DISCLAIMER

Regarding the business operations and prospects of Ohio National Mutual Holdings, Inc. and its subsidiaries on a consolidated basis (collectively, "Ohio National", the "Company", "we", "us" and "our"),

Forward-Looking Statements. Certain of the information included in this document constitute forward-looking statements. Words such as "expects," "believes," "anticipates," "includes", "plans", "assumes", "estimates," "projects," "intends," or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon the Company. There can be no assurance that future developments affecting the Company will be those anticipated management. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in the forward-looking statements, including without limitation: (i) difficult conditions in the capital markets and U.S. economy, (ii) certain changes in the accounting standards issued by the Financial Accounting Standards Board, (iii) extensive regulations designed to benefit or protect policyholders, (iv) changes in interest rates, (v)the failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, (vi) the default of a major reinsurer of our variable annuities, (vii) a lack of available, affordable or adequate reinsurance, (viii) the default or failure to perform by counterparties to our reinsurance or indemnification arrangements or to the derivatives we use to hedge our business risks, (ix) regulatory challenges, (x) changes in the valuation of derivatives entered into in connection with our annuity riders, (xi) losses or decreases in the value of our investment in our foreign operations, (xii) a ratings downgrade, (xiii) a material change in the RBC ratio of Ohio National's insurance subsidiaries, (xiv) earnings influenced by our claims experience, (xv) differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models, (xvi) litigation risks, (xvii) the failure to properly perform services or the misrepresentation of our products or services. (xviii) the continued threat of terrorism and ongoing military and other actions, (xix) a pandemic or a natural disaster, (xx) increased competition in our core business, (xxi) new, innovative approaches through FinTech, InsurTech, Artificial Intelligence or other sources that transform insurance processes, service, administration or distribution, (xxii Setting Every Community up for Retirement Enhancement Act of 2019, (xxiii) changes in tax treatment, (xxiv) changes to our eligibility for dividends received deductions, (xxv) changes in tax laws or interpretations of such laws, (xxvi) differing interpretations of the methodologies, estimations and assumptions used in the valuation of our fixed maturity securities, (xxv) fluctuations in foreign currency exchange rates, (xxvi) uncertainty in the commercial real estate market, (xxvii) the need to fund deficiencies in our closed block, (xxviii) computer system failures or security breaches, (xxix) excessive risks taken by our associates, (xxx) the ability to attract and retain key personnel, (xxxi) incorrect estimates and assumptions in our accounting statements, (xxxii) risk management policies and procedures that may leave us exposed to unidentified or unanticipated risks, (xxxiii) the failure to protect the confidentiality of client information, (xxxiv) difficulties, unforeseen liabilities, asset impairments or ratings actions arising from business acquisitions or dispositions, (xxxv)

the ineffectiveness of our Corporate Strategy and further ratings actions arising from the implementation thereof, (xxxvi) other risks and uncertainties that have not been identified at this time, and (xxxvii) our response to these factors. Consequently, any forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs and are based on management's beliefs and assumptions about the businesses in which the Company competes, global and domestic economic conditions and other factors. The Company does not intend, and will not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances or changed assumptions after the date of such statements.

Financial Presentation. The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting periods. Financial information provided throughout this Presentation is prepared in accordance with U.S. generally accepted accounting principles ("GAAP") unless otherwise specified as having been prepared in accordance with statutory accounting principles.

Non-GAAP Financial Measures. In these Financial Documents, the Company may refer to non-GAAP financial measures, including "Pre-tax Operating Earnings", "Management Operating Earnings", "Total GAAP Equity ex. FAS-115" and "Operating Revenues". "Pre-tax Operating Earnings" is a non-GAAP financial measure which represents income (loss) before federal and state income taxes, primarily excluding net realized gains (losses), and their related DAC amortization and certain non-recurring items. "Management Operating Earnings" is a non-GAAP financial measure which represents Pre-tax Operating Earnings adjusted primarily for market-related impacts and certain non-recurring items. "Operating Revenues" is a non-GAAP financial measure which represents revenue adjusted primarily f or net realized gains and losses. "Total GAAP Equity ex. FAS-115" is a non-GAAP financial measure which represents Total GAAP Equity adjusted primarily for net unrealized gains and losses of available for sale, at fair value, fixed maturity securities and associated DAC and federal income taxes.

I**ndustry and Market Data.** These Financial Documents may include industry data that Ohio National obtained from publicly available sources and periodic industry publications and analyses from industry consultants. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Ohio National has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein.

Ohio National Mutual Holdings, Inc.

Management's Discussion and Analysis

For the Six Month Period Ended June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Overview

Ohio National Life, the largest operating subsidiary of Ohio National Financial Services traces its origins to 1909. In 1998, we converted to a mutual insurance holding company structure. Ohio National Financial Services ("ONFS") and Ohio National Mutual Holdings ("ONMH", "Company", "we", or "our") were formed in this process and Ohio National Life, previously a mutual life insurance company, became a stock company wholly-owned by ONFS. As a result of the conversion, eligible policyholders of Ohio National Life acquired the right to vote at annual meetings of ONMH and to elect its Board of Directors. ONFS is wholly owned by ONMH.

We are a provider of life insurance, disability insurance, and related products. We also offer mutual funds, stocks, bonds, limited partnerships and other cash management tools through our retail broker dealer. Throughout our history, we have also been a provider of annuities, retirement plans, and related products. As further described below, we ceased offering individual variable annuities and retirement plans products effective September 15, 2018 as part of a broader strategy initiative (the "Corporate Strategy"). We focus on customers in three categories by providing a differentiated product portfolio through a diverse distribution network:

- middle- and upper-income individuals who seek income protection, asset preservation or retirement savings;
- high net worth individuals with estate conservation needs; and
- small businesses and professionals desiring life and disability insurance, annuities, and related products and services.

As of June 30, 2020, we had $38.9 billion of total assets, with approximately $188.1 billion of life insurance in force, and $39.0 billion of assets under management. Our Total GAAP Equity (excluding FAS—115) was $2.4 billion as of June 30, 2020. For the six months ended June 30, 2020, we generated $1,081.8 million of Operating Revenues and $76.8 million of Core Earnings, both of which are non-GAAP measures defined in the Management's Discussion and Analysis of Financial Condition and Results of Operations section ("MD&A").

As reflected in the table below, our products and services fall into one of six business segments.

Life Insurance	Disability Insurance	Latin America	Annuities	Retirement Plans	Corporate

• Traditional whole life
• Universal life
• Indexed universal life ("IUL")
• Term life
	• Disability income	• International
		  • Brazil
		  • Chile
		  • Peru
			• Individual fixed annuities
			  • Immediate
			  • Deferred
			  • Index-linked ("FIA")
			• Individual variable annuities("VA") (1)
			• Funding agreements
			• Guaranteed investment contracts ("GICs")
				• Group fixed and variable annuities
				  • 401(k) plans
				  • Other tax-qualified retirement plans (2)
					• Retail broker dealer
					• Asset management

(1) The Company no longer issues new variable annuity contracts.
(2) The Company no longer issues group annuity contracts or sells retirement plans.

The sum of the results of our six business segments represents our total results.

This MD&A includes references to some of our financial performance measures that are not based on accounting principles generally accepted in the United States of America ("GAAP") such as Pre-Tax Operating Earnings and Core Earnings, in addition to providing GAAP measures such as consolidated total revenues, total benefits and expenses, income (loss) before income taxes, and net income (loss). These non-GAAP and GAAP measures are used by management to

evaluate performance on a consolidated and business segment basis relative to our business plan and to facilitate comparisons to industry results. Our management believes that Pre-Tax Operating Earnings and Core Earnings explain the results of our ongoing businesses in a manner that allows for a better understanding of the underlying trends in our current businesses because the excluded items are unpredictable or non-recurring and not necessarily indicative of current operating fundamentals or future performance of the business segments. Accordingly, we currently define revenues, benefits and expenses, Pre-Tax Operating Earnings, and Core Earnings in the following sections.

Corporate Strategy

In September 2018, we announced our Corporate Strategy, which was designed to leverage our strengths and capitalize on our future opportunities. The Corporate Strategy focuses on capital efficiency in order to ensure that we continue to have the flexibility to invest in areas where we have the greatest competitive advantages and growth opportunities and where we can earn the best returns relative to risk. Pursuant to our Corporate Strategy, we will focus on our Life Insurance, Disability Insurance, Latin America and Fixed Annuity business segments, and no longer issue new variable annuities, offer new retirement plans nor, offer products through the institutional distribution channel of wirehouses and independent broker dealers. We have undertaken the steps to restructure our organization to better align to our Corporate Strategy while maintaining a focused distribution strategy and overseeing our expense, product, and risk management activities. We will continue to offer a diverse product lineup, incorporating our Life Insurance, Disability Insurance and Fixed Annuity business segments, to meet our customers' needs and to attract new distribution partners.

The Corporate Strategy was designed to allow Ohio National to maintain and grow our strong statutory surplus position. We believe this will be achieved through leveraging our recent success in growing our traditional life and disability income product distribution, ongoing in force management of our existing annuity block of business and recognition of significant cost savings in our annual operating expenses. Despite ceasing new variable annuity sales, we expect our existing in force annuity block will continue to contribute significant future earnings through interest income on spread products and management fees on our variable annuity block.

Our Key Strengths

We believe the following are our key strengths:

- *Broad Suite of Complementary Products.* We offer a broad suite of products, including life insurance, disability insurance, and other related products in the U.S. and Latin America. Our life insurance products are designed to be capital efficient while focusing on long-term policy performance. Our disability insurance offers individual disability income insurance products to individuals and small businesses. We offer various products in Chile, Peru and Brazil.

- *Sizable Life Insurance In force Business with Strong Renewal Premium Growth*. We differentiate ourselves by offering large face amount policies to affluent customers. We manage mortality risk through disciplined, consistent underwriting. We maintain relatively low retention on any given life, with a current maximum limit of $2 million and have no 30-year term exposure and minimal universal life with secondary guaranty exposure. Our low lapse and favorable mortality experience contribute to continued growth in recurring premiums.

- *Differentiated Value Proposition Driving Distribution Growth.* Our variable-cost distribution model offers us a competitive advantage. We distribute our products through a builder general agency network (the "Builder General Agency") and through personal producing general agents ("PPGAs"). Having both of these distribution outlets gives us the flexibility to attract new producers to the Company. Specific to Disability Income ("DI"), we have also forged DI direct relationships. Builder General Agencies grow by recruiting career agents, brokers and producers. PPGAs grow by recruiting managing agents and independent producing agents. Our compensation packages and incentive programs appeal to both PPGAs and Builder General Agents who are independent contractors responsible for their own site selection, rent, overhead and other office maintenance expenses. Financial incentives are provided to agents who sell business that stays in force and has favorable mortality experience. We intend to continue to expand our traditional distribution force, which will be an important part of our ability to continue to grow our sales. We believe our financial stability and attractive product suite helps us recruit more agents.

- *Disciplined Enterprise Risk Management Framework with Active Management of In Force Block.* Ohio National's Enterprise Risk Management is integrated with the overall management of the organization and is a critical element

of the strategic planning and management process. In the case of our variable annuity riders, we have utilized reinsurance, product design, investment restrictions, managed volatility portfolios ("MVPs"), and hedging strategies to mitigate risks associated with contract guarantees.

- *Strong Balance Sheet and Healthy Liquidity Profile.* Our strong balance sheet reflects focus and ongoing discipline in our investment approach, risk management, operations and expense management.
- *Conservatively Managed and Highly Rated Investment Portfolio.* We maintain a diversified investment portfolio and seek to generate attractive returns while preserving our financial strength. Our product design and risk mitigation strategies result in a liability profile that enables us to take a long-term approach to investing.

Summary of Significant Accounting Changes

The Company is exposed to potential risk associated with the recent outbreak of Coronavirus ("COVID-19"). As this is a currently fluid situation, the impact of a widespread COVID-19 outbreak is difficult to assess and predict, and the Company is closely monitoring the situation through the Hamilton County Public Health office, as well as the Centers for Disease Control ("CDC"). Risks related to the outbreak include disruptions to business operations resulting from quarantines of employees, policyholders, or our distribution in areas affected by the outbreak, disruptions to business operations resulting from travel restrictions, and uncertainty around the duration of the virus' impact. The Company has business continuity plans in place to attempt to mitigate the risk posed to business operations by disruptive incidents such as these. During the first half of 2020, the equity and financial markets have experienced significant volatility and interest rates have decline due to the COVID-19 pandemic. We have adapted well to operating in the different environment and we remain strategically focused to build on our strengths and leverage our value proposition.

During the third quarter of 2018, the Company began the process of changing the system used to perform actuarial valuation. The Company is in the process of converting all its lines of business from PolySystems to GGY AXIS. During the second quarter of 2019, three lines of business were converted for a net conversion impact of $11.1 million income to pre-tax earnings. During the second quarter of 2020, the immediate annuity line of business was converted for a net conversion impact of $0.1 million to pre-tax earnings. In 2020, the fixed annuity line of business was also converted with zero impact to pre-tax earnings. See tables below for the financial statement lines impacted by the conversion:

Traditional whole life

Conversion Item	Income Statement Line	2019 Impact (in millions)
Deferred policy acquisition costs ("DAC")	Amortization of deferred policy acquisition costs	$ (0.3)
Reserves	Benefits and claims	11.1
		$ 10.8

Term life

Conversion Item	Income Statement Line	2019 Impact (in millions)
Deferred policy acquisition costs ("DAC")	Amortization of deferred policy acquisition costs	$ (1.5)
Change in gross due and gross due premiums	Traditional life insurance premiums	0.2
Reserves	Benefits and claims	3.6
		$ 2.3

Indexed universal life

Conversion Item	Income Statement Line	2019 Impact (in millions)
Deferred policy acquisition costs ("DAC")	Amortization of deferred policy acquisition costs	$ (1.6)
Unearned front end loads ("UFEL")	Universal life policy charges	(0.2)
Reserves	Benefits and claims	(0.2)
		$ (2.0)

Immediate Annuity

Conversion Item	Income Statement Line	2020 Impact (in millions)
Reserves	Benefits and claims	$ 0.1
		$ 0.1

Revenues, Benefits, and Expenses

We derive our Operating Revenues primarily from (1) premiums and policy charges on life and other insurance products, (2) net investment income from general account assets, (3) asset management fees and mortality and expense fees related to variable annuities and variable life insurance policies and (4) fees for other services. All of these factors can contribute to earnings volatility in a given year. Under GAAP, total premiums paid on guaranteed premium policies are included in revenues with a corresponding expense for increases in policy reserves. For flexible premium and deposit-type policies, amounts received from policyholders are considered deposits and are not recorded as revenues, and increases in reserves are not shown as an expense. Only the amounts we deduct from policy values for mortality and expenses, when earned, are recorded as revenues on flexible premium and deposit-type policies.

Our operating earnings result primarily from the spread between the rates we earn on invested assets and the rates we credit to policyholders, the mortality and expense charges on our variable products, and investment advisory fees earned on separate account assets. Our operating earnings are affected by our claims experience, the persistency of policies and their continuing premiums, and investment markets. Our operating earnings are also affected by changes in the value of certain reinsurance contracts and hedges related to our variable annuity contracts, which is described more fully in the "Core Earnings" section below. In addition, we seek to increase earnings by carefully managing operating expenses through an extensive budgeting process and improvements in technology.

Investments

We had total consolidated assets of $38.9 billion as of June 30, 2020, of which $14.1 billion were investments. Assets held in separate accounts for which Ohio National generally does not bear investment risk were $18.0 billion. Because we generally do not bear investment risk on assets held in the separate accounts, the discussion and financial information below does not include such assets. The remaining consolidated assets are comprised primarily of cash and cash equivalents, reinsurance recoverable, Deferred Acquisition Cost (DAC), and other assets.

We have a prudent investment philosophy which seeks to achieve competitive rates of return while carefully managing investment risk. Our primary investment objective is the preservation of principal to ensure that we can meet contractual obligations to policyholders and general obligations. We achieve this objective by maintaining a diversified portfolio to reduce credit risk, managing assets and liabilities to control interest rate risk, and holding a core amount of high quality marketable securities to meet liquidity demands.

Credit risk relates to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest. The management of credit risk is central to our business, and we devote considerable resources to the credit analysis underlying each investment acquisition. We employ a staff of highly specialized, experienced and well-trained credit analysts.

We maintain single industry, issuer, asset type and geographical limits. Our Investment Management Committee, comprised of a group of senior management responsible for reviewing and monitoring investments, reviews these limits on a regular basis and recommends modifications to them as necessary. Any such modifications are reported to our Investment

Review Committee, a board committee responsible for investment oversight, which is responsible for adopting such resolutions.

Interest rate risk relates to the market price and/or cash flow variability associated with changes in market yield curves. We manage interest rate risk through a variety of techniques. In general, our risk management philosophy is to limit the net impact of interest rate changes on our assets and liabilities. Assets are invested predominately in fixed maturity securities, and the asset portfolio is matched with the liabilities so as to eliminate our exposure to changes in the overall level of interest rates. Each investment portfolio holds fixed maturity securities, mortgages and other asset types that meet the projected cash needs of our underlying liabilities.

Liquidity risk relates to our ability to have access to sufficient funds to meet our liabilities when due. We manage this risk within investments by establishing specific guidelines for holding high-grade marketable securities that can be liquidated in order to meet policyholder or other general obligations.

Total GAAP Equity (excluding FAS—115)

In addition to Pre-Tax Operating Earnings and Core Earnings, Ohio National uses Total GAAP Equity (excluding FAS—115), which is a non-GAAP measure as defined herein. The following table shows a reconciliation of Total GAAP Equity (excluding FAS—115) to Total GAAP Equity for the periods indicated:

	As of June 30,	
	2020	2019
	(Unaudited) (in millions)	
GAAP Equity	$ 2,791.7	$ 2,769.8
FAS-115	(351.3)	(483.2)
Total Equity (excluding FAS—115) [1]	$ 2,440.4	$ 2,286.6

(1) Total Equity (excluding FAS—115) is a non-GAAP financial measure which represents GAAP equity adjusted primarily for net unrealized gains and losses of available for sale, at fair value, fixed maturity securities and associated DAC and federal income taxes.

Pre-tax Operating Earnings

Pre-Tax Operating Earnings is a Company defined non-GAAP measure that excludes the impact of realized gains and losses, net of related policy DAC amortization; change in value of trading securities, excluding Latin America activity; impairment of goodwill and intangible assets; and loss on debt retirement. Pre-Tax Operating Earnings are commonly used in the life insurance industry to evaluate the normalized results of operations.

The following table shows a reconciliation of income (loss) before income taxes to Pre-Tax Operating Earnings for the periods indicated:

	Six Months Ended June 30,		$	%
	2020	2019	2020 vs. 2019	2020 vs. 2019
	(in millions)		(in millions)	
Income (loss) before income taxes	$ **170.0**	**(145.8)**	**315.8**	N/M
Investment (gains) losses	(6.5)	(1.1)	(5.4)	N/M
(Gain) loss on debt retirement	-	10.3	(10.3)	(100.0%)
Other, net	0.4	(1.2)	1.6	N/M
Pre-tax effects of adjustments	(6.1)	8.0	(14.1)	N/M
Pre-tax operating earnings	$ **163.9**	**(137.8)**	**301.7**	N/M

Core Earnings

In addition to Pre-Tax Operating Earnings, Ohio National uses Core Earnings, which is a Company defined non-GAAP measure. We believe that Core Earnings is a more meaningful measure of our operating performance. It is calculated by adjusting Pre-Tax Operating Earnings for certain items that fluctuate from period to period in a manner unrelated to our core operations. These adjustments consist principally of non-economic and asymmetrical accounting items and certain non-recurring items of:

- Changes in the value of certain reinsurance contracts and hedges related to our variable annuity contracts, and related DAC amortization;
- Market effects on DAC amortization on variable products; and
- Changes in GLWB/GPP/GPA fair value reserves, related hedges, and DAC amortization.

Effective January 1, 2016, we began 5-year averaging all DAC and unearned front end loads ("UFEL") unlockings not accounted for within another Core Earnings adjustment category as management believes these unlockings are not primarily related to current year core operations and this adjustment produces a more meaningful long-term view of our operating performance.

The following table shows a reconciliation of Pre-Tax Operating Earnings to Core Earnings for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Pre-tax operating earnings $	**163.9**	**(137.8)**	**301.7**	N/M
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity	(120.0)	102.8	(222.8)	N/M
Market effects on DAC amortization	22.1	10.0	12.1	N/M
5-year averaging of GLWB/GPP and annuity persistency	19.6	(6.5)	26.1	N/M
5-year averaging of DAC and UFEL unlocking	(9.0)	3.1	(12.1)	N/M
Financial statement corrections related to prior years	0.1	1.9	(1.8)	(94.7%)
Annuity inforce management	-	114.9	(114.9)	(100.0%)
Other, net	0.1	(7.2)	7.3	N/M
Core earnings $	**76.8**	**81.2**	**(4.4)**	(5.4%)

All of the adjustments to derive Core Earnings from Pre-Tax Operating Earnings are reported only in the Corporate business segment.

Operating Revenues

Operating Revenues is a non-GAAP measure, which represents revenue adjusted primarily for net realized gains and losses. Management believes that Operating Revenues focus on the long-term nature of the business by principally adjusting for net realized gains and losses.

The following table shows a reconciliation of Operating Revenues to Total Revenues for the periods indicated:

	Six Months Ended June 30,		
	2020	**2019**	**2018**
Total GAAP Revenue:		**(in millions)**	
Life Insurance	$ 624.9	648.1	620.7
Annuities	314.9	360.3	378.8
Retirement Plans	6.2	7.8	8.4
Disability Insurance	17.5	15.6	13.9
Latin America	117.6	129.8	172.6
Total Revenues (Excluding Corporate):	1,081.1	1,161.6	1,194.4
Corporate	87.8	(151.8)	(70.5)
Total Revenues:	$ 1,168.9	1,009.8	1,123.9
Total Operating Revenues Adjustments:			
Life Insurance	$ 2.4	2.8	3.7
Annuities	(1.7)	(1.7)	(4.2)
Retirement Plans	-	-	-
Disability Insurance	-	-	-
Latin America	-	-	-
Total Adjustments to Operating Revenue	0.7	1.1	(0.5)
Corporate	(0.7)	(1.1)	0.5
Total Revenues Adjustments	$ -	-	-
Total Operating Revenue:			
Life Insurance	$ 627.3	650.9	624.4
Annuities	313.2	358.6	374.6
Retirement Plans	6.2	7.8	8.4
Disability Insurance	17.5	15.6	13.9
Latin America	117.6	129.8	172.6
Total Operating Revenue:	1,081.8	1,162.7	1,193.9
Corporate	87.1	(152.9)	(70.0)
Total Revenue:	$ 1,168.9	1,009.8	1,123.9

	Six Months Ended June 30,		
	2020	2019	2018
		(in millions)	
Traditional life insurance premiums..... $	419.3	415.3	403.2
Annuity premiums and charges.....	206.1	213.7	292.8
Universal life policy charges.....	71.5	76.9	80.6
Group life and health insurance premiums.....	52.1	56.1	49.8
Accident and health insurance premiums.....	14.3	12.4	10.5
Investment management fees.....	20.5	22.6	25.7
Change in value of equity securities.....	(1.3)	2.7	(1.7)
Net investment income.....	221.3	279.8	271.3
Net realized (losses) gains			
Investment (losses) gains.....	6.5	1.0	3.7
Derivative instruments.....	88.5	(114.3)	(64.3)
Gain (loss) on debt retirement.....	-	(10.3)	-
Other income.....	70.1	53.9	52.3
Total revenues.....	1,168.9	1,009.8	1,123.9
Corp entity operating revenues	(87.1)	152.9	70.0
Total operating revenues..... $	1,081.8	1,162.7	1,193.9

Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts

Through our variable annuity contracts, we have exposure to GMIBs, GMDBs and GLWBs (non-fair value GLWB reserves) associated with economic risks. The future policy benefits and claim reserves associated with these benefits are determined under traditional GAAP accounting models with reserves accumulating over time.

We mitigate a significant portion of the economic risks associated with the GMIB, GMDB and GLWB benefits through reinsurance or hedging. This hedging activity does not meet the criteria for hedge accounting. We have various coinsurance agreements on the GMIB riders sold with variable annuities through June 30, 2008, and some of the GMDB riders sold with variable annuities through June 30, 2008. The ceded amounts are up to 100% quota share on individual claims, subject to various caps and limits in the treaties. The Company entered into a coinsurance agreement on certain GLWB riders sold with variable annuities that cover business issued from May 1, 2013 through December 31, 2017. The ceded amount under this GLWB coinsurance agreement is a 70% quota share and is accounted for under a traditional GAAP accounting model similar to the direct GLWB benefit reserve.

We are required to account for the GMIB reinsurance contract and hedging activity based on the strict accounting model, FASB Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, which incorporates concepts from several accounting pronouncements, including:

- ASC Topic 815 (formerly FAS 133), which relates to fair value accounting for derivative instruments and hedging activities; and
- ASC Topic 825, *Financial Instruments*, (formerly FAS 157), which further clarified certain fair value measurements promulgated in previous pronouncements.

The changes in the fair values established under ASC Topic 815 and ASC Topic 825 can be volatile, as they are correlated to the performance and volatilities in the equity markets, and interest rates. The fair value of reinsurance contracts are reported in reinsurance recoverable on our balance sheets and hedging instruments are reported in other long-term investments and other liabilities on our balance sheets. Changes in the fair value of these instruments flow through our statements of operations, and therefore affect our publicly reported operating earnings.

The reinsurance contracts and hedging instruments are related to the GMIB, GMDB and GLWB riders that are a component of future policy benefits and claim reserves. However, the fair value of the reinsurance contracts and hedging

instruments may have significantly greater volatility than the related book value reserves, thereby having an asymmetrical relationship between the fair value reinsurance and hedging calculations, and book value reserve calculations. Because of this asymmetrical relationship, changes in the values of our reinsurance contracts (non-economic) and hedging instruments can cause significant fluctuations, either positively or negatively, on our publicly reported operating earnings. Therefore, we adjust for the change in the book value reserves and the related change in the fair value of the reinsurance contracts and hedging instruments, net of the related DAC amortization, when deriving Core Earnings.

Market effects on DAC amortization

The costs of acquiring new business, principally commissions, certain policy issuance and underwriting department expenses, and certain variable sales expenses that relate to the production of new and renewal business are capitalized as a DAC asset. DAC is amortized relative to the future gross profits or future gross revenues.

One of the most significant assumptions in the estimation of future gross profits is the future net separate account performance. The change in DAC amortization, caused by the difference between the expected future net separate account performance that is mean reverted and the actual net separate account performance, is deemed to be the overall market effect on DAC amortization. Although we use reversion to the mean to estimate this long-term assumption, significant differences may arise between the actual and projected net separate account performance. As such, this change in DAC amortization is reflected as a "true-up" in the consolidated financial statements, and we adjust for this market effect on DAC amortization in deriving Core Earnings to produce a more meaningful long-term view of our operating performance.

Other, net

"Other, net" principally consists of non-recurring items.

Consolidated Results of Operations

Except as otherwise stated, the following tables set forth the Company's summary consolidated financial information that has been prepared in accordance with GAAP and other financial information. The Company's summary consolidated GAAP financial information for the periods indicated below has been derived from the Company's unaudited consolidated financial statements.

Summary results for our consolidated operations are shown and discussed below for the periods indicated:

OHIO NATIONAL MUTUAL HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Dollars in millions)

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
Revenues:				
Traditional life insurance premiums	$ 419.3	415.3	4.0	1.0%
Annuity premiums and charges	206.1	213.7	(7.6)	(3.6%)
Universal life policy charges	71.5	76.9	(5.4)	(7.0%)
Group life and health insurance premiums	52.1	56.1	(4.0)	(7.1%)
Accident and health insurance premiums	14.3	12.4	1.9	15.3%
Investment management fees	20.5	22.6	(2.1)	(9.3%)
Change in value of equity securities	(1.3)	2.7	(4.0)	N/M
Net investment income	221.3	279.8	(58.5)	(20.9%)
Net realized gains (losses)				
Investment gains	6.5	1.0	5.5	N/M
Derivative instruments	88.5	(114.3)	202.8	N/M
Gain (loss) on debt retirement	-	(10.3)	10.3	100.0%
Other income	70.1	53.9	16.2	30.1%
Total revenues	1,168.9	1,009.8	159.1	15.8%
Benefits and expenses:				
Benefits and claims	612.8	775.9	(163.1)	(21.0%)
Provision for policyholders' dividends on participating policies	58.0	57.9	0.1	0.2%
Amortization of deferred policy acquisition costs	94.4	78.7	15.7	19.9%
Commissions, net	83.2	89.2	(6.0)	(6.7%)
Other operating costs and expenses	150.5	153.9	(3.4)	(2.2%)
Total benefits and expenses	998.9	1,155.6	(156.7)	(13.6%)
Income (loss) before income taxes	170.0	(145.8)	315.8	N/M
Income taxes				
Current expense	0.1	(3.9)	4.0	N/M
Deferred expense (benefit)	29.2	(36.8)	66.0	N/M
	29.3	(40.7)	70.0	N/M
Net income (loss)	$ 140.7	(105.1)	245.8	N/M

Six months ended June 30, 2020 compared to the six months ended June 30, 2019

Income (Loss) Before Income Taxes. Income before income taxes for the six months ended June 30, 2020 totaling $170.0 million represents a $315.8 million increase over the $145.8 million loss for the prior year.

The following table summarizes the significant components effecting the changes in the consolidated Income (loss) before income taxes for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
All other items of income before income taxes	$ 88.0	85.7	2.3	2.7%
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts	120.0	(102.8)	222.8	N/M
Net realized investment (losses) gains, net of related DAC amortization excluding other-than-temporary losses on securities	6.5	1.1	5.4	N/M
Gain (loss) on debt retirement	-	(10.3)	10.3	100.0%
Market effects on DAC amortization	(22.1)	(10.0)	(12.1)	N/M
Base DAC and UFEL true-ups and unlockings	(3.4)	(16.5)	13.1	79.4%
GLWB/GPP related reserves, hedges, and DAC	(19.0)	12.7	(31.7)	N/M
Impact from systems conversion	0.1	11.1	(11.0)	(99.1%)
Annuity inforce management	-	(114.9)	114.9	100.0%
Financial statement corrections related to prior years	(0.1)	(1.9)	1.8	94.7%
Income (loss) before income taxes	$ 170.0	(145.8)	315.8	N/M

The increase was primarily driven by the effects of the components of the changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts as detailed in the table below:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Fair value reinsurance contracts	$ 134.0	(5.3)	139.3	N/M
Hedging	104.5	(131.3)	235.8	N/M
GMIB/GMDB/GLWB (non-fair value) reserves	(112.9)	(26.1)	(86.8)	N/M
DAC amortization	(5.6)	59.9	(65.5)	N/M
	$ 120.0	(102.8)	222.8	N/M

Gains and losses from hedges move opposite to the equity markets, since the primary objective of the hedges is to generate gains in market declines, offsetting the guarantees written on GMIB, GMDB, and GLWB economic risks. The magnitude of equity losses due to financial impacts of COVID-19 pandemic in the first six months ended June 30, 2020, versus equity gains for the same period in 2019 resulted in an increase of $222.8 million from June 30, 2019 to June 30, 2020.

During the six months ended June 30, 2019, the Company had $114.9 million in costs associated with the annuity inforce management programs. Beginning in the fourth quarter of 2018, the Company offered certain variable annuity policyholders a GMIB/FIA exchange. In addition to this exchange, the Company offered a GMIB cash bonus offer program, in which the Company offered the policyholder an additional cash offer exceeding current account value when the policyholder surrendered or exchanged an existing GMIB contract. The cost of the variable annuity buyout program was $114.9 million and resulted in $735.1 million in account value surrendered for the six months ended June 30, 2019. The Company did not offer a similar buyout program during the first six months of 2020 thus creating a period over period increase to income of $114.9 million.

Traditional Life Insurance Premiums. Traditional life insurance premiums consist of payments by policyholders for individual whole life insurance and individual term life insurance less premiums ceded for reinsurance for all individual insurance products. Life insurance premiums are recognized when due. Life insurance premiums were $419.3 million for the six months ended June 30, 2020, which represents a 1.0% increase from $415.3 million for the same period in 2019. The following table provides more information on life premiums for the periods indicated.

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in million)		(in millions)	
Whole life direct $	370.1	360.8	9.3	2.6%
Reinsurance whole life direct	(4.5)	(4.3)	(0.2)	(4.7%)
Net whole life	365.6	356.5	9.1	2.6%
Term direct	107.0	110.0	(3.0)	(2.7%)
Reinsurance Term direct	(25.6)	(34.5)	8.9	25.8%
Net Term	81.4	75.5	5.9	7.8%
Total whole life and term	447.0	432.0	15.0	3.5%
Reinsurance universal life	(46.5)	(42.5)	(4.0)	(9.4%)
Chile	18.8	25.8	(7.0)	(27.1%)
Total traditional life $	419.3	415.3	4.0	1.0%

The increase in 2020 was primarily due to increased net whole life premiums and net term life premiums of $9.1 and $5.9 million respectively, offset by a decrease in UL reinsurance and Chile life premiums of $4.0 million and $7.0 million respectively. The increase in net whole life premiums was the result of our strategic plan of investing in the Life Insurance distribution channels. The increase in net term life premiums was primarily due to an $8.9 million increase as a result of a decrease in reinsurance premiums driven by the 1999 20 year term cohort. This group of policies was mostly issued in the second half of 1999. When a policy reaches the post-level period, the Company pays out the reinsurance premium. The 1999 20 year term policies are coinsured so the premium is based on the direct premium, which has a larger increase, compared to similar new business. The following quarter the company recaptures the paid premium if the policy lapses which happens to most policies in the post-level period. This leads to a higher payout in reinsurance premium in the fourth quarter and a smaller amount of reinsurance premium in the first quarter due to the recaptures.

The $9.3 million increase in whole life direct premiums over the prior period primarily consists of a $16.6 million increase in renewal premiums and a $0.4 million increase in single premiums offset by a $7.6 million decrease in first year premiums.

The $7.0 million decrease in Chilean traditional life premiums primarily pertains to a $5.3 million decrease in credit life and a $1.7 million decrease in bank assurance premiums.

Annuity Premiums and Charges. Annuity premiums and charges consist mainly of premiums for immediate annuities, administrative fees and surrender charges on deferred annuities, and charges for mortality and expense guarantees on variable annuity products ("M&E"). Fees and charges are generally deducted from annuity account balances when earned and M&E and administrative fees vary with the variable annuity separate account balances.

Annuity premiums and charges were $206.1 million for the six months ended June 30, 2020, down $7.6 million or 3.6% from $213.7 million for the same period in 2019. The primary reason for the decrease was a $6.9 million decrease in policy charges. The following table sets forth the primary components of such premiums and charges for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in million)		(in millions)	
Premiums				
Variable annuity reinsurance premiums	$ (36.0)	(37.1)	1.1	3.0%
Immediate annuity/ GIC premiums	6.9	5.7	1.2	21.1%
Policy Charges				
M&E and administrative fees	113.3	123.4	(10.1)	(8.2%)
Rider charges	118.7	115.0	3.7	3.2%
Other charges	3.0	3.5	(0.5)	(14.3%)
Policy Charges	235.0	241.9	(6.9)	(2.9%)
Chile	0.2	3.2	(3.0)	(93.8%)
Total annuity premiums and charges	$ 206.1	213.7	(7.6)	(3.6%)

The $3.0 million decrease in Chilean premiums from the prior year is the result of the Corporate Strategy to reduce foreign annuity sales during 2020.

Universal Life Policy Charges. Universal life policy charges consist of cost-of-insurance charges, surrender charges, expense loads, and other fees related to our universal life ("UL") and variable universal life ("VUL") insurance policies. These charges and fees are generally deducted from policy account balances when earned. The following table summarizes the components of the universal life policy charges for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Fixed universal life excluding bank-owned life insurance ("BOLI") policy charges	$ 62.9	62.3	0.6	1.0%
Index universal life policy charges	3.8	2.2	1.6	72.7%
Universal life - BOLI policy charges	1.6	11.0	(9.4)	(85.5%)
Variable universal life policy charges	6.9	7.8	(0.9)	(11.5%)
UFEL true-ups and unlockings, excluding conversion impact & write-off	2.1	1.6	0.5	31.3%
UFEL impact from systems conversion	-	0.2	(0.2)	(100.0%)
Change in UFEL liability, excluding true-ups, unlockings, conversion impact, write off.	(7.4)	(10.1)	2.7	26.7%
Latin America	1.6	1.9	(0.3)	(15.8%)
Total universal life policy charges	$ 71.5	76.9	(5.4)	(7.0%)

The $9.4 million decrease in BOLI policy charges are attributed to an increase in policy charges ceded to RGA as part of the reinsurance transaction.

Group Life and Health Premiums. Group life and health premiums, net of reinsurance, related to ancillary coverages for disability and survivorship through participation in the nationalized pension system ("SIS") for the two Latin American, Peruvian and Chilean, insurance subsidiaries were $52.1 million for the six months ended June 30, 2020 and $56.1 million for the same period in 2019.

Accident and Health Insurance Premiums. Accident and health insurance premiums consist of payments by customers for disability insurance and are generally recognized when due. Accident and health insurance premiums were $14.3 million for the six months ended June 30, 2020 and $12.4 million for the same period in 2019.

Investment Management Fees. Investment management fees are earned by an affiliated investment adviser and are net of unaffiliated subadvisor fees. These fees were $20.5 million for the six months ended June 30, 2020 and $22.6 million for the same period in 2019. Investment management fees vary with total separate account balances.

Net Investment Income. As a mutual, independent company with no publicly traded stock, we are focused on long-term investment strategies, which benefit our policyholders. Our driving principles remain the same in any economic

environment: maintain a balanced, disciplined approach to investing and managing risk. We earn investment income on the assets in our general account portfolio, which mainly comprises fixed maturity securities, mortgage loans on real estate, short-term investments and cash. Sources of funds for investment are primarily sales of insurance and annuity products invested in the general account. We seek to earn investment returns that exceed the rates we credit to policyholders.

Net investment income decreased 20.9% or $58.5 million to $221.3 million for the six months ended June 30, 2020 from $279.8 million for the same period in 2019. The following table sets forth the components of net investment income for the periods indicated:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Gross Investment Income				
Domestic operations	$ 236.4	288.3	(51.9)	(18.0%)
Latin America operations	33.7	38.9	(5.2)	(13.4%)
Investment Expenses:				
Domestic operations	(47.9)	(46.6)	(1.3)	(2.8%)
Latin America operations	(0.9)	(0.8)	(0.1)	(12.5%)
Net investment income	$ 221.3	279.8	(58.5)	(20.9%)

The decrease in Domestic operations' gross investment income is consistent with a decrease in domestic reserves and account value as a result of the RGA Reinsurance Treaty for the BOLI and SPDA products that was executed in Q3 of 2019. The following table summarizes the components of the reserves:

Year and Product	Domestic Reserves and Account Value (in millions)	Year-over-Year Growth
UL account value	$ 4,058.8	
RGA BOLI reinsurance	(1,831.9)	
Annuities account value	4,285.6	
RGA SPDA deposit asset	(860.2)	
Whole life and term net level reserves	4,868.0	
DI net level reserves	279.0	
June 30, 2020 total	$ 10,799.3	-16.9%
UL account value	$ 4,030.4	
Annuities account value	4,316.1	
Whole life and term net level reserves	4,373.3	
DI net level reserves	276.9	
June 30, 2019 total	$ 12,996.7	

Latin America operations' gross investment income decreased $5.2 million from the prior period as the result of the weakening Chilean Peso in relation to the US dollar.

Investment Gains. Investment gains include gains and losses on the sale of securities and impairment losses on fixed maturity securities and mortgage loans on real estate. For the six months, ended June 30, 2020, net realized investment gains were $6.5 million compared to net realized investment gains of $1.0 million for the same period in 2019.

Derivative Instruments. Derivative instruments gains increased $202.8 million from a loss of $114.3 million for the six months ended June 30, 2019 to a gain of $88.5 million for the same period in 2020.

We enter into a variety of derivative instruments with a number of counterparties in order to hedge various risks, including risks associated with the GMIB and GLWB riders, for the portion not reinsured, our death benefits and other riders contained in many of our variable annuity products. Our variable annuity derivative hedges are designed to reduce

risks on an economic basis with the understanding that their impact on accounting results may not be perfectly correlated with rider valuation changes on a GAAP basis.

The period-to-date realized gains on derivative instruments were mainly driven by negative equity returns on the indices we use to hedge economic risks. The period-over-period difference is due to the magnitude of equity returns in 2020 and 2019 and by losses on our interest rate swaption positions due to a greater magnitude of decrease in interest rates in the six months ended June 30, 2020 versus the change in rates for the same period in 2019, as illustrated in the following chart:

S&P 500/10 Year Treasury Rate
Period-Over-Period Comparison

Index	June 30, 2020	December 31, 2019	Change	June 30, 2019	December 31, 2018	Change
S&P 500	3,100	3,231	-4.1%	2,942	2,507	17.4%
10 Year Treasury	0.65%	1.92%	-127 BPS	2.00%	2.69%	-69 BPS

Other Income. Other income principally consists of revenue sharing fees from externally advised separate accounts and dealer concessions from our retail broker dealer operation. Other income was $70.1 million for the six months ended June 30, 2020, which is a 30.1% increase from $53.9 million for the same period in 2019. On average, 88% of our retail broker dealer concessions are paid out in commissions. Revenue sharing fees vary in relation to total average separate account balances. The following table summarizes the components of such other income:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Revenue sharing fee	$ 20.1	22.3	(2.2)	(9.9%)
Retail broker dealer concessions	30.7	31.2	(0.5)	(1.6%)
Latin America	0.6	0.2	0.4	N/M
Pension fee income	0.0	0.2	(0.2)	(100.0%)
RGA Reinsurance ceded trails	18.2	-	18.2	N/M
Other	0.5	-	0.5	N/M
Other income	$ 70.1	53.9	16.2	30.1%

Benefits and Claims. Benefits consist primarily of interest credited to policyholder accounts within universal life insurance policies and within individual and group annuities, including GICs, and amounts paid under immediate annuities and settlement certificates. Benefits also include sales inducements and benefit guarantees with the variable annuities. Claims consist of payments on life insurance, accident and health insurance products, and variable annuity guaranteed benefits. Both benefits and claims are mitigated through the use of reinsurance and hedging programs. Benefits and claims were $612.8 million for the six months ended June 30, 2020, down $163.1 million from $775.9 million for the same period in 2019. The following table sets forth the components of benefits and claims for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Fair value of annuity reinsurance	$ (134.0)	5.3	(139.3)	N/M
Other fair value annuity guaranteed benefit reserves, net	56.8	(28.3)	85.1	N/M
Non-fair value annuity guaranteed benefit reserves, net	112.9	26.1	86.8	N/M
Latin America	75.7	94.7	(19.0)	(20.1%)
Interest credited	90.8	124.3	(33.5)	(27.0%)
Whole life change in reserves, excluding reserves released and conversion impact	245.9	237.9	8.0	3.4%
Term change in reserves, excluding reserves released and conversion impact	17.9	19.4	(1.5)	(7.7%)
Mortality and morbidity, net of reserves released	71.6	81.0	(9.4)	(11.6%)
Variable annuity guaranteed benefit claims, net	21.6	15.1	6.5	43.0%
Fixed index annuity change in excess & guaranteed benefit reserves	(34.0)	18.1	(52.1)	N/M
Domestic immediate annuity benefits and change in reserves	17.5	13.8	3.7	26.8%
UL secondary guarantee reserves	(0.3)	2.8	(3.1)	N/M
Impact from systems conversion	(0.1)	(14.5)	14.4	99.3%
Sales inducements including amortization	3.0	2.0	1.0	50.0%
Annuity inforce management	-	114.9	(114.9)	(100.0%)
Other benefits & claims	67.5	63.3	4.2	6.6%
Total benefits and claims	$ 612.8	775.9	(163.1)	(21.0%)

Fair value annuity reinsurance, Other fair value annuity guaranteed benefit reserves, net, and Fixed index annuity change in excess and guaranteed benefit reserves are impacted with movements in equity markets and interest rates.

The $86.8 million increase in Non-fair value annuity guaranteed benefit reserves, net was due to an increase in SOP 03-1 reserves driven by lower interest rates from 2019 to 2020.

The $19.0 million decrease in Latin America benefits and claims was due to a decrease in the value of the Chilean Peso in relation to the US dollar. Whole life change in reserves, excluding reserves released, experienced increases as a result current year premiums being greater than reserves released on surrenders and lapses.

The cost of the variable annuity buyout program was $114.9 million for the six months ended June 30, 2019. The Company did not offer a similar buyout program during the first quarter of 2020 thus creating a period over period decrease to expense of $114.9 million.

The decrease in Interest credited is directly driven by the ceding of BOLI policies to RGA in connection with the RGA Reinsurance Treaty.

Provision for Policyholder Dividends on Participating Policies. Policyholder dividends are paid on participating policies, primarily whole life insurance policies. Dividends to policyholders were $58.0 million for the six months ended June 30, 2020 and $57.9 million for the same period in 2019, as summarized in the following table:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Whole life	$ 57.1	56.9	0.2	0.4%
Disability insurance	0.9	1.0	(0.1)	(10.0%)
Provision for policyholder dividends on participating policies	$ 58.0	57.9	0.1	0.2%

The dividend scale for 2020 has a dividend interest rate of 5.20% compared to 5.40% for 2019. The decrease of the scale was offset by an increase in participating whole life reserves over the same period. The following table summarizes such increase in participating whole life reserves:

Year	Participating Whole Life Policies U.S. GAAP Reserves	Year-over-Year Growth
	(in millions)	
June 30, 2020	4,318.5	12.3%
June 30, 2019	3,844.3	

Amortization of Deferred Policy Acquisition Costs. We incur costs in connection with acquiring new and renewal insurance business. Costs (commissions and other costs of issuing policies) that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC and amortized based on premiums, margins, or profits over various lengths of time depending upon product type. DAC amortization was $94.4 million for the six months ended June 30, 2020 and $78.7 million for the same period in 2019. The primary driver affecting amortization of DAC for the six months ended June 30, 2020 is the $65.5 million in changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts. The increase in hedging was due to a downturn in the equity markets from 2020 to the same period in 2019. Offset by a $39.5 million in GLWB/GPP/GPA 5 year average, which tends to move in the same direction as the equity markets. The following table summarizes the components of such amortization for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Base amortization	$ 100.1	100.3	(0.2)	(0.2%)
Base true-ups and unlockings	(1.5)	17.3	(18.8)	N/M
Impact from systems conversion	-	3.4	(3.4)	(100.0%)
Changes in value of certain reinsurance contracts and hedges, and related reserves and claims on our variable annuity contracts	5.6	(59.9)	65.5	N/M
Market effects on DAC amortization	22.1	10.0	12.1	N/M
GLWB/GPP/GPA 5 year average	(31.9)	7.6	(39.5)	N/M
Total Amortization of DAC	$ 94.4	78.7	15.7	19.9%

Commissions, net. Commissions were $83.2 million for the six months ended June 30, 2020, a decrease of $6.0 million, or 6.7%, from $89.2 million for the same period in 2019. The following table sets forth the primary components of the commissions for the periods indicated:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Commissions:				
Annuity trail commissions	$ 31.9	31.1	0.8	2.6%
Retail broker dealer commissions	26.9	27.3	(0.4)	(1.5%)
Domestic commissions, net of reinsurance	71.0	81.0	(10.0)	(12.3%)
Latin America commissions	15.0	20.2	(5.2)	(25.7%)
Capitalized commissions	(61.6)	(70.4)	8.8	12.5%
Total commissions	$ 83.2	89.2	(6.0)	(6.7%)

Other Operating Costs and Expenses. Other operating costs and expenses include premium taxes, and general corporate expense items. These expenses were $150.5 million for the six months ended June 30, 2020, a decrease of $3.4 million, or 2.2%, from $153.9 million for the same period in 2019, as summarized in the following table:

	Six Months Ended June 30, 2020	2019	$ 2020 vs. 2019	% 2020 vs. 2019
	(in millions)		(in millions)	
Operating expenses - Domestic operations	$ 140.5	144.5	(4.0)	(2.8%)
Operating expenses - Latin America Operations	6.7	8.1	(1.4)	(17.3%)
Capitalized administration expenses for DAC	(6.6)	(7.9)	1.3	16.5%
Premium taxes, net	9.9	9.2	0.7	7.6%
Total other operating cost and expenses	$ 150.5	153.9	(3.4)	(2.2%)

Financial Condition

OHIO NATIONAL MUTUAL HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in millions)

Assets	June 30, 2020	December 31, 2019	$ Change	% Change
Investments:				
Securities available-for-sale at fair value:				
Fixed maturities	$ 10,202.4	9,984.7	217.7	2.2%
Trading securities, at fair value:				
Fixed maturities, trading securities	0.1	0.2	(0.1)	(50.0%)
Equity securities, at fair value	39.9	40.5	(0.6)	(1.5%)
Mortgage loans on real estate, net	1,431.8	1,446.1	(14.3)	(1.0%)
Real estate, net	48.7	52.1	(3.4)	(6.5%)
Policy loans	936.4	875.1	61.3	7.0%
Other long-term investments	311.5	272.2	39.3	14.4%
Short-term investments securities lending collateral	146.1	246.6	(100.5)	(40.8%)
Short-term investments	312.9	213.5	99.4	46.6%
Total investments	13,429.8	13,131.0	298.8	2.3%
Cash	568.8	288.2	280.6	97.4%
Accrued investment income	79.6	77.8	1.8	2.3%
Deferred policy acquisition costs	1,613.3	1,679.4	(66.1)	(3.9%)
Reinsurance recoverable	4,018.1	3,946.2	71.9	1.8%
Reinsurance deposit asset	860.2	905.8	(45.6)	(5.0%)
Operating lease right-of-use assets	6.7	8.1	(1.4)	(17.3%)
Other assets	318.4	386.4	(68.0)	(17.6%)
Federal income tax recoverable	18.1	17.8	0.3	1.7%
Assets held in separate accounts	17,978.4	19,926.1	(1,947.7)	(9.8%)
Total assets	$ 38,891.4	40,366.8	(1,475.4)	(3.7%)
Total Liabilities and Equity				
Future policy benefits and claims	$ 16,065.2	15,724.8	340.4	2.2%
Policyholders' dividend accumulations	32.2	33.0	(0.8)	(2.4%)
Other policyholder funds	182.4	170.8	11.6	6.8%
Short-term debt	1.4	1.7	(0.3)	(17.6%)
Notes payable net of unamortized discount and issuance costs	975.5	953.9	21.6	2.3%
Deferred federal income taxes	182.1	139.3	42.8	30.7%
Operating lease liabilities	6.7	8.1	(1.4)	(17.3%)
Other liabilities	529.8	543.4	(13.6)	(2.5%)
Payables for securities lending collateral	146.1	246.6	(100.5)	(40.8%)
Liabilities related to separate accounts	17,978.4	19,926.1	(1,947.7)	(9.8%)
Total liabilities	36,099.8	37,747.7	(1,647.9)	(4.4%)
Equity:				
Stockholder's equity:				
Accumulated other comprehensive income	266.8	234.9	31.9	13.6%
Retained earnings	2,524.8	2,384.2	140.6	5.9%
Total stockholder's equity	2,791.6	2,619.1	172.5	6.6%
Total liabilities and equity	$ 38,891.4	40,366.8	(1,475.4)	(3.7%)

Securities Available-for-Sale, at Fair Value: Fixed Maturity. We have diversified our investment portfolio to limit exposure to any single industry, issuer or asset type. The maximum exposure to a single industry, issuer or asset type is limited to a set percentage of the securities portfolio. These limits are reviewed on a regular basis and modified as necessary to reflect changing market conditions for the industry, issuer or asset type by our Investment Management Committee and the Investment Review Committee of the Board of Directors. As a result of our diversification efforts, the risk of adverse events affecting a single industry, issuer or asset type having a material negative impact on the portfolio has been minimized.

Securities available-for-sale, at fair value: fixed maturity increased by $217.7 million from December 31, 2019 to June 30, 2020. This increase was primarily due to:

- Increase in unrealized gains of $144.5 million from a decrease in interest rates as measured by the 10 year Treasury The 10 year treasury has gone from 1.92% at December 31, 2019 to 0.65% at June 30, 2020.

- Future policy benefits and claims, excluding guaranteed benefits on annuities, increased $183.2 million from the sales of fixed products. The sale of these products produced funds that were invested in fixed maturities available-for-sale.

Mortgage loans on real estate, net: Mortgage loans decreased $14.3 million from December 31, 2019 to June 30, 2020. Current economic conditions brought on by the COVID-19 pandemic have decreased the mortgage loan balance by the Company receiving cash flows for principal payments that exceed the origination of new mortgage loans. Mortgage loans consist of commercial mortgage loans originated in the United States and residential mortgage loans originated in Chile. Mortgage loans are collateralized by the underlying properties. Collateral on mortgage loans must meet or exceed 125% of the loan at the time the loan is made.

Policy loans: Policy loans increased $61.3 million or 7.0% from December 31, 2019 to June 30, 2020. Policy loans vary with total reserves. Net level reserves on whole life and term increased 5.1% from December 31, 2019 to June 30, 2020. The period over period increase in net level reserves was the primary driver of the increase in policy loans.

Other long-term investments. Other long-term investments increased $39.3 million from December 31, 2019 to June 30, 2020. The large portion of the increase is primarily due to a $48.6 million increase in swaptions, partially offset by a $17.7 million decrease in call options. The swaptions gained in value because the 10 year swap rate fell by 127 basis points due to the impact of COVID-19 pandemic. The swaptions gain value as the rates decline. The call options decreased in value due to the market decline in 2020 resulting from the pandemic.

Short-term Investments Securities Lending Collateral. Short-term investments securities lending collateral decreased $100.5 million from December 31, 2019 to June 30, 2020. The decrease was a result of the Company electing to place fewer securities out on loan in order to mitigate any additional liquidity risks brought on by the COVID-19 global pandemic.

Short-term Investments and *Cash.* Liquidity needs are managed through both short-term investments and cash. We maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. The majority of our short-term investments consist of money market funds. Cash includes funds used to operate our hedge program and cash equivalents that consist of U.S. Treasury notes, commercial paper, and reverse repurchase agreements. Short-term investments and cash increased $380.0 million from December 31, 2019 to June 30, 2020. The Company increased its' short-term investments and cash in order to maintain a high level of liquidity due to financial effects of the COVID-19 global pandemic on the market place.

Deferred Policy Acquisition Costs. The recoverable costs of acquiring new business, principally commissions, certain expenses of the policy issue and underwriting department and certain variable sales expenses that relate to and vary with the production of new and renewal business have been capitalized as DAC. DAC is subject to recoverability testing in the year of policy issuance and loss recognition testing at the end of each reporting period. For traditional nonparticipating life insurance products, DAC is amortized with interest over the premium paying period of the related policies in proportion to premium revenue. Such anticipated premium revenue is estimated using the same assumptions as used for computing liabilities for future policy benefits. For traditional participating life insurance products, DAC is amortized in proportion to gross margins of the related policies. Gross margins are determined for each issue year and are equal to premiums plus investment income less death claims, surrender benefits, administrative costs, expected policyholder dividends and the increase in reserve for future policy benefits.

For investment and universal life products, DAC is amortized with interest over the lives of the policies in relation to the present value of the estimated future gross profits from projected interest margins, asset fees, cost of insurance charges, policy administration fees, surrender charges and net realized gains and losses less policy benefits and policy maintenance

expenses. DAC for participating life and investment and universal life business is adjusted to reflect the impact of unrealized gains and losses on the related fixed maturity securities available for sale.

Changes in assumptions can have a significant impact on the amount of DAC reported for investment products and universal life insurance products and their related amortization patterns. In the event actual experience differs from assumptions or assumptions are revised, we are required to record an increase or decrease in DAC amortization expense ("DAC Unlocking"), which could be significant. In general, increases in the projected general and net separate account returns result in increased projected margins, may lower the rate of DAC amortization, while decreases in the projected general and net separate account returns and/or increases in lapse/surrender and/or mortality assumptions reduce projected margins, and may increase the rate of DAC amortization. Any resulting DAC unlocking adjustments are reflected currently in Ohio National's consolidated statements of income.

We offer certain sales inducements to policyholders. Sales inducements are product features that enhance the investment yield on a contract. We utilize the following sales inducements: (1) day-one bonuses, which increase the account value at inception and (2) enhanced yield options, which credit interest for a specified period in excess of rates currently being offered for other similar contracts. Sales inducement costs are deferred and amortized using the same methodology and assumptions used to amortize capitalized acquisition costs.

Deferred policy acquisition costs decreased $66.1 million or 3.9% from December 31, 2019 to June 30, 2020. The primary driver of the decrease in DAC is the $40.6 million decrease in annuities DAC due to the Company strategy to cease offering individual variable annuities and retirement plans products effective September 2018. Also driving the decrease in DAC is a $36.9 million decrease in Shadow DAC related to increase in unrealized gains on securities available for sale. See the tables below.

	June 30, 2020	December 31, 2019	$ Change	% Change
	(in millions)		(in millions)	
Whole life	$ 503.1	489.1	14.0	2.9%
Term	129.3	133.5	(4.2)	(3.1%)
Universal life	217.8	218.4	(0.6)	(0.3%)
Total life	850.2	841.0	9.2	1.1%
Variable annuities	846.9	878.2	(31.3)	(3.6%)
Fixed index annuities	33.8	42.3	(8.5)	(20.1%)
Group annuities	5.7	6.5	(0.8)	(12.3%)
Total annuities	886.4	927.0	(40.6)	(4.4%)
Individual disability insurance	29.7	27.1	2.6	9.6%
Latin America operations	7.7	8.1	(0.4)	(4.9%)
Shadow DAC	(160.7)	(123.8)	(36.9)	(29.8%)
Total deferred policy acquisition costs	$ 1,613.3	1,679.4	(66.1)	(3.9%)

		(in millions)
Deferred policy acquisition costs at December 31, 2019	$	**1,679.4**
Capitalized commissions/administrative expenses/sales inducements		68.3
Amortization including sales inducements		(97.6)
Shadow DAC		(36.8)
Deferred policy acquisition costs at June 30, 2020	$	**1,613.3**

Reinsurance Recoverable. Reinsurance recoverable increased $71.9 million from December 31, 2019 to June 30, 2020. The increase was primarily due to an increase in the fair value of the variable annuity reinsurance contract of $134.1 million. The increase in the variable annuity reinsurance contract was due to lower interest rates and declines in equities market. Offset by a $74 million decrease in life reinsurance recoverable as the Company's retention limit increases for the newer block of business. The Company's Life retention limits for 1994, 2006, and 2014 were $0.6 million, $1.0 million, and $2.0 million respectively.

Reinsurance Deposit Asset. Reinsurance deposit asset is a new line item for the period ended December 31, 2019. As a result of the new treaty with RGA, the Company is ceding a portion of its SPDA block of business to RGA. Per GAAP guidance, SPDA policies follow deposit accounting and not reinsurance accounting. The Company now has deposit assets of $860.2 million, a decrease of $45.6 million from December 31, 2019. The reinsurance deposit asset is reduced by the cash flows on the underlying business reinsured and increased by asset accretion over the life of the treaty or until the value of the asset reduces to zero.

Other Assets. Other Assets decreased $68.0 million, or 17.6%, from $386.4 million at December 31, 2019 to $318.4 million at June 30, 2020. The decrease is primarily due to a $21.7 million decrease in Barclays collateral receivable resulting from changes in market conditions in the Company's derivative activity. The underlying market value of the derivatives traded with the counterparties moved in Company's favor from Q4 2019 to Q2 2020, and the collateral held by the Company likewise increased the Company's liabilities and the receivable for collateral from counterparties decreased. There was also a decrease of $20.6 million in the reclass of the negative direct reserve for GMAB/GPP/GPA rider derivatives. Decrease in the G rider reserves were due to a decrease in VA separate account balance. In addition, there were settlements of premiums receivable in the amount of $10.0 million along with annuity rider charges in the amount of $9.3 million.

Deferred Federal Income Taxes and *Federal Income Tax Recoverable.* Deferred federal income tax liability net of federal income tax recoverable increased $42.5 million from a net liability of $121.5 million at December 31, 2019 to a net liability of $164.0 million at June 30, 2020. The primary drivers of the $42.5 million increase is an increase in federal income tax provision of $29.3 million and an increase in Other Comprehensive Income of $12.5 million due to FAS115 mark to market adjustment on fixed income securities recorded in other comprehensive income. The following table summarizes the components of such taxes for the periods indicated:

	December 31, 2019	Federal Income Tax Provision	Non Federal Income Tax Provision	Other Comprehensive Income	Cash Settlements	True-Ups/ Other	Net Change	June 30, 2020
Federal income tax	$ (17.8)	0.1	-	-	-	(0.4)	(0.3)	(18.1)
Deferred federal income	139.3	29.2	-	12.5	-	1.1	42.8	182.1
Net federal income tax	$ 121.5	29.3	-	12.5	-	0.7	42.5	164.0

Assets Held in Separate Accounts and *Liabilities Related to Separate Accounts.* Separate account assets and liabilities decreased $1,947.7 million from December 31, 2019 to June 30, 2020, as shown in the table below.

		(in millions)
Separate account assets at December 31, 2019	$	**19,926.1**
Net Appreciation		(873.6)
Fund transfers, net		(1,074.1)
Separate account assets at June 30, 2020	$	**17,978.4**

2020 year-to-date separate account return was -2.2%

Equities and interest rates dropped during the first six months of 2020 due to the COVID-19 pandemic, giving negative separate account appreciation and thus causing a drop in account value.

Future Policy Benefits and Claims. Future policy benefits and claims were $16,065.2 million at June 30, 2020, an increase of $340.4 million from $15,724.8 million at December 31, 2019. The following table summarizes the significant components of future policy benefits and claims.

	June 30, 2020	December 31, 2019	$ Change	% Change
	(in millions)		(in millions)	
Account value on UL	$ 4,058.8	4,046.6	12.2	0.3%
Account value on annuities	4,285.6	4,305.2	(19.6)	(0.5%)
Guaranteed benefits on annuities	1,348.7	1,191.5	157.2	13.2%
Net level reserves on whole life and term	4,868.0	4,629.7	238.3	5.1%
Net level reserves on DI	279.0	281.5	(2.5)	(0.9%)
Latin America reserves	995.5	1,074.9	(79.4)	(7.4%)
Domestic policy & contract claims	122.4	121.7	0.7	0.6%
Domestic shadow reserve	84.0	31.7	52.3	N/M
Other	23.2	42.0	(18.8)	(44.8%)
Total future policy benefits and claims	$ 16,065.2	15,724.8	340.4	2.2%

The $157.2 million increase in guaranteed benefits on annuities reserves was primarily due to an increase in non-performance risk due to increase in credit spreads across the industry as a result of the downturn in the equity markets and the drop in interest rates during the first quarter of 2020.

Net level reserves on whole life and term increased $238.3 million from $4,629.7 million at December 31, 2019 to $4.868.0 million at June 30, 2020. The increase in net level reserves on whole life and term was due to current year premiums being greater than reserves released on surrenders and lapses as a result of favorable persistency and mortality on the block of business.

Latin America reserves decreased $79.4 million from $1,074.9 million at December 31, 2019 to $995.5 million at June 30, 2020. The decrease in Latin America reserves were primarily caused by a decrease in the value of the Chilean peso relative to the US dollar.

Notes Payable net of Unamortized Discount and Issuance Costs. Notes payable were $975.5 million at June 30, 2020 and $953.9 million at December 31, 2019. The following table summarizes notes payable outstanding.

	June 30, 2020	December 31, 2019	$ Change	% Change
	(in millions)		(in millions)	
Surplus notes:				
6.875% fixed rate due 2042	$ 250.0	250.0	-	0.0%
5.000% fixed rate due 2031	4.0	4.0	-	0.0%
5.800% fixed rate due 2027	5.9	5.9	-	0.0%
8.500% fixed rate due 2026	49.9	49.9	-	0.0%
Debt issuance costs	(2.5)	(2.6)	0.1	3.8%
Senior notes:				
6.625% fixed rate due 2031	247.5	247.4	0.1	0.0%
5.550% fixed rate due 2030	420.7	-	420.7	N/M
Term notes:				
167.5 BPS plus LIBOR rate term loan due 2022	-	399.3	(399.3)	(100.0%)
Notes payable net of unamortized discount	$ 975.5	953.9	21.6	2.3%

In January 2020, the Company issued a $425.0 million, 5.550% fixed rate senior note due January 24, 2030. The proceeds of this note were used to retire the term loan issued during 2019.

Other Liabilities. Other liabilities decreased $13.6 million, or 2.5% from $543.4 million at December 31, 2019 to $529.8 million at June 30, 2020.

Payables for Securities Lending Collateral. The decrease in payables for securities lending collateral of $100.5 million was due to the Company electing to put fewer securities out on loan in order to mitigate any additional liquidity risks brought on by the COVID-19 global pandemic.

Accumulated Other Comprehensive Income. The following table summarizes, in millions, the components of the $31.9 million increase in accumulated other comprehensive income from December 31, 2019 to June 30, 2020.

Accumulated other comprehensive income at December 31, 2019	$	**234.9**
Other comprehensive income:		
Unrealized gains on securities available for sale, net		144.5
Deferred acquisition costs (shadow DAC)		(36.8)
Unearned front end loads (shadow UFEL)		8.9
SOP 03-1 reserves (shadow SOP 03-1)		(8.5)
Pensions liability adjustment		1.5
Future policy benefits and claims (shadow reserves)		(52.3)
Foreign currency translation adjustment		(12.9)
Deferred income taxes		(12.5)
Total other comprehensive income		31.9
Accumulated other comprehensive income at June 30, 2020	$	**266.8**

Liquidity, Asset/Liability Matching, and Capital Resources

Liquidity and capital resources both demonstrate our ability to generate cash flows from operations. Effectively managing our liquidity and capital resources contributes to the financial strength of the Company and our ability to borrow funds at competitive rates to meet operating and growth needs. Management reviews the Company's liquidity position on a regular basis and monitors internal and external factors and events that could have a bearing on liquidity.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Historically and in the long term, our investment philosophy is to generally remain fully invested in assets with maturities and yields that we believe are reasonably matched to our product liabilities. As assets mature, are redeemed or are sold, we evaluate the available investment alternatives and reinvest according to existing and expected product liabilities and expected cash needs.

Our liquidity needs vary by business segment. Factors that affect each business segment's need for liquidity include interest rate levels, customer type, termination or surrender charges, federal income taxes, benefit levels and level of underwriting risk. Our asset/liability management process takes into account the varying liquidity needs of our various business segments. We also recognize the need for funding sources that go beyond the business segments' most stable and fundamental sources, premium collection and investment income, and maintains other sources of liquidity to meet unexpected needs. Funding alternatives that can be accomplished quickly, with the least cost and with the least disruption to normal Company activities, are given the highest priority.

Cash and Short-Term Investments

Our principal capital resources are derived from insurance premiums, deposits to policyholder account balances, investment income, sales, maturities, calls and principal repayments of investments and cash flows from other operations. The principal uses of these funds are investment purchases, payment of policy acquisition costs, payment of policyholder benefits, withdrawal of policyholder account balances, taxes, payment of current operation expenses, and dividends paid to parent. Remaining funds not used as noted above are generally used to increase the asset base to provide funds to meet the need for future policy benefit payments and for writing new business. Total cash and short-term investments were $881.7 million as of June 30, 2020, an increase of $380.0 million from December 31, 2019. Cash increased in the first half of 2020 primarily due to the Company's decision to implement its liquidity plan ensuring we maintain a high level of liquidity as a result of the uncertainty around the COVID-19 pandemic.

In addition to cash, cash equivalents and short-term investments, we also have a large available-for-sale fixed maturity portfolio that could be used to meet liquidity needs. This portfolio consists of U.S. Treasury securities and obligations of the U.S. Government, obligations of states and political subdivisions, debt securities issued by foreign governments, corporate securities, mortgage-backed securities and asset backed securities.

Additional sources of liquidity for Ohio National Financial include (a) a revolving credit facility with a syndicate of banks and the membership of Ohio National Life and Ohio National Assurance in the FHLB and (b) a revolving credit facility with a syndicate of banks.

Revolving Credit Facility

The Company entered into a five year $900.0 million credit facility, line and letter of credit, effective March 2018. The Company utilized $525.0 million and $565.0 million of this facility as of June 30, 2020 and December 31, 2019 to secure a letter of credit for Sycamore Re with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

The Company utilized $125.0 million and $110.0 million of this facility as of June 30, 2020 and December 31, 2019, respectively, to secure a letter of credit for Sycamore Re, with Ohio National Life as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

In December 31, 2019, the Company entered into a $50.0 million, 364-Day letter of credit facility with two banks in order to support the reserve requirements of Sycamore Re, Ohio National Life and Sunrise Re. Ohio National Life and Sunrise Re are the only beneficiaries of the related letters of credit. The Company utilized $30.0 million of this facility as of December 31, 2019 to secure a letter of credit for Sycamore Re, with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

In March 2020, the Company entered into a $200.0 million, 364-day letter of credit facility with four banks in order to support the reserve requirements of Sycamore Re., Ohio National Life and Sunrise Re. In June 2020, an additional $100.0 million was added with two additional banks, for a total of $300.0 million in credit facility. Ohio National Life and Sunrise Re are the only beneficiaries of the related letters of credit. The Company utilized $300.0 million of this facility as of June 30, 2020 for Sycamore Re, with Sunrise Re as the beneficiary, in order to recognize reserve credit under statutory accounting principles.

Other Liquidity Sources

During 2017, ONSA obtained a new $10.0 million line of credit. The line of credit is for loans for general corporate purposes and is annually renewable. The outstanding balance was $1.4 million and $1.7 million as of June 30, 2020 and December 31, 2019, respectively.

Ohio National Life and Ohio National Assurance are members of the FHLB. As of June 30, 2020, Ohio National Life and Ohio National Assurance had issued $425.0 million and $100.0 million, respectively, in funding agreements to the FHLB. We utilize funding agreements primarily as a source of additional liquidity, but can also be used as an alternative funding source for our spread lending business. The funding agreement liabilities are included in policyholder account balances. Assets are in a custodial account pledged as collateral for the funding agreements or are pledged under a blanket security agreement. The funding agreements were issued through our general account and were included in the liability for deposit funds on Ohio National's consolidated statement of financial condition. When a funding agreement is issued, Ohio National Life and Ohio National Assurance are required to post collateral in the form of eligible securities including MBS, government and agency debt instruments and commercial mortgages, for each of the advances that are entered. Upon any event of default by Ohio National Life or Ohio National Assurance, the FHLB's recovery on the collateral is limited to the amount of our liability to the FHLB. The amount of our liability for funding agreements to the FHLB was $425.0 million and $100.0 million as of June 30, 2020 and $350.0 million and $100.0 million as of December 31, 2019 for Ohio National Life and Ohio National Assurance, respectively. The book value of collateral pledged by Ohio National Life and Ohio National Assurance for the funding agreements was $658.2 million as of June 30, 2020 and $492.2 million as of December 31, 2019. Ohio National Life and Ohio National Assurance are required to maintain a specified investment in the stock of FHLB and must purchase stock in the FHLB each time it receives an advance. As of June 30, 2020, Ohio National Life and Ohio National Assurance held $52.1 million of FHLB stock, which is recorded in equity securities and comprises 14.1% of our equities portfolio. As of June 30, 2020, Ohio National Life and Ohio National Assurance's membership in the FHLB allows us to take total advances up to $1 billion.

We believe our ability to take advances from the FHLB can be viewed as a redundant layer of liquidity protection to our policyholders. Our liquidity stress testing assumes high cash demands coupled with severely depressed market values for the assets we need to liquidate to meet these demands. These are conditions that might be experienced in times of economic stress coupled with rapidly rising interest rates. The ability to meet such severe circumstances by maintenance of proper asset-liability matching coupled with a redundant outlet provided by the FHLB ensures we can meet our obligations while minimizing harm to our own financial health

Mutual Holding Company Structure and Holding Company Information

We converted to a mutual holding company structure in 1998. Ohio National Mutual, a mutual insurance holding company, owns 100% of the outstanding common stock of Ohio National Financial, an intermediate stock holding company. Ohio National Life is a stock life insurance company wholly owned by Ohio National Financial. Ohio National Financial believes that its mutual structure distinguishes it from most of its competitors by allowing it to focus on Ohio National Financial's long-term financial strength and stability as well as the needs of its policyholders rather than on short-term earnings.

Current and future eligible policyholders of Ohio National Life have the right to vote at annual meetings of Ohio National Mutual and to elect the Board of Directors of Ohio National Mutual. Policyholders of Ohio National Assurance, an Ohio corporation and a wholly owned subsidiary of Ohio National Life, do not have membership interests in Ohio National Mutual.

A number of aspects of Ohio National's structure and its relationship with Ohio National Mutual and Ohio National Life are governed by Ohio law relating to the conversion of mutual insurance companies, by the terms of the Plan of Reorganization and by the Undertakings. These requirements and undertakings provide Ohio National Mutual with control of Ohio National Financial beyond that resulting from Ohio National Mutual's voting power.

In connection with the conversion to the mutual holding company structure, we established the Closed Block, which is primarily for the benefit of individual life insurance policies in effect on August 1, 1998 on which dividends were being

paid. The Closed Block was designed to give reasonable assurance to the owners of the Closed Block policies that our basis for declaring policy dividends would not be changed as a result of the conversion. We assigned assets to the Closed Block in an amount that, together with anticipated revenues from the policies in the Closed Block, was expected to generate cash inflows sufficient to support the Closed Block policies, including the payment of claims and certain expenses and taxes, and to provide for continuation of the 1998 dividend scale, assuming the experience underlying that scale continues unchanged. However, dividends on policies in the Closed Block are not guaranteed and, as a result of changes in the cash flows of the Closed Block, the dividend scale on the policies in the Closed Block has been reduced on occasion. We are not required to support dividends on the Closed Block policies from our general funds. We are required to pay guaranteed benefits under all of our policies, including those in the Closed Block. If the assets and cash flows of the Closed Block prove to be insufficient to pay guaranteed benefits on Closed Block policies, we will be required to pay those benefits from our general account assets. The Closed Block will continue in effect until the earlier of the termination or expiration of the last Closed Block policy or the dissolution of the Closed Block. The amount of reserves related to the Closed Block was $554.9 million as of June 30, 2020 and $562.1 million as of December 31, 2019.

The payment of dividends by ONLIC to ONFS and ONLAC to ONLIC is limited by Ohio insurance laws. The maximum dividend that may be paid to ONFS from ONLIC and to ONLIC from ONLAC without prior approval of the Department of Insurance is limited to the greater of ONLIC's or ONLAC's statutory net income of the preceding calendar year or 10% of statutory surplus as of the preceding December 31. Any dividend that exceeds the earned surplus of ONLIC or ONLAC, even if it is within the above parameters, would be deemed extraordinary under Ohio law.

	ONLIC to ONFS		ONLAC to ONLIC	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	(in millions)		(in millions)	
Maximum ordinary dividends	$ 102.0	102.0	63.0	36.0
Extraordinary dividends	-	-	-	75.0
Dividends declared	$ 25.0	55.0	6.0	106.0
Dividends paid	$ 25.0	55.0	6.0	106.0

Notes Payable

Surplus Notes

In June 2012, ONLIC issued a $250.0 million, 6.875% fixed rate surplus note due June 15, 2042. Interest on this surplus note is payable semi-annually on June 15 and December 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In December 2011, ONLIC issued a $4.5 million, 5% fixed rate surplus note to Security Mutual Life Insurance Company of New York ("SML"), as payment for the purchase of additional shares of NSLAC. This note matures on December 15, 2031. Interest on this surplus note is payable semi-annually on December 15 and June 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In April 2007, ONLIC issued a $6.0 million, 5.8% fixed rate surplus note to SML, as payment for the purchase of a portion of the shares of NSLAC. This note matures on April 1, 2027. Interest on this surplus note is payable semi-annually on April 1 and October 1. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

In May 1996, ONLIC issued $50.0 million, 8.5% fixed rate surplus note, due May 15, 2026. Interest on this surplus note is payable semi-annually on May 15 and November 15. ONLIC may redeem this surplus note at its option. This surplus note is unsecured and subordinated to all present and future indebtedness and policy claims of ONLIC.

The surplus notes have been issued in accordance with Section 3941.13 of the Ohio Revised Code. Interest payments, scheduled semi-annually, must be approved for payment by the Ohio Department of Insurance ("Department"). All issuance costs have been capitalized and are being amortized over the terms of the notes.

Senior Notes

In April 2011, ONFS issued a $250.0 million, 6.625% fixed rate senior note due May 1, 2031. Interest is payable semi-annually on May 1 and November 1. ONFS may redeem this senior note at its option.

In April 2010, ONFS issued a $300.0 million, 6.375% fixed rate senior note due April 30, 2020. Interest was payable semi-annually on April 30 and October 30. ONFS redeemed this note April 10, 2019.

In January 2020, the Company issued a $425.0 million, 5.550% fixed rate senior note due January 24, 2030. The proceeds of this note were used to retire the term note issued during 2019.

The senior notes are obligations of ONFS and are not subject to Department approval for payments of principal or interest. Claims of the policyholders of ONLIC and ONLAC have priority over these senior notes if either company is unable to pay policyholder claims.

Term Notes

In April 2019, ONFS issued a $400.0 million, 150 BPS plus LIBOR rate term note due April 5, 2022 with an option to extend one year. This loan was retired in January 2020 with the issuance of a new senior note as discussed above.

Statutory Capital and Surplus

Ohio law requires that Ohio-domiciled life insurers submit to the Ohio Department of Insurance on or before March 1 of each year a report of their RBC levels as of the end of the calendar year just ended based on a formula calculated by applying factors to various asset, premium and reserve items, in accordance with the instructions published by the NAIC (the "RBC Instructions") and adopted by the Ohio Department of Insurance by rule. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, other business risks and such other relevant risks as are set forth in the RBC Instructions. The Ohio Department of Insurance uses the formula only as an early warning regulatory tool to identify possibly inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. Ohio law imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the Ohio Department of Insurance as to the use and publication of RBC data.

Ohio law gives the Ohio Department of Insurance explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital ("TAC") does not exceed certain RBC thresholds. RBC thresholds are determined by reference to an insurer's TAC and authorized control level RBC ("ACL"). An insurer's TAC is its statutory capital and surplus, increased or decreased by such other items, if any, as the RBC Instructions may provide. The RBC Instructions detail required weightings and adjustments to an insurer's TAC depending on its overall risk profile, including the insurer's particular asset risk, insurance risk, interest rate risk and other business risk. An insurer's ACL is determined pursuant to the RBC Instructions and is a level of risk-adjusted capital at which a state insurance regulator may seek rehabilitation or liquidation of the insurer. The value of an insurer's TAC in relation to its ACL, together with any trend in its TAC, is used as a basis for determining regulatory actions that a state insurance regulator may be authorized or required to take with respect to the insurer.

In addition to the triggers based on an insurer's TAC, certain other triggers can constitute RBC events. Such triggers include failure to comply with certain filing requirements, submission of an RBC Plan that is found to be unacceptable or unsatisfactory by the Ohio Department of Insurance, deviation from an RBC Plan, failure to respond to a corrective order and other triggers as specified under Ohio law.

The NAIC has recently adopted several changes to the formula used to calculate RBC for life insurance companies to account for the effects of the Tax Cuts and Jobs Act of 2017, specifically focusing on changes to the RBC ratio denominator in order to reflect the corporate tax rate decrease from 35% to 21%. These changes, which became effective for life insurance company RBC calculations as of December 31, 2018, have increased required capital, which in turn have decreased the statutory RBC ratios of U.S. life insurance companies, including certain of our insurance subsidiaries.

Our primary life insurance subsidiary, ONLIC, had total adjusted capital and authorized control level risk based capital as follows (dollars in millions):

		December 31, 2019	December 31, 2018	December 31, 2017
Total adjusted capital	$	1,137.2	1,102.1	1,182.1
Authorized control level	$	111.1	119.0	111.0

State regulators and rating agencies do not always use the same methodologies for calculating RBC ratios. There is a risk that a rating agency will not give us credit for certain regulatory RBC rules or permitted practices, which could result in a reduced rating even though the our RBC ratio and those of our insurance subsidiaries remain high based upon state regulatory rules and practices.