FGH Parent, L.P.
Consolidated Financial Statements
As of and for the years ended December 31, 2023 and 2022

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Report of Independent Auditors

To the Board of Directors of FGH Parent, L.P.

Opinion

We have audited the accompanying consolidated financial statements of FGH Parent, L.P. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in owners' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

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intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information for the years ended December 31, 2022, and prior and the average annual percentage payout of incurred losses by age, net of reinsurance, as of December 31, 2023, on pages 57–63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Nashville, Tennessee
March 28, 2024

FGH Parent, L.P.
Consolidated Balance Sheets
(in millions, except units data)

	December 31,	
	2023	**2022**
Assets:		
Investments:		
Funds withheld - directly managed, at fair value	$ 41,673	$ 33,003
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: $19,965 and $2,274 as of December 31, 2023 and 2022, respectively) (allowance for credit losses of $38 as of December 31, 2023)	20,253	1,687
At fair value	10,344	8,935
Equity securities, at fair value	—	175
Mortgage loans, at fair value	1,318	334
Other invested assets (includes $141 and $178 of assets measured at fair value as of December 31, 2023 and 2022, respectively)	2,011	1,969
Short term investments	70	262
Total investments	75,669	46,365
Cash and cash equivalents	3,064	2,216
Accrued investment income	361	98
Deferred cost of reinsurance contracts	3,832	279
Deferred income taxes, net	2,235	2,554
Deposit asset, at fair value	438	607
Reinsurance receivables (includes $128 and $253 of assets measured at fair value as of December 31, 2023 and 2022, respectively)	334	463
Funds withheld by ceding companies	160	238
Other assets	549	382
Separate account assets, at fair value	23,871	23,601
Total assets	**$ 110,513**	**$ 76,803**

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Balance Sheets (continued)
(in millions, except units data)

	December 31,	
	2023	2022
Liabilities and Equity		
Liabilities:		
Future policy benefits	$ 41,647	$ 26,995
Policyholder contract deposits (includes $252 and $0 of liabilities measured at fair value as of December 31, 2023 and 2022 respectively)	28,300	12,146
Insurance liabilities, at fair value	5,004	5,546
Value of business acquired	3,617	3,824
Unpaid losses and loss adjustment expenses	3,168	3,613
Debt	1,491	745
Reinsurance payable	988	796
Loaned securities and repurchase agreements	968	417
Deferred gain from reinsurance contracts	800	699
Derivative liabilities	92	200
Collateral deposit liability	129	181
Accrued and other liabilities	447	334
Separate account liabilities, at fair value	23,871	23,601
Total liabilities	110,522	79,097
Contingencies and commitments (Note 11)		
Equity:		
Owners' equity - 2,120,572 and 1,560,036 units issued and outstanding as of December 31, 2023 and 2022, respectively	5,291	4,234
Retained earnings (deficit)	(5,257)	(6,179)
Accumulated other comprehensive income (loss)	(43)	(349)
Total equity (deficit)	(9)	(2,294)
Total liabilities and equity	**$ 110,513**	**$ 76,803**

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Income (Loss)
(in millions)

	Year Ended December 31,	
	2023	**2022**
Revenues:		
Premiums	$ 245	$ 244
Policy charges and fee income	722	449
Net investment income	2,523	2,093
Change in fair value of funds withheld - directly managed	1,996	(8,688)
Investment gains (losses)	(933)	(3,113)
Foreign exchange gains (losses)	(103)	32
Asset management and service fees	91	71
Other income	85	87
Total revenues	4,626	(8,825)
Benefits and expenses:		
Policyholder benefits and changes in fair value of insurance liabilities	2,193	(112)
Interest credited to policyholder account balances	449	321
General operating and other expenses	616	538
Goodwill impairment	93	—
Interest expense	66	31
Total benefits and expenses	3,417	778
Income (loss) before income tax expense (benefit)	1,209	(9,603)
Income tax expense (benefit)	252	(1,986)
Net income (loss)	**$ 957**	**$ (7,617)**

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Comprehensive Income (Loss)
(in millions)

	Year Ended December 31,	
	2023	2022
Net income (loss)	$ 957	$ (7,617)
Other comprehensive income (loss), before income tax expense (benefit):		
Change in unrealized investment gains (losses)	864	(576)
Change in own-credit risk related to insurance liabilities	(223)	140
Change in additional insurance liability	(301)	—
Total other comprehensive income (loss), before income tax expense (benefit)	340	(436)
Income tax expense (benefit) related to other comprehensive income (loss)	(69)	92
Total other comprehensive income (loss), net of income tax expense (benefit)	271	(344)
Comprehensive income (loss)	**$ 1,228**	**$ (7,961)**

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Changes in Owners' Equity
(in millions)

	For the Years Ended December 31, 2023 and 2022			
	Owners' Equity	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Owners' Equity (Deficit)
Balance, December 31, 2021	$ 3,185	$ 1,438	$ (5)	$ 4,618
Contributed capital	1,049	—	—	1,049
Net income (loss)	—	(7,617)	—	(7,617)
Other comprehensive income (loss)	—	—	(344)	(344)
Balance, December 31, 2022	4,234	(6,179)	(349)	(2,294)
Cumulative effect of adoption of ASU 2016-03, *Current Expected Credit Loss*	—	(35)	35	—
Contributed capital	1,050	—	—	1,050
Net income (loss)	—	957	—	957
Share-based compensation	7	—	—	7
Other comprehensive income (loss)	—	—	271	271
Balance, December 31, 2023	**$ 5,291**	**$ (5,257)**	**$ (43)**	**$ (9)**

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Cash Flows
(in millions)

	Year Ended December 31,	
	2023	**2022**
Cash flows provided by (used in) operating activities		
Net income (loss)	$ 957	$ (7,617)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of value of business acquired	(207)	(229)
Amortization of deferred gain (cost) from reinsurance contracts	48	51
Change in fair value, other invested assets	(144)	—
Investment (gains) losses	331	2,059
Deferred income tax expense (benefit)	280	(2,122)
Net foreign exchange gains (losses)	103	(32)
Goodwill impairment	93	—
Share-based compensation	7	—
Other, net	(87)	(57)
Changes in operating assets and liabilities:		
Funds withheld - directly managed, at fair value	124	11,069
Future policy benefits	1,235	(669)
Policyholder contract deposits	(543)	(256)
Insurance liabilities, at fair value	(568)	(7,750)
Deposit asset, at fair value	169	1,989
Unpaid losses and loss adjustment expenses	(408)	171
Deferred gain from reinsurance contracts	106	111
Deferred cost of reinsurance contracts	154	(126)
Income taxes	(81)	295
Reinsurance receivable and payable, net	712	4,706
Funds withheld by ceding companies	78	(238)
Derivatives, net	(930)	(276)
Other, net	(205)	47
Net cash provided by (used in) operating activities	1,224	1,126
Cash flows provided by (used in) investing activities		
Proceeds from the sale, maturities, and prepayments of:		
Fixed maturity securities, available for sale	2,356	488
Fixed maturity securities, at fair value	2,751	6,524
Mortgage loans	225	6
Other invested assets	542	199
Short term investments	382	731
Purchases of:		
Fixed maturity securities, available for sale	(4,141)	(374)
Fixed maturity securities, at fair value	(4,383)	(11,214)
Equity securities	—	(11)
Mortgage loans	(1,236)	(341)
Other invested assets	(810)	(1,194)
Short term investments	(135)	(371)
Acquisition of subsidiaries, net of cash acquired (Note 2)	—	(217)
Other, net	3	(2)
Net cash provided by (used in) investing activities	(4,446)	(5,776)

FGH Parent, L.P.
Consolidated Statements of Cash Flows (continued)
(in millions)

	Year Ended December 31,	
	2023	**2022**
Cash flows provided by (used in) financing activities		
Repayment of debt obligations	(141)	(350)
Debt issuance proceeds	887	850
Capital contributions	1,050	1,049
Cash collateral for loaned securities	(106)	(99)
Deposits received for investment-type policyholder contract deposits	2,631	4,643
Withdrawals from investment-type policyholder contract deposits	(883)	(417)
Drafts outstanding	19	(7)
Repurchase agreements	604	300
Net cash provided by (used in) financing activities	4,061	5,969
Effect of foreign exchange rate changes on cash and cash equivalents	9	(98)
Net increase (decrease) in cash and cash equivalents during the period	848	1,221
Cash and cash equivalents at the beginning of the period	2,216	995
Cash and cash equivalents at the end of the period	**$ 3,064**	**$ 2,216**

Supplemental Disclosures of Cash Flow Information	**2023**	**2022**
Cash paid during the period for:		
Interest	62	18
Taxes, net of refunds	47	67
Non-cash transactions:		
Premiums and deposits on policies reinsured through funds withheld arrangements	364	271
Claims, withdrawals and surrenders on policies reinsured through funds withheld arrangements	2,874	2,634
Funds withheld assets received at inception of reinsurance agreements	(8,860)	—
Investments including accrued interest income received at inception of reinsurance agreements	(15,537)	—
Deferred cost of reinsurance at inception of reinsurance agreements	(3,797)	—
Insurance and other liabilities assumed at inception of reinsurance agreements	28,194	—
Net transfer of securities from (to) funds withheld arrangements[1]	131	558

[1] Balance includes $619 million of other invested assets transferred into funds withheld arrangements at inception of reinsurance agreements for the year ended December 31, 2023. The Company did not have any assets transferred into funds withheld arrangements at inception of reinsurance arrangements for the year ended December 31, 2022.

In addition, during the year ended December 31, 2023 and 2022 the Company had novations related to variable-indexed annuities under the reinsurance agreement with Pruco Life Insurance Company ("Pruco Life"), a subsidiary of Prudential Financial, Inc., ("Prudential Financial") that resulted in non-cash transactions of $491 million and $4,635 million of investments with a corresponding offset of ($491) million and ($4,635) million related to the modified coinsurance payable, which is presented on a net basis with the reinsurance receivables in the consolidated statements of cash flows and consolidated balance sheets. Refer to Note 7.

Also during the year ended December 31, 2023, Fortitude Life Insurance & Annuity Company ("FLIAC") received a net $52 million of fixed maturity securities as collateral on a non-cash basis, related to liabilities associated with repurchase agreement.

See accompanying Notes to Consolidated Financial Statements.

1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

FGH Parent, L.P. (together with its subsidiaries, “FGP” or the "Company") is a Bermuda limited partnership. The Company is a multiline reinsurer that works with the world’s leading insurance companies, through its subsidiaries, to execute comprehensive, transformational solutions for legacy life, annuity and property and casualty ("P&C") products and provides current flow reinsurance business for the Company's customers and shareholders. In addition, the Company administers legacy life and annuity contracts that were issued to the individual market in the United States.

As of December 31, 2022, the Company was owned by Carlyle FRL, L.P. ("Carlyle FRL"), an investment fund advised by an affiliate of The Carlyle Group Inc. ("Carlyle"), an SEC-registered global investment firm, T&D United Capital Co., Ltd. ("T&D"), a wholly-owned subsidiary of T&D Holdings, Inc., a listed Japanese insurance group, and Corebridge Financial, Inc. ("Corebridge") following its initial public offering, an SEC-registered company, which owned interests in the Company of 71.28%, 25.93% and 2.79%, respectively. On October 2, 2023, a sovereign wealth fund (“SWF”) which previously held an indirect interest in the Company through Carlyle FRL, decided to exercise the option to become a direct owner of the Company. As of December 31, 2023, Carlyle FRL, SWF, T&D and Corebridge owned interests in the Company of 38.53%, 32.64%, 26.37% and 2.46%, respectively.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP"). All material intercompany transactions have been eliminated. All amounts are presented in U.S. dollars ("USD").

In December 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-12 *Definition of a Public Business Entity* which provides a single definition of the term 'public business entity'. The definition within ASU 2013-12 includes a business entity that is required to file or furnish financial statements with the U.S. Securities and Exchange Commission ("SEC"), including when financial statements are included in another entity's filing. As of December 31, 2019 and until June 2, 2020, 19.9% of the membership units of the Fortitude Group Holdings, LLC ("FGH") were owned directly by TC Group Cayman Investment Holdings, L.P. Subsequent to June 2, 2020 and through December 31, 2020, 19.9% of the membership units of FGP were owned indirectly by Carlyle, through Carlyle’s interest in Carlyle FRL. Carlyle is required under SEC Regulation S-X, Rule 3-09 ("Rule 3-09"), *Separate Financial Statements of Subsidiaries Not Consolidated and 50 Percent or Less Owned Person*, to file the Company's consolidated financial statements for the year ended December 31, 2022 on an unaudited basis within its Form 10-K for the year ended December 31, 2022.

The Company's consolidated financial statements and related disclosures have therefore been prepared in accordance with the Company's designation as a public business entity. As the Company is a public business entity solely because of the application of Rule 3-09, it is not required to adopt forthcoming accounting standards on the effective date applicable to SEC filers. Further, the Company is not required to apply existing accounting standards applicable only to public entities, including those set forth in ASC 280, *Segment Reporting*.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions when applying accounting policies that often involve a significant degree of judgment. The Company's accounting policies that are most dependent on the application of estimates and assumptions are those related to the determination of:

- Fair value measurements of investments including, derivatives and the Company's interest in funds withheld;
- Measurement of allowance for credit losses;
- Valuation of future policy benefits liabilities, including additional insurance liabilities ("AIL") for universal life-type contracts with secondary guarantee features, extent of loss recognition, if applicable and insurance liabilities, at fair value;
- Valuation of embedded derivatives for fixed index annuity ("FIA") products;
- Estimates of unpaid losses and loss adjustment expenses;

- Estimates of the remaining life of the underlying contracts, which is used as the basis for amortizing the value of business acquired ("VOBA"), deferred gains and deferred cost of reinsurance contracts;
- Estimates of the remaining life of the underlying contracts, which is used as the basis for amortizing deferred acquisition costs ("DAC") from long duration reinsurance contracts;
- Estimates of the timing and amount of future cash flows, which is used as a basis for amortizing the deferred gains and deferred cost of reinsurance contracts from the short duration reinsurance contracts and any related impairment;
- Estimates with respect to income taxes, including the valuation and recoverability of deferred income tax assets;
- Liabilities for legal contingencies, if any; and
- Estimates with respect to goodwill and other intangible assets and any related impairment.

Additional details regarding these and other estimates and assumptions are included within the significant accounting policies and other related disclosures that follow. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Company's consolidated financial condition, results of operations and cash flows could be materially affected.

Business Risks and Uncertainties

The Company's operations are influenced by many factors, including but not limited to, general economic conditions, regulatory changes, market risks normally associated with investments, the financial condition of the cedants and risks impacting insurance liabilities.

The Company is regulated by various state, federal and international regulatory authorities where it is licensed to do business. Future changes in regulatory requirements could have an unanticipated impact on the Company.

Liquidity, interest rate, foreign exchange and credit spread risks are all market risks. Liquidity risk is the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet short term cash, collateral or other obligations. Interest rate risk can arise from a mismatch in the interest rate exposure of assets compared to liabilities. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts and derivative contracts. Foreign exchange risk can arise from a mismatch in the foreign currency exposure of assets compared to liabilities. Changes in foreign exchange rates can affect the valuation of USD and non-USD denominated assets and liabilities. Credit spreads measure an instrument’s risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, asset-backed securities, mortgage-backed securities,credit derivatives and derivative credit valuation adjustments.

Market risk is monitored and managed using an asset-liability management framework. For both assets and liabilities, market risk exposures are measured in terms of sensitivities to changes in the relevant risk factors. In addition, the Company performs stress testing on these market risk factors to capture concentration risks to a single market risk factor change as well as simultaneous multiple market risk factor changes, to understand the net impact on exposure from impacts on both assets and liabilities.

The Company's insurance liabilities are exposed to policyholder behavior risk and mortality/longevity risk. Longevity risk is the risk of a change in value of a policy or benefit as a result of actual mortality experience being lower than the expected mortality assumed at the time of underwriting. The Company manages this risk through ongoing monitoring and assessment of such experience relative to underlying assumptions, which include those relative to mortality and morbidity.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. The Company reclassified current income tax receivable and goodwill & other intangibles to other assets on the consolidated balance sheets.

Revision of Prior Period Financial Statements

In conjunction with the preparation of the 2023 financial statements, Management identified an error in the 2022 Consolidated Statements of Cash Flows related to the classification of assets acquired as part of a reinsurance transaction. The error was determined to be immaterial. Management has revised the 2022 Consolidated Statement of Cash Flows presented herein. The impact of the revision is shown in the table below:

	Year Ended December 31, 2022		
	As Reported	Revision Adjustment	As Revised
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities:			
Funds withheld - directly managed, at fair value	$ 10,838	$ 231	$ 11,069
Net cash provided by (used in) operating activities	895	231	1,126
Cash flows provided by (used in) investing activities			
Purchases of:			
Fixed maturity securities, at fair value	(10,983)	(231)	(11,214)
Net cash provided by (used in) investing activities	(5,545)	(231)	(5,776)
Supplemental Disclosures of Cash Flow Information			
Non-cash transactions:			
Receipt of securities from funds withheld arrangements	$ 789	$ (231)	$ 558

Summary of Significant Accounting Policies

The following summarizes the Company's significant accounting policies.

Fair Value Option

The fair value option ("FVO") provides entities with an option to use fair value as the initial and subsequent accounting measurement for assets and liabilities that meet the definition of a financial asset or liability. The decision to elect the FVO is determined on an instrument-by-instrument basis and is applied to an entire instrument. The decision is irrevocable once elected. The Company has made this election for certain investments and insurance liabilities associated with specific reinsurance transactions, as it improves operational efficiency and better aligns the recognition and measurement of those investments and insurance liabilities, with the associated reinsurance activity with how the business is managed. Refer to the investments, reinsurance and insurance liabilities sections below and Notes 4 - 8 for more information on the Company's FVO elections.

Investments

Funds withheld - directly managed, at fair value: The Company has elected the FVO on the entirety of the funds withheld - directly managed, at fair value portfolio. Funds withheld - directly managed, at fair value represents a reinsurance receivable collateralized by segregated portfolios of investments maintained by the ceding companies. While the investments maintained in the funds withheld - directly managed, at fair value are legally owned by the ceding companies, the investments are separately identified from their general accounts and, pursuant to the contractual terms with those ceding companies, all realized and unrealized gains and losses and net investment income on the investments accrue to the Company. The Company is entitled to all economic rights and obligations on the collateral as if the Company held the investments directly. The Company, therefore, presents funds withheld - directly managed, at fair value within the total investments subheading on the consolidated balance sheets.

The Company reports the net investment income and investment gains (losses) arising from the underlying investments maintained within the funds withheld - directly managed, at fair value account in the same financial statement line that such investment income would have been recorded had the Company elected the FVO.

The change in fair value of funds withheld - directly managed, at fair value excludes the change in fair value of alternative investments collateralizing the funds withheld - directly managed, at fair value, which is recorded within net investment income.

The Company reinsures fixed index annuity contracts which contain features allowing policyholders the option to allocate contract value between a fixed interest rate strategy or an equity market strategy for which interest credited is based on the performance of certain stock market indices. The cedant hedges this risk and provides the benefit of the hedging program to the Company as part of the reinsurance settlement. The Company's participation in the derivative hedging program is reported in funds withheld at fair value, directly managed with unrealized fair value movements reported in change in fair value of funds withheld – directly managed, at fair value within the consolidated statements of income (loss).

Fixed maturity securities available for sale, at fair value: fixed maturity securities designated as available for sale ("AFS") are carried at fair value.

AFS fixed maturity securities are recorded on a trade-date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Interest income, including amortization of premium and accretion of discount, is determined using the effective yield method. Interest income amortization of premium, accretion of discount, and prepayment premiums are reported in net investment income in the consolidated statements of income (loss).

Yields on AFS fixed maturity securities are determined based on the fixed maturity type. Premiums and discounts arising from the purchase of bonds are treated as yield adjustments over their estimated holding periods, until maturity, or call date, if applicable. For investments in certain structured securities, recognized yields are updated based on current information regarding the timing and amount of expected undiscounted future cash flows. For high credit quality structured securities, effective yields are recalculated based on actual payments received and updated prepayment expectations, and the amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. For structured securities that are not of high credit quality, the structured securities yields are based on expected cash flows which take into account both expected credit losses and prepayments.

Unrealized gains (losses) and impairment - subsequent to adoption of Financial Instruments - Credit Losses ("CECL") on January 1, 2023: Unrealized gains and losses from AFS fixed maturity securities are reported as a separate component of accumulated other comprehensive income (loss) ("AOCI"), net of deferred income taxes, with changes in credit losses recognized in investment gains (losses).

On a quarterly basis, the Company reviews its AFS fixed maturity securities portfolio to determine whether a decline in fair value below amortized cost (i.e., impairment) of an AFS debt security is due to credit-related or noncredit-related factors. Any impairment that is not credit-related is recognized in other comprehensive income (loss). Credit related impairment is recognized in earnings through a contra-asset allowance account, unless the Company intends to sell before recovery. If the Company intends to sell the debt security, or it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the debt security's fair value. Accrued interest is excluded from the measurement of the allowance for credit losses.

When determining whether a credit loss exists, the Company estimates the expected credit losses based on a discounted cash flow method, using effective interest rates to discount the expected cash flows associated with each debt security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security. The methodology and inputs used to determine the credit loss by security type are as follows:

For Corporate, municipal and sovereign fixed maturity securities, the Company considers:

- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Scenarios specific to the issuer and the security, which may also include estimates of outcomes of corporate restructurings, political and macroeconomic factors, stability and financial strength of the issuer, the value of any secondary sources of repayment and the disposition of assets.

For structured fixed maturity securities (e.g., commercial mortgage backed securities ("CMBS"), collateralized debt obligations ("CDO") and asset-backed securities ("ABS")), the Company considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs, which vary by asset class:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

Unrealized gains (losses) and impairment - prior to adoption of CECL: Unrealized gains and losses from AFS fixed maturity securities, were reported as a separate component of AOCI, net of deferred income taxes.

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

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

Fixed maturity securities, at fair value: The Company's fixed maturity securities for which the FVO has been elected are reported on the consolidated balance sheets as fixed maturity securities at fair value. Realized and unrealized gains and losses on fixed maturity securities, at fair value are reported in investment gains (losses) on the consolidated statements of income (loss).

Fixed maturity securities at fair value are recorded on a trade-date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Interest income, including amortization of premium and accretion of discount, is determined using the effective yield method. Interest income amortization of premium, accretion of discount, and prepayment premiums are reported in net investment income in the consolidated statements of income (loss).

Equity securities, at fair value: The Company has elected the FVO on the entirety of the equity securities portfolio. Accordingly, realized and unrealized gains and losses on these investments are reported in investment gains (losses) on the consolidated statements of income (loss). Dividend income is reported on the ex-dividend date in net investment income.

Mortgage loans, at fair value: The Company has elected the FVO on the entirety of the residential and commercial mortgage loans portfolio. Realized and unrealized gains and losses on these investments are reported in investment gains (losses) on the consolidated statements of income (loss).

Private equity funds, limited partnerships and limited liability companies (“LPs/LLCs”): LPs/LLCs interests are accounted for using either the equity method of accounting, or at fair value if the Company elects the FVO. LPs/LLCs are recorded within other invested assets on the consolidated balance sheets. The Company uses the net asset value ("NAV"), a permitted practical expedient, as an estimate of fair value when the fair value is not readily available for the Company's LPs/LLCs. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three-month lag. Contributions to and distributions from these investments are recorded in the period in which the transaction occurred. Changes in fair value of other invested assets are reported in net investment income.

Policy loans: These investments represent funds loaned to policyholders up to the cash surrender value of the associated insurance policies and are carried at the unpaid principal balances due to the Company from the policyholders. Policy loans are recorded within other invested assets on the consolidated balance sheets. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned. Policy loans are fully collateralized by the cash surrender value of the associated insurance policies.

Derivative instruments: Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, values of securities or commodities, credit spreads, market volatility, expected returns, and liquidity. Values can also be affected by changes in estimates and assumptions, including those related to counterparty behavior and non-performance risk (“NPR”) used in valuation models. Derivative financial instruments generally used by the Company include swaps, futures, forwards and options and may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties, while others are bilateral contracts between the Company and a counterparty. Derivative positions are carried at fair value, generally by obtaining quoted market prices or a third-party valuation.

The Company uses currency derivatives to reduce exposure to foreign currency and equity risks associated with assets held or expected to be purchased or sold, and liabilities incurred or expected to be incurred.

The Company's derivatives do not qualify for hedge accounting. Accordingly, all realized and unrealized changes in fair value of derivatives are recorded in investment gains (losses) or foreign exchange gains (losses) on the consolidated statements of income (loss). Cash flows from derivatives are reported in the operating activities section in the consolidated statements of cash flows.

Derivatives are recorded either as assets, within other invested assets, or as liabilities, within derivative liabilities. The Company nets the fair value of all derivative financial instruments on the balance sheet where there is a master netting arrangement that has been executed and if the Company has the right of offset. Cash collateral posted in excess of derivative liabilities and cash collateral received in excess of derivative assets are recorded within other invested assets and accrued and other liabilities, respectively.

Short term investments: These investments primarily consist of highly liquid debt instruments with a maturity of twelve months or less and greater than three months when purchased. These investments are generally carried at fair value and include short term debt securities issued by government sponsored or corporate entities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, certain money market investments, funds managed similar to regulated money market funds and other debt instruments with maturities of three months or less when purchased.

Accrued Investment Income

Accrued investment income primarily includes accruals of interest and dividend income from investments that have been earned but not yet received.

Reinsurance

The Company assumes short duration and long duration insurance and investment contracts under funds withheld, coinsurance and modified-coinsurance funds withheld arrangements. Certain of the Company's long duration insurance and investment contracts are also ceded to third-party reinsurers. The Company follows reinsurance accounting for assumed and ceded transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must include both insurance risk consisting of both underwriting and timing risks, and a reasonable possibility of a significant loss. The mortality and timing risks related to certain life blocks of business, such as whole life ("WL"), return of premium ("ROP") term, universal life-type, structured settlements with life contingencies, single premium immediate annuities ("SPIA") with life contingencies, and pension risk transfer annuities with life contingencies were transferred to the Company and are subject to reinsurance accounting. The remaining blocks of life business, such as fixed annuities and structured settlements without life contingencies, lacked significant mortality risks, and thus could not achieve risk transfer. Accordingly, these reinsured contracts are subject to deposit accounting, rather than reinsurance accounting. The general insurance lines of business qualify to be accounted for as retroactive reinsurance.

Revenues, benefits and expenses are recorded net of amounts ceded to reinsurers. Reinsurance receivables, including ceded claim and insurance liabilities and contractual balances due from ceding companies, are recognized as assets and are determined using assumptions consistent with those of the underlying policies other than certain reinsurance receivables for which the Company has elected FVO as discussed below. Reinsurance payables include unpaid claims which are based upon estimates of payments to be made for claims incurred whether reported or unreported and net settlements due to ceding companies and reinsurers.

The Company has elected FVO for certain reinsurance ceded balances, which are as follows:

Reinsurance receivables: The Company has elected FVO on certain reinsurance ceded balances which are recorded to match the associated insurance liabilities. Accordingly, the fair value of the reinsurance ceded balances for which the Company has elected the FVO, is determined by the fair value calculation of insurance liabilities or the fair value. See further discussion below regarding the significant accounting policies of insurance liabilities. Changes in reinsurance receivables for which the Company has elected the FVO and the associated insurance liabilities are both recorded through policyholder benefits and changes in fair value of insurance liabilities within the consolidated statements of income (loss). For additional information about these reinsurance arrangements see Note 7.

The modified coinsurance receivable represents reserve credits for insurance liabilities while the modified coinsurance payable primarily represents the fair value of the assets backing the ceded insurance liabilities under the reinsurance agreement. The fair value of the modified coinsurance receivable is determined by the fair value calculation of insurance liabilities while the fair value of the modified coinsurance payable is calculated to match the fair value of the assets under the reinsurance agreement. The modified coinsurance agreement receivables and payables are presented on a net basis within reinsurance receivables or reinsurance payables on the consolidated balance sheets.

Deposit asset: The Company has elected FVO on the entirety of the Company's deposit asset, which represents assets, held in trust by the reinsurer, that back the insurance liabilities for certain fixed indexed annuities and fixed annuities with a guaranteed lifetime withdrawal income. The deposit is recorded to match the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of the Company's deposit asset is determined by the fair value calculation of insurance liabilities.

Deferred Cost of Reinsurance Contract ("Deferred Costs") and DAC

For the reinsurance of existing in-force blocks that transfer significant insurance risk, the excess of the liabilities assumed that exceeds the fair value of assets received is recognized as Deferred Costs at the inception of the reinsurance agreement.

The premium charged, or fair value of assets received, to ceding companies may be lower than the estimate of liabilities as these liabilities may not be settled for many years. As premium is received at inception, the Company

expects to generate a profit from these reinsurance contracts as the Company may invest the premium for many years, thereby generating investment income.

Deferred Costs - long duration: The Deferred Costs are amortized over the lives of the reinsured policies in relation to expected benefit payments or insurance in-force for life and annuity insurance contracts. The amortization is included within policyholder benefits and changes in fair value of insurance liabilities within the consolidated statements of income (loss).

The Deferred Costs are included within the net carrying amount of future policy benefit liabilities subject to loss recognition testing, as described in further detail below.

Deferred Costs - short duration: The Deferred Costs are amortized into income over the settlement period of the assumed reserves using an effective interest rate method. In applying the interest method an effective interest rate is derived and locked in for these retroactive reinsurance contracts based on the expected timing and amount of the loss and loss adjustment expense payments such that the present value of these estimated payments equals the consideration received.

Deferred Costs for short duration are assessed for impairment annually on an individual contract basis by determining the rate of return that the Company is required to earn on the invested assets to ensure that all cash flows arising from the assumed liabilities are met in full over the projected remaining payout period. This required rate of return is compared against the modeled rate of return at inception, the forecasted yield and the actual inception-to-date rate of return in order to identify indicators that would lead the Company to record an impairment of the Deferred Costs. If an asset is deemed to be impaired it is written down within that reporting period, with the adjustment recorded within policyholder benefits and losses incurred within the consolidated statements of income (loss). During the year ended December 31, 2023, there was a $2 million additional impairment recorded on a reinsurance contract executed in 2022. During the year ended December 31, 2022 the Company identified two reinsurance contracts requiring impairment. Refer to Note 9. for further discussion on the impairment recorded.

DAC: DAC represents the deferred costs that are directly related to the successful acquisition or renewal of an insurance (or reinsurance) contract and is included in other assets on the consolidated balance sheets. Each cost is analyzed to assess whether it is fully deferrable. If deferrable, these costs have been recorded as an asset.

DAC related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies.

The Company performs periodic tests, including at issuance, to determine if the deferred costs are recoverable. If the Company determines that the deferred costs are not recoverable, the Company records a cumulative charge to the current period.

Funds Withheld by Ceding Companies

Funds withheld by ceding companies represent funds that have been retained by ceding companies where the Company receives a fixed crediting rate. Funds withheld by ceding companies are carried at cost less paid losses plus accrued interest.

The Company has elected to report the net investment income and investment gains (losses) related to the funds withheld by ceding companies in the same financial statement line that such investment income would have been recorded had the Company elected the FVO.

Other Assets

Other assets primarily consist of other investment-related receivables, policyholder receivables, DAC, goodwill & other intangibles and current income tax receivable.

Goodwill: Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized as discussed further in Note 2. It is the excess of the

cost of an acquisition over the fair value of the assets acquired and liabilities assumed at the date of acquisition. Goodwill has an indefinite useful life and is not required to be amortized.

Other intangibles: Other intangibles consist of state insurance licenses identified as part of the Company's acquisitions discussed further in Note 2. These intangible assets have an indefinite useful life and are not required to be amortized.

The Company reviews the carrying amount of goodwill and other intangibles on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount might not be recoverable. Goodwill impairment testing compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit to which the goodwill relates is less than the carrying amount of the reporting unit, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the reporting unit in an amount not to exceed the total amount of goodwill allocated to the reporting unit.

The impairment testing for other intangibles compares the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in the amount of that excess.

The Company did not record any impairment on other intangibles for the year ended December 31, 2023. The Company did not record any impairment on goodwill or other intangibles for the year ended December 31, 2022.

Separate Account Assets

The Company has elected the fair value option on the entirety of the separate account assets which represents segregated funds that are invested for certain contractholders. The contractholder has the option of directing funds to a wide variety of investment options, most of which invest in mutual funds. The investment risk on the variable portion of a contract is borne by the contractholder, except to the extent of minimum guarantees by the Company, which are not separate account liabilities. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company.

The investment income and realized investment gains or losses from separate accounts generally accrue to the contractholders and are not included in the Company’s consolidated statements of income (loss). Mortality, policy administration and surrender charges assessed against the accounts are included in policy charges and fee income in the consolidated statements of income (loss). Asset management and service fees charged to the accounts are included in asset management and service fees in the consolidated statements of income (loss). See also separate account liabilities below.

Future Policy Benefits

Future policy benefits include retirement products whose payments depend on contract holder’s survival such as whole life, structured settlements with life contingencies, SPIA with life contingencies, and pension risk transfer annuities; traditional life insurance products such as WL and RoP term, accident & health ("A&H") and long term care ("LTC"); and the additional insurance liability associated with universal life-type contracts with secondary guarantees.

The assumptions used to estimate benefit liabilities are set when a contract is issued and do not change with changes in actual experience unless a loss recognition event occurs. These locked-in assumptions include mortality, morbidity, persistency, maintenance expenses, and investment returns and include margins for adverse deviation to reflect uncertainty given that actual experience might deviate from these assumptions. Periodically, the Company is required to evaluate these locked-in assumptions. A loss recognition event occurs when there is a shortfall between the net carrying amount of future policy benefit liabilities and estimated future policy benefit liabilities determined by applying current best estimate assumptions. The Company includes Deferred Costs, VOBA and deferred gains in the net carrying amount of future policy benefit liabilities subject to loss recognition testing. If the Company determines a loss recognition event has occurred, the Company would record additional liabilities through policyholder benefits and changes in fair value of insurance liabilities in the consolidated statements of income (loss). To the extent that a loss recognition event is triggered by decreased interest rates stemming from assets designated as available for sale, the increase of additional liability would be recorded as a component of accumulated other comprehensive income (loss). The Company would then replace the old locked-in assumption

with the current best estimate. Future reserves would be set by reviewing the updated best estimate assumptions periodically and making further adjustments where necessary. Other adjustments include unearned premium liabilities, incurred but not reported claims, and disabled lives reserves where A&H products such as disability income have claimants receiving ongoing benefits. Groupings for loss recognition testing are consistent with the Company's manner of acquiring servicing and measuring the profitability of the business and applied by line of business.

Policyholder Contract Deposits

The liability for policyholder contract deposits is recorded at accumulated or fund value (deposits received, plus accrued interest credited, less withdrawals, surrender charges and fees). Amounts collected on investment-oriented products are not recognized as revenues, because they are recorded directly to policyholder contract deposits upon receipt.

Policyholder contract deposits are primarily comprised of deferred annuities, FIA, annuities issued in structured settlement arrangements, SPIA, fund values of single premium whole life ("SPWL") contracts, contracts with no life contingent features and the fund value component of universal life-type contracts and universal life-type contracts with secondary guarantee. The liability for the non-life contingent payout products represents an estimate of the present value of future benefits using an interest rate determined at the treaty inception date.

FIA’s have a fund value that accumulates interest based on either a fixed guaranteed crediting rate or the performance of equity market indices based upon the policyholder’s election. The equity market option is an embedded derivative. The combined reserve for the FIA products, contained within policyholder contract deposits, is comprised of: (1) the account value related to the fixed crediting rate funds; (2) the host contract, which is the non-variable guaranteed minimum contract value; and (3) the fair value of the embedded derivative which represents the present value of cash flows attributable to the hedged strategies.

The embedded derivative cash flows are discounted at a rate that reflects the Company’s own credit risk. Changes in the fair value of the embedded derivative are recorded in investments gains and loss in the consolidated statement of income (loss). The host contract is established as the account value less the embedded derivative and is accreted over the underlying’s products life.

For universal life-type and universal life-type contracts with secondary guarantees that are determined to have profits in earlier years and losses in subsequent years from the insurance benefits, an additional insurance liability is established in addition to the fund value to recognize the portion of amounts assessed against the contract holder (costs of insurance and all other charges and margins) that compensates the Company for benefits to be provided in future periods.

Insurance Liabilities, at Fair Value

The Company has elected FVO on certain insurance liabilities, which primarily include liabilities for guaranteed benefits related to certain long-duration life and annuity contracts, which are discussed more fully in Note 8. These liabilities represent reserves for guaranteed minimum death benefits (“GMDB”), guaranteed minimum income benefits (“GMIB”), guaranteed minimum accumulation benefits (“GMAB”), guaranteed minimum withdrawal benefits (“GMWB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”). Changes in the fair value of insurance liabilities are reported in policyholder benefits and changes in fair value of insurance liabilities on the consolidated statements of income (loss).

The assumptions used in establishing insurance liabilities are generally based on the Company’s experience, industry experience, market observable data, and/or other factors, as applicable. The Company evaluates its actuarial assumptions at least annually and updates them as appropriate, unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. Generally, the Company does not expect trends to change significantly in the short-term and, to the extent these trends may change, the Company expects such changes to be gradual over the long-term.

Unpaid Losses and Loss Adjustment Expenses

The unpaid losses and loss adjustment expenses represents estimates of unpaid claims, including estimates for claims incurred but not reported ("IBNR") and loss adjustment expenses ("LAE"), less applicable discount. The Company regularly reviews and updates the methods used to determine loss reserve estimates. Because these estimates are subject to the outcome of future events, changes in estimates are common given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase previous estimates of ultimate loss and loss adjustment expenses are referred to as unfavorable or adverse development. Reserve changes that decrease previous estimates of ultimate loss and loss adjustment expenses are referred to as favorable development. Prior year development can refer to either favorable or unfavorable development.

Discounting of loss reserves: The Company discounts total workers' compensation liabilities using a discount rate calculated from the U.S. Treasury rates plus a liquidity premium, along with the use of payout patterns specific to primary and excess workers' compensation portfolios. The Company locks in this discount rate at the inception of the contract, and no periodic updates are made. The locked in discount rate on the Company's current workers' compensation portfolio is 2.31%.

Collateral Deposit Liability

The Company has contractually assumed certain environmental protection plan ("EPP") and clean-up cost cap ("CCC") exposures. EPP and CCC products are designed to incorporate elements of program funding (investment risk on EPP) along with cost overrun protection (insurance risk on CCC) for the remediation of known environmental contamination issues.

The Company recognizes proceeds received under EPP programs as a collateral deposit liability, given insurance risk is not transferred under such funding programs. As losses funded by the policyholder are paid, the collateral deposit liability is reduced and as interest, estimated by applying the effective yield method, is accrued, the collateral deposit liability is increased.

Value of Business Acquired ("VOBA") and Deferred Gain from Reinsurance Contracts

VOBA: The VOBA intangible liability represents the difference between estimated fair value of future best estimate liability cash flows and the Company's liability for future policyholder benefits and contract deposits after adjusting for current assumptions measured on the acquisition date.

This VOBA liability is amortized over the lives of the reinsured policies of up to 70 years, in relation to expected benefit payments or insurance in-force amounts for insurance contracts. The amortization is included within policyholder benefits and changes in fair value of insurance liabilities within the consolidated statements of income (loss).

Deferred gain - long duration: The difference between the consideration received in excess of the liabilities assumed under the reinsurance contract is recorded as a deferred gain from reinsurance contracts in the consolidated balance sheets. The deferred gain is amortized over the lives of the reinsured policies in relation to expected benefit payments or insurance in-force for life insurance contracts. The amortization is included within policyholder benefits and changes in fair value of insurance liabilities within the consolidated statements of income (loss).

Deferred gain - short duration: Retroactive reinsurance contracts provide indemnification with respect to past loss events. For these contracts, the difference between the consideration received in excess of the liabilities assumed under the reinsurance contract is recorded as a deferred gain from reinsurance contracts in the consolidated balance sheets. The deferred gain is amortized into income over the settlement period of the assumed reserves using an effective interest rate method. In applying the interest method an effective interest rate is derived and locked in for these retroactive reinsurance contracts based on the expected timing and amount of the loss and loss adjustment expense payments such that the present value of these estimated payments equals the consideration received.

The Company monitors subsequent development on losses that occur during the retroactive period and revises the deferred gain balance on a cumulative basis, as applicable. The revised deferred gain balance is determined using the retrospective method so that the adjusted balance reflects the amount that would have existed had the revised estimates been available at the inception of the reinsurance transactions. The amortization, including any catch up adjustment recorded during the period of change, is included within policyholder benefits and changes in fair value of insurance liabilities within the consolidated statements of income (loss).

Securities Borrowing, Lending and Repurchase Agreements

Securities lending transactions are used primarily to earn spread income or to facilitate trading activity. As part of securities lending transactions, the Company transfers fixed maturity securities and receives cash as collateral. Securities lending transactions are treated as financing arrangements and are recorded at the amount of cash received. The Company obtains collateral in an amount equal to 105% of the fair value of the domestic and foreign securities, respectively. The Company monitors the market value of the securities loaned on a daily basis with additional collateral obtained as necessary. Substantially all of the Company's securities lending transactions are with large brokerage firms and large banks. Income and expenses associated with securities lending transactions used to earn spread income are reported as net investment income.

The Company also participates in a securities borrowing program whereby securities, which are not reflected on the Company's consolidated balance sheets, are borrowed from a third party (the "borrowed securities"). The borrowed securities are used to provide collateral to ceding companies under reinsurance transactions. Accordingly, the Company will only record the borrowed securities as invested assets with an offsetting liability for the obligation to return the borrowed securities if the ceding company has to claim title to the borrowed securities due to the Company's failure to honor the payment obligations under the reinsurance transactions.

Proceeds from securities sold under repurchase agreements are recorded as liabilities and are used primarily to invest in higher yielding assets. As part of securities repurchase agreements, the Company transfers securities to a third-party and receives cash as collateral.

Securities repurchase and resale agreements that satisfy certain criteria are treated as secured borrowing or secured lending arrangements. These agreements are carried at the amounts at which the securities will be subsequently resold or reacquired, as specified in the respective transactions. For securities purchased under agreements to resell, the Company's policy is to take possession or control of the securities either directly or through a third-party custodian. These securities are valued daily and additional securities or cash collateral is received, or returned, when appropriate to protect against credit exposure. Securities to be resold are the same, or substantially the same, as the securities received. The majority of these transactions are with large brokerage firms and large banks. For securities sold under repurchase agreements, the market value of the securities to be repurchased is monitored, and additional collateral is obtained where appropriate, to protect against credit exposure. The Company obtains collateral in an amount at least equal to 105% of the fair value of the securities sold. Securities to be repurchased are the same, or substantially the same, as those sold. The majority of these transactions are with highly rated financial institutions. Income and expenses related to these transactions executed within the insurance companies used to earn spread income are reported as net investment income.

Separate Account Liabilities

The Company has elected the fair value option on the entirety of the separate account liabilities which primarily represents the contractholders' account balances in separate account assets, and to a lesser extent, borrowings of the separate account, and will be equal and offsetting to total separate account assets. See also separate account assets above.

Debt

Debt is recorded within the consolidated balance sheets as proceeds received less unamortized issuance costs. Debt issuance costs are capitalized and amortized over the estimated life of the debt and included in interest expense on the consolidated statements of income (loss).

Other Liabilities

Other liabilities primarily consist of accrued expenses, technical overdrafts, current income tax payable, deferred income tax payable, deferred revenue and payables resulting from purchases of securities that had not yet settled at the balance sheet date.

Income Taxes

The Company operates as a partnership for U.S. federal income tax purposes. The partners report their share of the underlying partnership's income or loss on their local country income tax returns. The Company owns a number of U.S. subsidiaries that are subject to U.S. federal and state income tax. The related tax provision attributable to these operations is reflected in the consolidated statements of comprehensive income (loss).

The Company's subsidiaries also include several non-U.S. entities, including entities in Bermuda and the United Kingdom ("U.K."). Subsidiaries not subject to U.S. taxation are taxed under applicable foreign law. Under current Bermuda law, any Bermuda domiciled companies are not required to pay any income taxes in Bermuda on either operating income or capital gains and, as such, there is no related tax provision associated with these operations (for more information regarding the Bermuda Corporate Income Tax, see Note 12). These Bermuda subsidiaries operate in Bermuda and intend to operate the business in such a manner that they are not considered to be treated as engaged in the conduct of a trade or business in the U.S. The U.S. tax code, regulations and court decisions do not definitively identify activities that constitute being engaged in a trade or business in the U.S. and, as such, the Internal Revenue Service, or ("IRS"), may assert that the Company's Bermuda subsidiaries are engaged in a trade or business in the U.S. The U.K. subsidiaries have immaterial activities for 2023 and 2022 and are in the process of being liquidated.

The income tax provision is calculated under the asset and liability method. The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return basis of assets and liabilities based on enacted tax rates and other provisions of the tax law.

Deferred tax assets and liabilities are recognized for the timing differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis at the balance sheet date. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that in management's opinion, is more likely than not to be realized.

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized (a likelihood of more than 50%). The evaluation of the recoverability of the deferred tax asset and the need for a valuation allowance requires the Company to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Insurance Revenue and Expense Recognition

Premiums for short-duration contracts are recorded as written on the inception date of the policy. For short-duration insurance contracts, premiums are generally earned on a pro-rata basis over the terms of the related policies. For traditional long-duration insurance contracts (including term and WL contracts and certain annuities), premiums are earned when due. Estimates for premiums due but not yet collected are accrued. For annuities and structured settlements without significant mortality or morbidity risk (investment contracts) and universal life-type contracts (long-duration contracts with terms that are not fixed or guaranteed), premiums received are reported as policyholder contract deposits, insurance liabilities and/or separate account liabilities. Revenues from these contracts are reflected in policy charges and fee income consisting primarily of fees assessed against the policyholders' account balances for policy administration charges and surrender charges. Policy charges are recognized as revenues in the period in which they are assessed against policyholders, unless the charges are designed to compensate the Company for the services to be provided in the future, in which case they are deferred.

In addition to fees, the Company earns investment income from the investments in the Company's general account portfolio. Fees assessed that represent compensation to the Company for services to be provided in future periods and certain other fees are generally recorded when received. Benefits and expenses for these products include claims in excess of related account balances and expenses of contract administration.

Revenues for variable deferred annuity contracts consist of charges against contractholder account values or separate accounts for mortality and expense risks, administration fees, surrender charges and an annual maintenance fee per contract. Revenues for mortality and expense risk charges and administration fees are recognized as assessed against the contractholder. Surrender charge revenue is recognized when the surrender charge is assessed against the contractholder at the time of surrender. Liabilities for the variable investment options on annuity contracts represent the account value of the contracts and are included in separate account liabilities.

Foreign Exchange Gains (Losses)

Financial statement accounts expressed in foreign currencies are translated into USD generally using rates of exchange prevailing at the balance sheet date and the related translation adjustments are recorded as a separate component of other comprehensive income (loss), net of any related taxes. Functional currencies are generally the currencies of the local operating environment. Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated either at transaction date exchange rates or using a weighted average exchange rate for the reporting period. These exchange gains and losses are recognized in foreign exchange gains (losses) within the consolidated statements of income (loss).

Asset Management and Service Fees

Asset management and services fees principally include asset-based asset management fees, which are recognized in the period in which the services are performed.

Other Income

Other income is primarily comprised of third party administration fees.

Business Combinations

The Company uses the acquisition method of accounting for all business combination transactions, and accordingly, recognizes the fair values of assets acquired, liabilities assumed and any noncontrolling interests in the consolidated financial statements. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Statement of Cash Flows Presentation of Funds Withheld - Directly Managed

Withdrawals from funds withheld - directly managed reinsurance arrangements are based on statutory levels of the associated assets and liabilities. The excess (shortfall) under these agreements is settled on a periodic basis and can be settled in either cash or securities depending on the specific reinsurance agreement. The portion settled in cash is reflected in cash from operations with the securities portion being reflected as a non-cash transaction. The Company presents activity within funds withheld - directly managed as well as activities related to the reinsurance arrangements as operating cash flows.

Share-Based Compensation

As required by the *Stock Compensation* Topic, ASC 718, the Company measures and recognizes compensation expense for all share-based payment awards made to employees, directors and contractors, including restricted stock units ("RSU"s) and performance stock units ("PSU"s) related to The Fortitude Group Holdings Parent, L.P. Equity Incentive Plan (the "Equity Incentive Plan"), based on estimated fair values of the Company's limited partnership units as of the grant date. The Company records compensation expense for all share-based payment

awards ratably over the vesting period. For awards with graded vesting, the Company measures fair value and records compensation expense separately for each vesting tranche. Share-based compensation expense recognized in the consolidated statements of income (loss) for the year ended December 31, 2023 is based on awards ultimately expected to vest and, therefore, has been adjusted for actual forfeitures. The Company records forfeitures as they occur. The Company also assesses the likelihood that performance criteria associated with performance-based awards will be met. If it is determined that it is more likely than not that performance criteria will not be achieved, the Company revises its estimate of the number of shares it believes will ultimately vest. Refer to Note 14, Owners' Equity, for additional information.

Accounting Standard Updates ("ASUs") Adopted During 2023

ASU 2020-03 Codification Improvements to Financial Instruments:

In March 2020, the FASB issued ASU 2020-03 which makes narrow-scope improvements to various topics within the codification relating to financial instruments, inclusive of the new credit losses standard as described below. The amendments related to certain specific issues covered by the ASU were effective immediately upon the issuance of the ASU, and had no impact on the Company's consolidated financial statements and disclosures.

ASUs 2016-13, 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-02 Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments:

In June 2016, the FASB issued an accounting standard that introduced a new credit loss methodology, the Current Expected Credit Losses ("CECL") methodology, which requires earlier recognition of credit losses while also providing additional transparency about credit risk. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, reinsurance receivables, and other financial assets measured at amortized cost. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses. The CECL methodology represents a significant change from prior U.S. GAAP and replaced the prior multiple existing impairment methods, which generally required that a loss be incurred before it was recognized. For AFS debt securities, if the fair value is less than cost and the Company intends to hold the security or it is more-likely-than-not that the Company will not be required to sell the security, the Company will record any applicable credit-related impairment through an allowance for credit losses and adjust subsequent periods for changes in credit risk.

On January 1, 2023, the Company adopted the new standard and completed implementation of its updated CECL models, processes and controls related to the identified financial assets that fall within the scope of the new standard. Upon adoption, the Company recorded a cumulative effect adjustment to reduce the opening retained earnings balance by approximately ($35) million, on a post-tax basis. Results for the year ended December 31, 2023 are presented under ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. See Note 5 for additional disclosures related to CECL.

Future Adoption of Accounting Standard Updates

ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts and ASU 2020-11 Effective Date and Early Application:

In August 2018, the FASB issued ASU 2018-12, an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration insurance contracts issued by an insurance entity. In November 2019, the FASB issued ASU 2019-09, an amendment to ASU 2018-12 extending the effective date of ASU 2018-12 for all entities, which extends the effective date of ASU 2018-12 to January 1, 2025 for the Company.

The changes to the measurement, recognition, presentation and disclosure as provided by the new accounting standard update are summarized below:

- Requires the review and update of future policy benefit assumptions at least annually for traditional and limited pay long duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the consolidated statements of income (loss);

- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income (loss);
- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income (loss);
- Requires the amortization of DAC and other DAC-like assets over the expected term of the related contracts on a constant-level basis; and
- Requires significant disclosures, including disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

ASU 2018-12 permits two adoption methods for the liability for future policy benefits and DAC: (1) a modified retrospective transition method in which the guidance is applied to contracts in force as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI; or, (2) a full retrospective transition method. The Company will adopt ASU 2018-12 effective January 1, 2025 using the modified retrospective transition method where permitted, and apply the guidance as of January 1, 2023 (and record transition adjustments as of January 1, 2023) in the Company's 2025 consolidated financial statements.

The Company has created a governance framework and a plan to support implementation of the updated standard. The Company continues to make progress in its implementation process that includes, but is not limited to, refining significant accounting policy decisions, employing appropriate internal controls, modifying actuarial models and systems, revising reporting processes and developing informative qualitative and quantitative disclosures.

The Company expects that while the adoption of this new accounting guidance will have a significant impact on the Company's consolidated financial statements under U.S. GAAP, it does not expect adoption of the updated standard to impact its overall cash flows, subsidiaries' dividend capacity or their ability to meet applicable regulatory capital standards, nor does the Company anticipate adoption to affect its existing debt covenants or strategies for capital deployment.

ASU 2023-01, Leases (Topic 842): Common Control Arrangements

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) Common Control Arrangements*. This ASU provides guidance in ASC Topic 842 that leasehold improvements associated with common control leases should be: (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease; and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. This ASU also provides a practical expedient for private companies to use written terms and conditions of a common control arrangement to determine if a lease exists and the classification and accounting for that lease. This guidance is effective for fiscal years beginning after December 15, 2023. The Company is evaluating the effect that this guidance will have on the financial statements and related disclosures, and expect the impact to be immaterial.

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU is expected to enhance the transparency and decision usefulness of income tax disclosures by requiring disclosure of specific categories in the rate reconciliation, additional information for reconciling items that meet a quantitative threshold and certain information about income taxes paid. This revised guidance is effective for financial statements issued for fiscal years beginning after December 15, 2025. The update is expected to expand the Company's disclosures but will not have an impact on the Company's financial position or results of operations.

2. Acquisitions

Business Combinations

On January 1, 2022, the Company entered into a Stock Purchase Agreement with AIG Claims, Inc. ("AIG Claims"), a Delaware corporation, to purchase all outstanding shares of Fortitude P&C Solutions, Inc. ("FPCS") (formerly DSA P&C Solutions or Fortitude General). In addition, on January 1, 2022, the Company entered into a Stock Purchase

Agreement with AIG Life Holdings, Inc. ("AIG Life"), a Texas corporation, to purchase all outstanding shares of Fortitude Life & Annuity Solutions, Inc. ("FLAS"). The Company paid the aggregate purchase price of $1 and $1 for FPCS and FLAS, respectively, in cash. A bargain purchase gain was recognized in the amount of $1 million and $1 million for FPCS and FLAS, respectively, representing the excess of the fair value of net assets acquired over the consideration paid. The bargain purchase gains are included in other revenues on the consolidated statements of income (loss). The Company did not incur any acquisition-related costs related to FPCS or FLAS subsequent to the date of acquisition.

On April 1, 2022, the Company acquired FLIAC (previously Prudential Annuities Life Assurance Corporation ("PALAC")). PALAC was a wholly-owned subsidiary of Prudential Annuities, Inc, an indirect wholly-owned subsidiary of Prudential Financial, a New Jersey Corporation.

The following table summarizes the gross fair value of assets acquired and liabilities assumed at the acquisition date, and represents amounts recognized for each major class of assets and liabilities, after application of push-down accounting.

	April 1, 2022 (in millions)
Assets:	
Total investments	$ 10,807
Cash and cash equivalents	1,578
Reinsurance receivables	318
Income taxes	255
Deposit asset	2,596
Other assets	96
Separate account assets	29,426
Total assets	45,076
Liabilities:	
Insurance liabilities	13,611
Other liabilities	370
Separate account liabilities	29,426
Total liabilities	43,407
Net assets acquired	1,669
Consideration	1,762
Goodwill	**$ 93**

Goodwill Impairment

As a result of the third quarter 2023 actuarial assumption update, the Company identified a triggering event regarding its goodwill impairment analysis for FLIAC. Following a qualitative analysis that indicated the fair value of the reporting unit may be lower than its carrying value, the Company performed a quantitative analysis that involved both discounted cash flow techniques and market price comparisons to establish fair values on its underlying assets and liabilities. After performing this quantitative analysis, the Company determined that the goodwill was fully impaired, and accordingly, recorded a non-cash goodwill impairment of $93 million through the consolidated statements of income (loss). Following this impairment, there was no remaining goodwill as of September 30, 2023.

The goodwill impairment was primarily driven by unfavorable actuarial assumption updates, as compared to the Company's initial projections, related to the determination of the fair value of the insurance liabilities, and lower

overall projected future earnings as a result of capital market volatility. See Note 8 for further information regarding the actuarial assumption update.

Asset Acquisitions

On January 3, 2022, pursuant to a stock purchase agreement, the Company acquired Fortitude U.S. Reinsurance Company ("FRC"), previously named Rx Life Insurance Company ("RX Life") in exchange for $21 million. Rx Life, an Arizona domiciled life and annuity insurer with licensing throughout the U.S., was renamed FRC on April 18, 2022. All coinsurance and yearly renewable term reinsurance agreements between Rx Life and reinsurers existing prior to the Company's acquisition of RX Life were transferred to the Company. In aggregate, coverage provided to Rx Life by its reinsurance agreements results in the cession of 100% of Rx Life’s insurance liabilities to policyholders to its former parent.

Under the asset acquisition method of accounting, the total acquisition price of $21 million was allocated to FRC's net tangible assets based on their cost as of the acquisition date, which is also determined to be their fair values. The Company recorded intangible assets of $14 million related to state insurance licenses upon acquisition of FRC. These intangible assets have an indefinite useful life and there have been no impairments recorded subsequent to initial recognition.

On May 12, 2022, pursuant to a stock purchase agreement, the Company acquired Fortitude Casualty Insurance Company ("FCIC"), previously named Plans' Liability Insurance Company ("PLIC") in exchange for $20 million. PLIC, an Ohio domiciled property and casualty insurer with licensing throughout the U.S., was renamed FCIC on July 27, 2022. All of PLIC’s previous insurance policies were novated prior to the acquisition.

Under the asset acquisition method of accounting, the total acquisition price of $20 million was allocated to FCIC's net tangible assets based on their cost as of the acquisition date, which is also determined to be their fair values. The Company recorded intangible assets of $12 million related to state insurance licenses upon acquisition of FCIC. These intangible assets have an indefinite useful life and there have been no impairments recorded subsequent to initial recognition.

3. Significant Reinsurance Transactions

The Company acquires blocks of legacy reserves through legal entity acquisitions and reinsurance agreements. The following table summarizes the Company's significant run-off reinsurance transactions completed between January 1, 2022 and December 31, 2023. Values are shown in millions at the execution date of transaction.

Transaction	Execution Date	Total Liabilities Assumed	Total Assets Transferred	Deferred Gain (Cost)	Primary Nature of Transaction
Reinsurance agreement with a U.S. based life and annuity insurance company	November 20, 2023	$ 28,193	$ 24,739	$ (3,454)	Reinsurance of a block of universal life-type insurance, life contingent and non-life contingent payout annuities, fixed deferred annuity and fixed index annuity products on a funds withheld and coinsurance basis, with an effective date of October 1, 2023.
Reinsurance agreement with an affiliated Japanese life insurance company	March 31, 2023	$ 1,145	$ 1,243	$ 98	Quota share coinsurance on a block of JPY denominated whole life products issued to the Japanese market. Effective date March 31, 2023.
Reinsurance agreement with an affiliated Japanese life insurance company	March 31, 2023	$ 1,311	$ 1,122	$ (189)	Coinsurance on a block of USD denominated single premium whole life products issued to the Japanese market. Effective date March 31, 2023.
Reinsurance agreement with a U.S. based life insurance company	November 17, 2022	$ 1,239	$ 1,024	$ (215)	Legacy block of fixed deferred annuities, with an effective date of October 1, 2022.
Loss portfolio transfer ("LPT") reinsurance agreement with a Bermuda based reinsurance company	March 31, 2022	$ 305	$ 297	$ (8)	Quota share participation on reinsurance treaties from treaty years 2011 through 2020, net of inuring reinsurance, with an effective date of October 1, 2021.
Reinsurance agreement with an affiliated Japanese life insurance company	March 31, 2022	$ 4,173	$ 4,173	$ —	Legacy block of payout and deferred annuities on a coinsurance basis, with an effective date of March 31, 2022.
LPT reinsurance agreement with a Bermuda based reinsurance company	February 17, 2022	$ 236	$ 236	$ —	Small-business primary general liability policies for underwriting years 2013 through 2019, net of inuring reinsurance, with an effective date of February 25, 2021.

Effective October 1, 2022, the Company entered into a flow reinsurance transaction with an affiliated Japanese life insurance company in which the Company reinsures a quota share basis of USD and Australian dollars ("AUD") denominated single premium WL products, structured akin to a deferred annuity block, issued to the Japanese market.

4. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

Fair Value Hierarchy

Assets and liabilities recorded at fair value in the consolidated balance sheets are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.
- Level 2: Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs.
- Level 3: Fair value is based on at least one significant unobservable input for the asset or liability. The assets and liabilities in this category may require significant judgement or estimation in determining fair value.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets and liabilities carried at fair value. These methodologies are applied to assets and liabilities across the levels discussed above, and it is the observability of the inputs used that determines the appropriate level in the fair value hierarchy for the respective asset or liability.

Valuation of Financial Instruments Measured at Fair Value

Funds withheld - directly managed

The Company has elected the FVO on the funds withheld - directly managed portfolios. The fair value of the underlying assets collateralizing the funds withheld - directly managed is generally based on market observable inputs using industry standard valuation techniques but also requires certain significant unobservable inputs for specific asset classes. The level in the fair value hierarchy assigned to the funds withheld - directly managed is based upon the observability of inputs used to value the underlying investment assets held at fair value within the funds withheld portfolio.

Fixed maturity securities

Whenever available, the Company obtains quoted prices in active markets for identical assets at the balance sheet date to measure fixed maturity securities at fair value. Market price data is generally obtained from dealer markets. The Company employs multiple independent third-party valuation service providers that gather, analyze, and interpret market information to derive fair value estimates for individual investments, based upon market-accepted methodologies and assumptions. The methodologies used by these independent third-party valuation service providers are reviewed and understood by management, through periodic discussion with and information provided by the independent third-party valuation service providers, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated, as needed, for new financial products.

When observable price quotations are not available, indicative broker quotes, asset manager pricing, or third-party valuation specialist pricing is used for valuation. Fair value can be determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of comparable securities, adjusted for illiquidity and structure. The significant unobservable inputs used in the fair value measurement of these investments are liquidity discount rates applied to each of the net tangible book value multiples used in the internal valuation models, and discount rates applied to the expected cash flows of the underlying entities in various

scenarios. These unobservable inputs in isolation can cause significant increases or decreases in fair value. Generally, an increase in the liquidity discount rate or discount rates would result in a decrease in the fair value of these private investments. Asset manager overrides and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

Equity securities

Equity securities consist principally of investments in common and preferred stock of publicly traded companies and privately traded securities. The fair values of most publicly traded equity securities are based on quoted market prices in active markets for identical assets and are classified within Level 1 in the fair value hierarchy.

Mortgage loans

Fair value for mortgage loans is based upon the present value of the expected future cash flows discounted at the appropriate U.S. Treasury rate or foreign government bond rate (for non-U.S. dollar-denominated loans) plus an appropriate credit spread for loans of similar quality, average life and currency. The quality ratings for these loans, a primary determinant of the credit spreads and a significant component of the pricing process, are based on asset manager's internally developed methodology. Certain commercial mortgage loans are valued incorporating other factors, including the terms of the loans, the principal exit strategies for the loans, prevailing interest rates and credit risk.

Derivative instruments (Other invested assets and derivative liabilities)

The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, credit spreads, market volatility, expected returns, NPR, liquidity and other factors.

The Company's exchange-traded futures and options include treasury and equity futures. Exchange-traded futures and options are valued using quoted prices in active markets and are classified within Level 1 in the fair value hierarchy.

The majority of the Company's derivative positions are traded in the OTC derivative market and are classified within Level 2 in the fair value hierarchy. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market input from external market data providers, third-party pricing vendors and/or recent trading activity. The Company's policy is to use mid-market pricing in determining its best estimate of fair value. The fair values of most OTC derivatives, including interest rate and cross-currency swaps, currency forward contracts and credit default swaps are determined using discounted cash flow models.

The Company's cleared interest rate swaps and credit derivatives linked to an index are valued using models that utilize actively quoted or observable market inputs, including the SOFR, obtained from external market data providers, third-party pricing vendors, and/or recent trading activity. These derivatives are classified as Level 2 in the fair value hierarchy.

Other invested assets - LPs/LLCs

Other invested assets include investments in private equity funds, for which the Company utilizes NAV as an estimate of the fair value, which is a permitted practical expedient.

Short term investments

Fair values of short term investments are generally based on market observable inputs and are primarily classified as Level 2.

Cash and Cash equivalents

Cash and cash equivalents, including certain money market instruments, are primarily valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. Due

to their short term nature, all other instruments are primarily classified as Level 2 as amortized cost is used as the best estimate of fair value.

Reinsurance receivables

The Company has elected the fair value option on certain reinsurance receivables which are recorded to match the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of the reinsurance receivables for which the Company has elected the FVO, is determined by the fair value calculation of insurance liabilities. See discussion below of the fair value determination for insurance liabilities.

The modified coinsurance receivable represents the reserve credits for the insurance liabilities covered under the reinsurance agreements regarding variable annuity base contracts, along with guaranteed benefits. The modified coinsurance receivable is recorded to match the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of the modified coinsurance receivable is determined by the fair value calculation of insurance liabilities. See discussion below of the fair value determination for insurance liabilities. Similarly, the modified coinsurance payable primarily represents the fair value of the cession of assets backing the ceded insurance liabilities under the reinsurance agreement. Accordingly, the fair value of the modified coinsurance payable is calculated to match the fair value of the assets under the reinsurance agreement. See the discussion of the fair value determination for the respective assets within the modified coinsurance portfolio, which are included in the discussion of fair value herein.

Deposit asset

The Company has elected FVO on the entirety of the Company's deposit asset, which represents assets, held in trust by the reinsurer, that back the insurance liabilities for certain fixed indexed annuities and fixed annuities with a guaranteed lifetime withdrawal income. The deposit is recorded to match the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of the deposit asset is determined by the fair value calculation of insurance liabilities. See discussion of the fair value determination for insurance liabilities below.

Insurance liabilities, at fair value

The Company has elected FVO on certain insurance liabilities, which are primarily comprised of guarantees primarily associated with the living benefit features of certain variable annuity contracts. These are optional riders that are added to the base variable annuity contract, which includes mortality and expense charges and contract charges. The fair values of these liabilities are calculated as the present value of future expected benefit payments to customers, anticipated future trail commissions paid to agents and certain administrative expenses less the present value of future expected rider fees, mortality and expense charges, contract charges and the anticipated future reimbursement of certain asset management fees. This methodology could result in either a liability or asset balance, given changing capital market conditions and various actuarial assumptions. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

The significant inputs to the valuation models include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates. Since many of these assumptions are unobservable and are considered to be significant inputs to the liability valuation, the insurance liabilities have been reflected within Level 3 in the fair value hierarchy.

FIA embedded derivative

The index-crediting feature in the FIA products is an embedded derivative that is required to be accounted for separately from the host contract and is classified within policyholder contract deposits in the consolidated balance sheets. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows over the anticipated life of the underlying policies. The cash flow estimates are produced by market implied assumptions. This embedded derivative is reflected within Level 3 in the fair value hierarchy.

Separate account assets and liabilities

Separate account assets include fixed maturity securities, treasuries, equity securities, mutual funds and commercial mortgage loans for which values are determined consistent with similar instruments described above under Fixed Maturity Securities, Equity Securities and Mortgage Loans. Mutual funds within the separate accounts that transact regularly (but do not trade in active markets because they are not publicly available) are based on transaction prices of identical fund shares and are classified within Level 2 in the fair value hierarchy. Separate account liabilities are recorded at the amount credited to the contractholder, which reflects the change in fair value of the corresponding separate account assets including contractholder deposits less withdrawals and fees.

Assets and Liabilities Measured at Fair Value

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used as of December 31, (in millions):

	2023					
	Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Netting[1]	Total
Assets:						
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	$ —	$ 1,487	$ —	$ —	$ —	1,487
Obligations of states, municipalities and political subdivisions	—	2,269	—	—	—	2,269
Non-U.S. governments	—	336	—	—	—	336
Corporate debt	—	13,681	306	—	—	13,987
Residential mortgage backed securities ("RMBS")	—	228	—	—	—	228
CMBS	—	481	11	—	—	492
CDO / ABS	—	1,133	321	—	—	1,454
Total fixed maturity securities, AFS	—	19,615	638	—	—	20,253
Fixed maturity securities, at fair value:						
U.S. government and government sponsored entities	$ —	$ 627	$ —	$ —	$ —	$ 627
Obligations of states, municipalities and political subdivisions	—	238	—	—	—	238
Non-U.S. governments	—	1,020	—	—	—	1,020
Corporate debt	—	4,685	1,082	9	—	5,776
RMBS	—	190	12	—	—	202
CMBS	—	256	—	—	—	256
CDO / ABS	—	1,634	591	—	—	2,225
Total fixed maturity securities, at fair value	—	8,650	1,685	9	—	10,344
Funds withheld - directly managed	708	26,537	11,412	3,016	—	41,673
Equity securities	—	—	—	—	—	—
Mortgage loans	—	—	1,318	—	—	1,318
Other invested assets	—	913	—	1,691	(772)	1,832
Short term investments	—	66	4	—	—	70
Cash and cash equivalents	3,060	4	—	—	—	3,064
Reinsurance receivables	—	—	128	—	—	128
Deposit asset	—	—	438	—	—	438
Separate account assets	—	23,871	—	—	—	23,871
Total assets	**$ 3,768**	**$ 79,656**	**$ 15,623**	**$ 4,716**	**$ (772)**	**$ 102,991**
Liabilities:						
Insurance liabilities, at fair value	$ —	$ —	$ 5,004	$ —	$ —	$ 5,004
FIA embedded derivative[2]	—	—	252	—	—	252
Derivative liabilities	71	1,569	—	—	(1,548)	92
Separate account liabilities	—	23,871	—	—	—	23,871
Total liabilities	**$ 71**	**$ 25,440**	**$ 5,256**	**$ —**	**$ (1,548)**	**$ 29,219**

[1] "Netting" amounts represent offsetting considerations as disclosed in Note 6.
[2] Recorded in policyholder contract deposits on the consolidated balance sheets.

	2022					
	Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Netting[1]	Total
Assets:						
Fixed maturity securities, AFS						
U.S. government and government sponsored entities	—	387	—	—	—	387
Obligations of states, municipalities and political subdivisions	—	74	—	—	—	74
Non-U.S. governments	—	26	—	—	—	26
Corporate debt	—	908	—	—	—	908
RMBS	—	39	—	—	—	39
CMBS	—	140	—	—	—	140
CDO / ABS	—	113	—	—	—	113
Total fixed maturity securities, AFS	—	1,687	—	—	—	1,687
Fixed maturity securities, at fair value:						
U.S. government and government sponsored entities	$ —	$ 702	$ —	$ —	$ —	$ 702
Obligations of states, municipalities and political subdivisions	—	359	—	—	—	359
Non-U.S. governments	—	1,231	—	—	—	1,231
Corporate debt	—	4,269	212	—	—	4,481
RMBS	—	412	—	—	—	412
CMBS	—	363	—	—	—	363
CDO / ABS	—	1,097	290	—	—	1,387
Total fixed maturity securities, at fair value	—	8,433	502	—	—	8,935
Funds withheld - directly managed	607	21,583	8,572	2,241	—	33,003
Equity securities	175	—	—	—	—	175
Mortgage loans	—	—	334	—	—	334
Other invested assets	—	513	—	1,780	(335)	1,958
Short term investments	17	245	—	—	—	262
Cash and cash equivalents	2,158	58	—	—	—	2,216
Reinsurance receivables	—	—	253	—	—	253
Deposit asset	—	—	607	—	—	607
Separate account assets	—	23,601	—	—	—	23,601
Total assets	**$ 2,957**	**$ 56,120**	**$ 10,268**	**$ 4,021**	**$ (335)**	**$ 73,031**
Liabilities:						
Insurance liabilities, at fair value	$ —	$ —	$ 5,546	$ —	$ —	$ 5,546
Derivative liabilities	—	832	—	—	(632)	200
Separate account liabilities	—	23,601	—	—	—	23,601
Total liabilities	**$ —**	**$ 24,433**	**$ 5,546**	**$ —**	**$ (632)**	**$ 29,347**

[1]"Netting" amounts represent offsetting considerations as disclosed in Note 6.

Quantitative Information About Level 3 Fair Value Measurements

Financial Instruments for which Unobservable Inputs are Reasonably Available

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 assets and liabilities, which includes only those financial instruments for which information about the inputs is reasonably available to the Company. Weighted averages are calculated by weighting each input by the relative fair value of the respective assets and liabilities. Table shows values as of December 31, (in millions):

	2023				
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact of Increase in the Input on Fair Value
Assets:					
Fixed maturity securities:					
Corporate debt	$ 621	Discounted Cash Flow	Discount rate	4.65% - 9.51% 7.03%	Decrease
	15	Trade price	Trade price	N/A	Increase
CDO / ABS	166	Discounted Cash Flow	Discount rate	5.72% - 12.17% 8.05%	Decrease
	350	Discounted Cash Flow	Spread	205 bps - 1040 bps 489 bps	Increase
	261	Trade price	Trade price	N/A	Increase
Mortgage loans:					
Commercial	76	Discounted Cash Flow	Discount rate	5.87% - 7.15% 6.72%	Decrease
Residential	1,101	Level yield	Market yield	5.48% - 11.61% 7.96%	Increase
	140	Trade Price	Trade Price	N/A	Increase
Deposit asset	438	Fair values are determined using the same unobservable inputs as insurance liabilities, at fair value.			
Reinsurance receivables	128	Fair values are determined using the same unobservable inputs as insurance liabilities, at fair value.			
Liabilities:					
Insurance liabilities, at fair value	$ 5,004	Discounted Cash Flow	Lapse rate	0.65%-13.00%	Decrease
			Spread over risk-free	0.00%-1.94%	Decrease
			Utilization rate	87.50%-100.00%	Increase
			Withdrawal rate	See table footnote [1] below.	
			Mortality rate	0.00%-16.00%	Decrease
			Equity volatility curve	15.00%-25.00%	Increase
FIA embedded derivative	252	Discounted Cash Flow	Lapse rate	2.10%-25.00%	Decrease
			Spread over risk-free	0.00%-1.94%	Decrease
			Withdrawal rate	1.75%-4.70%	Decrease
			Mortality rate	0.12%-1.05%	Decrease

[1] The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions vary based on the age of the contractholder, the tax status of the contract and the duration since the contractholder began lifetime withdrawals. As of December 31, 2023, the minimum withdrawal rate assumption is 88% and the maximum withdrawal rate assumption may be greater than 100%. The fair value of the liability will generally increase the closer the withdrawal rate is to 100% and decrease as the withdrawal rate moves further away from 100%.

Excluded from the above chart are certain level 3 assets that were valued by an external vendor and for which the unobservable inputs were not readily available. As of December 31, 2023, $910 million of fixed maturity securities, AFS and fixed maturity securities, at fair value, and $4 million of short-term investments were excluded from assets under this criteria.

	2022				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**	**Impact of Increase in the Input on Fair Value**
Assets:					
Fixed maturity securities, at fair value:					
Corporate debt	$ 212	Discounted cash flow	Discount rate	4.33% - 8.46% (6.55%)	Decrease
CDO / ABS	290	Discounted cash flow	Discount rate	2.20% - 13.77% (6.56%)	Decrease
Mortgage loans:					
Commercial	35	Trade price	Trade price	N/A	Increase
Residential	138	Trade price	Trade price	N/A	Increase
	161	Level yield	Market yield	5.75% - 9.97% (8.40%)	Increase
Deposit asset	607	Fair values are determined using the same unobservable inputs as insurance liabilities, at fair value.			
Reinsurance receivables	253	Fair values are determined using the same unobservable inputs as insurance liabilities, at fair value.			
Liabilities:					
Insurance liabilities, at fair value	$ 5,546	Discounted Cash Flow	Lapse rate	1.00% - 20.00%	Decrease
			Spread over risk-free	0.00% - 2.43%	Decrease
			Utilization rate	92.50% - 100.00%	Increase
			Withdrawal rate	See table footnote [(1)] below.	
			Mortality rate	0.00% - 16.00%	Decrease
			Equity volatility curve	19.50% - 26.00%	Increase

[(1)] The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions vary based on the age of the contractholder, the tax status of the contract and the duration since the contractholder began lifetime withdrawals. As of December 31, 2022, the minimum withdrawal rate assumption is 77% and the maximum withdrawal rate assumption may be greater than 100%. The fair value of the liability will generally increase the closer the withdrawal rate is to 100% and decrease as the withdrawal rate moves further away from 100%.

Transfers into or out of Level 3

The following is a reconciliation for all the Level 3 assets measured at fair value on a recurring basis as of December 31, (in millions):

	2023							
	Assets							
	Fixed Maturity Securities, AFS	Fixed Maturity Securities, at Fair Value	Funds Withheld - Directly Managed	Mortgage Loans	Short term investments	Deposit Asset	Reinsurance Receivables	Total Assets
Beginning balance	$ —	$ 502	$ 8,572	$ 334	$ —	$ 607	$ 253	$ 10,268
Purchases	620	884	—	1,235	4	—	—	2,743
Sales, maturities, redemptions	—	(25)	—	(248)	—	—	—	(273)
Investment gains (losses) included in net income (loss)[(1)]	—	(9)	—	(3)	—	(12)	(125)	(149)
Investment gains (losses) included in other comprehensive income (loss)	(18)	—	—	—	—	—	—	(18)
Change in fair value of funds withheld - directly managed included in net income (loss)	—	—	68	—	—	—	—	68
Transfers into Level 3	36	388	5,048	—	—	—	—	5,472
Transfers out of Level 3	—	(45)	(2,276)	—	—	—	—	(2,321)
Other	—	(10)	—	—	—	(157)	—	(167)
Ending balance	**$ 638**	**$ 1,685**	**$ 11,412**	**$ 1,318**	**$ 4**	**$ 438**	**$ 128**	**$ 15,623**

[(1)] Fixed maturity securities, at fair value includes changes in unrealized gains (losses) of $(9) million reported in investment gains (losses) on the consolidated statements of income (loss) for instruments still held as of December 31, 2023.

	2022						
	Assets						
	Fixed Maturity Securities, at Fair Value	Funds Withheld - Directly Managed	Mortgage Loans	Other Invested Assets	Deposit Asset	Reinsurance Receivables	Total Assets
Beginning balance	$ —	$ 7,451	$ —	$ 12	$ —	$ —	$ 7,463
Purchases	476	—	341	—	—	—	$ 817
Acquisitions (Note 2)	—	—	—	—	2,596	318	2,914
Sales, maturities, redemptions	(28)	—	(7)	(12)	—	—	(47)
Investment gains (losses) included in net income (loss)[(1)]	(24)	—	—	—	(117)	(65)	(206)
Change in fair value of funds withheld - directly managed included in net income (loss)	—	1,121	—	—	—	—	1,121
Transfers into Level 3	78	—	—	—	—	—	78
Transfers out of Level 3	—	—	—	—	—	—	—
Other	—	—	—	—	(1,872)	—	(1,872)
Ending balance	**$ 502**	**$ 8,572**	**$ 334**	**$ —**	**$ 607**	**$ 253**	**$ 10,268**

[(1)] Fixed maturity securities, at fair value includes changes in unrealized gains (losses) of $(24) million reported in investment gains (losses) on the consolidated statements of income (loss) for instruments still held as of December 31, 2022.

The following is a reconciliation for all the Level 3 liabilities measured at fair value on a recurring basis as of December 31, (in millions):

	2023		
	Liabilities		
	Insurance Liabilities, at Fair Value	FIA Embedded Derivative	Total Liabilities
Beginning balance	$ 5,546	$ —	$ 5,546
Significant Transactions[1]	—	246	246
Incurred Losses:			
Reduction in estimates of ultimate losses	(2,330)	—	(2,330)
Increase in estimates of ultimate losses	1,307	—	1,307
Change in fair value (discount rate)	53	6	59
Fees net of claims paid	432	—	432
Other	(4)	—	(4)
Ending balance	**$ 5,004**	**$ 252**	**$ 5,256**

[1]FIA Embedded Derivative is included in the total liabilities assumed from the reinsurance agreement executed November 20, 2023 in Note 3.

	2022	
	Liabilities	
	Insurance Liabilities, at Fair Value	Total Liabilities
Beginning balance	$ —	$ —
Acquisitions (Note 2)	13,611	13,611
Incurred Losses:		
Reduction in estimates of ultimate losses	(8,094)	(8,094)
Increase in estimates of ultimate losses	1,937	1,937
Change in fair value (discount rate)	(2,265)	(2,265)
Fees net of claims paid	315	315
Other	42	42
Ending balance	**$ 5,546**	**$ 5,546**

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the beginning of the year in which the actual event or change in circumstances that caused the transfer occur.

Change in Fair Value of Insurance Contracts

The components of the change in fair value of insurance contracts are reported in several line items within revenues and benefits and expenses in the consolidated statements of income (loss) and comprehensive income (loss). The revenue items include premiums, policy charges and fee income, and asset management and service fees, which were $27 million, $456 million, and $91 million, respectively, for the year ended December 31, 2023 and $19 million, $365 million, and $71 million, respectively, for the year ended December 31, 2022.The benefits and expenses items include policyholders' benefits and changes in fair value of insurance liabilities and commission expense, which were $340 million and $90 million, respectively, for the year ended December 31, 2023 and $(1,010) million and $65 million, respectively, for the year ended December 31, 2022. Policyholders' benefits and changes in fair value of insurance liabilities includes the following changes in fair value of the assets and liabilities for which the Company has elected FVO for the years ended December 31, (in millions).

	2023	2022
Assets:		
Reinsurance receivables	$ (29)	$ (15)
Modified coinsurance receivable	(238)	(5,640)
Deposit asset	(169)	(1,989)
Liabilities:		
Insurance liabilities	$ (543)	$ (8,065)

Changes in the modified coinsurance payable are reported in policyholders' benefits and changes in fair value of insurance liabilities, however, they are not included in the above chart as they relate to the investment portfolio within the modified coinsurance agreement.

Fair Value Information About Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used as of December 31, (in millions):

	2023				
	Estimated Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Other invested assets - other	$ 98	$ —	$ 81	$ 179	$ 179
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	$ —	$ —	$ 14,982	$ 14,982	$ 16,575
Long term debt[1]	—	1,578	—	1,578	1,491
Collateral deposit liability	—	—	117	117	129
Loaned securities and repurchase agreements	—	825	—	825	967

[1] Carrying value of long-term debt represents borrowing outstanding as further detailed in Note 10.

	2022				
	Estimated Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Other invested assets - other	$ —	$ —	$ 11	$ 11	$ 11
Liabilities:					
Policyholder contract deposits associated with investment-type contracts[2]	$ —	$ —	$ 9,259	$ 9,259	$ 10,669
Long term debt[1]	—	732	—	732	745
Collateral deposit liability	—	—	184	184	181
Loaned securities and repurchase agreements	—	417	—	417	417

[1] Carrying value of long-term debt represents borrowing outstanding as further detailed in Note 10.
[2] Prior period amounts have been updated to conform to current period presentation.

Information regarding the estimation of fair value for financial instruments not carried at fair value is discussed below:

Other invested assets - other

Includes policy loans and cash collateral posted in excess of derivative liabilities. For policy loans, carrying value generally approximates fair value. For cash collateral posted in excess of derivative liabilities, due to the short-term nature of these transactions, the carrying value approximates fair value.

Policyholder contract deposits associated with investment-type contracts

Policyholder contract deposits associated with investment-type contracts are estimated using discounted cash flow calculations based on interest rates currently being offered in the industry for similar contracts with maturities consistent with those of the contracts being valued. When no similar contracts are being offered, the discount rate is the U.S. Treasury spot rate or current risk-free interest rate. Other factors considered in the estimation process

include current policyholder account values and related surrender charges, expectations about policyholder behavior and risk margin adjustments.

Debt

The fair value of debt is estimated using a discounted cash flow calculation based on projected interest and principal cash flows discounted at a risk adjusted discount rate for the duration of such debt.

Collateral deposit liability

The fair value is estimated using a discounted cash flow calculation based on interest rates currently being offered in the industry for similar contracts with maturities consistent with those of the contracts being valued.

Securities Borrowing, Lending and Repurchase Agreements

The Company receives cash for selling securities under agreements to repurchase. Fair values for repurchase agreements that have a maturity date greater than one year are determined using discounted cash flow analyses and incorporate interest rates associated with the repurchase agreement liability. The carrying amount of repurchase agreements that have a maturity date of one year or less approximates fair value due to the short-term nature of the transactions. Cash collateral for loaned securities represents the collateral received or paid in connection with loaning or borrowing securities, and due to the short-term nature of these transactions, the carrying value approximates fair value.

5. Investments

Fixed Maturity Securities AFS

The following table presents the amortized cost or cost, gross unrealized gains, gross unrealized losses, allowance for credit losses and fair value of AFS fixed maturity securities as of December 31, (in millions):

	2023				
	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
Fixed maturity securities, AFS:					
U.S. government and government sponsored entities	$ 1,872	$ —	$ (385)	$ —	$ 1,487
Obligations of states, municipalities and political subdivisions	2,153	123	(7)	—	2,269
Non-U.S. governments	352	12	(26)	(2)	336
Corporate debt	13,388	769	(136)	(34)	13,987
Mortgage-backed, asset-backed and collateralized:					
RMBS	226	6	(3)	(1)	228
CMBS	501	9	(18)	—	492
CDO / ABS	1,473	12	(30)	(1)	1,454
Total mortgage-backed, asset-backed and collateralized	2,200	27	(51)	(2)	2,174
Total fixed maturity securities, AFS	**$ 19,965**	**$ 931**	**$ (605)**	**$ (38)**	**$ 20,253**

	2022			
	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities, AFS:				
U.S. government and government sponsored entities	$ 701	$ —	$ (314)	$ 387
Obligations of states, municipalities and political subdivisions	89	—	(15)	74
Non-U.S. governments	45	1	(20)	26
Corporate debt	1,124	5	(221)	908
Mortgage-backed, asset-backed and collateralized:				
RMBS	44	—	(5)	39
CMBS	150	—	(10)	140
CDO / ABS	121	—	(8)	113
Total mortgage-backed, asset-backed and collateralized	315	—	(23)	292
Total fixed maturity securities, AFS	**$ 2,274**	**$ 6**	**$ (593)**	**$ 1,687**

Fixed Maturity Securities AFS in a Loss Position

The following table summarizes the fair value and gross unrealized losses on AFS securities without an allowance for credit losses, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, (in millions):

	2023					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	$ 1,098	$ (61)	$ 389	$ (325)	$ 1,487	$ (386)
Obligations of states and municipalities and other political	—	—	55	(6)	55	(6)
Non-U.S. governments	17	(1)	66	(25)	83	(26)
Corporate debt	120	(1)	921	(134)	1,041	(135)
Mortgage-backed, asset-backed and collateralized:						
RMBS	36	—	31	(4)	67	(4)
CMBS	60	(1)	90	(17)	150	(18)
CDO / ABS	273	(26)	75	(4)	348	(30)
Total mortgage-backed, asset-backed and collateralized	**369**	**(27)**	**196**	**(25)**	**565**	**(52)**
Total fixed maturity securities, AFS	**$ 1,604**	**$ (90)**	**$ 1,627**	**$ (515)**	**$ 3,231**	**$ (605)**

	2022					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	$ 1	$ —	$ 386	$ (314)	$ 387	$ (314)
Obligations of states and municipalities and other political	44	(9)	31	(6)	75	(15)
Non-U.S. governments	26	(20)	—	—	26	(20)
Corporate debt	702	(150)	200	(71)	902	(221)
Mortgage-backed, asset-backed and collateralized:						
RMBS	30	(3)	9	(2)	39	(5)
CMBS	53	(4)	87	(6)	140	(10)
CDO / ABS	87	(7)	20	(1)	107	(8)
Total mortgage-backed, asset-backed and collateralized	170	(14)	116	(9)	286	(23)
Total fixed maturity securities, AFS	**$ 943**	**$ (193)**	**$ 733**	**$ (400)**	**$ 1,676**	**$ (593)**

Of the $3,231 million of debt securities in an unrealized loss position as of December 31, 2023, 76% had a decline in fair value less than 17% of amortized cost. Additionally, $565 million of the unrealized loss relates to investment-grade securities (or highly rated or securities with a Standard and Poor's rating of at least BBB-). Overall, the unrealized losses as of December 31, 2023 are primarily due to interest rate movements since the date of acquisition, and the Company does not intend to sell the securities, nor is it more likely than not that the Company will be required to sell the securities before recovery of the amortized cost basis.

As of December 31, 2022 the Company held 702 individual fixed maturity securities that were in an unrealized loss position, 182 of which were in a continuous unrealized loss position for 12 months or more. The Company did not recognize the unrealized losses in earnings on these fixed maturity securities within the consolidated statements of income (loss) as of December 31, 2023 or as of December 31, 2022 because the Company neither intended to sell the securities nor believed that it was more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis. The Company did not recognize any OTTI losses on fixed maturity securities for the year ended December 31, 2022.

Contractual Maturities of Fixed Maturity Securities AFS

The following table presents the amortized cost and fair value of fixed maturity securities AFS by contractual maturity as of December 31, (in millions):

	2023		2022	
	Total Fixed Maturity Securities, AFS			
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 68	$ 67	$ 20	$ 19
Due after one year through five years	2,726	2,765	214	204
Due after five years through ten years	2,246	2,300	184	153
Due after ten years	12,725	12,947	1,541	1,019
Mortgage-backed, asset-backed and collateralized	2,200	2,174	315	292
Total	**$ 19,965**	**$ 20,253**	**$ 2,274**	**$ 1,687**

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset-backed, commercial mortgage-backed, residential

mortgage-backed, and collateralized securities are shown separately in the table above, as they do not have a single maturity date.

Proceeds and gross gains and losses from sales

The following table presents the proceeds from sales and the gross gains and losses on those sales of AFS fixed maturity securities for the years ended December 31, (in millions):

	2023	2022
Proceeds from voluntary sales	$ 2,094	$ 620
Gross gains	41	46
Gross losses	(50)	(188)

Allowance for Credit Losses and Impairments - Fixed Maturity Securities AFS

The following table presents the rollforward of the allowance for credit losses in fixed maturity securities by type for the year ended December 31, 2023 (in millions):

	Non-U.S. governments	Corporate debt	CMBS	CDO / ABS	Total
Balance, January 1, 2023[(1)]	$ 3	$ 37	$ 1	$ 3	$ 44
Additional increases or decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period	(1)	(3)	—	(2)	(6)
Balance, December 31, 2023	**$ 2**	**$ 34**	**$ 1**	**$ 1**	**$ 38**

[(1)] Prior to January 1, 2023, credit losses on AFS securities were not recorded as an allowance but were recorded as a reduction of the book value of the security if the security was other-than-temporarily impaired. The adoption impact due to the transition for AFS securities was $44 million.

Other Invested Assets

The following table presents a breakdown of other invested assets by asset class as of December 31, (in millions):

	2023	2022
LPs/LLCs:		
Equity Method:		
Private equity	$ 696	$ 842
Real estate-related	5	5
Fair Value:		
Private equity	990	934
Total LPs/LLCs[(1)]	1,691	1,781
Derivatives	141	177
Other	179	11
Total other invested assets	**$ 2,011**	**$ 1,969**

[(1)] Includes related party balances of $1,630 million and $1,749 million as of December 31, 2023 and 2022, respectively.

The private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents, which limit the ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods.

Net Investment Income

The following table presents the components of net investment income for the years ended December 31, (in millions):

	2023	2022
Fixed maturity securities	$ 771	$ 353
Other invested assets	192	61
Short term investments and other investments	202	53
Funds withheld - directly managed	1,502	1,677
Gross investment income	2,667	2,144
Investment expenses[1]	(144)	(51)
Net investment income	**$ 2,523**	**$ 2,093**

[1] For the year ended December 31, 2023, investment expenses includes $33 million of expense related to liabilities associated with repurchase agreements.

Investment Gains (Losses)

The following table presents the components of investment gains (losses) for the years ended December 31, (in millions):

	2023	2022
Realized gains (losses) on fixed maturity securities	$ (82)	$ (712)
Unrealized gains (losses) on fixed maturity securities under the FVO	321	(403)
Unrealized gains (losses) on equity securities	5	(27)
Realized gains (losses) on funds withheld - directly managed	(615)	(995)
Net gains (losses) on derivative instruments	(572)	(913)
Net gains (losses) on FIA embedded derivative	8	—
Other realized gains (losses)	2	(63)
Investment gains (losses)	**$ (933)**	**$ (3,113)**

The amount of unrealized appreciation (depreciation) of fixed maturity securities, AFS reclassified from accumulated other comprehensive income (loss) to investment gains (losses) upon the sale of securities was $22 million for the year ended December 31, 2023 and $(4) million for the year ended December 31, 2022.

Included in investment gains (losses) from funds withheld - directly managed for the years ended December 31, 2023 and 2022 are $208 million of losses and $42 million of gains, respectively, related to the transfer of securities from funds withheld - directly managed to fixed maturity securities, AFS.

Securities Borrowing, Lending and Repurchase Agreements

In the normal course of business, the Company sells securities under agreements to repurchase and enters into securities lending transactions.

The following table sets forth, by type, the securities the Company has agreed to repurchase. The below amounts represent the cash received under the outstanding repurchase agreements as of December 31, (in millions):

	2023				2022			
	Remaining Contractual Maturities of the Agreements							
	Up to 30 days	30-90 days	1-5 years	Total	Up to 30 days	30-90 days	Over 90 days	Total
U.S. corporate public securities	$ 356	$ 108	$ 503	$ 967	$ 111	$ 200	$ —	$ 311

The market value of the securities initially posted as collateral under the repurchase agreements was $999 million and $315 million for the years ended December 31, 2023 and 2022, respectively. Subsequent to posting collateral for the year ended December 31, 2022, the market value of the securities increased to $326 million resulting in the receipt of $11 million of additional funds from the counterparty.

The following table sets forth the remaining contractual maturities of the Company's securities lending transactions by security type that was loaned. The amounts below represent cash collateral received for the loaned securities at December 31,(in millions):

	2023				2022			
	Remaining Contractual Maturities of the Agreements							
	Overnight & Continuous	Up to 30 days	30-90 days	Total	Overnight & Continuous	Up to 30 days	30-90 days	Total
Equity securities	$ —	$ —	$ —	$ —	$ 106	$ —	$ —	$ 106

There were no outstanding securities lending agreements at December 31, 2023. The market value of the securities loaned was $103 million as of December 31, 2022.

Securities Pledged, Restricted Assets and Special Deposits

The Company pledges as collateral investment securities it owns to unaffiliated parties through certain transactions, including securities lending, securities sold under repurchase agreements, collateralized borrowings and postings of collateral with derivative counterparties.

The Company utilizes asset trust accounts to collateralize business with reinsurance counterparties. As of December 31, 2023 and 2022 the Company held $23,887 million and $4,643 million, respectively, of assets in these trusts for the benefit of the counterparties.

As of December 31, 2023 and 2022 the Company had securities with fair value of $15 million and $15 million, respectively, on deposit with governmental authorities or trustees as required by certain insurance laws.

As of December 31, 2023 and 2022, 74% and 90%, respectively, of the fixed maturity securities within the funds withheld - directly managed, serving as collateral for the reinsurance receivable, are classified as investment grade by the National Association of Insurance Commissioners ("NAIC").

Concentration of Credit Risk

Other than the funds withheld - directly managed balance attributable to the ceding reinsurers, i.e., affiliates of Corebridge and Lincoln National Corp., there are no significant concentrations of credit risk within the Company's

invested assets. In the event of a ceding company's insolvency, the Company would need to assert a claim on the investments collateralizing the reinsurance receivable and used to settle liabilities. However, the Company has the ability to offset amounts owed to the ceding company, which reduces the risk of loss. In accordance with the terms of the reinsurance agreements, the Company is obligated to fund any shortfall between U.S. statutory book value of the investments collateralizing the reinsurance receivable and U.S. statutory insurance reserves. Likewise, if there is an excess between the U.S. statutory book value of investments collateralizing the reinsurance receivable and U.S. statutory insurance reserves, the ceding companies are required to distribute the excess to the Company.

6. Derivatives and Hedging

Types of Derivative Instruments and Derivative Strategies

The Company utilizes various derivative instruments and strategies to manage interest rate, foreign currency exchange rate, equity and credit risk. Commonly used derivative instruments include but are not necessarily limited to:

- Interest rate contracts: futures, swaps, swaptions, forwards, options, caps and floors
- Equity contracts: futures, options and total return swaps
- Foreign exchange contracts: futures, options, forwards and swaps
- Credit contracts: single and index reference credit default swaps, credit default index swaptions and credit index options

See Note 1 for a detailed discussion of the accounting treatment for derivative instruments. See Note 4 for additional disclosures related to the fair value of derivative instruments.

Interest Rate Contracts

Interest rate swaps, options, and futures are used by the Company to reduce risks from changes in interest rates, and manage interest rate exposures arising from mismatches between assets and liabilities and to hedge against changes in their values it owns or anticipates acquiring or selling.

Interest rate swaps may be attributed to specific assets or liabilities or to a portfolio of assets or liabilities. The Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount.

Interest rate options include swaptions and interest rate floors. Swaptions are options that give the holder the right but not obligation to enter into a specified interest rate swap. The Company uses these instruments for protection against the change in future interest rates. Interest rate floors set an effective rate of interest on underlying reference rate and is used by the Company to provide protection against potential future declines in rates.

In standardized exchange-traded interest rate futures transactions, the Company purchases or sells a specified number of contracts, the values of which are determined by the daily market values of underlying referenced investments. The Company enters into exchange-traded futures with regulated futures commission merchants who are members of a trading exchange.

Equity Contracts

Equity options, total return swaps, and futures are used by the Company to manage its exposure to the equity markets which impacts the value of assets and liabilities it owns or anticipates acquiring or selling.

Equity options are contracts which will settle in cash based on differentials in the underlying indices at the time of exercise and the strike price. The Company uses combinations of purchases and sales of equity index options to hedge the effects of adverse changes in equity indices within a predetermined range.

Total return swaps are contracts whereby the Company agrees with counterparties to exchange, at specified intervals, the difference between the return on an asset (or market index) and Secured Overnight Financing Rate

(“SOFR”) plus an associated funding spread based on a notional amount. The Company generally uses total return swaps to hedge the effect of changes in equity indices and/or interest rate movements.

In standardized exchange-traded equity futures transactions, the Company purchases or sells a specified number of contracts, the values of which are determined by the daily market values underlying referenced equity indices. The Company enters into exchange-traded futures with regulated futures commission merchants who are members of a trading exchange.

The Company has assumed through reinsurance certain FIA products with index-based crediting that constitutes an embedded derivative. The cedant hedges this risk and provides the benefits of this hedging as part of the reinsurance settlements.

Foreign Exchange Contracts

The Company utilizes currency derivatives, including currency swaps and forwards, to reduce risks from changes in currency exchange rates with respect to investments or reinsurance contracts denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under currency forwards, the Company agrees with counterparties to deliver a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party.

Credit Contracts

The Company purchases credit protection using credit derivatives in order to hedge specific credit exposures in the Company’s investment portfolio. The Company sells credit protection using credit derivatives in order to generate a credit spread for the benefit of the Company’s investment portfolio.

Primary Risks Managed by Derivatives

The table below provides a summary of the gross notional amount and fair value of derivative contracts by the primary underlying risks, excluding derivatives within funds withheld - directly managed. Many derivative instruments contain multiple underlying risks. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral as of December 31, (in millions):

	2023			2022		
		Gross Fair Value			Gross Fair Value	
Instrument Type	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Interest rate swaps	$ 36,835	$ 622	$ 1,190	$ 14,648	$ 276	$ 670
Interest rate options	215	11	15	—	—	—
Foreign currency forwards	1,755	61	4	1,680	97	13
Foreign currency swaps	1,163	11	79	594	24	3
Credit default swaps	—	—	—	591	6	—
Equity futures	(2,025)	—	71	1,737	46	—
Total return swaps	1,500	17	143	—	23	49
Equity options	6,893	191	138	10,425	298	355
FIA embedded derivative[2] (Note 4)	—	—	252	—	—	—
Total Derivatives [1]	**$ 46,336**	**$ 913**	**$ 1,892**	**$ 29,675**	**$ 770**	**$ 1,090**

[1] Recorded in other invested assets and derivative liabilities on the consolidated balance sheets except for the FIA embedded derivative.
[2] Recorded in policyholder contract deposits on the consolidated balance sheets.

Offsetting Assets and Liabilities

The following table presents recognized assets and liabilities (excluding derivative instruments within funds withheld - directly managed), that are offset in the consolidated balance sheets, and/or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the consolidated balance sheets as of December 31, (in millions):

	2023					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Consolidated Balance Sheets		Amounts Presented in the Consolidated Balance Sheets	Financial Instruments/ Collateral[1]	Net Amount
		Counterparty Netting	Cash Collateral			
Offsetting of Financial Assets:						
Derivatives	$ 913	$ (768)	$ (4)	$ 141	$ —	$ 141
Securities borrowing transactions[2]	—	—	—	—	—	—
Offsetting of Financial Liabilities:						
Derivatives	$ 1,640	$ (768)	$ (780)	$ 92	$ —	$ 92
Repurchase agreements	968	—	—	968	(968)	—

[1] Amounts exclude the excess of collateral received/pledged from/to the counterparty.
[2] Securities borrowed are not reflected on the consolidated balance sheets.

	2022					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Consolidated Balance Sheets		Amounts Presented in the Consolidated Balance Sheets	Financial Instruments/ Collateral[1]	Net Amount
		Counterparty Netting	Cash Collateral			
Offsetting of Financial Assets:						
Derivatives	$ 512	$ (335)	$ —	$ 177	$ (177)	$ —
Offsetting of Financial Liabilities:						
Derivatives	$ 832	$ (632)	$ —	$ 200	$ —	$ 200
Repurchase agreements	311	—	—	311	(311)	—
Securities lending transactions	106	—	—	106	(103)	3

[1] Amounts exclude the excess of collateral received/pledged from/to the counterparty.

For securities purchased under agreements to resell and securities sold under repurchase agreements, the Company monitors the value of the securities and maintains collateral, as appropriate, to protect against credit exposure. Where the Company has entered into repurchase and resale agreements with the same counterparty, in the event of default, the Company would generally be permitted to exercise rights of offset. The Company monitors the value of securities borrowed not reflected on the consolidated balance sheets that are used to provide collateral to ceding companies under reinsurance transactions.

The following table provides the financial statement classification and impact of derivatives for the years ended December 31, (in millions):

	2023		2022	
Instrument Type	Investment Gains (Losses)	Foreign Exchange Gains (Losses)	Investment Gains (Losses)	Foreign Exchange Gains (Losses)
Interest rate swaps	$ (198)	$ —	$ (797)	$ —
Interest rate options	(4)	—	—	—
Foreign currency forwards	—	(149)	—	26
Foreign currency swaps	(2)	(108)	(22)	98
Credit default swaps	9	—	4	—
Equity futures	(320)	—	277	—
Total return swaps	(169)	—	182	—
Equity options	112	—	(557)	—
FIA embedded derivative	8	—	—	—
Total Derivatives	**$ (564)**	**$ (257)**	**$ (913)**	**$ 124**

Counterparty Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative transactions with a positive fair value. The Company manages credit risk by (i) entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties governed by master netting agreements, as applicable; (ii) trading through central clearing and OTC parties; and (iii) obtaining collateral, such as cash and securities, when appropriate.

Substantially all of the Company’s derivative agreements require daily full collateralization by the party in a liability position.

7. Reinsurance

The following table shows the effects of reinsurance on the consolidated statements of income (loss) for the years ended December 31, (in millions):

	2023	2022
Premiums:		
Direct	$ 36	$ 26
Assumed	217	225
Ceded	(8)	(7)
Net premiums	**$ 245**	**$ 244**
Policy charges and fee income:		
Direct	$ 495	$ 398
Assumed[1]	266	84
Ceded	(39)	(33)
Net policy charges and fee income	**$ 722**	**$ 449**
Policyholder benefits and changes in fair value of insurance liabilities:		
Direct	$ 362	$ 256
Assumed	1,854	898
Ceded	(77)	(71)
Net policyholder benefits	2,139	1,083
Changes in fair value of insurance liabilities	54	(1,195)
Net policyholder benefits and changes in fair value of insurance liabilities	**$ 2,193**	**$ (112)**
Interest credited to policyholder account balances:		
Direct	$ 6	$ —
Assumed[2]	449	321
Ceded	(6)	—
Net interest to policyholder account balances	**$ 449**	**$ 321**

[1] Policy charges and fee income includes related party balances of $15 million and $0 million, respectively, for the years ended December 31, 2023 and 2022.

[2]Interest credited to policyholder account balances includes related party balances of $90 million and $31 million, respectively, for the years ended December 31, 2023 and 2022.

The following table shows the effects of reinsurance on the consolidated balance sheets as of December 31, (in millions):

	2023	2022
Deposit asset - ceded	$ 438	$ 607
Reinsurance receivables:		
Assumed[(1)]	28	110
Ceded	306	353
Future policy benefits - assumed[(1)]	41,591	26,940
Policyholder account balances - assumed[(1)]	28,256	12,096
Unpaid losses and loss adjustment expenses - assumed	3,168	3,613
Reinsurance payables:		
Assumed[(1)]	900	752
Ceded	88	44

[(1)] Reinsurance receivables,future policy benefits, policyholder account balances and reinsurance payables include related party balances of $28 million, $1,067 million, $5,844 million and $168 million, respectively, as of December 31, 2023 Reinsurance receivables, policyholder account balances and reinsurance payables included related party balances of $110 million, $4.1 billion and $144 million, respectively, as of December 31, 2022.

Prior to the Company's acquisition of FLIAC on April 1, 2022, FLIAC ceded certain of its variable and fixed indexed annuities, fixed annuities with a guaranteed lifetime withdrawal income feature and the majority of its New York business, both the living benefit guarantees and base contracts, to entities affiliated with Prudential Financial. Reinsurance ceded arrangements do not discharge the Company as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to the Company under the terms of the reinsurance agreements. The Company believes a material reinsurance liability resulting from such inability of reinsurers to meet their obligations is unlikely.

In 2022, in accordance with applicable state law, a program was instituted to novate a significant portion of the policies ceded from FLIAC to Pruco Life, a Prudential Financial affiliated entity. The novation program does not have an impact on net equity or net income, but has resulted in the reduction of certain activity/balances associated with these policies. During the years ended December 31, 2023 and 2022, approximately $641 million and $6.7 billion, respectively, of account value, which generally approximates fair values of insurance liabilities, was transferred out of FLIAC as a result of the novation program, which represents approximately 72% of the insurance liabilities ceded by FLIAC to Pruco Life as of April 1, 2022.

8. Insurance Liabilities

Long Duration Lines of Business

Liabilities for long-duration contracts are classified as future policy benefits, policyholder contract deposits or insurance liabilities. Future policy benefits include retirement products whose payments depend on contract holder's survival such as structured settlements with life contingencies, immediate annuities with life contingencies, and pension risk transfer annuities; and traditional life insurance products such as WL and RoP term, A&H and LTC and the additional insurance liability associated with universal life-type contracts with secondary guarantees. Policyholder contract deposits apply to investment contracts such as structured settlements and SPIA with non-life contingent benefits, deferred annuity contracts in the accumulation phase and the fund values of universal life-type insurance contracts and SPWL. Insurance liabilities include certain of the Company's liabilities for long-duration contracts carried at fair value following election of the FVO. These insurance liabilities are primarily comprised of guarantees associated with certain variable annuity contracts.

Future Policy Benefits

Future policy benefits include liability cash flows that are long-duration and relatively stable. Reserves for traditional life, A&H and life-contingent annuity payout contracts represent an estimate of the present value of future benefits less the present value of future net premiums. Future policy benefits also include additional insurance liabilities for universal life-type contracts with secondary guarantees, liabilities for annuities issued in structured settlement

arrangements whereby a claimant has agreed to settle a general insurance claim in exchange for fixed payments over a fixed determinable period of time and may also contain a life contingency feature.

Life, annuity and A&H reserves are established using assumptions for investment yields, mortality, morbidity, lapses and expenses, including a provision for adverse deviation where applicable. The Company reviews the adequacy of the reserves by projecting asset and liability cash flows into the future using best estimate assumptions for mortality, morbidity, lapse, expenses and investment yield. If deficiencies are found to exist, then the Company may record additional liabilities.

The additional insurance liability for the universal life-type contracts with secondary guarantee features is calculated by estimating the present value of total expected benefit payments over the life of the contract from inception divided by the present value of total expected assessments over the life of the contract ("benefit ratio") multiplied by the cumulative assessments recorded from the contract inception through the balance sheet date less the cumulative payments plus interest on the liability. The change in the liability for a period is the benefit ratio multiplied by the assessments recorded for the period less payments made in the period plus interest. Assessments are the aggregate of all charges, including those for administration, mortality, expense, and surrender, regardless of how characterized, including investment margins. As experience or assumption changes result in a change in expected benefit payments or assessments, the benefit ratio is recalculated using the updated expected benefit payments and assessments over the life of the contract since inception. The revised benefit ratio is then applied to the liability calculation described above, with the resulting change in liability reported in policyholder benefits on the consolidated statements of income (loss) except that, to the extent that the change in liability calculation is driven by a change in unrealized investment margins arising from securities classified as available for sale, then the resulting change in liability is reported as a component of accumulated other comprehensive income (loss).

The following table presents future policy benefits by product line as of December 31, (in millions):

	2023	2022
Structured settlements	$ 15,808	$ 16,163
Universal life-type with secondary guarantees	11,603	—
Traditional WL	4,328	3,326
Pension risk transfer annuities	4,210	3,210
SPIA	2,799	1,423
Term life insurance	2,141	2,093
Long term care	424	428
A&H	334	352
Total	**$ 41,647**	**$ 26,995**

Policyholder Contract Deposits

Policyholder contract deposits are investment contracts that include universal life-type insurance contracts, SPIA and structured settlement contracts with period certain payment streams (i.e. not depending on longevity), deferred annuity contracts in the accumulation phase and the fund values of SPWL insurance contracts.

- Universal life-type products with secondary guarantee benefits includes: (1) a block of single life universal life policies with LTC rider benefits and (2) a quota share of a block of single life and joint life universal life with secondary guarantee benefits. These products contain secondary guarantee benefits which keeps the policy in force even when the account value is depleted so long as secondary guarantee requirements have been met.
- Non-life contingent structured settlement cash flows consist of certain payments with set payment patterns such as level payment, compound increase, fixed amount increase or one-time lump sum payments. The non-life contingent cash flows are thus highly predictable;
- Deferred annuities cash flows are designed to collect premiums and accrue credited interest over an extended period for payout at a later date;

- Non-life contingent SPIA cash flows also consist of certain level payments over a specified duration with a range from five to thirty years or more;
- SPWL and universal life-type products are interest sensitive and provide permanent coverage for life insurance with the potential to accumulate cash value.

The following table presents policyholder contract deposits by product line as of December 31, (in millions):

	2023	2022
Universal life with secondary guarantees	$ 10,322	$ —
Deferred annuities	6,280	4,386
Single premium immediate annuities – non-life contingent	3,217	3,590
Interest sensitive WL (SPWL)	3,008	578
FIA	2,107	—
Structured settlements – non-life contingent	1,963	2,115
Interest sensitive universal life	1,403	1,477
Total	**$ 28,300**	**$ 12,146**

Interest crediting rates for the Company's policyholder contract deposits range from 0.2% to 6%. The interest crediting rate for FIA are equity market dependent.

Insurance Liabilities, at fair value

Insurance liabilities at fair value are primarily associated with the Company's FLIAC subsidiary and are primarily comprised of guarantees associated with certain variable annuity contracts, including GMAB, GMWB, GMDB and GMIWB. Insurance liabilities also include registered index-linked annuities and fixed annuities, which includes both fixed indexed and fixed deferred annuities, certain other variable annuities, variable universal, fixed payout annuity products, individual annuities and supplementary contracts with life contingencies.

The following represents the major components of the Company's insurance liabilities at fair value as of December 31, (in millions):

Insurance Liabilities	2023	2022
Variable annuity contracts with guaranteed benefits	$ 2,788	$ 2,938
Registered index-linked and fixed annuity contracts	1,907	2,306
Other insurance contracts	309	302
Total insurance liabilities	**$ 5,004**	**$ 5,546**

The GMAB features provide the contractholder with a guaranteed return of initial account value or an enhanced value if applicable. The most significant of the Company's GMAB features are the guaranteed return option features, which includes an automatic rebalancing element that reduces the Company's exposure to these guarantees.

The GMDB features provide certain guaranteed benefits in the event of the death of the contractholder. The GMIB features provide guaranteed minimum periodic payments regardless of market volatility.

The GMWB features provide the contractholder with access to a guaranteed remaining balance if the account value is reduced to zero through a combination of market declines and withdrawals. The guaranteed remaining balance is generally equal to the protected value under the contract, which is initially established as the greater of the account value or cumulative deposits when withdrawals commence, less cumulative withdrawals. The contractholder also has the option, after a specified time period, to reset the guaranteed remaining balance to the then-current account value, if greater. The contractholder accesses the guaranteed remaining balance through payments over time, subject to maximum annual limits.

The GMIWB features, taken collectively, provide a contractholder two optional methods to receive guaranteed minimum payments over time, a “withdrawal” option or an “income” option. The withdrawal option (which was available under only one of the GMIWBs) guarantees that a contractholder can withdraw an amount each year until the cumulative withdrawals reach a total guaranteed balance. The income option (which varies among the Company’s GMIWBs) in general guarantees the contractholder the ability to withdraw an amount each year for life (or for joint lives, in the case of any spousal version of the benefit) where such amount is equal to a percentage of a protected value under the benefit. The contractholder also has the potential to increase this annual amount, based on certain subsequent increases in account value that may occur. The GMIWB can be elected by the contractholder upon issuance of an appropriate deferred variable annuity contract or at any time following contract issue prior to annuitization. Certain GMIWB features include an automatic rebalancing element that reduces the Company’s exposure to these guarantees.

The Company also issued fixed deferred and fixed index annuity contracts that have a guaranteed credited rate, annuity benefit and withdrawal benefit. The Company also issued indexed variable annuity contracts for which the return, when the account value is allocated to the index strategies, is tied to the return of specific indices subject to applicable contractual minimums and maximums and also varying levels of downside protection. The contract also guarantees to the contractholder a return of no less than total deposits made to the contract adjusted for any partial withdrawals upon death. In certain of these indexed variable annuity contracts, the Company also contractually guarantees to the contractholder withdrawal benefits payable during specific periods.

The fair values of insurance liabilities associated with variable annuity contracts with guaranteed benefits are calculated as the present value of future expected benefit payments to customers, anticipated future trail commissions paid to agents and certain administrative expenses less the present value of future expected rider fees, mortality and expense charges, contract charges and the anticipated future reimbursement of certain asset management fees. This methodology could result in either a liability or asset balance, given changing capital market conditions and various actuarial assumptions. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

The significant inputs to the valuation models include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially determined assumptions, including contract holder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates. The actuarially determined assumptions are based on the Company’s experience, industry data, and/or other factors, in the pricing of the acquisition.

The discount rates are determined using current market risk-free interest rates, including a spread. The spread over the risk-free rate swap curve represents the premium added to the proxy for the risk-free rate to reflect the Company's estimates of rates that a market participant would use to value the living benefits in both the accumulation and payout phases and index-linked interest crediting guarantees. This spread includes an estimate of NPR, which is the risk that the obligation will not be fulfilled by the Company. NPR is primarily estimated by utilizing the credit spreads associated with issuing funding agreements, adjusted for any illiquidity risk premium.

The assumptions used in establishing insurance liabilities are generally based on the Company’s experience, industry experience, market observable data, and/or other factors, as applicable. The Company evaluates its actuarial assumptions at least annually and updates them as appropriate, unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. Generally, the Company does not expect trends to change significantly in the short-term and, to the extent these trends may change, the Company expects such changes to be gradual over the long-term.

During the third quarter of 2023, the Company completed the annual review of actuarial assumptions related to the fair value of insurance liabilities. Based on that review, the Company updated certain assumptions associated with variable annuity contracts with guaranteed benefits, which resulted in an increase in the fair value of insurance liabilities of $116 million. The increase was driven by updates to the Company's assumptions regarding policyholder behavior, primarily to reflect lower observed surrender rates. The impact of the assumption update was included within policyholder benefits and changes in fair value of insurance liabilities on the consolidated statements of income (loss).

Short Duration Lines of Business

The Company's loss reserves cover excess workers' compensation, environmental impairment liabilities, legacy environmental and all other lines which consists of other casualty run-off exposures, including primary workers' compensation, general liability, professional liability, medical malpractice, product liability, and A&H exposures. In establishing retroactive reinsurance claim liabilities, the Company analyzes historical aggregate paid and reported loss patterns and projects losses into the future under various actuarial methodologies. The Company expects to pay claims for several decades for many lines of business. The Company monitors paid and reported claim activity and reviews ceding company reports and other information concerning the underlying losses. The Company reassesses and revises the expected timing and amounts of ultimate losses periodically or when significant events are revealed through monitoring and actuarial review processes.

The following table details the Company's liabilities for unpaid loss and loss adjustment expenses as of December 31, (in millions):

	2023			
	Case Reserves	IBNR	LAE	Total
Excess workers' compensation	$ 603	$ 880	$ 89	$ 1,572
Environmental impairment liabilities	266	202	62	530
Legacy environmental	186	154	163	503
All other lines	354	420	202	976
Liabilities for unpaid loss and allocated LAE, net of reinsurance	1,409	1,656	516	3,581
Discount for workers' compensation	(178)	(235)	—	(413)
Total liability for unpaid loss and loss adjustment expenses	**$ 1,231**	**$ 1,421**	**$ 516**	**$ 3,168**

	2022			
	Case Reserves	IBNR	LAE	Total
Excess workers' compensation	$ 658	$ 1,003	$ 96	$ 1,757
Environmental impairment liabilities	349	254	81	684
Legacy environmental	202	130	159	491
All other lines	388	537	222	1,147
Liabilities for unpaid loss and allocated LAE, net of reinsurance	1,597	1,924	558	4,079
Discount for workers' compensation	(198)	(268)	—	(466)
Total liability for unpaid loss and loss adjustment expenses	**$ 1,399**	**$ 1,656**	**$ 558**	**$ 3,613**

The following table provides a roll forward of loss and loss adjustment expense reserves including detail on paid and incurred losses from prior accident years and the current accident year for the years ended December 31, (in millions):

Unpaid losses and loss adjustment expenses	**2023**	**2022**
Balance at beginning of period	$ 3,613	$ 3,310
Assumed business	—	541
Net losses incurred:		
Current period	3	3
Prior period[1]	(100)	72
Total net losses incurred	(97)	75
Effect of change in discount	54	59
Net paid losses:		
Current period	—	—
Prior period	(402)	(372)
Total net paid losses	(402)	(372)
Balance at end of period	**$ 3,168**	**$ 3,613**

[1]The (favorable) and unfavorable developments for the applicable periods were added to the basis of the respective deferred gain and deferred costs within the consolidated balance sheets consistent with the accounting policy described in Note 1.

The following table details prior accident year loss development for the years ended December 31, (in millions):

(Favorable) / Unfavorable prior year development	**2023**	**2022**
Excess workers' compensation	$ (125)	$ (56)
Environmental impairment liabilities	(62)	0
Legacy environmental	44	12
All other lines	43	116
Total prior year development	**$ (100)**	**$ 72**

The significant drivers of the prior year loss development are discussed below. Prior year loss development is recorded after taking into consideration the results from actuarial analyses that are performed for each reserving line of business as well as on-going review of actual vs. expected results performed during the course of each calendar year. See Note 9 for additional information on the amortization of deferred gain and deferred costs.

Prior Year Loss Development - year ended December 31, 2023

During 2023, the Company recognized favorable prior year loss reserve development of $100 million. In general, the prior year development was booked after taking into consideration the results from the actuarial analyses the Company performed for each line of business over the course of calendar year 2023, as well as a review of actual versus expected results during the calendar year.

With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The Company booked $125 million in favorable prior year development. This favorable development was spread throughout a number of historical accident years, which was a result of continuing loss mitigation efforts for this line of business.
- Legacy Environmental: The Company booked $44 million in unfavorable prior year development. This unfavorable development was a result of an increase in claim frequency assumption as well as some case reserve strengthening on certain accounts.
- Environmental Impairment Liabilities: The Company booked $62 million in favorable prior year development. This favorable development was mostly driven by favorable settlements on claims that closed since the prior review.
- All Other Lines: The Company booked $43 million of unfavorable prior year development due to a few accounts that experienced higher than expected loss activity.

Prior Year Loss Development - year ended December 31, 2022

During 2022, the Company recognized unfavorable prior year loss reserve development of $72 million. This unfavorable development was comprised of $56 million favorable development relating to excess workers' compensation, $12 million unfavorable development within legacy environmental, $2 million favorable development in all other lines assumed prior to 2022 and $118 million unfavorable development from new deals assumed in 2022. In general, the prior year development was booked after taking into consideration the results from the actuarial analyses the Company performed for each line of business over the course of calendar year 2022, as well as a review of actual versus expected results during the calendar year.

With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The Company booked $56 million in favorable prior year development. This favorable development was spread throughout a number of historical accident years, which the Company believes was a result of continuing loss mitigation efforts for this line of business.
- Legacy Environmental: The Company booked $12 million in unfavorable prior year development. This unfavorable development was a result of an increase in the Excess segment due to higher average severity assumptions offset by a lower frequency assumption for the Primary segment combined with a favorable settlement for the small party accounts associated with the Lower Passaic River site.
- All Other Lines: The Company booked $2 million of favorable prior year development attributable to the Runoff Divisions loss portfolio. $118 million of adverse development was recognized on business assumed in 2022 due to adverse development since the deals were originally priced.

Disclosures of Incurred and Paid Loss Development, IBNR, Claims Counts and Payout Percentages

With respect to the cumulative incurred and cumulative paid information presented below, all information for retroactive reinsurance agreements is presented prospectively from the date at which the reserves were assumed. As the reserves are effectively re-underwritten at the date the reserves are assumed, the Company believes that the historical loss development prior to being assumed by the Company is not relevant to the Company's own experience managing these reserves. In addition, the information required to prepare the loss development on a retrospective basis is not always available to the Company. The Company analyzes the loss development tables on a prospective basis by the year in which the Company assumes the reserves such that the impact of the assumed reserves from year to year does not distort the loss development tables.

The environmental impairment line of business is significant and therefore a further development table has been provided for this line of business. As described below, the excess workers' compensation and legacy environmental lines of business do not have any incurred or paid losses within the past 10 accident years, and therefore no further loss development tables have been provided for these lines of business.

Reserves assumed in the year ended December 31, 2018 - All lines of business assumed prior to 2022.

	Incurred Loss and Allocated LAE								
	For the years ended December 31,							As of December 31, 2023	
Accident Year	Net Reserves Assumed (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
	(in millions, except for number of reported claims)								
Prior	$ 4,545	$ 4,660	$ 4,665	$ 4,653	$ 4,547	$ 4,489	$ 4,412	$ 1,739	15,680
2014	206	156	147	141	135	134	138	30	323
2015	368	268	257	244	242	244	234	34	458
2016	146	140	155	138	140	147	135	20	427
2017	123	158	150	107	116	122	121	10	420
2018	9	49	68	57	49	52	51	6	351
2019			26	33	33	29	28	4	147
2020				22	23	20	21	11	225
2021					5	6	3	3	17
2022						3	3	3	4
2023							3	3	3
	$ 5,397						$ 5,149	$ 1,863	18,055
Cumulative Paid Losses and Allocated LAE during the above period							(2,011)		
Discount as of December 31, 2023							(413)		
Liabilities for losses and LAE							**$ 2,725**		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses years ended December 31, (in millions):

	Cumulative Paid Loss and Allocated LAE					
Accident Year	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023
Prior	$ 293	$ 625	$ 798	$ 1035	$ 1,270	$ 1,473
2014	25	38	64	69	80	93
2015	65	97	145	162	174	182
2016	18	46	64	70	94	99
2017	30	57	52	58	65	91
2018	9	22	31	37	38	43
2019		2	16	20	21	22
2020			2	4	6	8
2021				0	0	0
2022					—	—
2023						—
						$ 2,011

Excess Workers' Compensation

Excess workers' compensation has a long tail and is one of the most challenging lines of business from an actuarial reserving perspective, particularly when the excess coverage is provided above a self-insured retention layer. The class is highly sensitive to small changes in assumptions (for example, the rate of medical inflation or the longevity of injured workers) which can have a significant effect on the ultimate reserve cost estimate. Excess workers' compensation business was written over qualified self-insurance from the 1970's through 2012. In this book of business, the claims are not handled (or administered) by the ceding company personnel, but are administered by the client's designated third party administrators ("TPAs"). However, claims personnel affiliated with the Company maintain an oversight role over these TPAs and claims.

Loss and loss adjustment expense liability estimates for excess workers' compensation exposures are subject to additional uncertainties, due to the following:

- Claim settlement time is longer than most other casualty lines, due to the lifetime benefits that can be expected to pay out on certain claims;
- Coverage statutes that vary by state; and
- Future medical inflation costs are difficult to estimate.

A combination of traditional methods (paid and incurred loss development) and non-traditional methods (individual claim annuity model, report year incurred loss development, and IBNR count/severity methods) are used to estimate loss and loss expense liability estimates. Loss data is segmented so as to reflect the anomalies in the historical data due to the various loss mitigation initiatives employed over the last several years.

The last claim related to this business occurred more than 10 years ago and there were no incurred losses and allocated loss adjustment expenses related to the last 10 accident years. The total actual paid losses were $61 million and $56 million for the years ending December 31, 2023 and 2022, respectively.

Environmental Impairment Liability

Environmental impairment includes pollution legal liability, contractor's pollution liability, errors and omissions, underground storage tank policies, and other related products written prior to June 1, 2016. The process of establishing reserves for environmental impairment claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. As a result of the significant uncertainty inherent in determining environmental impairment liabilities and establishing related reserves, the use of conventional reserving methodologies frequently has to be supplemented by reviewing each of the outstanding claims on a claim-by-claim basis in establishing the reserves. Additional consideration is given by evaluating the exposure presented by each policyholder, the anticipated cost of resolution, if any, for each policyholder, available coverage, and the relevant judicial interpretations and historical value of similar exposures in establishing the reserves. Environmental impairment liability includes multi-year policies written prior to June 1, 2016. Incurred loss activity for accident years 2017 and subsequent consists of losses from these multi-year policies as the premium earns out over the life of the contract. Incurred loss activity for all accident years is classified as retroactive reinsurance.

Reported claim counts, on a cumulative basis, are provided as supplemental information to the incurred loss table below by accident year. The claim frequency is determined at the claimant level for the relevant exposures and the Company's claims system identifies a unique claim identifier to each reported claim that the Company receives.

	Incurred Loss and Allocated LAE								
	For the years ended December 31,							As of December 31, 2023	
Accident Year	Net Reserves Assumed (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023	Liabilities Plus Expected Developme nt on Reported Losses	Cumulative Number of Reported Claims
	(in millions, except for number of reported claims)								
Prior	$ 938	$ 928	$ 932	$ 947	$ 888	$ 879	$ 838	$ 165	1,497
2014	137	93	89	85	77	79	79	23	195
2015	186	154	149	137	123	121	112	21	227
2016	89	91	95	86	83	88	81	17	324
2017	122	157	149	107	116	122	121	10	420
2018	9	48	67	56	49	52	51	5	351
2019			26	33	33	29	28	4	147
2020				22	23	20	21	11	225
2021					5	6	3	3	17
2022						3	3	3	4
2023							3	2	3
	$ 1,481						**$ 1,340**	**$ 264**	**3,410**
Cumulative Paid Losses and Allocated LAE during the above period							(810)		
Liabilities for losses and LAE							**$ 530**		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses for the years ended December 31, (in millions):

	Cumulative Paid Loss and Allocated LAE					
Accident Year	**2018 (unaudited)**	**2019 (unaudited)**	**2020 (unaudited)**	**2021 (unaudited)**	**2022 (unaudited)**	**2023**
Prior	$ 114	$ 225	$ 252	$ 322	$ 416	$ 464
2014	8	11	32	35	39	48
2015	24	35	73	77	78	81
2016	14	25	38	42	52	53
2017	30	57	52	58	65	91
2018	9	22	31	37	38	43
2019		2	16	20	21	22
2020			2	4	6	8
2021				0	0	0
2022					—	—
2023						—
						$ 810

Legacy Environmental

Legacy Environmental exposure consists of indemnity claims asserting property damage from toxic waste, hazardous substances, and other environmental pollutants, and claims to cover the cleanup costs of hazardous waste and pollution sites. The vast majority of these Legacy Environmental claims emanate from policies written in 1985 and prior years. Commencing in 1985, standard general liability policies contained an absolute exclusion for pollution-related damage. Environmental Impairment Liability exposures underwritten on a claims-made basis, which were written generally starting in 1986, are not included in this line of business.

Loss and loss adjustment expense liability estimates for mass torts, such as Legacy Environmental exposures, are subject to additional uncertainties, due to the following:

- Case law is not fully developed;
- Coverage interpretation varies by state;
- The process of estimating provisions for premises and operations coverage is highly judgmental;
- “State of the art” analysis is a moving target; and
- Environmental reform could have a significant effect on ultimate liabilities.

To estimate loss and loss adjustment expenses reserve liability estimates, traditional methods (paid and incurred loss development, paid and incurred Cape Cod methods) are used to project historical report years to estimate incurred but not enough reported reserves, and count/severity methods are used to project future report years to estimate “pure” incurred but not reported reserves. For some large accounts and sites, reserves are based on claim department estimates and analysis. After this ground-up analysis is completed, the Company reviews the reasonability of the estimates by calculating certain ratios, such as survival ratios (defined as the ratio of indicated/carried reserves to a three year average payment) and IBNR-to-case ratios, and compare these ratios against industry benchmarks. In addition, the Company performs a market share analysis as another measure to assess the reasonableness of the indicated/carried loss reserves.

The last claim related to this business occurred more than 10 years ago and there were no incurred losses and allocated loss adjustment expenses related to the last 10 accident years. The total actual paid losses were $32 million and $39 million for the years ending December 31, 2023 and 2022.

All Other Lines

All Other Lines consist of various primary workers’ compensation, general liability, professional liability, medical malpractice, products liability, commercial automobile liability, and A&H exposures from business units that have been put into run-off. In general, loss and loss adjustment expense liabilities are estimated separately. Traditional loss estimation methods include paid and incurred loss development methods and generalized paid and incurred Cape Cod methods. The Company also looks at an IBNR-to-Case ratio method for certain segments, a survival ratio method for some general liability segments, and an annuity model approach for some of the larger workers’ compensation claims. Loss adjustment expense methods include both standard development methods and also the calendar year paid to paid method, which applies the paid to paid ratio to the loss reserves.

All Other Lines business assumed in 2022

The loss development tables below reflect general liability and professional liability exposures assumed by the Company during 2022. Individual claim level data required to create the cumulative number of reported claims is not available for these exposures.

(in millions)	Incurred Loss and Allocated LAE For the years ended December 31,			As of December 31, 2023	
Accident Year	Net Reserves Assumed (unaudited)	2022 (unaudited)	2023	Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
Prior	$ 14	$ 21	21	$ 9	$ —
2014	30	41	46	15	—
2015	47	62	64	23	—
2016	63	80	84	35	—
2017	88	108	120	50	—
2018	94	111	116	53	—
2019	99	113	107	56	—
2020	77	86	71	46	—
2021	27	30	23	16	—
2022	—	—	—	—	—
2023			—	—	—
	$ 539		$ 652	$ 303	$ —
Cumulative Paid Losses and Allocated LAE during the above period			(215)		
Unallocated Loss Adjustment Expenses as of the above period			6		
Liabilities for losses and LAE			**$ 443**		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses for the year ended December 31, (in millions):

	Cumulative Paid Loss and Allocated LAE	
Accident Year	2022 (unaudited)	2023
Prior	$ 4	$ 9
2014	6	20
2015	8	25
2016	13	30
2017	16	44
2018	14	39
2019	11	29
2020	5	15
2021	1	4
2022	—	—
2023	—	—
		$ 215

Claims Payout Patterns

The following table presents unaudited supplementary information detailing the historical average annual percentage claims payout on an accident year basis at the same level of disaggregation as presented above for the year ended December 31, 2023.

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance (Unaudited)

Year	1	2	3	4	5	6	7	8	9	10
Environmental impairment liabilities	6.3%	14.3%	14.2%	10.6%	6.7%	7.0%	6.2%	4.0%	3.8%	2.6%
All Other Lines business assumed in 2022	0.1%	2.6%	6.7%	9.6%	11.6%	11.9%	10.9%	9.2%	7.2%	6.8%

Given the significant amount of loss and loss adjustment expense reserves in the 2013 and prior accident years, and different distributions among lines of business and accident year, a total claim payout pattern is not meaningful.

Collateral Deposit Liability

For the year ended December 31, 2023 the Company incurred $48 million of paid losses and ($5) million of interest credited to policyholders in relation to the collateral deposit liability. For the year ended December 31, 2022 the Company incurred $18 million of paid losses and $11 million of interest was credited to policyholders.

9. Value of Business Acquired, Deferred Gains and Deferred Costs of Reinsurance Contracts

VOBA liability

The following table presents the balances and changes in the VOBA liability for the years ended December 31, (in millions):

	2023	2022
Balance, beginning of period	$ 3,824	$ 4,053
Amortization	(207)	(229)
Balance, end of period	**$ 3,617**	**$ 3,824**

The following table provides the estimated future amortization for the 5 years indicated below for the years ended December 31, (in millions):

	Estimated Future VOBA Liability Amortization
2024	$ 171
2025	166
2026	162
2027	152
2028	151

Deferred Gains and Deferred Costs

Long Duration Business

The table below shows the roll forward of the Deferred Costs and related amortization on long duration reinsurance agreements for the year ended December 31, (in millions):

	2023	2022
Beginning Carrying Value	$ 213	$ —
Assumed business	3,643	215
Amortization	(69)	(2)
Ending Carrying Value	**$ 3,788**	**$ 213**

The table below shows the roll forward of the Deferred Gain and related amortization on the long duration reinsurance agreements for the years ended December 31, (in millions):

	2023	2022
Beginning Carrying Value	$ 441	$ 471
Assumed business	98	—
Amortization	(38)	(30)
Ending Carrying Value	**$ 501**	**$ 441**

Short Duration Business

The table below presents a roll forward of the Deferred Costs for the short-duration reinsurance agreements for the year ended December 31, (in millions):

	2023	2022
Beginning Carrying Value	$ 66	$ —
Contract issuance	—	8
Amortization	(20)	(13)
Impairment of deferred charge	(2)	(47)
Net incurred losses deferred under retroactive accounting	—	118
Ending Carrying Value	**$ 44**	**$ 66**

The table below presents a roll forward of the Deferred Gains for the short-duration reinsurance agreements for the years ended December 31, (in millions):

	2023	2022
Beginning Carrying Value	$ 258	$ 260
Amortization	(3)	17
Effect of change in discount	(54)	(59)
Net incurred losses deferred under retroactive accounting	98	43
Other	—	(3)
Ending Carrying Value	**$ 299**	**$ 258**

10. Debt Obligations and Credit Facilities

The Company has entered into an agreement with a credit facility (the "Credit Agreement") which contains two term loans totaling $1,500 million. In addition, the Credit Agreement provides for a $750 million revolving credit facility. If the facility is undrawn the Company incurs a quarterly commitment fee of 0.3% per annum of the undrawn amount. There were no borrowings outstanding on the revolving credit facility as of December 31, 2023 or 2022.

The Credit Agreement specifies certain financial covenants which require: (1) the Company and its subsidiaries maintaining a total debt to total capitalization ratio less than 0.35:1; (2) Fortitude Reinsurance Company LTD. ("FRL") maintaining an enhanced capital ratio of at least 125% in conjunction with an investment grade rating; (3) the Company and its subsidiaries maintaining an adjusted consolidated net worth which shall not be less than the aggregate of 65% of adjusted consolidated net worth as of September 30, 2021 plus 50% of adjusted consolidated net income available for distribution to common shareholders after September 30, 2021 plus 50% of the proceeds of any common equity issuance of the Company made after the closing date. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the termination of their commitments and the acceleration of amounts due. As of December 31, 2023 and 2022, the Company was in compliance with all covenants under the Credit Agreement.

Interest on the term loans are due quarterly at a rate of SOFR plus 2.1% and SOFR plus 2.225%, as shown in the following table. The loan principal is subject to repayment on the maturity dates in November 2026 and December 2027, as shown in the following table. The Company incurred additional costs of $9 million in issuing the revised Credit Agreement during the year ended December 31, 2023. These costs included underwriters' fees, legal fees and other fees, a portion of which are capitalized and presented as a direct deduction from the principal amount of the outstanding term loan. As of December 31, 2023 and 2022, $9 million and $5 million of the total debt issuance costs were unamortized, respectively.

A summary of outstanding debt obligations presented as long term debt within the consolidated balance sheets is set forth below as of December 31, (in millions):

				2023			2022		
Facility	Origination Date	Interest Rate	Term	Borrowing Outstanding	Unamortized Issuance Costs	Fair Value	Borrowing Outstanding	Unamortized Issuance Costs	Fair Value
Term Loan[1]	November 22, 2021 and extended December 14, 2023	SOFR +2.1%	3 years[2]	$ 750	$ 4	$ 780	$ 750	$ 5	$ 732
Term Loan	December 14, 2023	SOFR +2.225%	4 years	750	5	$ 798	—	—	—
Total debt obligations				**$ 1,500**	**$ 9**	**$ 1,578**	**$ 750**	**$ 5**	**$ 732**

[1] Before June 2023, when the Intercontinental Exchange Benchmark Administration ceased the publication of the London Interbank Offered Rate ("LIBOR"), the interest rate was LIBOR + 1.875%.
[2] Originally entered into on November 22, 2021 for a term of 3 years and subsequently amended on December 14, 2023 for a further term of 3 years.

The table below provides a summary of the total interest expense and other financing costs for the years ended December 31, (in millions):

	2023	2022
Interest expense on debt obligations	$ 62	$ 28
Amortization of debt issuance costs	3	3
Other financing costs	1	$ —
Total interest expense	**$ 66**	**$ 31**

In November 2022, the Company issued a letter of credit for $10 million to the Internal Revenue Service ("IRS") in connection with FRL electing to be taxed as a domestic U.S. company under Section 953(d). This letter of credit provides security to the IRS for payment of any annual tax obligation of FRL resulting from the Section 953(d) election and will remain in place until such time that the Company meets the minimum threshold requirements to release the security. The letter of credit has reduced the available capacity on the revolving credit facility by $10 million as of December 31, 2023 and 2022.

The Company entered into committed and non-committed bilateral letter of credit agreements ("Bilateral Credit Agreements"), in addition to the Credit Agreement described above, with a syndicate of banks as a source of liquidity and collateral. The Bilateral Credit Agreements contain certain restrictive and maintenance covenants customary for facilities of this type for the Company's ability to use these facilities. The Company's ability to utilize these facilities is also subject to the ability and willingness of the bank to meet their commitments. This could restrict the ability to access these facilities upon demand and could adversely affect the Company's liquidity or ability to meet collateral requirements. The Company and its subsidiaries which are party to the agreement were in compliance with all covenants contained therein as of December 31, 2023.

Agreement	Expiration	Maximum Capacity	Letters of Credit Issued	Unused Facility Capacity
Revolving credit agreement	November 22, 2026	$ 750	$ 10	$ 740
Bilateral credit agreements		$ 750	$ 719	$ 31

11. Contingencies and Commitments

Litigation and Regulatory Matters

As of December 31, 2023 and 2022, the Company has no material contingent liabilities arising from litigation, income taxes, make-whole fee conditions or other matters, other than liabilities arising in the normal course of its business of reinsurance.

Prior to the Company's acquisition of FLIAC on April 1, 2022, FLIAC received regulatory inquiries and requests for information from state and federal regulators, including a subpoena from the U.S. Securities and Exchange Commission, concerning the appropriateness of variable product sales and replacement activity. The Company is cooperating with regulators and may become subject to additional regulatory inquiries and other actions related to this matter.

Commitments

The Company has commitments to purchase or fund investments, mostly private fixed maturity securities, mortgage loans and alternative investments. The following amounts include unfunded commitments that are not unconditionally cancellable. As of December 31, 2023 and 2022, the outstanding balance on commitments for mortgage loans was $472 million and $496, respectively. As of December 31, 2023 and 2022, the outstanding balance on commitments for private fixed maturity securities and alternative investments was $1,023 million and $2,538 million, respectively.

As of December 31, 2023 and 2022, these commitments include unfunded commitments of $9,101 million and $2,054 million, respectively, associated with investments owned by affiliates of Carlyle. See Note 13 for further information regarding related party investments.

12. Income Taxes

The Company's tax provision for the year ended December 31, 2023 and 2022 has been prepared based on the U.S. and non-U.S. tax profiles discussed below.

The tax profile of the Company's U.S. subsidiaries include multiple tax filing groups. FGH is the parent of a U.S. consolidated tax return group, which includes its eligible subsidiaries. Each consolidated subsidiary is subject to the FGH tax sharing agreement. The agreement provides for an allocation of the consolidated tax liability based on separate return calculations, including any losses generated that are utilized in FGH's consolidated U.S. federal income tax return.

FRL elected to be treated as a U.S. domestic insurance company for U.S. tax purposes under section 953(d) of the U.S. Internal Revenue Code (the "Code") and is subject to federal income taxation in the U.S. Effective January 1, 2022, FRL became a life insurance company for U.S. tax purposes as the total amount of its life reserves exceeded the 50% threshold under U.S. tax law. Thereupon, FRL (and, consequently, its wholly owned subsidiary, Fortitude Re Investments, LLC ("FRI")), deconsolidated from the FGH consolidated tax return group. FRL will be eligible to rejoin the FGH consolidated return group no later than the 2027 tax year and the entity will file a separate tax return in the interim. FRI is ineligible to join FRL in a consolidated tax filing and, as such, files its own consolidated return with its wholly owned subsidiaries. FRI and its wholly owned subsidiaries will be eligible to rejoin the FGH consolidated tax return group once its immediate parent company, FRL, rejoins.

FLIAC is required to remain outside the FGH consolidated return group for five full years under U.S. tax law and will be eligible to join the consolidated return group beginning with the 2028 tax year. In the meantime, FLIAC files a separate tax return.

While the Company's non-U.S. subsidiaries constitute controlled foreign corporations for U.S. tax purposes through their constructive ownership by FGH, there will be no amount of gross income included as U.S. taxable income. Subsidiaries not subject to U.S. taxation are taxed under applicable foreign law. Fortitude International Reinsurance Ltd. ("FIRL") operates as a Bermuda composite reinsurer and will not make an election under section 953(d) of the Code to be treated as a U.S. domestic insurance company for U.S. tax purposes. Under current Bermuda law in effect for the 2023 tax tear, FIRL is not required to pay any taxes in Bermuda on profits or income or capital gains. Fortitude International Ltd. ("FIL") and Fortitude International Groups Service LTD ("FIGS"), also Bermuda corporations, have immaterial activities for 2023 and 2022. The U.K. subsidiaries have immaterial activities for 2023 and 2022 and are in the process of being liquidated.

In mid-December 2023, the Bermuda Parliament passed legislation enacting a 15% corporate income tax ("CIT") regime that will become effective for tax years beginning on or after January 1, 2025. This legislation received governor's assent on December 27, 2023. The Bermuda income tax rules are intended to align as closely as possible to the Organization for Economic Cooperation and Development's global anti-base erosion rules. Effective for fiscal years beginning on or after January 1, 2025, certain groups with a limited international footprint are eligible for a five-year deferral, extending the effective date to January 1, 2030. The Company will be eligible for this deferral. In addition, certain elections and economic transition adjustments are available to support a fair and equitable transition into the Bermuda CIT regime. Based on the Company's current profile and the likelihood of not being subject to the Bermuda CIT for some time after the deferral period ends, the Company will continue to evaluate the need for and availability of these elections and transition adjustments. There are no material implications with respect to the Bermuda CIT for the year ended December 31, 2023.

Acquisition-Related Tax Elections

In conjunction with the acquisition of FLIAC, the Company and Prudential Financial made a joint election under Section 338(h)(10) of the Code and under any similar provisions of state or local law (the "Section 338(h)(10) Election") with respect to the purchase of the shares of FLIAC. Under this election, the parties agreed to treat the transaction for federal income tax purposes as if it had been structured as an asset sale and purchase. As a result of this election, the tax basis of the FLIAC's assets and liabilities were reset to fair value at the time of the

acquisition, which resulted in the elimination of previously established current and deferred income tax balances and the establishment of new balances that reflect the updated tax basis, including tax deductible VOBA. See Note 2 for further information regarding the acquisition and the associated updated income tax balances.

U.S. Tax Law Changes

On August 16, 2022, the U.S. enacted The Inflation Reduction Act of 2022, which provides among other provisions a new corporate alternative minimum tax ("CAMT"). The CAMT is effective for taxable years beginning after December 31, 2022 and generally applies to taxpayers with average annual financial statement income exceeding $1 billion over a three-year period. The Company determined that there are no implications with respect to CAMT for the years ended December 31, 2023 and 2022.

Effective Tax Rate

The following table presents the income tax expense (benefit) for the years ended December 31, (in millions):

	2023	2022
Income tax expense (benefit):		
Current	$ (28)	$ 136
Deferred	280	(2,122)
Total income tax expense (benefit)	**$ 252**	**$ (1,986)**

The Company's actual income tax expense (benefit) differs from the statutory U.S. federal amount computed by applying the U.S. federal income tax rate of 21% to net income (loss) before tax due to the following, as shown in the following reconciliation for the years ended December 31, (in millions):

	2023	2022
Income (loss) before taxes	$ 1,209	$ (9,603)
U.S. federal income tax expense (benefit) at statutory rate	254	(2,018)
Goodwill	20	—
Non-US income (loss)	(15)	(3)
Dividends received deduction, net of proration	(7)	(5)
Valuation allowance	(1)	37
Prior year tax return adjustments	(1)	—
Other permanent items	2	3
Total income tax expense (benefit)	**$ 252**	**$ (1,986)**

Deferred Taxes

The following table presents the components of the net deferred tax assets (liabilities) as of December 31, (in millions):

	2023	2022
Deferred tax assets:		
VOBA	$ 819	$ 928
Net operating loss	568	22
Loss on funds withheld - directly managed	411	814
Reinsurance settlement	404	351
Deferred acquisition costs	246	39
Life policy reserves	201	—
Deferred gain from reinsurance	160	161
Basis difference on investments	61	215
Capital loss carryforward	38	26
Non-life reserves	24	31
Other	17	—
Anticipated Foreign Tax Credit - Bermuda	11	—
Employee benefits	10	10
Deferred revenue	8	9
Total deferred tax assets	2,978	2,606
Deferred tax liabilities:		
Reinsurance modification	(20)	(22)
Basis difference in investments - Bermuda	(11)	—
Deferred cost of reinsurance	(722)	—
Derivatives	—	(2)
Other	—	(7)
Total deferred tax liabilities	(753)	(31)
Net deferred tax asset before valuation allowance	2,225	2,575
Valuation allowance	(36)	(37)
Net deferred tax asset (liability)[1]	**$ 2,189**	**$ 2,538**

[1] As of December 31, 2023, the net deferred tax asset (liability) of $2,189 million is equal to the net deferred tax asset of $2,235 million and net deferred tax liability of $46 million (included within other liabilities) on the consolidated balance sheets. As of December 31, 2022, the net deferred tax asset (liability) of $2,538 million is equal to the net deferred tax asset of $2,554 million and net deferred tax liability of $16 million (included within other liabilities) on the consolidated balance sheets. The balance sheet presentation of deferred tax accounts differs due to the requirement to present deferred tax assets and liabilities based on the multiple tax filings groups within the Company.

The difference between the decrease in the net deferred tax asset (liability) balance of $349 million and the deferred tax expense recognized for the year of $280 million, which totals approximately $69 million, represents the current year deferred tax liability of $78 million recorded in AOCI and ($9) million of current expected credit losses recorded upon adoption of the new accounting requirement during the year. Refer to Note 2 for further discussion on the Company's acquisitions.

Capital Loss Carryforwards and Net Operating Loss Carryforwards

During 2023 and 2022, the Company generated a capital loss carryforward of $54 million and $125 million, respectively. As of December 31, 2023 the capital loss carryforward totals $179 million, which represents a $38 million deferred tax asset. This capital loss will be carried forward for five years from the time it was generated and utilized against any future capital gains generated during that period. As discussed below, the capital loss carryforward is subject to a valuation allowance because it is more likely than not that the carryforward may not be fully utilized during the carryforward period.

As of December 31, 2023, the Company has $2.7 billion of net operating losses to carry forward to future years. The Company expects the net operating loss to be fully utilized in the near term.

Valuation Allowance on Deferred Tax Assets

The evaluation of the recoverability of the deferred tax asset and the need for a valuation allowance requires the Company to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

In evaluating the need for a valuation allowance, the Company considers many factors, including:

- the nature of the deferred tax assets and liabilities;
- whether they are ordinary or capital;
- the timing of their reversal;
- taxable income in prior carryback years;
- projected taxable earnings exclusive of reversing temporary differences and carryforwards;
- the length of time that carryovers can be utilized;
- any unique tax rules that would impact the utilization of the deferred tax assets; and
- any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused.

Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

For the year ended December 31, 2023 and 2022, a valuation allowance of $36 million and $37 million, respectively, has been recorded against deferred tax assets related to realized capital losses on our fixed maturity securities portfolio. A portion of the deferred tax asset relates to unrealized capital losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, the Company considers the ability and intent to hold the underlying securities to recovery, otherwise a valuation allowance is established.

Accounting for Uncertainty in Income Taxes

The Company filed federal tax returns for the years ended December 31, 2023, 2022 and 2021. All three returns are open for examination.

The Company also periodically evaluates uncertain tax positions to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current year. The Company recognizes interest and penalties related to uncertain tax benefits in U.S. Federal income tax expense. For the years ended December 31, 2023 and 2022, there were no uncertain tax positions and no accrual for interest and penalties. The Company does not anticipate any significant changes within the next twelve months to its total unrecognized tax benefits related to tax years for which the statute of limitations has not expired.

13. Related Party Transactions

The Company has transactions and relationships with affiliates. Although the Company seeks to ensure that these transactions and relationships are fair and reasonable, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

Carlyle Affiliated Entities

The Company maintains investment management agreements with Carlyle affiliates (collectively the "Investment Manager"), pursuant to which the Investment Manager provides certain investment management and advisory services with respect to certain asset classes. The Company recorded expenses related to these agreements of $30 million and $18 million for the years ended December 31, 2023 and 2022, respectively, that are included within net investment income within the consolidated statements of income.

The Company invests in limited partnerships where a Carlyle affiliate is the general partner of the funds and other structured investments managed by Carlyle affiliates. The Company's investments in funds and other structured investments managed by Carlyle were valued at $3,468 million and $2,485 million as of December 31, 2023 and 2022, respectively, and were primarily of private credit fixed income assets and limited partnership interests. The Company recorded net investment income related to these investments of $264 million and $76 million for the years ended December 31, 2023 and 2022, respectively.

Additionally, as of December 31, 2023 and 2022, the Company held investments originated by Carlyle of $5,236 million and $3,211 million, respectively, that are included within funds withheld - directly managed, at fair value within the consolidated balance sheets.

On April 1, 2022, certain subsidiaries entered into a Strategic Advisory Services Agreement, pursuant to which an affiliate of Carlyle will provide such subsidiaries with strategic advisory and consulting services. Under this agreement, the Carlyle affiliate will be entitled to advisory fees and certain expense reimbursements. The Company recorded expenses under this agreement of $52 million and $58 million during the years ended December 31, 2023 and 2022, respectively, that are included within asset management and service fees within the consolidated statements of income (loss). The Company recorded payables associated with this agreement of $16 million and $15 million as of December 31, 2023 and December 31, 2022, respectively.

For the year ended December 31, 2022, the Company incurred $10 million of costs with an affiliate of Carlyle, for services provided in connection with the Company's acquisition of FLIAC.

For the year ended December 31, 2023, the Company incurred $4 million of costs with an affiliate of Carlyle, for services provided in connection with the Company's extension of the existing term loan and revolving credit facility, as well as the new term loan (Note 10).

T&D Affiliated Entities

On March 31, 2023, FIRL entered into a reinsurance agreement with an affiliate of T&D, whereby FIRL assumed a quota share of JPY denominated fully paid up WL products issued to the Japanese market under a coinsurance basis.

On March 31, 2023, FIRL entered into a reinsurance agreement with an affiliate of T&D, whereby FIRL assumed a quota share of USD denominated SPWL products issued to the Japanese market under a coinsurance basis.

On October 1, 2022, FIRL entered into a flow reinsurance agreement with an affiliate of T&D, whereby FIRL assumed a quota share of USD and AUD denominated SPWL products issued to the Japanese market under a coinsurance basis.

On March 31, 2022, FRL entered into a reinsurance agreement with an affiliate of T&D, through which FRL assumed a legacy block of payout and deferred annuities on a coinsurance basis.

The Company reported assumed reinsurance receivables, future policy benefits, policyholder contract deposits and reinsurance payables of $28 million, $1,067 million, $5,844 million and $168 million, respectively, as of December 31, 2023 and $110 million, $0 million, $4,078 million and $144 million, respectively, as of December 31, 2022 in the consolidated balance sheets in connection with these reinsurance agreements. The Company recorded policy charges and fee income, as well as assumed interest credited to policyholder account balances in the consolidated statements of income (loss) in connection with these reinsurance agreements of $15 million and $90 million, respectively, for the year ended December 31, 2023 and $0 million and $31 million respectively, for the year ended December 31, 2022.

For the year ended December 31, 2023, the Company paid $15.2 million to an affiliate of T&D, for a one-time advisory fee paid for assistance with opportunities in the Japanese insurance sector that are included in general operating and other expenses within the consolidated statements of income (loss).

14. Owners' Equity

On March 31, 2022, the Company announced an agreement with its existing equity holders, including Carlyle FRL and T&D, pursuant to which it had secured commitments for up to $2.1 billion of additional equity capital. During the year ended December 31, 2023, T&D and Carlyle FRL made capital contributions of $262.5 million and $787.5 million on May 12, 2023 and May 30, 2023, respectively. During the year ended December 31, 2022, T&D and Carlyle FRL made capital contributions of $262.5 million and $786.6 million on April 27, 2022 and May 16, 2022, respectively.

As of December 31, 2023, the Company had issued 1,897,895 Class A and 222,677 Class B limited partnership units, of which 594,420 Class A units and 222,677 Class B units (38.53%) were owned by Carlyle FRL, 692,198 Class A units (32.64%) were owned by SWF, 559,120 Class A units (26.37%) were owned by T&D and 52,157 Class A units (2.46%) were owned by AIG. As of December 31, 2022, the Company had issued 1,349,283 Class A and 210,753 Class B limited partnership units, of which 901,189 Class A units and 210,753 Class B units (71.28%) were owned by Carlyle FRL, 404,519 Class A units (25.93%) were owned by T&D and 43,575 Class A units (2.79%) were owned by AIG.

A capital account is established for each limited partner to the FGH Parent, L.P. partnership agreement. The balance within each limited partner's capital account is adjusted each period by the limited partner's allocable share of income (loss) based on each limited partner's ownership equity interest in FGH Parent, L.P., along with any capital contributions/distributions. Partnership capital accounts may also be adjusted by any special allocations or adjustment pursuant to the partnership agreement. Class B unit holders may, upon written notice to the Partnership, convert any or all of their Class B units into Class A units at any time.

The agreement among the Company's equity holders includes certain consent rights that are reserved to the Class A and Class B unit holders. The agreement requires the written consent of (x) each Class A unit holder that holds at least 25% of the issued and outstanding units in the Company, (y) each Class B unit holder that holds at least 50% of the issued and outstanding and (z) Carlyle FRL, prior to taking or agreeing to take certain actions with respect to the Company or its subsidiaries. These actions include:

- amend or waive any rights under or terminate, any investment advisory agreement or similar arrangement with Carlyle or its affiliates, or any investment advisory agreement or similar arrangement with any other person;
- effect or take steps towards liquidation, dissolution, winding up or other insolvency proceeding of the Company or its subsidiaries or amend or repeal organizational documents of the Company and its subsidiaries;
- enter into any significant transaction involving more than 10% of the equity in the Company in the case of a disposition, or more than 20% of the equity in the Company in the case of an acquisition, or enter into reinsurance transactions involving more than 10% (for inbound) and 5% (for outbound) of combined reserves of the Company's subsidiaries;
- enter into, amend or waive any rights to renew or terminate, any agreement with any equity holder in the Company, subject to certain exceptions;

- subject to certain exceptions, issue or sell additional equity, change the nature of the business of the Company or its subsidiaries, effect a sale of the Company or approve any material changes in the Company's accounting policies.

The following table shows the balance and changes in each component of AOCI for the years ended December 31, 2023 and 2022 (in millions):

	Unrealized Investment Gains (Losses)	Changes in Own Credit Risk Related to Insurance Liabilities	Changes in AIL	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2021	$ (5)	$ —	$ —	$ (5)
Change in OCI before reclassifications	(576)	140	—	(436)
Income tax (expense) benefit	121	(29)	—	92
Balance, December 31, 2022	(460)	111	—	(349)
Effect of adoption of ASU 2016-03, *Current Expected Credit Loss*	35	—	—	35
Change in OCI before reclassifications	864	(223)	(301)	340
Income tax (expense) benefit	(179)	47	63	(69)
Balance, December 31, 2023	**$ 260**	**$ (65)**	**$ (238)**	**$ (43)**

Share-based Compensation

In March 2023, the board of directors adopted the Equity Incentive Plan. All equity-based awards going forward will be granted under the Equity Incentive Plan. The Equity Incentive Plan is administered by the Compensation Committee of the Board (the "Compensation Committee").

The equity-based compensation expense related to stock awards issued under the Equity Incentive Plan is reported in general operating and other expenses in the consolidated statements of income (loss).

Vested RSUs and PSUs may be settled by delivery of equity shares ("Management Units") to the participant. Additionally, dividend equivalents may be credited in respect of shares covered by a RSU award. Except as otherwise provided in the applicable award agreement, or other written agreement between the Company and the recipient, RSUs that have not vested will be forfeited once the participant's continuous service ends for any reason. PSU awards will similarly be forfeited in accordance with the PSU graded vesting schedule.

Restricted Stock Units

The RSUs granted under the Equity Incentive Plan have vesting periods of three years and are amortized on a straight-line basis over the requisite service period.

The table below summarizes restricted stock unit activity under the Equity Incentive Plan for the year ended December 31, 2023 (in millions, except for number of units):

	Number of Units	Fair Value at Grant Date
Unvested at January 1, 2023	—	$ —
Granted	1,390	4
Cancelled/forfeited	(84)	—
Vested	—	—
Unvested at December 31, 2023	**1,306**	**$ 4**

Performance Share Units

Vesting of the PSUs granted under the Equity Incentive Plan is based on a five-year vesting period, subject to the satisfaction of both a service and performance condition. Vesting of the service condition graded over the five year vesting period, whereas vesting of the performance condition is subject to the Company meeting pre-defined performance levels. As the PSUs are subject to graded vesting, the Company measures fair value and records compensation expense separately for each vesting tranche. Compensation expense for each vesting tranche is amortized on a straight-line basis over their requisite service period. The table below summarizes PSU activity under the Equity Incentive Plan for the year ended December 31, 2023 (in millions, except for number of units):

	Number of Units	Fair Value at Grant Date
Unvested at January 1, 2023	—	$ —
Granted	5,160	16
Cancelled/forfeited	(351)	(1)
Vested	—	—
Unvested at December 31, 2023	**4,809**	**$ 15**

15. Statutory Requirements

FRL and FIRL

Under the Bermuda Insurance Act, FRL and FIRL (together referred to as "Bermuda insurance subsidiaries") are registered as Class 4 and Class E composite reinsurance companies. The Company's Bermuda insurance subsidiaries are subject to the following statutory reporting requirements:

1. Statutory financial statements (“SFS”): The SFS framework is consistent with U.S. GAAP reporting requirements adjusted for prudential filters. These adjustments include the elimination of non-admitted assets not considered admissible for solvency purposes, the inclusion of certain assets and liabilities that are generally off-balance sheet under U.S. GAAP and adjustments for directions or permitted practices by the Bermuda Monetary Authority ("BMA"). The Bermuda insurance subsidiaries have obtained permission under Section 6C of the Bermuda Insurance Act to utilize the following permitted practices within the SFS:
    - To value the funds withheld - directly managed, where applicable, and fixed maturity securities investment portfolios pertaining to long-term business at amortized cost rather than fair value;

- To value the AIL on a book value basis relating to its long-term business, including the impact of said modification to its deferred taxation; and
- To perform loss recognition testing on a book value basis relating to its long-term business, including the impact of said modification to its deferred taxation.

2. Economic Balance Sheet (“EBS”): Under the EBS framework, assets and liabilities are mainly assessed and included at fair value, with the insurer’s U.S. GAAP balance sheet serving as a starting point. The EBS also requires insurers to estimate insurance technical provisions, which consist of the Company's insurance related balances valued based on a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the scenario based approach or standard approach. Under the scenario based approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of eight prescribed stressed conditions. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA.

The Bermuda insurance subsidiaries are subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with the Bermuda insurance subsidiaries' assets, liabilities and premiums as valued under EBS. Required statutory economic capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"), which is the greater of the BSCR and minimum margin of solvency ("MSM"). The Bermuda insurance subsidiaries are required to calculate and submit a quarterly financial return, inclusive of the ECR, on a quarterly basis and a statutory financial return and capital and solvency return, inclusive of the ECR, on an annual basis. Following receipt of the submission of these returns, the BMA has the authority to impose additional capital requirements if it deems necessary. Upon inception of a large reinsurance agreement in November 2023, the BMA imposed an additional operational risk charge on our Bermuda insurance subsidiaries. As of December 31, 2023 and 2022, the Bermuda insurance subsidiaries met the minimum statutory reporting and capital requirements.

While not specifically referred to in the Bermuda Insurance Act, the target capital level (“TCL”) is also an important threshold for statutory economic capital and surplus. The TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. The TCL serves as an early warning tool for the BMA. If the Bermuda insurance subsidiaries fail to maintain statutory economic capital and surplus at least equal to their respective TCL, such failure will likely result in increased regulatory oversight by the BMA.

The statutory capital and surplus reported in the Bermuda insurance subsidiaries' SFS as of December 31, (in millions) is detailed below. The values as of December 31, 2023 reflect the best estimate of the statutory capital and surplus as of the date these consolidated financial statements were available to be issued.

	2023	2022
FRL		
Statutory capital and surplus	$ 3,955	$ 1,597
FIRL		
Statutory capital and surplus	$ 615	$ 253

Under the Bermuda Insurance Act, the Bermuda insurance subsidiaries are prohibited from declaring or paying a dividend if it were in breach of their respective minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause the Bermuda insurance subsidiaries to fail to meet such margin or ratio. The Bermuda insurance subsidiaries are prohibited from declaring or paying in any fiscal period dividends of more than 25% of their total statutory capital and surplus, as set out in its previous year’s statutory financial statements, unless the Company files with the BMA a signed affidavit by at least two members of its Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant requirements. The Bermuda Insurance Act further prohibits the Bermuda insurance subsidiaries from reducing their prior period statutory capital by 15% or more without prior approval of the BMA. As the Bermuda insurance subsidiaries reinsure run-off business, they are required to seek BMA approval for any dividends or distributions.

FRL declared and paid dividends of $0 billion and $0.8 billion to FGH during the years ended December 31, 2023 and 2022, respectively. FIRL did not declare or pay any dividends to FIGH, nor following FIGH's dissolution (Note 12), to FIL, it's immediate parent, during the years ended December 31, 2023 and 2022.

FLIAC, FRC and FCIC

FLIAC, FRC and FCIC (together referred to as the Company's "U.S. insurance subsidiaries") are required to prepare statutory financial statements in accordance with statutory accounting principles prescribed or permitted by the subsidiary's respective state insurance department. Prescribed statutory accounting practices include publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Statutory accounting practices primarily differ from U.S. GAAP by valuing fixed maturity securities at amortized cost, charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions and valuing investments, deferred taxes and certain assets on a different basis.

FLIAC, FRC and FCIC reported statutory net income (loss) of $383 million, $0.3 million and $0.4 million, respectively, for the year ended December 31, 2023. FLIAC, FRC and FCIC reported statutory net income (loss) of ($58) million (as restated), ($0.2) million and $0.3 million, respectively, for the year ended December 31, 2022

FLIAC, FRC and FCIC reported statutory surplus of $750 million, $10 million and $8 million, respectively, as of December 31, 2023. FLIAC, FRC and FCIC reported statutory surplus of $637 million (as restated), $10 million and $8 million, respectively, at December 31, 2022.

The U.S. insurance subsidiaries do not utilize prescribed or permitted practices that vary materially from the statutory accounting practices prescribed by the NAIC.

FLIAC and FRC are subject to Arizona law, which limits the amount of dividends that insurance companies can pay to stockholders. The maximum dividend, which may be paid in any twelve-month period without notification or approval, is limited to the lesser of 10% of statutory surplus, as of December 31 of the preceding year, or the net gain from operations of the preceding calendar year. Cash dividends may only be paid out of surplus derived from realized net profits. Based on these limitations, the maximum ordinary dividend that could be made in 2024 by FRC without written approval of the Arizona Department of Insurance and Financial Institutions ("AZ DIFI") is not significant. On March 7, 2024, the FLIAC Board of Directors declared a dividend in an amount up to $150 million consisting of an ordinary dividend in the amount of $75 million and an extraordinary dividend in the amount of $75 million, subject to the notice to and the prior written approval of the AZ DIFI. Subject to the foregoing, the dividend up to $150 million may be paid in cash or securities as determined in management’s discretion prior to September 30, 2024.

FLIAC did not declare or pay any dividends during the year ended December 31, 2023 and 2022. FRC did not declare or pay dividends during the year ended December 31, 2023 and 2022.

FCIC is subject to Ohio law, which requires notification to the Director of the Ohio Department of Insurance ("ODI") for all dividends. The maximum dividend that can be paid by insurance companies domiciled in Ohio without prior approval of the ODI is subject to restriction and cannot exceed the greater of 10% of the prior year end surplus or the prior year's net income. Based on these limitations, the maximum ordinary dividend that could be made in 2024 by FCIC without written approval by ODI is not significant. FCIC did not declare or pay dividends during the year ended December 31, 2023 and 2022.

16. Subsequent Events

The Company has evaluated the impact of subsequent events through March 28, 2024, the date at which the financial statements were available to be issued and determined there are no additional items to disclose, except for the below transaction.

On March 15, 2024, the Company entered into a flow reinsurance transaction with an affiliated Japanese life insurance company in which the Company reinsures a quota share basis of JPY denominated single premium deferred annuities with an effective date of February 1, 2024.