QUARTERLY STATEMENT

OF THE

Athene Annuity and Life Company

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED
SEPTEMBER 30, 2016

LIFE AND ACCIDENT AND HEALTH

2016

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	36,109,318,560		36,109,318,560	34,042,857,766
2. Stocks:				
2.1 Preferred stocks	59,708,225		59,708,225	43,600,000
2.2 Common stocks	377,711,233		377,711,233	362,764,612
3. Mortgage loans on real estate:				
3.1 First liens	4,031,781,001		4,031,781,001	4,231,247,109
3.2 Other than first liens	292,137,351		292,137,351	97,791,897
4. Real estate:				
4.1 Properties occupied by the company (less $ encumbrances)				
4.2 Properties held for the production of income (less $ encumbrances)	9,388,542		9,388,542	9,388,542
4.3 Properties held for sale (less $ encumbrances)	8,433,274		8,433,274	5,800,089
5. Cash ($ 179,546), cash equivalents ($ 2,714,330) and short-term investments ($ 1,708,156,546)	1,711,050,422		1,711,050,422	1,569,093,351
6. Contract loans (including $ premium notes)	231,523,544		231,523,544	214,556,258
7. Derivatives	477,155,913		477,155,913	448,498,543
8. Other invested assets	1,223,483,221	6	1,223,483,215	1,197,791,686
9. Receivables for securities	8,588,709		8,588,709	340
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets	14,121,450		14,121,450	7,923,284
12. Subtotals, cash and invested assets (Lines 1 to 11)	44,554,401,444	6	44,554,401,438	42,231,313,478
13. Title plants less $ charged off (for Title insurers only)				
14. Investment income due and accrued	367,435,595	612,362	366,823,234	340,686,632
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	24,240,051		24,240,051	1,825,619
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)	9,176,558		9,176,558	9,111,405
15.3 Accrued retrospective premiums ($) and contracts subject to redetermination ($)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	154,631,475		154,631,475	163,776,896
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts	1,194,638,328		1,194,638,328	776,338,296
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	114,203,712		114,203,712	86,842,963
18.2 Net deferred tax asset	32,626,326		32,626,326	72,274,619
19. Guaranty funds receivable or on deposit	26,130		26,130	23,000
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	762,490		762,490	10,237,012
24. Health care ($) and other amounts receivable	4,779,763	4,779,763		1,852,745
25. Aggregate write-ins for other than invested assets	331,827,832	7,930,828	323,897,004	310,227,197
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	46,788,749,704	13,322,958	46,775,426,746	44,004,509,861
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	42,424,574		42,424,574	48,645,269
28. Total (Lines 26 and 27)	46,831,174,278	13,322,958	46,817,851,320	44,053,155,130
DETAILS OF WRITE-INS				
1101. Derivative Collateral Asset	14,121,450		14,121,450	7,923,284
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	14,121,450		14,121,450	7,923,284
2501. Corporate Owned Life Insurance (COLI)	323,897,004		323,897,004	310,227,197
2502. Miscellaneous Assets	7,012,514	7,012,514		
2503. Prepaid Expenses	918,314	918,314		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	331,827,832	7,930,828	323,897,004	310,227,197

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31 Prior Year
1.	Aggregate reserve for life contracts $ 38,580,915,615 less $ .... included in Line 6.3 (including $ 30,099,146,348 Modco Reserve)	38,580,915,615	36,581,487,527
2.	Aggregate reserve for accident and health contracts (including $ 3,650,281 Modco Reserve)	6,192,665	6,443,266
3.	Liability for deposit-type contracts (including $ 541,891,985 Modco Reserve)	662,043,136	735,463,603
4.	Contract claims:		
	4.1 Life	228,079,789	33,091,138
	4.2 Accident and health	14,522	12,334
5.	Policyholders' dividends $ .... and coupons $ .... due and unpaid		
6.	Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
	6.1 Dividends apportioned for payment (including $ .... Modco)		
	6.2 Dividends not yet apportioned (including $ .... Modco)		
	6.3 Coupons and similar benefits (including $ .... Modco)		
7.	Amount provisionally held for deferred dividend policies not included in Line 6		
8.	Premiums and annuity considerations for life and accident and health contracts received in advance less $ .... discount; including $ 4,923 accident and health premiums	4,923	8,605
9.	Contract liabilities not included elsewhere:		
	9.1 Surrender values on canceled contracts		
	9.2 Provision for experience rating refunds, including the liability of $ .... accident and health experience rating refunds of which $ .... is for medical loss ratio rebate per the Public Health Service Act		
	9.3 Other amounts payable on reinsurance, including $ .... assumed and $ 1,910,324,373 ceded	1,910,324,373	1,461,935,286
	9.4 Interest Maintenance Reserve	118,846,578	133,422,008
10.	Commissions to agents due or accrued-life and annuity contracts $ 14,760,306 , accident and health $ .... and deposit-type contract funds $	14,760,306	11,053,452
11.	Commissions and expense allowances payable on reinsurance assumed		
12.	General expenses due or accrued	10,369,306	35,182,290
13.	Transfers to Separate Accounts due or accrued (net) (including $ (3,372) accrued for expense allowances recognized in reserves, net of reinsured allowances)	762,085,225	1,088,815,629
14.	Taxes, licenses and fees due or accrued, excluding federal income taxes	9,922,196	9,092,794
15.1	Current federal and foreign income taxes, including $ .... on realized capital gains (losses)		
15.2	Net deferred tax liability		
16.	Unearned investment income	3,557,028	3,660,151
17.	Amounts withheld or retained by company as agent or trustee	2,239,617	3,321,955
18.	Amounts held for agents' account, including $ 3,634,788 agents' credit balances	3,634,788	1,112,042
19.	Remittances and items not allocated	248,185,830	59,861,226
20.	Net adjustment in assets and liabilities due to foreign exchange rates		
21.	Liability for benefits for employees and agents if not included above	43,158,701	41,632,249
22.	Borrowed money $ .... and interest thereon $		
23.	Dividends to stockholders declared and unpaid		
24.	Miscellaneous liabilities:		
	24.01 Asset valuation reserve	447,768,354	402,500,991
	24.02 Reinsurance in unauthorized and certified ($ ....) companies		
	24.03 Funds held under reinsurance treaties with unauthorized and certified ($ ....) reinsurers	1,516,987,782	1,493,170,822
	24.04 Payable to parent, subsidiaries and affiliates	28,170,735	28,901,417
	24.05 Drafts outstanding		
	24.06 Liability for amounts held under uninsured plans		
	24.07 Funds held under coinsurance		2,322,175
	24.08 Derivatives	5,236,987	3,468,507
	24.09 Payable for securities	111,438,900	46,076,664
	24.10 Payable for securities lending		
	24.11 Capital notes $ .... and interest thereon $		
25.	Aggregate write-ins for liabilities	1,122,165,653	851,494,013
26.	Total liabilities excluding Separate Accounts business (Lines 1 to 25)	45,836,103,010	43,033,530,144
27.	From Separate Accounts Statement	(97,383,664)	(89,307,098)
28.	Total liabilities (Lines 26 and 27)	45,738,719,346	42,944,223,046
29.	Common capital stock	10,000,000	10,000,000
30.	Preferred capital stock		
31.	Aggregate write-ins for other than special surplus funds		
32.	Surplus notes		
33.	Gross paid in and contributed surplus	2,408,124,908	2,398,876,686
34.	Aggregate write-ins for special surplus funds		
35.	Unassigned funds (surplus)	(1,338,992,934)	(1,299,944,602)
36.	Less treasury stock, at cost:		
	36.1 .... shares common (value included in Line 29 $ ....)		
	36.2 .... shares preferred (value included in Line 30 $ ....)		
37.	Surplus (Total Lines 31+32+33+34+35-36) (including $ 139,808,238 in Separate Accounts Statement)	1,069,131,974	1,098,932,084
38.	Totals of Lines 29, 30 and 37	1,079,131,974	1,108,932,084
39.	Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	46,817,851,320	44,053,155,130
	DETAILS OF WRITE-INS		
2501.	Derivative Collateral Liability	1,063,725,383	828,224,206
2502.	Unclaimed Funds	23,206,353	21,052,408
2503.	Payable to Third Party Administrator	20,467,262	
2598.	Summary of remaining write-ins for Line 25 from overflow page	14,766,655	2,217,399
2599.	Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,122,165,653	851,494,013
3101.			
3102.			
3103.			
3198.	Summary of remaining write-ins for Line 31 from overflow page		
3199.	Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)		
3401.			
3402.			
3403.			
3498.	Summary of remaining write-ins for Line 34 from overflow page		
3499.	Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)		

SUMMARY OF OPERATIONS

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1.	Premiums and annuity considerations for life and accident and health contracts	1,564,414,052	356,845,972	475,359,587
2.	Considerations for supplementary contracts with life contingencies	2,339,559	8,030,061	8,887,446
3.	Net investment income	1,345,242,228	1,933,898,925	2,460,594,578
4.	Amortization of Interest Maintenance Reserve (IMR)	9,795,765	10,533,504	13,963,701
5.	Separate Accounts net gain from operations excluding unrealized gains or losses	1,855,871	3,270,232	3,943,304
6.	Commissions and expense allowances on reinsurance ceded	437,187,335	865,434,883	996,996,792
7.	Reserve adjustments on reinsurance ceded	(226,262,350)	(1,185,383,632)	(1,574,357,185)
8.	Miscellaneous Income:			
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	374,472	446,717	582,313
	8.2 Charges and fees for deposit-type contracts			
	8.3 Aggregate write-ins for miscellaneous income	15,592,321	14,553,873	18,283,795
9.	Totals (Lines 1 to 8.3)	3,150,539,253	2,007,630,536	2,404,254,330
10.	Death benefits	(1,577,982)	2,468,002	3,940,554
11.	Matured endowments (excluding guaranteed annual pure endowments)			
12.	Annuity benefits	152,800,181	130,903,023	166,142,778
13.	Disability benefits and benefits under accident and health contracts	250,666	308,325	413,070
14.	Coupons, guaranteed annual pure endowments and similar benefits			
15.	Surrender benefits and withdrawals for life contracts	321,651,820	353,408,063	473,773,336
16.	Group conversions			
17.	Interest and adjustments on contract or deposit-type contract funds	22,424,427	19,208,286	25,497,932
18.	Payments on supplementary contracts with life contingencies	4,292,665	3,319,752	3,678,363
19.	Increase in aggregate reserves for life and accident and health contracts	1,999,177,487	492,043,770	553,944,347
20.	Totals (Lines 10 to 19)	2,499,019,265	1,001,659,220	1,227,390,381
21.	Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	358,255,018	211,637,019	282,467,055
22.	Commissions and expense allowances on reinsurance assumed	252,783	728,951	867,289
23.	General insurance expenses	183,205,317	148,747,418	207,588,255
24.	Insurance taxes, licenses and fees, excluding federal income taxes	32,544,418	29,023,621	38,843,510
25.	Increase in loading on deferred and uncollected premiums	(1,536)	(42)	1,536
26.	Net transfers to or (from) Separate Accounts net of reinsurance	(3,236,310)	(6,020,066)	(7,329,539)
27.	Aggregate write-ins for deductions	52,197,089	165,749,490	167,012,148
28.	Totals (Lines 20 to 27)	3,122,236,042	1,551,525,609	1,916,840,635
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	28,303,210	456,104,927	487,413,695
30.	Dividends to policyholders	138	(827)	(788)
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	28,303,072	456,105,753	487,414,483
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	(108,484,267)	(169,651,546)	(186,914,588)
33.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	136,787,339	625,757,299	674,329,071
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 45,722,699 (excluding taxes of $ 7,425,750 transferred to the IMR)	(41,566,939)	(29,978,794)	(77,562,694)
35.	Net income (Line 33 plus Line 34)	95,220,400	595,778,506	596,766,377
	CAPITAL AND SURPLUS ACCOUNT			
36.	Capital and surplus, December 31, prior year	1,108,932,084	1,040,026,437	1,040,026,437
37.	Net income (Line 35)	95,220,400	595,778,506	596,766,377
38.	Change in net unrealized capital gains (losses) less capital gains tax of $ 6,373,149	41,854,071	8,219,144	25,687,965
39.	Change in net unrealized foreign exchange capital gain (loss)	(2,754,833)	357,648	(6,948,382)
40.	Change in net deferred income tax	(33,275,144)	(61,077,550)	(41,465,598)
41.	Change in nonadmitted assets	251,131	13,188,054	22,914,342
42.	Change in liability for reinsurance in unauthorized and certified companies			
43.	Change in reserve on account of change in valuation basis, (increase) or decrease		72,831,872	
44.	Change in asset valuation reserve	(45,267,362)	(16,604,259)	(9,968,116)
45.	Change in treasury stock			
46.	Surplus (contributed to) withdrawn from Separate Accounts during period			
47.	Other changes in surplus in Separate Accounts Statement			
48.	Change in surplus notes			
49.	Cumulative effect of changes in accounting principles			
50.	Capital changes:			
	50.1 Paid in			
	50.2 Transferred from surplus (Stock Dividend)			
	50.3 Transferred to surplus			
51.	Surplus adjustment:			
	51.1 Paid in	9,248,222	4,574,521	8,759,706
	51.2 Transferred to capital (Stock Dividend)			
	51.3 Transferred from capital			
	51.4 Change in surplus as a result of reinsurance	(59,699,873)	(574,530,819)	(520,223,065)
52.	Dividends to stockholders			
53.	Aggregate write-ins for gains and losses in surplus	(35,376,723)	(6,605,755)	(6,617,582)
54.	Net change in capital and surplus for the year (Lines 37 through 53)	(29,800,110)	36,131,360	68,905,647
55.	Capital and surplus, as of statement date (Lines 36 + 54)	1,079,131,974	1,076,157,797	1,108,932,084
	DETAILS OF WRITE-INS			
08.301.	COLI Income	15,555,517	14,596,752	19,658,061
08.302.	Miscellaneous Income (Expense)	36,804	(48,489)	(26,476)
08.303.	Gain (Loss) on Fixed Assets		5,610	(1,347,790)
08.398.	Summary of remaining write-ins for Line 8.3 from overflow page			
08.399.	Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	15,592,321	14,553,873	18,283,795
2701.	Funds Withheld Adjustment - Ceded	70,755,960	242,593,826	272,474,355
2702.	Transfer to IMR - Ceded	(13,624,877)	(71,438,009)	(98,831,994)
2703.	Transfer to IMR - MVA Benefits	(4,945,468)	(5,439,751)	(6,670,163)
2798.	Summary of remaining write-ins for Line 27 from overflow page	11,474	33,424	39,950
2799.	Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	52,197,089	165,749,490	167,012,148
5301.	Correction of Prior Period Error	(23,921,611)	(9,773,165)	(9,773,165)
5302.	Athene Re IV Tax Sharing Agreement	(11,455,112)	3,167,410	3,155,583
5303.				
5398.	Summary of remaining write-ins for Line 53 from overflow page			
5399.	Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	(35,376,723)	(6,605,755)	(6,617,582)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of **Athene Annuity and Life Company** (the Company) have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Iowa.

The Insurance Division, Department of Commerce, of the State of Iowa (the Division) recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Iowa Insurance Law. The NAIC's *Accounting Practices & Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Iowa. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

Among the products issued by the Company are indexed universal life insurance and indexed annuities. These products allow a portion of the premium to earn interest based on certain indices, primarily the Standard & Poor's 500 Composite Stock Price Index. Call options, futures and variance swaps are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. In 2006, the Commissioner of the Division issued Bulletin 06-01*, Accounting for Derivative Instruments Used to Hedge the Growth in Interest Credited for Index Products*, which prescribes that an insurer may elect to recognize changes in the fair value of derivative instruments purchased to hedge indexed products in the statement of operations. The Company has elected to apply Bulletin 06-01 to its futures and variance swaps, which resulted in a decrease of $0.8 million and an increase of $1.0 million to the Company's net income for the nine months ended September 30, 2016 and for the year ended December 31, 2015, respectively. Application of Bulletin 06-01 does not impact the Company's statutory surplus amounts.

In 2009, the Commissioner of the Division promulgated Iowa Administrative Code (IAC) Section 191-97, *Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve*, which prescribes that an insurer may elect (i) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (ii) to utilize an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. The Company has elected to apply IAC Section 191-97 to its over the counter (OTC) call options and reserve liabilities. As a result, the Company's net income decreased by $23.3 million and increased by $6.7 million for the nine months ended September 30, 2016 and for the year ended December 31, 2015, respectively, and the Company's statutory surplus decreased by $9.2 million and increased by $14.1 million as of September 30, 2016 and December 31, 2015, respectively.

The NAIC requires annuities issued by life insurance companies on or after January 1, 2015, to use the 2012 Individual Annuity Reserving (IAR) Mortality Table. During 2015, the Division promulgated IAC Section 43.3(5), which sets an elective alternative effective date of January 1, 2016 for adoption of the 2012 IAR Mortality Table. The Company has chosen to use the Annuity 2000 Mortality Table, which resulted in a decrease of $1.3 million and an increase of $2.7 million to the Company's net income for the nine months ended September 30, 2016 and for year ended December 31, 2015, respectively. The Company's statutory surplus increased by $1.5 million and $2.7 million as of September 30, 2016 and December 31, 2015, respectively.

A reconciliation of the Company's net income and statutory surplus between practices prescribed by the State of Iowa and NAIC SAP is shown below:

	State of Domicile	September 30, 2016	December 31, 2015
NET INCOME			
(1) State basis (Page 4, Line 35, Columns 1 & 3)	IA	95,220,400	596,766,377
(2) State Prescribed Practices that increase/(decrease) NAIC SAP			
Derivative Instruments Bulletin 06-01	IA	(781,859)	1,010,844
Derivative Instruments and Equity Indexed Reserves IAC 191-97	IA	(23,296,723)	6,723,016
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	IA	(1,272,398)	2,735,993
(3) State Permitted Practices that increase/(decrease) NAIC SAP			
(4) NAIC SAP (1-2-3=4)	IA	120,571,380	586,296,524
SURPLUS			
(5) State basis (Page 3, Line 38, Columns 1 & 2)	IA	1,079,131,974	1,108,932,084
(6) State Prescribed Practices that increase/(decrease) NAIC SAP			
Derivative Instruments and Equity Indexed Reserves IAC 191-97	IA	(9,151,114)	14,145,608
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	IA	1,463,595	2,735,993
(7) State Permitted Practices that increase/(decrease) NAIC SAP			
(8) NAIC SAP (5-6-7=8)	IA	1,086,819,493	1,092,050,483

B. Use of Estimates in the Preparation of the Financial Statements: No Change

C. Accounting Policy: No Change

Note 2. Accounting Changes and Corrections of Errors

During the current year's financial statement preparation, the Company discovered errors within prior period Annual Statements relating to A-791 amortization, the tax provision and accounting for a reinsurance agreement. In accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, these corrections were recorded directly to surplus. The net impact of the correction of A-791 amortization decreased surplus by $10.3 million, the impact of the tax error increased surplus by $2.4 million and the net impact of the correction of reinsurance accounting decreased surplus by $16.0 million in 2016. The total of these amounts represented less than 3% of ending capital and surplus as of both September 30, 2016 and December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

During 2015, the NAIC adopted changes to SSAP No. 69, *Statement of Cash Flow* and the Annual Statement Instructions for 2015 that clarified the exclusion and disclosure of certain non-cash items in the cash flow statement. The Company implemented these changes to the Company's Statement of Cash Flow process starting at December 31, 2015. The September 30, 2015 Statement of Cash Flow included in this statement was not required to be restated and does not reflect the changes in guidance. Therefore, the September 30, 2015 Statement of Cash Flow is not comparable to the September 30, 2016 and December 31, 2015 Statements of Cash Flow. There was no impact to net income or capital or surplus related to this change.

Note 3. Business Combinations and Goodwill: NONE

Note 4. Discontinued Operations: NONE

Note 5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans: No Change

B. Debt Restructuring: No Change

C. Reverse Mortgages: NONE

D. Loan-Backed Securities

(1) Prepayment assumptions for loan-backed bonds and structured securities were obtained from broker dealer survey values or internal estimates.

(2) No other-than-temporary impairment was recognized due to the intent to sell or inability or lack of intent to retain the investment for a period of time sufficient to recover the amortized cost basis.

(3) Other-than-temporary impairment was recognized on the following securities due to the present value of the cash flows expected to be collected being less than the amortized cost basis:

1	2	3	4	5	6	7
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
00212F-BL-3	13,113,475	12,841,950	271,526	12,841,950	11,676,616	03/31/2016
05536K-AL-1	15,149,487	15,027,024	122,462	15,027,024	12,759,280	03/31/2016
05540X-AU-7	11,010,509	10,849,320	161,189	10,849,320	9,930,470	03/31/2016
74930V-AB-7	8,682,450	8,517,226	165,225	8,517,226	7,674,988	03/31/2016
16678Y-AA-0	18,014,020	17,714,469	299,551	17,714,469	15,595,617	03/31/2016
12645V-AC-1	17,448,864	17,186,781	262,083	17,186,781	15,344,743	03/31/2016
61748H-UF-6	4,799,326	4,464,844	334,481	4,464,844	3,934,070	03/31/2016
Total	XXX	XXX	1,616,517	XXX	XXX	XXX

(4) The following table shows the gross unrealized losses and fair values of loan-backed securities, which have not been impaired to fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2016:

a. The aggregate amount of unrealized losses:
   1. Less than 12 Months 46,863,718
   2. 12 Months or Longer 209,562,000

b. The aggregate related fair value of securities with unrealized losses:
   1. Less than 12 Months 1,758,215,182
   2. 12 Months or Longer 4,161,972,630

(5) A full analysis of all relevant qualitative considerations was completed in reaching the conclusion that the impairments were not other-than-temporary, including the intent and ability to hold the investment for a period of time sufficient to allow for a recovery in value. Specific events that may influence the operations of the issuer and impaired earnings potential are reviewed in addition to length of time and extent to which the fair value has been less than cost.

E. Repurchase Agreements and/or Securities Lending Transactions: NONE

F. Real Estate: No Change

G. Investments in Low Income Housing Tax Credits: NONE

H. Restricted Assets: No Change

I. Working Capital Finance Investments: NONE

J. Offsetting and Netting of Assets and Liabilities: NONE

K. Structured Notes: No Change

Note 6. Joint Ventures, Partnerships and Limited Liability Companies: No Change

Note 7. Investment Income: No Change

Note 8. Derivative Instruments: No Change

Note 9. Income Taxes: No Change

NOTES TO FINANCIAL STATEMENTS

Note 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties:

A, B, C. Some employees of the Company and of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by Athene Holding Ltd. (AHL), an indirect parent of the Company, for which the Company has no legal obligation. Salary expense of the Company and Athene Employee Services LLC is partially allocated to and from the Company to affiliate companies through the Shared Services Agreement. Under SSAP 104R, *Share-Based Payments,* the stock compensation expense associated with the Agreements that would have been allocated to the Company is required to be recorded as a capital contribution to the reporting entity. The Company has allocated the stock compensation expense associated with the Agreements based on the same methodology as the Shared Services Agreement. In accordance with SSAP 104R, the Company incurred expense and recorded a capital contribution under the Agreements totaling $9.2 million in 2016, which includes amounts contributed by the Company to downstream insurance subsidiaries.

D – L. No Change

M. Subsidiary, Controlled or Affiliated (SCA) Investments

Description of SCA Investment (Per SSAP No. 97)	Percentage (%) of SCA Ownership #	Gross Amount (Balance Sheet Column 1)	Nonadmitted Amount (Balance Sheet Column 2)	Admitted Asset Amount Balance Sheet Column 3)	Date of Filing to NAIC	Type of NAIC Filing (Sub-1, Sub-2, or Resubmission of Disallowed Filing)	NAIC Response Received (yes/no)	NAIC Valuation (Amount)	NAIC Disallowed Entity's Valuation Method Resubmission Required (yes/no)	Code (1 or 2 as noted below)
A	B	C	D	E	F	G	H	I	J	K
a. 8a Entities										
Total – 8a Entities										
b. 8b(i) Entities										
Athene Annuity & Life Assurance Company of New York……….	………100%	234,859,343	……….........	234,859,343	XXX	XXX	XXX	XXX	XXX	XXX
Structured Annuity Reinsurance Company................................	……...100%	60,914,419	……….........	60,914,419	XXX	XXX	XXX	XXX	XXX	XXX
Athene Re USA IV, Inc................	….…..100%	44,513,471	……….........	44,513,471	XXX	XXX	XXX	XXX	XXX	XXX
c. 8b(ii) Entities										
d. 8b(iii) Entities										
Centralife Annuities Services, Inc..	……...100%	…................0	………..........	0	06/30/2016	Sub-1	Yes	0	No	N/A
e. 8b(iv) Entities										
Total – 8b Entities	……….........	..340,287,233	……….........	..340,287,233	XXX	XXX	XXX		XXX	XXX
Aggregate Total:	………….	. 340,287,233	……….........	. 340,287,233	XXX	XXX	XXX		XXX	XXX

N. No Change

Note 11. Debt

A. Athene USA Corporation is the holder of a five-year, Unsecured Revolving Promissory Note dated May 1, 2016 (the Promissory Note) with a maximum principal amount not to exceed $200,000,000, among Athene USA Corporation and certain of its subsidiaries, including the Company. The Promissory Note was approved by the Iowa Insurance Division. Interest shall accrue on the principal balance from time to time outstanding at a rate per annum equal to 1 month LIBOR + 162.5 bps. The Company shall pay such interest in arrears quarterly on the last day of each March, June, September and December, on any day any portion of the principal balance is repaid or prepaid. No amount has been drawn under the Promissory Note by the Company as of September 30, 2016.

B. FHLB Agreements

(1) The Company is a member of the FHLB of Des Moines. Through its membership, the Company has issued funding agreements to the FHLB of Des Moines in exchange for cash resulting in a liability of $685.6 million as of September 30, 2016. The Company uses these funds in an investment spread strategy, consistent with its other investment spread operations. As such, the Company applies SSAP No. 52 accounting treatment to these funds, consistent with its other deposit-type contracts. It is not part of the Company's strategy to utilize these funds for operations, and any funds obtained from the FHLB of Des Moines for use in general operations would be accounted for consistent with SSAP No. 15 as borrowed money. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged, assets and liabilities related to the agreement with FHLB of Des Moines.

The Company must provide appropriate collateral to borrow under the arrangements described above. The borrowing capacity available to the Company under the short-term borrowing arrangement and long-term advances is largely a factor of the Company's ability to post eligible collateral, as well as internal limits such as single-holder exposure limits (10% of the entity's balance sheet liabilities) and NAIC capital requirements.

There were no borrowings outstanding under the short-term federal funds borrowing arrangement as of September 30, 2016 and December 31, 2015. The Company did not incur any interest expense on the short-term federal funds borrowing arrangement for the nine months ended September 30, 2016 and for the year ended December 31, 2015. There were no long-term advances outstanding as of September 30, 2016 and December 31, 2015. No collateral has been pledged on these advances for the nine months ended September 30, 2016 and for the year ended December 31, 2015. The Company did not incur any interest expense on the long-term advances for the nine months ended September 30, 2016 and for the year ended December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

(2) FHLB Capital Stock

a. Aggregate Totals

	1 Total 2+3	2 General Account	3 Separate Accounts
1. Current Year			
(a) Membership Stock - Class A			
(b) Membership Stock - Class B	10,000,000	10,000,000	
(c) Activity Stock	27,424,000	27,424,000	
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)	37,424,000	37,424,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	4,700,000,000	XXX	XXX
2. Prior Year-end			
(a) Membership Stock - Class A			
(b) Membership Stock - Class B	10,000,000	10,000,000	
(c) Activity Stock	41,064,000	41,064,000	
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)	51,064,000	51,064,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	4,500,000,000	XXX	XXX

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)
11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

	1	2	Eligible for Redemption			
	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	3 Less Than 6 Months	4 6 Months to Less Than 1 Year	5 1 to Less Than 3 Years	6 3 to 5 Years
Membership Stock						
1. Class A						
2. Class B	10,000,000	10,000,000				

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)
11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

	1 Fair Value	2 Carrying Value	3 Aggregate Total Borrowing
1. Current Year Total General and Separate Accounts Total Collateral Pledged (Lines 2+3)	1,049,453,777	1,029,353,203	685,600,000
2. Current Year General Account Total Collateral Pledged	1,049,453,777	1,029,353,203	61,400,000
3. Current Year Separate Accounts Total Collateral Pledged			624,200,000
4. Prior Year-end Total General and Separate Accounts Total Collateral Pledged	1,362,518,498	1,328,925,984	1,026,600,000

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3 respectively)
11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3 respectively)
11B(3)a3 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b3 (Columns 1, 2 and 3 respectively)
11B(3)a4 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b4 (Columns 1, 2 and 3 respectively)

b. Maximum Amount Pledged During Reporting Period

	1 Fair Value	2 Carrying Value	3 Amount Borrowed at Time of Maximum Collateral
1. Current Year Total General and Separate Accounts Maximum Collateral Pledged (Lines 2+3)	1,362,518,498	1,328,925,984	1,026,600,000
2. Current Year General Account Maximum Collateral Pledged	1,362,518,498	1,328,925,984	70,900,000
3. Current Year Separate Accounts Maximum Collateral Pledged			955,700,000
4. Prior Year-end Total General and Separate Accounts Maximum Collateral Pledged	1,539,638,913	1,459,816,424	1,170,600,000

(4) Borrowing from FHLB

a. Amount as of Reporting Date

	1 Total 2+3	2 General Account	3 Separate Accounts	4 Funding Agreements Reserves Established
1. Current Year				
(a) Debt				XXX
(b) Funding Agreements	685,600,000	61,400,000	624,200,000	685,600,000
(c) Other				XXX
(d) Aggregate Total (a+b+c)	685,600,000	61,400,000	624,200,000	685,600,000
2. Prior Year-end				
(a) Debt				XXX
(b) Funding Agreements	1,026,600,000	70,900,000	955,700,000	1,026,600,000
(c) Other				XXX
(d) Aggregate Total (a+b+c)	1,026,600,000	70,900,000	955,700,000	1,026,600,000

b. Maximum Amount During Reporting Period (Current Year)

	1 Total 2+3	2 General Account	3 Separate Accounts
1. Debt			
2. Funding Agreements	1,026,600,000	70,900,000	955,700,000
3. Other			
4. Aggregate Total (Lines 1+2+3)	1,026,600,000	70,900,000	955,700,000

11B(4)b4 (Columns 1, 2 and 3) should be equal to or greater than 11B(4)a1(d) (Columns 1, 2 and 3 respectively)

NOTES TO FINANCIAL STATEMENTS

c. FHLB - Prepayment Obligations

	Does the company have prepayment obligations under the following arrangements (YES/NO)?
1. Debt	NO
2. Funding Agreements	YES
3. Other	NO

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans: No Change

Note 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

In connection with the acquisition of Aviva USA during 2013, AHL entered into a Net Worth Maintenance Agreement to provide capital support to the Company such that AHL is obligated to maintain the Company's capital and surplus in an amount sufficient to maintain the Company's total adjusted capital to be at least 200% of company action level risk based capital. The agreement also provides that the Company will not pay any dividends if such dividends would cause the company action level risk based capital ratio to fall below 200%. In addition to the provision in the agreement regarding dividend payments, the Company has agreed with the Iowa Insurance Commissioner that it will not pay a dividend prior to October 2018 without the approval of the Commissioner, pursuant to the Iowa Insurance Commissioner's order approving AHL's acquisition of the Company.

Note 14. Liabilities, Contingencies and Assessments

A. Contingent Commitments: No Change

B. Assessments: No Change

C. Gain Contingencies: NONE

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits: NONE

E. Joint and Several Liabilities: NONE

F. All Other Contingencies

On June 12, 2015, a putative class action complaint was filed in the United States District Court, Northern District of California, captioned Rachel Silva and Don Hudson, on behalf of Themselves and All Others Similarly Situated v. Aviva PLC, Athene Annuity and Life Company f/k/a Aviva Life and Annuity Company, Athene USA Corporation f/k/a Aviva USA Corporation, AHL, Athene Asset Management, L.P., Apollo Global Management, LLC. The complaint, which is analogous to complaints recently filed against other large insurance companies, primarily alleges that captive reinsurance and other transactions had the effect of misrepresenting the financial condition of the Company. The suit asserts claims of violation of the Racketeer Influenced and Corrupt Organizations Act (RICO) and seeks compensatory damages, trebled, in an amount to be determined. Defendants' motion to transfer the case to the United States District Court for the Southern District of Iowa was granted on March 29, 2016. On May 24, 2016, plaintiff filed an amended complaint removing plaintiff Silva and defendant Aviva plc from the litigation. Defendants filed a motion to dismiss the amended complaint that is fully briefed. On November 4, 2016, the Court stayed consideration of the motion to dismiss pending a ruling from the Eighth Circuit in a case alleging similar claims against another insurer which will likely affect the disposition of our motion. *See Ludwick v. Harbinger Grp., Inc.*, 161 F. Supp. 3d 769 (W.D. Mo. 2016), *appeal docketed*, No. 16-1561 (8th Cir.). The Company believes that it has meritorious defenses to the claims set forth in the complaint and intends to vigorously defend the litigation and is seeking dismissal of the complaint. In light of the inherent uncertainties involved in the matter aforementioned, reasonably possible losses, if any, cannot be estimated at this time.

On July 27, 2015, a putative class action complaint was filed in the United States District Court, District of Massachusetts against the Company. An amended complaint (Complaint) was filed on December 18, 2015. The Complaint alleges a putative class action on behalf of all purchasers of structured settlement annuities that Aviva or its predecessors delivered to purchasers from April 1, 2003 to the present. The Complaint alleges that the Aviva entities (Aviva London Assignment Corporation, Aviva Life Insurance Company, CGU International Insurance, plc) sold structured settlement annuities to the public on the basis that they were backed by CGU International Insurance, plc, which was alleged as a source of great financial strength. The Complaint further alleges that the Aviva entities used this capital maintenance agreement to enhance the sales volume and raise the price of the annuities. The Complaint claims that, as a result of Aviva's sale to AHL, the capital maintenance agreement terminated. According to the Complaint, no notice was provided to the owners of the structured settlement annuities, and the termination of the capital maintenance agreement creates the breach of contract and other causes of action. On January 22, 2015, Defendants Aviva London Assignment Corporation, Aviva Life Insurance Company, AHL, Athene London Assignment Corporation, and Athene Annuity and Life Company answered the Complaint. That same day, defendant Aviva International Insurance Ltd. moved to dismiss for lack of personal jurisdiction, which was subsequently denied. The parties are currently engaged in discovery. The Company continues to believe the allegations are unfounded and it has meritorious defenses to the claims set forth in the complaint and intends to vigorously defend the litigation. In light of the inherent uncertainties involved in the matter aforementioned, reasonably possible losses, if any, cannot be estimated at this time.

On April 6, 2016, the U.S. Department of Labor (DOL) issued its final rule addressing when a person providing investment advice with respect to an employee benefit plan or individual retirement account (IRA) is considered a fiduciary under the Employee Retirement Income Security Act of 1974, as amended, and for other purposes. The DOL regulations, which have an applicability date of April 10, 2017 and full compliance date of January 1, 2018, will subject the Company and its producers to new disclosure and compliance requirements for sales of fixed and fixed-indexed annuities to IRA account holders. A significant amount of our annuity sales are to IRA account holders. Since this rule and its exemptions are new for our industry, the impact of the DOL's fiduciary rule on our sales and operating expenses is still uncertain at this time.

In addition to the cases previously discussed, the Company is routinely involved in litigation and other proceedings, reinsurance claims and regulatory proceedings arising in the ordinary course of its business. At present, no contingencies related to pending litigation and regulatory matters are considered material in relation to the financial position of the Company.

Note 15. Leases: NONE

Note 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk: No Change

Note 17. Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

A. Transfers of Receivables Reported as Sales: NONE

B. Transfer and Servicing of Financial Assets: NONE

C. Wash Sales: NONE

NOTES TO FINANCIAL STATEMENTS

Note 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans: NONE

Note 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators: NONE

Note 20. Fair Value Measurement

A.

(1) Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds: Corporates		1,765,227	500,718	2,265,945
Bonds: CMBS			150,830	150,830
Bonds: RMBS		868,776		868,776
Common stocks: Unaffiliated		37,424,000		37,424,000
Derivative assets: Currency Swaps		4,083,140		4,083,140
Derivative assets: Interest Rate Swaps		149,133		149,133
Derivative assets: Total Return Swaps		159,070		159,070
Derivative assets: Variance Swaps		557,725		557,725
Derivative assets: Futures	7,022,928			7,022,928
Derivative assets: Forwards		1,896,082		1,896,082
Separate account assets: Variable products	36,182,904			36,182,904
Total assets at fair value	43,205,832	46,903,153	651,548	90,760,533

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
b. Liabilities at fair value				
Derivative liabilities: Currency Swaps		236,058		236,058
Derivative liabilities: Interest Rate Swaps		367,486		367,486
Derivative liabilities: Futures	10,588			10,588
Derivative liabilities: Forwards		35,060		35,060
Separate account liabilities: Variable products		36,182,904		36,182,904
Total liabilities at fair value	10,588	36,821,508		36,832,096

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the quarter ended September 30, 2016.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Description for each class of asset or liability	Ending Balance as of Prior Quarter End	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance for Current Quarter End
a. Assets										
Bonds: Corporates	464,780			5,512	30,426					500,718
Bonds: CMBS				(699)	(922)	152,451				150,830
Total Assets	464,780			4,813	29,504	152,451				651,548

(3) Transfers between fair value hierarchy levels are recognized at the end of the period in which the transfer occurs.

(4) The following discussion describes the valuation methodologies and inputs used for assets and liabilities measured and disclosed at fair value. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used.

Fair value estimates are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates the fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect risk inherent in a particular methodology, model or input employed.

The Company's financial assets and liabilities carried at estimated fair value have been classified, for disclosure purposes, based on a hierarchy defined by current accounting guidance. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:
Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability.

Level 2 inputs include the following:
1. Quoted prices for similar assets or liabilities in active markets,
2. Observable inputs other than quoted market prices, and
3. Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing, or other similar techniques.

Assets and liabilities are valued as discussed below in part C.

B. Other Fair Value Disclosures: NONE

NOTES TO FINANCIAL STATEMENTS

C. Aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Assets - Bonds	38,235,463,683	36,109,318,560	9,299,949	36,936,586,540	1,289,577,194	
Assets - Preferred stocks	64,625,332	59,708,225		64,625,332		
Assets - Common stocks unaffiliated	37,424,000	37,424,000		37,424,000		
Assets - Mortgage loans - first liens	4,162,230,351	4,031,781,001			4,162,230,351	
Assets - Mortgage loans - other than first liens	293,011,688	292,137,351			293,011,688	
Assets - Policy loans	231,523,544	231,523,544		231,523,544		
Assets - Cash and short - term investments	1,711,069,776	1,711,050,422	1,641,867,656	69,202,120		
Assets - Derivative assets	1,111,367,008	477,155,913	7,022,928	1,104,344,080		
Assets - Derivative collateral assets	14,121,450	14,121,450	14,121,450			
Assets - Other invested assets	1,223,629,125	1,223,483,215		6,103,014	1,217,526,111	
Assets - Separate account: variable products	36,182,904	36,182,904	36,182,904			
Liabilities - Deposit type contracts	707,789,992	662,043,136		62,023,333	645,766,659	
Liabilities - Derivative liabilities	23,013,261	5,236,987	10,588	15,438,382	7,564,291	
Liabilities - Derivative collateral liability	1,063,725,383	1,063,725,383	1,063,725,383			
Liabilities - Separate account: variable products	36,182,904	36,182,904		36,182,904		

Bonds and short-term investments – The Company obtains the fair value for most marketable, public bonds without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, broker-dealer quotes, credit quality, issuer spreads, bids, offers, and other reference data. If the Company cannot value a public bond with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and these securities are considered to be Level 3. The Company values privately placed bonds based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer. In some instances, the Company uses a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer, and cash flow characteristics of the security. Privately placed fixed maturity securities are classified as Level 2 or 3.

Preferred stocks and common stocks unaffiliated – The Company values equity securities, typically private equity or equity securities not traded on an exchange, using several commercial pricing services and are classified as Level 2 assets. In addition, unaffiliated common stocks include Federal Home Loan Bank stock, which is carried at fair value which is presumed to be par because it can only be redeemed by the bank.

Mortgage loans – The Company estimates mortgage loans on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

Policy loans – The fair value of policy loans classified as Level 2 is equal to the carrying value of the loans, which are collateralized by the cash surrender value of the associated insurance contracts.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, measures of volatility, prepayment rates, and correlation of the inputs. The Company considers and incorporates counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. The Company also evaluates and includes its own nonperformance risk in valuing derivatives. The majority of the Company's derivatives trade in liquid markets; therefore, the Company can verify model inputs and model selection does not involve significant management judgment and are classified within Level 2. If the Company cannot verify model inputs and model selection does involve significant management judgment, the derivatives are classified as Level 3.

Other invested assets – Within other invested assets, partnerships are valued based on net asset value information provided by the general partner or related asset manager. These partnership interests usually include multiple underlying investments for which either observable market prices or other valuation methods are used to determine the fair value. The investments are classified as Level 3 due to the limited market activity and price transparency inherent in the market for such investments. Other than partnerships, other invested assets may include surplus notes and other investments with bond or stock characteristics and the Company values these using several commercial pricing services and are classified as Level 2 assets. If the Company cannot value with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3 assets.

Deposit-type contracts – Deposit-type contracts classified as Level 3 include single premium immediate annuities (SPIA) and supplemental contracts. Fair value of SPIA and supplemental contracts are calculated by discounting best estimate cash flows based on mortality and market interest rate assumptions. Fair value of guaranteed investment contracts/funding agreements are calculated by discounting future cash flows using market rates on the valuation date, and are classified as Level 2.

Separate account liabilities – Separate account liabilities (variable products) classified as Level 2 are valued based on the fair value of the underlying funds. Fair values and changes in the fair values of the underlying funds accrue directly to the policyowners and are not included in the Company's revenues and expenses or surplus.

D. Not Practicable to Estimate Fair Value: NONE

Note 21. Other Items:

A. Extraordinary Items: NONE

B. Troubled Debt Restructuring: NONE

C. Other Disclosures and Unusual Items

On January 1, 2016 and June 4, 2016, the Company novated 22,881 and 21,903 life policies, respectively, with statutory policy reserves of $328.8 million and $194.4 million, respectively, to Accordia Life and Annuity Company (Accordia). These policies were previously 100% ceded to Accordia through a coinsurance agreement entered into in 2013, and therefore the novation had no impact on the Company's income or capital and surplus position.

D. Business Interruption Insurance Recoveries: NONE

E. State Transferable and Non-transferable Tax Credits: No Change

F. Subprime-Mortgage-Related Risk Exposure: No Change

G. Retained Assets: NONE

NOTES TO FINANCIAL STATEMENTS

Note 22. Events Subsequent

Subsequent events have been considered through November 14, 2016 for the statutory statement dated September 30, 2016. There have been no Type I or Type II events subsequent to the close of the books and accounts for this statement that have a material effect on the financial condition of the Company.

Note 23. Reinsurance: No Change

Note 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination: NONE

Note 25. Change in Incurred Losses and Loss Adjustment Expenses: NONE

Note 26. Intercompany Pooling Arrangements: NONE

Note 27. Structured Settlements: NONE

Note 28. Health Care Receivables: NONE

Note 29. Participating Policies: No Change

Note 30. Premium Deficiency Reserves: NONE

Note 31. Reserves for Life Contracts and Annuity Contracts: No Change

Note 32. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics: No Change

Note 33. Premium and Annuity Considerations Deferred and Uncollected: No Change

Note 34. Separate Accounts: No Change

Note 35. Loss/Claim Adjustment Expenses: NONE