116,758	
Dividends – Class A shares	(1,237)		(1,237)		(1,237)	
Dividends – Class B shares	(36)		(36)		(36)	
Undistributed earnings	$ 91,039		130,343		115,485	
Allocation of net earnings:						
Dividends	$ 1,237	36	1,237	36	1,237	36
Allocation of undistributed earnings	88,464	2,575	126,657	3,686	112,219	3,266
Net earnings	$ 89,701	2,611	127,894	3,722	113,456	3,302
Denominator:						
Basic earnings per share - weighted-average shares	3,436	200	3,436	200	3,436	200
Effect of dilutive stock options	—	—	—	—	—	—
Diluted earnings per share - adjusted weighted-average shares for assumed conversions	3,436	200	3,436	200	3,436	200
Basic earnings per share	$ 26.11	13.05	37.22	18.61	33.02	16.51
Diluted earnings per share	$ 26.11	13.05	37.22	18.61	33.02	16.51

(11) COMPREHENSIVE INCOME

GAAP guidance requires that all items recognized under accounting standards as components of comprehensive income (loss) be reported in a financial statement that is displayed with the same prominence as other financial statements. This guidance requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income (loss) separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. This guidance affects the Company's reporting presentation of certain items such as foreign currency translation adjustments, unrealized gains and losses on investment securities, and benefit plan liabilities. These items are reflected as components of other comprehensive income (loss), net of taxes, as reported in the accompanying Consolidated Financial Statements.

Components of other comprehensive income (loss) for 2020, 2019 and 2018 and the related tax effect are detailed below.

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2020:			
Unrealized gains on securities, net of effects of deferred costs of $(304,955):			
Net unrealized holding gains (losses) arising during the period	$ 446,280	(93,719)	352,561
Unrealized liquidity gains (losses)	8	(2)	6
Reclassification adjustment for net (gains) losses included in net earnings	(5,677)	1,192	(4,485)
Amortization of net unrealized gains (losses) related to transferred securities	—	—	—
Net unrealized gains (losses) on securities	440,611	(92,529)	348,082
Foreign currency translation adjustments	18	(4)	14
Benefit plan liability adjustment	(16,182)	3,398	(12,784)
Other comprehensive income (loss)	$ 424,447	(89,135)	335,312

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2019:			
Unrealized gains on securities, net of effects of deferred costs of $(85,609):			
Net unrealized holding gains (losses) arising during the period	$ 122,726	(25,772)	96,954
Unrealized liquidity gains (losses)	4	(1)	3
Reclassification adjustment for net (gains) losses included in net earnings	5,060	(1,063)	3,997
Amortization of net unrealized gains (losses) related to transferred securities	—	—	—
Net unrealized gains (losses) on securities	127,790	(26,836)	100,954
Foreign currency translation adjustments	663	(139)	524
Benefit plan liability adjustment	(5,513)	1,158	(4,355)
Other comprehensive income (loss)	$ 122,940	(25,817)	97,123

	Amounts Before Taxes	Tax (Expense) Benefit	Amounts Net of Taxes
		(In thousands)	
2018:			
Unrealized gains on securities, net of effects of deferred costs of $63,816:			
Net unrealized holding gains (losses) arising during the period	$ (71,921)	15,103	(56,818)
Unrealized liquidity gains (losses)	3	(1)	2
Reclassification adjustment for net (gains) losses included in net earnings	(3,441)	723	(2,718)
Amortization of net unrealized gains (losses) related to transferred securities	—	—	—
Net unrealized gains (losses) on securities	(75,359)	15,825	(59,534)
Foreign currency translation adjustments	1,714	(360)	1,354
Benefit plan liability adjustment	14,301	(3,003)	11,298
Other comprehensive income (loss)	$ (59,344)	12,462	(46,882)

(12) STOCKHOLDERS' EQUITY

(A) Changes in Common Stock Shares Outstanding

Changes in shares of common stock outstanding are provided below.

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Common stock shares outstanding:			
Shares outstanding at beginning of year	3,636	3,636	3,636
Shares exercised under stock option plan	—	—	—
Shares outstanding at end of year	3,636	3,636	3,636

(B) Dividend Restrictions

National Western is restricted by state insurance laws as to dividend amounts which may be paid to stockholders without prior approval from the Colorado Division of Insurance. The restrictions are based on the lesser of statutory earnings from operations, excluding capital gains, or 10% of statutory surplus as of the previous year-end. Under these guidelines, the maximum dividend payment which may be made without prior approval in 2021 is $45.5 million. As the sole owner of NWLIC, all dividends declared by National Western are payable entirely to NWLGI and are eliminated in consolidation.

Ozark National is similarly restricted under the state insurance laws of Missouri as to dividend amounts which may be paid to stockholders without prior approval to the greater of 10% of the statutory surplus of the company from the preceding year-end or the company's net gain from operations, excluding capital gains, from the prior calendar year. Based upon this restriction, the maximum dividend payment which may be made in 2021 without prior approval is $21.0 million.

As part of the Stock Purchase Agreement dated October 3, 2018, by and between NWLIC and Ozark National's previous owner, the Missouri Department of Commerce and Insurance granted approval for an extraordinary dividend of $102.7 million to be paid to the prior owner concurrent with the closing of the transaction effective January 31, 2019. All dividends declared by Ozark National thereafter are payable entirely to NWLIC as the sole owner and are eliminated in consolidation.

NIS is restricted under FINRA rules as to maximum dividend amounts that can be paid out to stockholders. Maximum allowable dividend amounts are determined based on calculations which require that certain net capital thresholds be maintained after dividends are paid out. Under these guidelines, the maximum dividend payment which may be made as of December 31, 2020 was $4.5 million.

On October 30, 2020, the Board of Directors of NWLGI declared a cash dividend to stockholders on record as of November 5, 2020 which was paid December 1, 2020. The dividends approved were $0.36 per common share to Class A stockholders and $0.18 per common share to Class B stockholders. A dividend in the same amounts per share on Class A and Class B shares was declared in October 2019 and paid in December of 2019.

National Western did not declare or pay cash dividends to NWLGI during the year ended December 31, 2020. In the first quarter of 2019, National Western declared and paid a $32.0 million dividend to NWLGI, the proceeds of which were used as part of the cash purchase of NIS. National Western also declared a $4.0 million ordinary cash dividend to NWLGI which was paid out in October 2019. Dividends paid from National Western to NWLGI are eliminated in consolidation.

(C) Regulatory Capital Requirements

The Colorado Division of Insurance and Missouri Department of Commerce and Insurance impose minimum risk-based capital requirements on insurance companies that were developed by the National Association of Insurance Commissioners ("NAIC"). The formulas for determining the amount of risk-based capital ("RBC") specify various weighting factors that are applied to statutory financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of a company's regulatory total adjusted capital to its authorized control level RBC, as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. National Western's current authorized control level RBC of $103.2 million is significantly below its regulatory total adjusted capital of $1.6 billion. In addition, Ozark National's regulatory total adjusted capital of $81.4 million is also materially greater than its current authorized control level RBC of $7.1 million.

(D) Share-Based Payments

Effective June 20, 2008, the Company's shareholders approved a 2008 Incentive Plan (“2008 Plan”) which provided for the grant of any or all of the following types of awards to eligible employees: (1) stock options, including incentive stock options and nonqualified stock options; (2) stock appreciation rights ("SARs"), in tandem with stock options or freestanding; (3) restricted stock or restricted stock units; and (4) performance awards. The number of shares of Class A, $1.00 par value, common stock which were allowed to be issued under the plan, or as to which SARs or other awards were allowed to be granted, could not exceed 300,000. This plan was assumed by NWLGI from National Western pursuant to the terms of the holding company reorganization in 2015. On June 15, 2016, stockholders of NWLGI approved an amended and restated 2008 Plan ("Incentive Plan"), which extended the term of the 2008 Plan for ten years from the date of stockholder approval. The Incentive Plan includes additional provisions, most notably regarding the definition of performance objectives which could be used in the issuance of the fourth type of award noted above (performance awards).

All of the employees of the Company and its subsidiaries are eligible to participate in the current Incentive Plan. In addition, directors of the Company are eligible to receive the same types of awards as employees except that they are not eligible to receive incentive stock options. Company directors, including members of the Compensation and Stock Option Committee, are eligible for nondiscretionary stock options. At the end of 2018, all stock options granted under the 2008 Plan had been exercised, forfeited, or expired. SARs granted prior to 2016 vest 20% annually following three years of service following the grant date. Employee SARs granted in 2016 and forward vest 33.3% annually following one year of service from the date of the grant. Directors' SARs grants vest 20% annually following one year of service from the date of grant.

Effective during August 2008, the Company adopted and implemented a limited stock buy-back program with respect to the 2008 Plan which provided stock option holders the additional alternative of selling shares acquired through the exercise of options directly back to the Company. Option holders could elect to sell such acquired shares back to the Company at any time within ninety (90) days after the exercise of options at the prevailing market price as of the date of notice of election. The buy-back program did not alter the terms and conditions of the 2008 Plan. This plan was assumed as well by NWLGI from National Western pursuant to the terms of the holding company reorganization. There are currently no stock options issued and outstanding.

The Incentive Plan allows for certain other share or unit awards which are solely paid out in cash based on the value of the Company's shares, or changes therein, as well as the financial performance of the Company under pre-determined target performance metrics. Certain awards, such as restricted stock units ("RSUs") provide solely for cash settlement based upon the market price of the Company's Class A common shares, often referred to as "phantom stock-based awards" in equity compensation plans. Unlike share-settled awards, which have a fixed grant-date fair value, the fair value of unsettled or unvested liability awards is remeasured at the end of each reporting period based on the change in fair value of a share. The liability and corresponding expense are adjusted accordingly until the award is settled. For employees, the vesting period for RSUs is 100% at the end of three years from the grant date. RSUs granted prior to 2019 are payable in cash at the vesting date equal to the closing price of the Company's Class A common share on the three years anniversary date. RSUs granted in 2019 and forward are payable in cash at the three years vesting date equal to the 20-day moving average closing price of the Company's Class A common share at that time.

Other awards may involve performance share units ("PSUs") which are units granted at a specified dollar amount per unit, typically linked to the Company's Class A common share price, that are subsequently multiplied by an attained performance factor to derive the number of PSUs to be paid as cash compensation at the vesting date. PSUs also vest three years from the date of grant. For PSUs, the performance period begins the first day of the calendar year for which the PSUs are granted and runs three calendar years. At that time, the three-year performance outcome will be measured against the pre-defined target amounts to determine the number of PSUs earned as compensation. PSUs granted prior to 2019 are payable at the closing price of the Company’s Class A common shares on the vesting date. PSUs granted in 2019 and forward are payable at the 20-day moving average closing price of the Company’s Class A common share at the vesting date.

PSU awards covering the three year measurement period ended December 31, 2018 were paid out in the first quarter of 2019. The performance factor during the measurement period used to determine compensation payouts was 93.86% of the pre-defined metric target.

PSU awards covering the three year measurement period ended December 31, 2019 were paid out in the first quarter of 2020. The performance factor during the measurement period used to determine compensation payouts was 101.19% of the pre-defined metric target.

Directors of the Company are eligible to receive RSUs under the Incentive Plan. Unlike RSUs granted to officers, the RSUs granted to directors vest one year from the date of grant. RSUs granted prior to 2019 are payable in cash at the vesting date equal to the closing price of the Company's Class A common share at that time. RSUs granted in 2019 and forward are payable in cash at the vesting date equal to the 20-day moving average closing price of the Company’s Class A common share at that time.

The following table shows all grants issued to officers and directors for the twelve months ended December 31, 2020 and 2019. These grants were made based upon the 20-day moving average closing market price of the Company's Class A common share at the grant date.

	Years Ended			
	December 31, 2020		December 31, 2019	
	Officers	Directors	Officers	Directors
SARs	40,990	—	20,380	—
RSUs	6,147	3,400	4,195	2,580
PSUs	9,324	—	6,427	—

The increase in the number of units awarded in the year ended December 31, 2020 as compared to the prior year reflects the decrease in the grant price of the awards from $252.91 in 2019 to $192.10 in 2020.

The Company uses the current fair value method to measure compensation cost for awards granted under the share-based plans. As of December 31, 2020 and 2019, the liability balance for these plans was $6.2 million and $11.2 million, respectively. A summary of awards by type and related activity is detailed below.

		Options Outstanding	
	Shares Available For Grant	Shares	Weighted-Average Exercise Price
Stock Options:			
Balance at January 1, 2020	291,000	—	$ —
Exercised	—	—	$ —
Forfeited	—	—	$ —
Expired	—	—	$ —
Stock options granted	—	—	$ —
Balance at December 31, 2020	291,000	—	$ —

	Liability Awards		
Other Share/Unit Awards:	SARs	RSUs	PSUs
Balance at January 1, 2020	107,517	14,352	19,108
Exercised	(1,372)	(7,191)	(4,150)
Forfeited	(2,887)	(259)	—
Granted	40,990	9,547	9,324
Balance at December 31, 2020	144,248	16,449	24,282

SARs, RSUs, and PSUs shown as forfeited in the above tables represent vested and unvested awards not exercised by plan participants upon their termination from the Company in accordance with the expiration provisions of the awards.

The total intrinsic value of share-based compensation exercised was $2.8 million, $3.1 million, and $4.7 million for the years ended December 31, 2020, 2019, and 2018, respectively. The total share-based compensation paid was $2.8 million, $3.1 million, and $4.7 million for the years ended December 31, 2020, 2019, and 2018, respectively. The total fair value of SARs, RSUs, and PSUs vested during the years ended December 31, 2020, 2019, and 2018 was $4.2 million, $4.4 million, and $3.1 million, respectively. No cash amounts were received from the exercise of stock options under the Plans during the periods reported on.

The following table summarizes information about SARs outstanding at December 31, 2020.

	SARs Outstanding		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Exercisable
Exercise prices:			
$132.56	19,118	1.0 year	19,118
$210.22	23,450	2.9 years	23,450
$216.48	11,149	5.1 years	11,149
$311.16	9,531	6.1 years	9,531
$310.55	203	6.3 years	203
$334.34	9,018	7.0 years	9,018
$303.77	11,233	8.0 years	7,483
$252.91	19,556	9.0 years	6,509
$192.10	40,990	9.9 years	—
Totals	144,248		86,461
Aggregate intrinsic value (in thousands)	$ 2,000		$ 1,412

The aggregate intrinsic value in the table above is based on the closing Class A common share price of $206.44 per share on December 31, 2020.

In estimating the fair value of SARs outstanding at December 31, 2020 and 2019, the Company employed the Black-Scholes option pricing model with assumptions as detailed below.

	December 31, 2020	December 31, 2019
Expected term	1.0 to 9.9 years	1.9 to 10.0 years
Expected volatility weighted-average	33.47 %	22.19 %
Expected dividend yield	0.17 %	0.12 %
Risk-free rate weighted-average	0.19 %	1.61 %

The Company reviewed the contractual term relative to the SARs as well as perceived future behavior patterns of exercise. Volatility is based on the Company’s historical volatility over the expected term of the SARs by expected exercise date.

The pre-tax compensation expense/(benefit) recognized in the Consolidated Financial Statements related to these plans was $(2.2) million, $2.4 million and $1.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. The related tax (benefit)/expense recognized was $0.5 million, $(0.5) million and $(0.3) million for the years ended December 31, 2020, 2019 and 2018, respectively.

For the years ended December 31, 2020, 2019 and 2018, the total pre-tax compensation expense related to nonvested share-based awards not yet recognized was $9.1 million, $8.0 million and $7.1 million, respectively. The December 31, 2020 amount is expected to be recognized over a weighted-average period of 1.6 years. The Company recognizes compensation cost over the graded vesting periods.

(13) INFORMATION REGARDING CONTROLLING STOCKHOLDER

Robert L. Moody, Sr., through the Robert L. Moody Revocable Trust controls 99.0% of the total outstanding shares of the Company's Class B common stock as of December 31, 2020. Holders of the Company's Class A common stock elect one-third of the Board of Directors of the Company, and holders of the Class B common stock elect the remainder. Any cash or in-kind dividends paid on each share of Class B common stock are to be only one-half of the cash or in-kind dividends paid on each share of Class A common stock. In the event of liquidation of the Company, the Class A stockholders will receive the par value of their shares; then the Class B stockholders will receive the par value of their shares; and the remaining net assets of the Company shall be divided between the stockholders of both Class A and Class B stock based upon the number of shares held.

(14) PENSION AND OTHER POSTRETIREMENT PLANS

(A) Defined Benefit Pension Plans

National Western sponsors a qualified defined benefit pension plan covering employees enrolled prior to 2008. The plan provides benefits based on the participants' years of service and compensation. The company makes annual contributions to the plan that comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). On October 19, 2007, National Western's Board of Directors approved an amendment to freeze the pension plan as of December 31, 2007. The freeze ceased future benefit accruals to all participants and closed the plan to any new participants. In addition, all participants became immediately 100% vested in their accrued benefits as of that date. As participants are no longer earning credit for service, future qualified defined benefit plan expense is projected to be minimal. The plan was amended in 2018 to increase the maximum pension value that may be distributed in a lump sum and to decrease the commencement age for in-service distributions by participants. Fair values of plan assets and liabilities are measured as of December 31 for each year. A detail of plan disclosures is provided below.

Obligations and Funded Status

	December 31,	
	2020	2019
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 22,689	21,938
Service cost	107	96
Interest cost	674	839
Plan amendments	—	—
Actuarial (gain) loss	2,153	1,398
Benefits paid	(1,696)	(1,582)
Projected benefit obligations at end of year	23,927	22,689
Changes in plan assets:		
Fair value of plan assets at beginning of year	18,512	16,169
Actual return on plan assets	2,910	3,356
Contributions	1,107	569
Benefits paid	(1,696)	(1,582)
Fair value of plan assets at end of year	20,833	18,512
Funded status at end of year	$ (3,094)	(4,177)

The service cost shown above for each year represents plan expenses expected to be paid out of plan assets. Under the clarified rules of the Pension Protection Act, plan expenses paid from plan assets are to be included in the plan's service cost component.

The Projected Benefit Obligation changed in 2020 due to the following:

- An experience loss of approximately $587,000 due to census demographics.
- An experience gain of approximately $317,000 due to the change in mortality.
- An experience loss of approximately $45,000 due to the difference in expected and actual benefit payments.
- An experience loss of approximately $1,838,000 due to the decrease in the discount rate from 3.00% to 2.25%.

The Projected Benefit Obligation changed in 2019 due to the following:

- An experience gain of approximately $157,000 due to census demographics.
- An experience gain of approximately $610,000 due to the change in mortality.
- An experience gain of approximately $16,000 due to the difference in expected and actual benefit payments.
- An experience loss of approximately $2,181,000 due to the decrease in the discount rate from 4.00% to 3.00%.

	December 31,	
	2020	2019
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(3,094)	(4,177)
Net amount recognized	$ (3,094)	(4,177)
Amounts recognized in accumulated other comprehensive income:		
Net (gain) loss	$ 6,826	6,903
Prior service cost	—	—
Net amount recognized	$ 6,826	6,903

The accumulated benefit obligation was $23.9 million and $22.7 million at December 31, 2020 and 2019, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Components of net periodic benefit costs:			
Interest cost	$ 674	839	899
Service cost	107	96	111
Expected return on plan assets	(1,261)	(1,086)	(1,300)
Amortization of net loss (gain)	580	660	524
Net periodic benefit cost	100	509	234
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss (gain)	503	(872)	
Amortization of net loss (gain)	(580)	(660)	
Total recognized in other comprehensive income	(77)	(1,532)	
Total recognized in net periodic benefit cost and other comprehensive income	$ 23	(1,023)	

The components of net periodic benefit cost including service cost are reported in Other operating expenses in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2020	2019
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	2.25 %	3.00 %
Rate of compensation increase	n/a	n/a

	December 31,		
	2020	2019	2018
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	3.00 %	4.00 %	3.75 %
Expected long-term return on plan assets	7.00 %	7.00 %	7.00 %
Rate of compensation increase	n/a	n/a	n/a

The assumed long-term rate of return on plan assets is generally set at the rate expected to be earned based on the long-term investment policy of the plan and the various classes of invested funds, based on the input of the plan's investment advisors and consulting actuary and the plan's historic rate of return. As of December 31, 2020, the plan's average 10-year returns were 9.54%.

In setting the annual discount rate assumption, the Pension Committee designated by National Western's Board of Directors reviews current 10 year and 30 year corporate bond yields, the current spread to treasuries, and their relative change during the past twelve months. It also considers the present value of the projected benefit payment stream based on the Citigroup Pension Discount Curve and market data observations provided by independent consultants.

In setting the annual portfolio rate of return assumption, the Pension Committee considers the Plan's actual long-term performance, the portfolio's current allocation and individual investment holdings, the Committee's and the investment manager's expectations for future long term investment strategy and expected performance, and the advice of consultants knowledgeable about overall market expectations and benchmark rates of return used by comparable companies.

Plan Assets

As discussed in Note (4) *Fair Values of Financial Instruments*, GAAP defines fair value and establishes a framework for measuring fair value of financial assets. Using this guidance, the Company has categorized its pension plan assets into a three level hierarchy, based on the priority of inputs to the valuation process. The fair value hierarchy classifications are reviewed annually. Reclassification of certain financial assets and liabilities may result based on changes in the observability of valuation attributes. The following tables set forth the Company's pension plan assets within the fair value hierarchy as of December 31, 2020 and 2019.

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash and cash equivalents	$ 1,050	1,050	—	—
Equity securities				
Domestic	13,853	13,853	—	—
International	170	170	—	—
Debt securities				
Corporate bonds	5,759	—	5,759	—
Other invested assets	1	1	—	—
Total	$ 20,833	15,074	5,759	—

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Cash and cash equivalents	$ 756	756	—	—
Equity securities				
Domestic	11,853	11,853	—	—
International	172	172	—	—
Debt securities				
Corporate bonds	5,729	—	5,729	—
Other invested assets	2	2	—	—
Total	$ 18,512	12,783	5,729	—

Investment securities. Fair values for investments in debt and equity securities are based on quoted market prices, where available. For securities not actively traded, fair values are estimated using values obtained from various independent pricing services. In cases where prices are unavailable from these sources, values are estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality, and maturity of the investments.

Cash and cash equivalents. Carrying amounts for these instruments approximate their fair values.

The plan's weighted-average asset allocations by asset category have been as follows:

	December 31,		
	2020	2019	2018
Asset Category:			
Equity securities	67%	65%	63%
Debt securities	28%	31%	36%
Cash and cash equivalents	5%	4%	1%
Total	100%	100%	100%

The Company has established and maintains an investment policy statement for the assets held in the plan's trust. The investment strategies are of a long-term nature and are designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due
- Set forth an investment structure detailing permitted assets and expected allocation ranges among classes
- Ensure that plan assets are managed in accordance with ERISA

The pension plan is a highly diversified portfolio. The 95% of pension assets not invested in cash is allocated among 231 different investments, with no single issuer representing more than 4.8% of the fair value of the portfolio. The investment policy statement sets forth the following acceptable ranges for each asset's class.

	Acceptable Range
Asset Category:	
Equity securities	55-70%
Debt securities	30-40%
Cash and cash equivalents	0-15%

Deviations from these ranges are permitted if such deviations are consistent with the duty of prudence under ERISA. Investments in natural resources, venture capital, precious metals, futures and options, real estate, and other vehicles that do not have readily available objective valuations are not permitted. Short sales, use of margin or leverage, and investment in commodities and art objects are also prohibited.

The investment policy statement is reviewed annually to ensure that the objectives are met considering any changes in benefit plan design, market conditions, or other material considerations.

Contributions

National Western expects to contribute $856,000 to the plan during 2021 which amount includes a $856,000 voluntary contribution. Additional amounts may be contributed at NWLIC's discretion. The plan’s funding status is reviewed periodically throughout the year by National Western’s Pension Plan Committee. NWLIC intends to contribute at least the minimum amounts necessary for tax compliance and to maintain an Adjusted Funding Target Attainment Percentage ("AFTAP") of over 80% to meet the Pension Protection Act Plan’s threshold.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2021	$	1,585
2022		1,561
2023		1,544
2024		1,459
2025		1,480
2026-2030		6,736

National Western also sponsors three non-qualified defined benefit pension plans. The first plan covers certain senior officers and provides benefits based on the participants' years of service and compensation. The primary pension obligations and administrative responsibilities of the plan are maintained by a pension administration firm, which is a subsidiary of American National Group, Inc. ("American National"), a related party. American National has guaranteed the payment of pension obligations under the plan. However, the Company has a contingent liability with respect to the plan should these entities be unable to meet their obligations under the existing agreements. Also, the Company has a contingent liability with respect to the plan in the event that a plan participant continues employment with National Western beyond age seventy, the aggregate average annual participant salary increases exceed 10% per year, or any additional employees become eligible to participate in the plan. If any of these conditions are met, the Company would be responsible for any additional pension obligations resulting from these items. Amendments were made to this plan to allow an additional employee to participate and to change the benefit formula for the then Chairman of the Company. As previously mentioned, these additional obligations are a liability to the Company. Effective December 31, 2004, this plan was frozen with respect to the continued accrual of benefits of the then Chairman and the then President of the Company in order to comply with law changes under the American Jobs Creation Act of 2004 ("Act").

Effective July 1, 2005, National Western established a second non-qualified defined benefit plan for the benefit of the then Chairman of the Company. This plan is intended to provide for post-2004 benefit accruals that mirror and supplement the pre-2005 benefit accruals under the previously discussed non-qualified plan, while complying with the requirements of the Act.

Effective November 1, 2005, National Western established a third non-qualified defined benefit plan for the benefit of the then President of the Company. This plan is intended to provide for post-2004 benefit accruals that supplement the pre-2005 benefit accruals under the first non-qualified plan as previously discussed, while complying with the requirements of the Act.

Ozark National and NIS have no defined benefit plans.

A detail of plan disclosures related to the amendments of the original plan and the additional two plans is provided below:

Obligations and Funded Status

	December 31,	
	2020	2019
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 29,258	22,275
Service cost	1,209	502
Interest cost	1,350	1,025
Actuarial (gain) loss	21,736	7,438
Benefits paid	(1,982)	(1,982)
Projected benefit obligations at end of year	51,571	29,258
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions	1,982	1,982
Benefits paid	(1,982)	(1,982)
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (51,571)	(29,258)

The Projected Benefit Obligation changed in 2020 due to the following:

- An experience loss of approximately $16,720,000 due to census demographics different than assumed including increases in actual compensation more than the actuarial assumption.
- An experience gain of approximately $441,000 due to the change in mortality.
- An experience loss of approximately $5,457,000 due to the decrease in the discount rate from 3.00% to 2.25%.

The Projected Benefit Obligation changed in 2019 due to the following:

- An experience loss of approximately $4,332,000 due to increases in actual compensation more than the actuarial assumption.
- An experience gain of approximately $295,000 due to the change in mortality.
- An experience loss of approximately $3,401,000 due to the decrease in the discount rate from 4.00% to 3.00%.

	December 31,	
	2020	2019
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(51,571)	(29,258)
Net amount recognized	$ (51,571)	(29,258)
Amounts recognized in accumulated other comprehensive income:		
Net (gain) loss	$ 26,476	10,521
Prior service cost	404	464
Net amount recognized	$ 26,880	10,985

The accumulated benefit obligation was $27.0 million and $19.8 million at December 31, 2020 and 2019, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	$ 1,209	502	361
Interest cost	1,350	1,025	852
Amortization of prior service cost	59	59	59
Amortization of net loss (gain)	5,781	1,391	704
Net periodic benefit cost	8,399	2,977	1,976
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss (gain)	21,736	7,438	
Amortization of prior service cost	(59)	(59)	
Amortization of net loss (gain)	(5,781)	(1,391)	
Total recognized in other comprehensive income	15,896	5,988	
Total recognized in net periodic benefit cost and other comprehensive income	$ 24,295	8,965	

The components of net periodic benefit cost including service cost are reported in Other operating expenses in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2020	2019
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	2.25 %	3.00 %
Rate of compensation increase	8.00 %	8.00 %

	December 31,		
	2020	2019	2018
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	3.00 %	4.00 %	3.75 %
Expected long-term return on plan assets	n/a	n/a	n/a
Rate of compensation increase	8.00 %	8.00 %	8.00 %

The plan is unfunded and therefore no assumption has been made related to the expected long-term return on plan assets.

Plan Assets

The plan is unfunded and therefore had no assets at December 31, 2020 or 2019.

Contributions

National Western expects to contribute approximately $2.0 million to the plan in 2021.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2021	$ 1,982
2022	1,982
2023	1,982
2024	1,982
2025	1,982
2026-2030	11,617

(B) Defined Contribution Pension Plans

In addition to the defined benefit pension plans, National Western sponsors a qualified 401(k) plan for substantially all employees and a non-qualified deferred compensation plan primarily for senior officers. National Western made annual contributions to the 401(k) plan in 2020, 2019, and 2018 of up to four percent of each employee's compensation, based on the employee's personal level of salary deferrals to the plan. All contributions are subject to a vesting schedule based on the employee's years of service. For the years ended December 31, 2020, 2019 and 2018, NWLIC contributions totaled $720,000, $664,000 and $615,000, respectively.

The non-qualified deferred compensation plan sponsored by National Western was established to allow eligible employees to defer the payment of a percentage of their compensation and to provide for additional company contributions. Contributions are subject to a vesting schedule based on the employee's years of service. For the years ended December 31, 2020, 2019 and 2018, contributions totaled $175,000, $97,000, and $127,000, respectively.

Ozark sponsors a qualified 401(k) plan for substantially all employees of Ozark and NIS. Employer match is discretionary, and contributions are subject to a graded vesting schedule. Expense related to this plan totaled $175,000 and $176,000 for Ozark and $17,000 and $30,000 for NIS for the year ended December 31, 2020 and the eleven months ended December 31, 2019, respectively.

Ozark also sponsors a non-qualified, unfunded retirement plan covering certain members of executive staff. The plan is funded solely through discretionary employer contributions. Expense related to this plan totaled $247,000 and $45,000 for the year ended December 31, 2020 and the eleven months ended December 31, 2019, respectively.

(C) Postretirement Employment Plans Other Than Pension

National Western sponsors two health care plans that were amended in 2004 to provide postretirement benefits to certain fully-vested individuals. The plan is unfunded. A December 31 measurement date is used for the plan. A detail of plan disclosures related to the plan is provided below:

Obligations and Funded Status

	December 31,	
	2020	2019
	(In thousands)	
Changes in projected benefit obligations:		
Projected benefit obligations at beginning of year	$ 5,782	4,230
Interest cost	165	198
Actuarial (gain) loss	522	1,354
Benefits paid	—	—
Projected benefit obligations at end of year	6,469	5,782
Changes in plan assets:		
Fair value of plan assets at beginning of year	—	—
Contributions	—	—
Benefits paid	—	—
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (6,469)	(5,782)

The Projected Benefit Obligation changed in 2020 due to the following:

- An experience loss of approximately $389,000 due to the claims/healthcare cost trend experience.
- An experience gain of approximately $656,000 due to the change in actuarial assumptions.
- An experience gain of approximately $104,000 due to the change in mortality.
- An experience loss of approximately $893,000 due to the decrease in the discount rate from 3.00% to 2.25%.

The Projected Benefit Obligation changed in 2019 due to the following:

- An experience loss of approximately $784,000 due to the claims/healthcare cost trend experience.
- An experience gain of approximately $283,000 due to the change in mortality.
- An experience gain of approximately $121,000 due to the difference in actual and expected benefit payments.
- An experience loss of approximately $974,000 due to the decrease in the discount rate from 4.00% to 3.00%.

	December 31,	
	2020	2019
	(In thousands)	
Amounts recognized in the Company's Consolidated Financial Statements:		
Assets	$ —	—
Liabilities	(6,469)	(5,782)
Net amount recognized	$ (6,469)	(5,782)
Amounts recognized in accumulated other comprehensive income:		
Net (gain) loss	$ 2,288	1,925
Prior service cost	—	—
Net amount recognized	$ 2,288	1,925

The accumulated benefit obligation was $6.5 million and $5.8 million at December 31, 2020 and 2019, respectively.

Components of Net Periodic Benefit Cost

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Components of net periodic benefit cost:			
Interest cost	$ 165	198	158
Amortization of prior service cost	—	52	103
Amortization of net loss	158	244	151
Net periodic benefit cost	323	494	412
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss	522	1,354	
Amortization of prior service cost	—	(52)	
Amortization of net loss (gain)	(158)	(244)	
Total recognized in other comprehensive income	364	1,058	
Total recognized in net periodic benefit cost and other comprehensive income	$ 687	1,552	

As the plans are not funded, there is no expected return on plan assets shown in the net periodic benefit cost table above. Ozark National and NIS do not offer postretirement employment benefits.

The components of net periodic benefit cost including service cost are reported in Other operating expenses in the Consolidated Statement of Earnings.

Assumptions

	December 31,	
	2020	2019
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	2.25 %	3.00 %
Expected long-term return on plan assets	n/a	n/a

	December 31,		
	2020	2019	2018
Weighted-average assumptions used to determine net periodic benefit costs:			
Discount rate	3.00 %	4.00 %	3.75 %
Expected long-term return on plan assets	n/a	n/a	n/a

For measurement purposes, a 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021, decreasing annually by 0.5% until reaching an ultimate rate of 5%.

Plan Assets

The plans are unfunded and therefore had no assets at December 31, 2020 and 2019.

Contributions

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

2021	$	—
2022		—
2023		—
2024		—
2025		—
2026-2030		1,216

(15) FEDERAL INCOME TAXES

Total Federal income taxes were allocated as follows:

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Taxes (benefits) on earnings from continuing operations:			
Current	$ (275)	58,834	(1,697)
Deferred	20,031	(25,294)	26,446
Taxes on earnings	19,756	33,540	24,749
Taxes (benefits) on components of stockholders' equity:			
Net unrealized gains and losses on securities available-for-sale	92,528	26,836	(15,870)
Foreign currency translation adjustments	4	139	360
Change in benefit plan liability	(3,398)	(1,158)	3,003
Change in accounting	(806)	—	—
Total Federal income taxes	$ 108,084	59,357	12,242

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The provisions for Federal income taxes attributable to earnings from continuing operations vary from amounts computed by applying the statutory income tax rate to income statement earnings before Federal income taxes due to differences between the financial statement reporting and income tax treatment of certain items. These differences and the corresponding tax effects are as follows:

	Years Ended December 31,		
	2020	2019	2018
		(In thousands)	
Income tax expense at statutory rate of 21%	$ 23,534	34,683	29,716
Dividend received deduction	(401)	(493)	(820)
Tax exempt interest	(1,436)	(1,564)	(1,416)
Non deductible salary expense	351	294	54
Adjustments pertaining to prior tax years	(8)	459	(3,071)
Nondeductible insurance	96	96	96
Nondeductible expenses	44	117	198
Tax rate differential for loss carryback	(2,497)	—	—
Other, net	73	(52)	(8)
Taxes on earnings from continuing operations	$ 19,756	33,540	24,749

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 to provide relief to businesses impacted by the Coronavirus pandemic. The CARES Act included a temporary reprieve from the carryback limitation on the use of net operating losses, allowing taxpayers to carryback certain net operating losses generated from 2018 through 2020 for up to five years in order to claim a refund of taxes paid in prior years. Accordingly, the Company was permitted to carryback the taxable loss generated in the year ended December 31, 2020 to tax years when the corporate tax rate was 35%. This resulted in a permanent tax benefit equal to the 14% corporate tax rate differential between the carryback rate of 35% and the current statutory rate of 21%. The permanent tax benefit of $2.5 million is reflected as a component in the reconciliation of the tax rate for the year ended December 31, 2020.

The Company's policy is to record changes to deferred taxes for rate changes in the period when changes in tax laws have been enacted. Included in the 2018 adjustments pertaining to prior tax years is $0.5 million related to the writedown of deferred taxes due to the rate change in the Tax Cuts and Jobs Act enacted in December 2017 ("Tax Act") adjusted in the tax return.

The Company generally expects its effective tax rate to be less than the current statutory rate due to recurring permanent differences that reduce tax expense, principally tax exempt interest income and the dividend received deduction.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are presented below.

	December 31, 2020	December 31, 2019
	(In thousands)	
Deferred tax assets:		
Future policy benefits, excess of financial accounting liabilities over tax liabilities	$ 188,635	190,230
Investment securities write-downs for financial accounting purposes	649	293
Benefit plan liabilities	14,714	9,259
Accrued operating expenses recorded for financial accounting purposes not currently tax deductible	3,346	3,658
Accrued and unearned investment income recognized for tax purposes and deferred for financial accounting purposes	85	101
Other	2,172	636
Total gross deferred tax assets	209,601	204,177
Deferred tax liabilities:		
Deferred policy acquisition costs, sales inducement costs, and VOBA, principally expensed for tax purposes	(153,742)	(154,873)
Tax reform reserve adjustment	(43,687)	(52,432)
Debt securities, principally due to deferred market discount for tax	(8,338)	(8,051)
Real estate, principally due to adjustments for financial accounting purposes	(2,245)	(45)
Net unrealized gains on debt and equity securities	(112,500)	(20,188)
Foreign currency translation adjustments	(1,360)	(1,356)
Fixed assets, due to different depreciation bases	(10,645)	(6,177)
Cost of reinsurance	(21,596)	—
Other	(614)	(962)
Total gross deferred tax liabilities	(354,727)	(244,084)
Net deferred tax liabilities	$ (145,126)	(39,907)

Beginning January 1, 2018, the Tax Cuts and Jobs Act imposed a limitation on life insurance tax reserves based upon the greater of net surrender value or 92.81% of the reserve method prescribed by the National Association of Insurance Commissioners which covers such contract as of the date the reserve is determined. The Company determined that this limitation resulted in a tax reserve decrease of $332.9 million which the Tax Act allowed to be recognized over an eight-year period. At the statutory rate of 21%, the Company recorded a deferred tax liability as of December 31, 2017 of $69.9 million. This amount has been incorporated into the periodic measurement of net deferred tax liabilities. The total tax reserve adjustment of $332.9 million resulting from the limitation imposed under the Tax Act is being recognized as an increase of $41.6 million in taxable income per year through the year 2025. At the statutory rate of 21%, this results in additional tax of $8.7 million per year.

There were no valuation allowances for deferred tax assets at December 31, 2020 and 2019. In assessing deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is primarily dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and available tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

In accordance with GAAP, the Company assessed whether it had any significant uncertain tax positions related to open examination or other IRS issues and determined that there were none. Accordingly, no reserve for uncertain tax positions has been recorded. Should a provision for any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to accrue for such in its income tax accounts. There were no such accruals as of December 31, 2020 or 2019. The Company and its corporate subsidiaries file a consolidated U.S. Federal income tax return, which is subject to examination for all years after 2016.

The Company's federal income tax return is consolidated with the entities listed below.

- National Western Life Group, Inc. (NWLGI)
- National Western Life Insurance Company (NWLIC, a subsidiary of NWLGI)
- The Westcap Corporation (subsidiary of NWLIC)
- Braker P III, LLC (subsidiary of NWLIC)
- NWL Financial, Inc. (subsidiary of NWLIC)
- NWLSM, Inc. (subsidiary of NWLIC)
- NWL Services, Inc. (subsidiary of NWLGI)
- Regent Care Operations General Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care Operations Limited Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care General Partner, Inc. (subsidiary of NWL Services, Inc.)
- Regent Care Limited Partner, Inc. (subsidiary of NWL Services, Inc.)
- N.I.S. Financial Services, Inc. (NIS, a subsidiary of NWLGI)

Ozark National will not be consolidated with NWLGI for federal tax filings until it has been a member of the affiliated group for five full years, per section 1504(c)(2) of the Internal Revenue Code.

Allocation of the consolidated Federal income tax liability amongst the Company and its consolidated subsidiaries is based on separate return calculations pursuant to the "wait-and-see" method as described in sections 1.1552-1(a)(1) and 1.1502-33(d)(2) of the current Treasury Regulations. Under this method, consolidated group members are not given current credit for net losses until future net taxable income is generated to realize such credits.

(16) SHORT-TERM BORROWINGS

National Western has available a $75 million bank line of credit (with Moody National Bank, its custodian bank and a related party) primarily for cash management purposes. The line of credit facility was increased from $40 million effective October 1, 2018. The Company is required to maintain a collateral security deposit in trust with the sponsoring bank having a fair value equal to 110% of the line of credit. The Company had no outstanding borrowings under the line of credit at December 31, 2020 or 2019. The Company maintained assets having an amortized value of $95.1 million (fair value of $98.8 million) on deposit with the lender at December 31, 2020.

During 2020, National Western became a member of the Federal Home Loan Bank of Dallas (FHLB) through an initial minimum required stock investment of $4.3 million. Through this membership, National Western will have a specified borrowing capacity based upon the amount of collateral it establishes. At December 31, 2020, no collateral had been established.

(17) COMMITMENTS AND CONTINGENCIES

(A) Legal Proceedings

In the normal course of business, the Company is involved or may become involved in various legal actions in which claims for alleged economic and punitive damages have been or may be asserted, some for substantial amounts. In recent years, carriers offering life insurance and annuity products have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices, and similar claims. As previously disclosed, the Company has been a defendant in prior years in such class action lawsuits. Given the uncertainty involved in these types of actions, the ability to make a reliable evaluation of the likelihood of an unfavorable outcome or an estimate of the amount of or range of potential loss is endemic to the particular circumstances and evolving developments of each individual matter on its own merits.

National Western was the named defendant in the case of *Damaris Maldonado Vinas, et al. vs. National Western Life Insurance*, in which the plaintiffs, after National Western had paid the death benefits to the beneficiary (Francisco Iglesias-Alvarez) upon the annuitant's (Carlos Iglesias-Alvarez) death, sought to annul two annuity policies issued by National Western at the behest of Carlos Iglesias-Alvarez and which named Francisco Iglesias-Alvarez as their beneficiary. On March 31, 2016, the United States District Court for the District of Puerto Rico (the "Court") issued its Opinion and Order on the pending Motions for Summary Judgment submitted by the parties, and therein denied National Western's motion and granted plaintiffs' motion voiding the two annuities and requesting a refund of the premiums paid ($2.9 million). National Western vigorously defended the case and believed that the Court's Opinion and Order was contrary to applicable law. As such, National Western filed a Motion for Reconsideration of Opinion and Order and Corresponding Judgment with the Court on April 27, 2016, which the Court denied on May 5, 2016. National Western filed a Notice of Appeal on June 10, 2016, filed its Appeal Brief on September 12, 2016, and oral arguments with the U.S. Court of Appeals for the First Circuit were held on March 9, 2017. On June 29, 2017, the Court of Appeals vacated the district court's judgment and remanded to the district court to determine whether it is nevertheless equitable for the case to proceed without Francisco Iglesias-Alvarez. Plaintiffs filed a Motion in Support of Determination in Equity and Good Conscience That Action Should Proceed Among Existing Parties Under Fed.R.Civ.P. 19(B) on September 14, 2017, and National Western filed its Opposition to Plaintiffs' Motion on October 27, 2017. On April 2, 2018 the Court asked the parties for additional briefing regarding the Court's jurisdiction over Francisco Iglesias-Alvarez, which the parties filed on April 30, 2018. On May 14, 2018, National Western filed its Opposition to Plaintiffs' Brief. Plaintiffs filed a Motion to Strike on May 22, 2018, which National Western opposed on June 4, 2018. On August 6, 2018, the Court issued an Opinion and Order dismissing plaintiffs' case without prejudice and plaintiffs filed a Notice of Appeal to the First Circuit Court of Appeals on September 4, 2018. The case settled in December of 2018, without an admission of liability by either party, via a settlement amount less than the amount previously accrued.

On September 28, 2017, a purported shareholder derivative lawsuit was filed in the 122nd District Court of Galveston County, State of Texas entitled Robert L. Moody, Jr. derivatively on behalf of National Western Life Insurance Company and National Western Life Group, Inc. v. Ross Rankin Moody, et al., naming certain current and former directors and current officers as defendants. The complaint challenged the directors' oversight of insurance sales to non-U.S. residents and alleged that the defendants breached their fiduciary duties in the conduct of their duties as board members by failing to act (i) on an informed basis and (ii) in good faith or with the honest belief that their actions were in the best interests of the Company. The complaint sought an undetermined amount of damages, attorneys' fees and costs, and equitable relief, including the removal of the Company's Chairman and Chief Executive Officer and other board members and/or officers of the Company. The Company believes that the claims in the complaint were baseless and without merit, will continue to vigorously defend this lawsuit, and was awarded reimbursement of legal costs and expenses from plaintiff as detailed below. The Company believes, based on information currently available, that the final outcome of this lawsuit will not have a material adverse effect on the Company's business, results of operations, or consolidated financial position. The companies and directors filed their respective Pleas to the Jurisdiction ("Pleas") contesting the plaintiff's standing to even pursue this action, along with their Answers, on October 27, 2017. On December 14, 2017, plaintiff filed a Response to the Pleas and on December 21, 2017, the Court heard oral argument on the Pleas. Plaintiff then filed a First Amended Petition on January 11, 2018. The companies and directors filed a Supplement to the Pleas on January 30, 2018, to which plaintiff responded on February 1, 2018, and the companies and directors replied on February 9, 2018. On May 3, 2018, the Court issued a memorandum to all attorneys of record stating that the Court would grant the defendants' Pleas and asked the attorney for defendants to prepare and submit proposed orders/ judgments granting the requested relief for consideration by the Court. The defendants filed such proposed order granting the Pleas on May 7, 2018. On May 16, 2018 the Court issued an Order granting the Pleas and dismissing Robert L. Moody, Jr.'s claims with prejudice, and plaintiff then filed a Motion to Transfer Venue ("MTTV"). Defendants filed an Application for Fees, seeking to recover defendants' legal costs and expenses from plaintiff, and a Response to the MTTV on June 8, 2018. In response plaintiff filed a Motion to Vacate, a Response to the Application for Fees, and his own Request for Attorney's Fees on July 5, 2018. Defendants filed a Response to the Motion to Vacate and to plaintiff's Request for Attorney's Fees on July 11, 2018, and the Court heard oral arguments on July 16, 2018. Plaintiff filed supplemental briefing in support of his July 5, 2018 filings on July 25, 2018, and defendants filed their response to plaintiff's supplemental briefing on July 27, 2018. On August 8, 2018 the Court issued an Order denying plaintiff's Motion to Vacate. Pursuant to the Court's instructions, on October 5, 2018, defendants filed an Order Granting Application for Expenses. Defendants then filed a Motion for Entry of Final Judgment and a Request for Submission Date on Motion for Entry of Final Judgment on October 11, 2018, which the Court set as October 30, 2018. Plaintiff filed his Objection to Proposed Final Judgment and Objection to Proposed Order on Attorneys' Fees on October 25, 2018, to which defendants filed a response on October 30, 2018. On November 11, 2018, the Court issued its Final Judgment: ordering Plaintiff to pay the companies $1,314,054 for reasonable and necessary fees and expenses, denying Plaintiff's Motion to Transfer Venue, and dismissing Plaintiff's counterclaim. Plaintiff appealed the Court's Final Judgment to the First District Court of Appeals in Houston, TX. The court of appeals issued a panel decision on December 10, 2020 affirming the dismissal and award of attorneys' fees and expenses to the companies. On January 22, 2021, Plaintiff filed a motion for rehearing en banc of the affirmance of the award of attorneys' fees and expenses. That motion remains pending.

In April of 2019, National Western defended a two-week jury trial in which it was alleged that it committed actionable Financial Elder Abuse in its issuance of a $100,000 equity indexed annuity to the Plaintiff in the case of *Williams v Pantaleoni et al*, Case No. 17CV03462, Butte County California Superior Court. The Court entered an Amended Judgment on the Jury Verdict on July 27, 2019 against National Western in the amount of $14,949 for economic damages and $2.9 million in non-economic and punitive damages. National Western vigorously disputes the verdicts and the amounts awarded, and in furtherance of such, filed a Motion for Judgment Notwithstanding Jury Verdict and a Motion for New Trial, both of which were rejected by the Court. On September 9, 2019, NWLIC filed its Notice of Appeal. On November 11, 2019, the judge awarded the Plaintiff attorney's fees in the amount of $1.26 million. Both the Plaintiff and NWLIC have appealed this ruling.

In the Form 10-Q for the period ended September 30, 2020, the Company reported that it experienced a data event in which an intruder accessed and exfiltrated certain data from the Company's network. As a result of this event, the Company is aware of two proposed class actions filed against the Company, *Mildred Baldwin, on behalf of herself and others similarly situated vs. National Western Life Insurance Company*, Missouri Circuit Court for the 18th Judicial Circuit (Pettis County) filed February 16, 2021, and *Douglas Dyrssen Sr., individually and on behalf of all others similarly situated vs. National Western Life Insurance Company and National Western Life Group, Inc.*, United States District Court for the Eastern District of California filed March 8, 2021. The actions are seeking an undetermined amount of damages, attorneys' fees and costs, injunctive relief, declaratory and other equitable relief, and enjoinment. As the Company has been notified only recently of these lawsuits, it is in the process of analyzing the merits of these various allegations. At this time, no prediction can be made as to the likelihood or amount of any recovery against the Company. It is possible other actions may be filed against the Company due to the data event.

Although there can be no assurances, at the present time, the Company does not anticipate that the ultimate liability arising from such other potential, pending, or threatened legal actions will have a material adverse effect on the financial condition or operating results of the Company.

Separately, Brazilian authorities commenced an investigation into possible violations of Brazilian criminal law in connection with the issuance of National Western insurance policies to Brazilian residents, and in assistance of such investigation a Commissioner appointed by the U.S. District Court for the Western District of Texas issued a subpoena in March of 2015 upon NWLIC to provide information relating to such possible violations. No conclusion can be drawn at this time as to its outcome or how such outcome may impact the Company’s business, results of operations or financial condition. National Western has been cooperating with the relevant governmental authorities in regard to this matter.

(B) Financial Instruments

In order to meet the financing needs of its customers in the normal course of business, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments are commitments to extend credit which involve elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amounts, assuming that the amounts are fully advanced and that collateral or other security is of no value. Commitments to extend credit are legally binding agreements to lend to a customer that generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments do not necessarily represent future liquidity requirements, as some could expire without being drawn upon. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company controls the credit risk of these transactions through credit approvals, limits, and monitoring procedures.

The Company had \$14.5 million in commitments to fund new loans and \$3.5 million in commitments to extend credit relating to existing loans at December 31, 2020. The Company evaluates each customer's creditworthiness on a case-by-case basis. The Company had commitments to make capital contributions to alternative investment debt and equity funds of \$150.9 million as of December 31, 2020.

(C) Guaranty Association Assessments

National Western and Ozark National are subject to state guaranty association assessments in all states in which they are licensed to do business. These associations generally guarantee certain levels of benefits payable to resident policyholders of insolvent insurance companies. Many states allow premium tax credits for all or a portion of such assessments, thereby allowing potential recovery of these payments over a period of years. However, several states do not allow such credits.

The Company estimates its liabilities for guaranty association assessments by using the latest information available from the National Organization of Life and Health Insurance Guaranty Associations. The Company monitors and revises its estimates for assessments as additional information becomes available which could result in changes to the estimated liabilities. As of December 31, 2020, 2019 and 2018, liabilities for guaranty association assessments totaled $0.2 million, $0.2 million and $0.1 million, respectively. Other operating expenses related to state guaranty association assessments were minimal for the years ended December 31, 2020, 2019 and 2018.

(D) Leases

The Company leases various computers and other office related equipment under operating leases. Rental expenses for these leases were $0.5 million, $0.4 million and $0.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. In October 2017, the Company entered into a lease agreement for new equipment under a finance lease. This lease will expire in December 2022. The present value of future payments capitalized amounted to $1.9 million and amortization commenced in 2018. The Company's future annual lease obligations as of December 31, 2020 are as shown below (in thousands).

2021	$	416
2022		430
Total minimum lease payments		846
Less: Interest		(13)
Present value of net minimum lease payments	$	833

(18) DEPOSITS WITH REGULATORY AUTHORITIES

The following assets, stated at amortized cost, were on deposit with state and other regulatory authorities, as required by law, at the end of each year.

	December 31,	
	2020	2019
	(In thousands)	
National Western:		
Debt securities held-to-maturity	$ —	14,261
Debt securities available-for-sale	15,283	1,037
Short-term investments	475	475
Total National Western	15,758	15,773
Ozark National:		
Debt securities held-to-maturity	—	3,343
Debt securities available-for-sale	3,331	—
Total Ozark National	3,331	3,343
Total	$ 19,089	19,116

(19) RELATED PARTY TRANSACTIONS

Robert L. Moody, Jr. ("Mr. Moody, Jr.") is the brother of Ross R. Moody, NWLGI's Chairman, President and Chief Executive Officer, son of Robert L. Moody, Sr., Chairman Emeritus of the Board of Directors of NWLGI, the stepson of Ann M. Moody who serves as a director of NWLGI, brother of Russell S. Moody who serves as an advisory director of NWLGI, and a half-brother of Frances A. Moody-Dahlberg who serves as a director of NWLGI.

Mr. Moody, Jr. wholly owns an insurance marketing organization that maintains agency contracts with National Western pursuant to which agency commissions are paid in accordance with standard commission schedules. Mr. Moody, Jr. also maintains an independent agent contract with National Western for policies personally sold under which commissions are also paid in accordance with standard commission schedules. Commissions paid under these agency contracts aggregated approximately $182,957 and $131,974 in 2020 and 2019, respectively.

Management fees totaling $0 and $181,338 were paid to Regent Management Services, Limited Partnership ("RMS") for services provided to downstream nursing home subsidiaries of NWLGI in 2020 and 2019, respectively. These nursing home operations were sold by the Company during 2019. RMS is 1% owned by general partner RCC Management Services, Inc. ("RCC"), and 99% owned by limited partner, the Three R Trusts. RCC is 100% owned by the Three R Trusts. The Three R Trusts are four separate Texas trusts for the benefit of the children of Robert L. Moody, Sr. (Robert L. Moody, Jr., Ross R. Moody, Russell S. Moody, and Frances A. Moody-Dahlberg).

National Western holds an investment totaling approximately 9.4% of the issued and outstanding shares of Moody Bancshares, Inc. at December 31, 2020 and the Three R Trusts owns a majority of the issued and outstanding shares. Moody Bancshares, Inc. owns 100% of the outstanding shares of Moody Bank Holding Company, Inc., which owns approximately 98.5% of the outstanding shares of The Moody National Bank of Galveston ("MNB"). National Western utilizes MNB for certain bank custodian services as well as for certain administrative services with respect to its defined benefit plan. Fees totaling $582,150 and $777,498 were paid to MNB with respect to these services in 2020 and 2019, respectively. In 2018, the Company entered into an office space lease with MNB, with payments totaling $32,101 and $32,101 in 2020 and 2019, respectively.

National Western paid American National Group, Inc. (“American National”) $840,802 and $713,033 in 2020 and 2019, respectively, in premiums for certain company sponsored benefit plans and $2,635,164 and $2,903,053 in 2020 and 2019, respectively, in reimbursements for claim costs for which American National provides third party administrative services. American National paid National Western $2,744,962 and $3,024,013 in 2020 and 2019, respectively, in premiums for its company sponsored benefit plans. National Western maintains an investment agreement with American National Registered Investment Advisory, Inc., a subsidiary of American National, under which $47,778 and $45,391 was paid in 2020 and 2019, respectively, for services. Robert L. Moody, Sr., serves as Chairman Emeritus and Ross R. Moody serves as Chairman of the Board of American National.

During 2015, American National sold a 24.93% undivided participation in a mortgage loan to The Westcap Corporation for $20.0 million. The Westcap Corporation will receive 24.93% of all future cash receipts, which will be recognized over the life of the loan. This mortgage loan investment had a balance of $18.5 million and $19.0 million as of December 31, 2020 and 2019, respectively, which is reflected in the Consolidated Balance Sheets.

(20) UNAUDITED QUARTERLY FINANCIAL DATA

Quarterly results of operations for 2020 are summarized as follows:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(In thousands except per share data)			
2020:					
Total revenues	$	52,488	216,015	202,702	223,537
Net earnings	$	(2,062)	48,413	10,825	35,135
Basic earnings per share:					
Class A	$	(0.58)	13.69	3.06	9.94
Class B	$	(0.29)	6.85	1.53	4.97
Diluted earnings per share:					
Class A	$	(0.58)	13.69	3.06	9.94
Class B	$	(0.29)	6.85	1.53	4.97

Quarterly results of operations for 2019 are summarized as follows:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(In thousands except per share data)			
2019:					
Total revenues	$	217,909	192,685	173,166	235,428
Net earnings	$	40,198	33,696	19,989	37,733
Basic earnings per share:					
Class A	$	11.37	9.53	5.65	10.67
Class B	$	5.68	4.76	2.83	5.34
Diluted earnings per share:					
Class A	$	11.37	9.53	5.65	10.67
Class B	$	5.68	4.76	2.83	5.34

Quarterly revenues reflect the differences between the change in fair value of derivative investments for each quarter corresponding to the performance of the indices upon which the Company's call options are based. The comparability of revenues is impacted by the application of fair value accounting to fixed-index business as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands)			
2020	$ (106,629)	40,243	31,520	49,620
2019	$ 42,003	17,828	3,296	60,080

(21) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of filing and no other reportable items were identified.

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE I
SUMMARY OF INVESTMENTS
OTHER THAN INVESTMENTS IN RELATED PARTIES (Continued)
December 31, 2020
(In thousands)

Type of Investment	Amortized Cost or Cost (1)	Fair Value	Balance Sheet Amount
Debt securities available-for-sale:			
United States government and government agencies and authorities	$ 76,097	78,719	78,719
States, municipalities, and political subdivisions	528,266	566,089	566,089
Foreign governments	11,115	11,449	11,449
Public utilities	831,990	909,910	909,910
Corporate	7,376,104	8,098,973	8,098,973
Commercial mortgage-backed	30,108	953,788	953,788
Residential mortgage-backed	902,974	31,471	31,471
Asset-backed	117,889	120,524	120,524
Total securities available-for-sale	9,874,543	10,770,923	10,770,923
Total fixed maturity bonds	9,874,543	10,770,923	10,770,923
Equity securities:			
Common stocks:			
Public utilities	728	1,309	1,309
Banks, trust, and insurance companies	1,701	3,143	3,143
Industrial, miscellaneous, and all others	9,391	13,042	13,042
Preferred stocks	250	250	250
Total equity securities	12,070	17,744	17,744
Derivatives, index options	132,821		132,821
Mortgage loans on real estate	332,521		332,521
Policy loans	74,083		74,083
Other long-term investments (2)	104,113		104,113
Total investments other than investments in related parties	$ 10,530,151		11,432,205

(1) Bonds and mortgages are shown at amortized cost reduced by repayments and allowances for possible losses. Real estate is stated at costs net of accumulated depreciation. Derivatives are shown at fair value.
(2) There was no real estate acquired by foreclosure included in other long-term investments.

See accompanying report of Independent Registered Public Accounting Firm.

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Financial Position as of December 31, 2020 and 2019
(Parent Company Only)
(in thousands)

	2020	2019
ASSETS		
Investment in subsidiaries	$ 2,535,669	2,111,369
Cash and cash equivalents	8,376	1,239
Federal income tax receivable	—	4,731
Deferred Federal income tax asset	7,721	240
Other assets	293	323
Total assets	$ 2,552,059	2,117,902
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to subsidiaries	$ —	—
Current Federal income tax liability	11,667	—
Deferred Federal income tax liability	—	—
Other liabilities	642	1,472
Total liabilities	12,309	1,472
Stockholders' Equity:		
Common Stock:		
Class A - $0.01 par value; 7,500,000 shares authorized; 3,436,020 issued and outstanding in 2020 and 2019	34	34
Class B - $0.01 par value; 200,000 shares authorized, issued, and outstanding in 2020 and 2019	2	2
Additional paid-in capital	41,716	41,716
Accumulated other comprehensive income	395,421	60,108
Retained earnings	2,102,577	2,014,570
Total stockholders’ equity	2,539,750	2,116,430
Total liabilities and stockholders' equity	$ 2,552,059	2,117,902

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Operations for the Years Ended December 31, 2020, 2019 and 2018
(Parent Company Only)
(in thousands)

	2020	2019	2018
Revenues:			
Dividend income from subsidiaries	$ 1,395	36,000	5,957
Net investment income	9	—	—
Total revenues	1,404	36,000	5,957
Expenses:			
Other operating expenses	3,322	5,358	2,617
Total expenses	3,322	5,358	2,617
Earnings/(loss) before Federal income taxes	(1,918)	30,642	3,340
Federal income taxes/(benefit)	(2,212)	(1,739)	(717)
Earnings before equity in earnings of affiliates	294	32,381	4,057
Equity in earnings of affiliates	92,018	99,235	112,701
Net earnings	$ 92,312	131,616	116,758

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Condensed Financial Information of Registrant
Condensed Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018
(Parent Company Only)
(in thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net earnings	$ 92,312	131,616	116,758
Adjustments to reconcile net earnings to cash provided by operating activities:			
Equity in earnings of affiliates	(92,018)	(99,235)	(112,701)
Depreciation and amortization	30	30	30
Change in:			
Federal income tax, net	16,397	(547)	(1,166)
Deferred Federal income tax	(7,481)	(637)	448
Due to subsidiaries, net	—	—	—
Other, net	(830)	(4)	(1,956)
Net cash provided by operating activities	8,410	31,223	1,413
Cash flows from investing activities:			
Payments to acquire businesses	—	(30,154)	—
Net cash provided by (used in) investing activities	—	(30,154)	—
Cash flows from financing activities:			
Dividends on common stock	(1,273)	(1,273)	(1,273)
Net cash provided by (used in) financing activities	(1,273)	(1,273)	(1,273)
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,137	(204)	140
Cash, cash equivalents, and restricted cash at the beginning of year	1,239	1,443	1,303
Cash, cash equivalents, and restricted cash at the end of year	$ 8,376	1,239	1,443

See Notes to Condensed Financial Information of Registrant

National Western Life Group, Inc.
Schedule II
Notes to the Condensed Financial Information of Registrant
(Parent Company Only)

1. Basis of Presentation

The accompanying condensed financial information of the Parent Company Only should be read in conjunction with the consolidated financial statements and notes thereto of National Western Life Group, Inc. ("NWLGI").

As discussed in Note (1) *Summary of Significant Accounting Policies* of the Consolidated Financial Statements, on October 1, 2015, National Western Life Insurance Company ("National Western" or "NWLIC") completed its previously announced holding company reorganization and became a wholly owned subsidiary of NWLGI. As a result of the reorganization, NWLGI replaced National Western as the publicly held company.

In the Parent Company Only condensed financial statements, NWLGI's investments in subsidiaries are stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition. The subsidiary information presented is eliminated in the consolidated financial statements. NWLGI and its subsidiaries pay service fees to NWLIC which are included in expenses and equity earnings. These service fees are also eliminated in the consolidated financial statements.

2. Dividend Payments

In the years ended December 31, 2020, 2019 and 2018, dividends of $0.0 million, $36.0 million and $6.0 million were declared and paid by NWLIC to NWLGI, respectively. In the years ended December 31, 2020 and 2019, dividends of $1.4 million and $0.0 million were declared and paid by NIS to NWLGI, respectively. These dividend payments are eliminated in the consolidated financial statements.

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE IV
REINSURANCE INFORMATION
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net amount	Percentage of Amount Assumed to Net
			(In thousands)		
2020					
Life insurance face in force	$21,954,160	4,013,073	—	17,941,087	— %
Premiums:					
Life insurance	$ 95,579	6,217	205	89,567	0.2 %
Accident and health insurance	2,956	—	—	2,956	— %
Annuities	19	—	—	19	— %
Total premiums	$ 98,554	6,217	205	92,542	0.2 %
2019					
Life insurance face in force	$23,299,829	4,252,828	—	19,047,001	— %
Premiums:					
Life insurance	$ 92,844	6,041	212	87,015	0.2 %
Accident and health insurance	3,214	—	—	3,214	— %
Annuities	19	—	—	19	— %
Total premiums	$ 96,077	6,041	212	90,248	0.2 %
2018					
Life insurance face in force	$18,595,209	4,021,979	—	14,573,230	— %
Premiums:					
Life insurance	$ 18,478	3,196	—	15,282	— %
Accident and health insurance	3,009	—	—	3,009	— %
Annuities	—	—	—	—	— %
Total premiums	$ 21,487	3,196	—	18,291	— %

NATIONAL WESTERN LIFE GROUP, INC.
SCHEDULE V
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Retained Earnings	Reductions	Balance at End of Period
Valuation accounts deducted from applicable assets:					
Allowance for possible losses on mortgage loans:					
December 31, 2020	$ 675	1,307	504	—	2,486
December 31, 2019	$ 675	—	—	—	675
December 31, 2018	$ 650	25	—	—	675
Allowance for current expected credit losses on debt securities					
December 31, 2020	$ —	—	3,334	(3,334)	—
Allowance for possible losses on real estate:					
December 31, 2020	$ 596	—	—	(172)	424
December 31, 2019	$ 611	—	—	(15)	596
December 31, 2018	$ 611	—	—	—	611

Notes:
(1) Amounts were recorded to realized (gains) losses on investments prior to January 1, 2020, and net investment income, subsequent to January 1, 2020.
(2) On January 1, 2020, the Company adopted ASU 2016-13 and recorded a transition adjustment to retained earnings.

See accompanying report of Independent Registered Public Accounting Firm.

2020 ANNUAL REPORT

NWLGI