

Fortitude Reinsurance Company Ltd.

Consolidated Financial Statements

**As of December 31, 2024 and 2023 and for the years ended December 31,
2024, 2023 and 2022**

Fortitude Reinsurance Company Ltd.
Consolidated Financial Statements
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Report of Independent Auditors

To the Board of Directors of Fortitude Reinsurance Company Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fortitude Reinsurance Company Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in shareholder's equity and of cash flows for each of the three years in the period ended December 31, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company has restated its 2024 financial statements to correct errors. Our opinion is not modified with respect to this matter.

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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, 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, 2018 to December 31, 2023, and the average annual percentage payout of incurred losses by age, net of reinsurance, as of December 31, 2024, on pages 46–54 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

April 30, 2025, except for the effects of the restatement discussed in Note 1 to the consolidated financial statements, as to which the date is December 22, 2025

Fortitude Reinsurance Company Ltd.
Consolidated Balance Sheets
(in millions, except share data)

	December 31,	
	2024	2023
	As Restated	
Assets:		
Investments:		
Funds withheld - directly managed, at fair value	\$ 38,649	\$ 41,673
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: \$17,014 and \$18,933 as of December 31, 2024 and 2023, respectively) (allowance for credit losses of \$106 and \$38 as of December 31, 2024 and 2023, respectively)	16,756	19,208
At fair value	2,191	2,396
Mortgage loans, at fair value	2,942	882
Other invested assets (includes \$2 and \$23 of assets measured at fair value as of December 31, 2024 and 2023, respectively)	1,490	1,740
Short term investments	170	49
Total investments	62,198	65,948
Cash and cash equivalents	749	1,360
Deferred cost of reinsurance contracts	3,421	3,671
Deferred income taxes, net	2,544	2,108
Other assets	594	727
Total assets	\$ 69,506	\$ 73,814

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Consolidated Balance Sheets (continued)
(in millions, except share data)

	December 31,	
	2024	2023
	As Restated	
Liabilities and Equity		
Liabilities:		
Future policy benefits	\$ 40,587	40,524
Policyholder contract deposits (includes \$182 and \$252 of liabilities measured at fair value as of December 31, 2024 and 2023, respectively)	22,142	25,248
Value of business acquired	3,434	3,617
Unpaid losses and loss adjustment expenses	2,639	3,168
Deferred gain from reinsurance contracts	675	707
Accrued and other liabilities (includes \$125 and \$0 of liabilities measured at fair value as of December 31, 2024 and 2023, respectively)	1,821	1,142
Total liabilities	71,298	74,406
Contingencies and commitments (Note 12)		
Equity:		
Common stock - \$1.00 par value; 1,250,000 units authorized, issued and outstanding as of December 31, 2024 and 2023, respectively	1	1
Additional paid-in capital	5,882	5,887
Retained deficit	(7,368)	(6,489)
Accumulated other comprehensive income (loss)	(307)	9
Total equity (deficit)	(1,792)	(592)
Total liabilities and equity	\$ 69,506	\$ 73,814

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Consolidated Statements of Income (Loss)
(in millions)

	Year Ended December 31,		
	2024	2023	2022
	As Restated		
Revenues:			
Premiums	\$ 207	\$ 217	\$ 225
Policy charges and fee income	852	251	84
Net investment income	3,550	1,981	1,821
Change in fair value of funds withheld embedded derivative	(1,228)	1,996	(8,688)
Investment losses	(983)	(665)	(1,201)
Foreign exchange gains (losses)	(88)	(71)	26
Total revenues	2,310	3,709	(7,733)
Benefits and expenses:			
Policyholder benefits	2,461	1,807	898
Interest credited to policyholder account balances	762	391	318
General operating and other expenses	224	161	157
Total benefits and expenses	3,447	2,359	1,373
Income (loss) before income taxes	(1,137)	1,350	(9,106)
Income tax expense (benefit)	(258)	243	(1,912)
Net income (loss)	\$ (879)	\$ 1,107	\$ (7,194)

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Consolidated Statements of Comprehensive Income (Loss)
(in millions)

	Year Ended December 31,		
	2024	2023	2022
	As Restated		
Net income (loss)	\$ (879)	\$ 1,107	\$ (7,194)
Other comprehensive income (loss), before income taxes:			
Change in unrealized investment gains (losses) on fixed maturity securities available-for-sale	(651)	850	(575)
Change in additional insurance liability	251	(301)	—
Total other comprehensive income (loss), before income taxes	(400)	549	(575)
Income tax (expense) benefit related to other comprehensive income (loss)	84	(116)	121
Total other comprehensive income (loss), net of income taxes	(316)	433	(454)
Comprehensive income (loss)	\$ (1,195)	\$ 1,540	\$ (7,648)

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Consolidated Statements of Changes in Shareholder's Equity
(in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity (Deficit)
Balance, December 31, 2021	\$ 1	\$ 3,441	\$ 383	\$ (5)	\$ 3,820
Net loss	—	—	(7,194)	—	(7,194)
Dividends	—	—	(750)	—	(750)
Other comprehensive loss	—	—	—	(454)	(454)
Balance, December 31, 2022	1	3,441	(7,561)	(459)	(4,578)
Cumulative effect of adoption of ASU 2016-13, <i>Current Expected Credit Loss</i>	—	—	(35)	35	—
Contributed capital	—	2,446	—	—	2,446
Net income	—	—	1,107	—	1,107
Other comprehensive income	—	—	—	433	433
Balance, December 31, 2023	1	5,887	(6,489)	9	(592)
Net loss - As Restated	—	—	(879)	—	(879)
Distribution to parent	—	(5)	—	—	(5)
Other comprehensive loss - As Restated	—	—	—	(316)	(316)
Balance, December 31, 2024 - As Restated	\$ 1	\$ 5,882	\$ (7,368)	\$ (307)	\$ (1,792)

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Consolidated Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2024	2023	2022
	As Restated		
Cash flows provided by (used in) operating activities			
Net income (loss)	\$ (879)	\$ 1,107	\$ (7,194)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Change in fair value, other invested assets	(162)	(97)	(56)
Amortization of value of business acquired	(183)	(207)	(229)
Amortization of deferred gain (cost) from reinsurance contracts	194	24	49
Change in fair value of funds withheld embedded derivative	1,228	(1,996)	8,688
Investment losses	826	62	207
Deferred income tax expense (benefit)	(321)	268	(2,029)
Net foreign exchange (gains) losses	88	71	(26)
Other, net	(46)	(25)	(28)
Changes in operating assets and liabilities:			
Funds withheld - directly managed, at fair value	1,673	2,210	2,381
Future policy benefits	337	104	(669)
Policyholder contract deposits	(1,761)	(543)	(248)
Unpaid losses and loss adjustment expenses	(522)	(408)	169
Deferred gain from reinsurance contracts	4	8	115
Deferred cost of reinsurance contracts	11	344	(126)
Funds withheld by ceding companies	160	78	(238)
Derivatives, net	(744)	(300)	(68)
Other, net	(86)	(140)	26
Net cash provided by (used in) operating activities	(183)	560	724
Cash flows provided by (used in) investing activities			
Proceeds from the sale, maturities, and prepayments of:			
Fixed maturity securities, available for sale	10,624	1,333	455
Fixed maturity securities, at fair value	734	1,403	2,915
Mortgage loans	652	109	—
Other invested assets	672	311	231
Short term investments	50	89	13
Purchases of:			
Fixed maturity securities, available for sale	(8,709)	(1,899)	(374)
Fixed maturity securities, at fair value	(538)	(409)	(6,257)
Mortgage loans	(2,726)	(867)	(138)
Other invested assets	(303)	(802)	(885)
Short term investments	(182)	(47)	—
Cash received from (loaned to) affiliates	(51)	—	15
Derivatives, net	(158)	—	—
Other, net	(5)	—	—
Net cash provided by (used in) investing activities	60	(779)	(4,025)

Fortitude Reinsurance Company Ltd.
Consolidated Statements of Cash Flows (continued)
(in millions)

	Year Ended December 31,		
	2024	2023	2022
	<u>As Restated</u>		
Cash flows provided by (used in) financing activities			
Capital contributions (distributions)	(5)	1,774	—
Dividend to parent	—	—	(468)
Deposits received for investment-type policyholder contract deposits	646	120	4,179
Withdrawals from investment-type policyholder contract deposits	(1,755)	(608)	(240)
Net proceeds related to secured borrowing arrangements - repurchase agreements with maturities three months or less	249	—	—
Net proceeds from other secured borrowings	380	—	—
Net cash provided by (used in) financing activities	(485)	1,286	3,471
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	(2)	(100)
Net increase (decrease) in cash and cash equivalents during the period	(611)	1,065	70
Cash and cash equivalents at the beginning of the period	1,360	295	225
Cash and cash equivalents at the end of the year	\$ 749	\$ 1,360	\$ 295
Supplemental Disclosures of Cash Flow Information			
	2024	2023	2022
	<u>As Restated</u>		
Cash paid during the period for:			
Taxes, net of refunds	\$ 52	\$ 40	\$ 56
Non-cash transactions:			
Premiums and deposits on policies reinsured through funds withheld arrangements	\$ 290	\$ 364	\$ 271
Claims, withdrawals and surrenders on policies reinsured through funds withheld arrangements	3,010	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⁾	97	131	558
Capital contribution (distribution) in the form of securities	(7)	679	—
Capital contribution in the form of a deferred tax asset (liability)	2	(7)	—
Dividend to parent paid in the form of other invested assets	—	—	282

⁽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.

See accompanying Notes to Consolidated Financial Statements.

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

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

Fortitude Reinsurance Company Ltd., a Bermuda domiciled company, (together with its subsidiaries, "FRL" or the "Company") is primarily a reinsurer of general insurance and life insurance run-off business. FRL is a wholly-owned subsidiary of Fortitude Group Holdings, LLC ("FGH" or the "Parent") and an indirect wholly-owned subsidiary of FGH Parent, L.P. ("FGP" or the "Ultimate Parent").

As of December 31, 2022, FGP 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 FGP 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 FGP through Carlyle FRL, exercised its option to become a direct owner of FGP. As of December 31, 2024 and 2023, Carlyle FRL, SWF, T&D and Corebridge owned undiluted interests in FGP 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"). The accompanying consolidated statements include entities over which the Company exercises control, including majority-owned subsidiaries, in which the Company has a controlling financial interest and variable interest entities ("VIEs") for which the Company is considered the primary beneficiary. See Note 4 for additional information regarding the Company's VIEs. All intercompany transactions have been eliminated. All amounts are presented in U.S. dollars ("USD").

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 the allowance for credit losses;
- Valuation of future policy benefits liabilities, including additional insurance liabilities ("AIL") for universal life-type contracts, extent of loss recognition, if applicable;
- Estimates of insurance benefits incurred but for which reporting has not yet been received;
- 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 from reinsurance contracts ("Deferred Gains") and deferred costs of reinsurance contracts ("Deferred Costs");
- 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; and
- Liabilities for legal contingencies, if any.

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

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 the Bermuda Monetary Authority ("BMA"). 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, derivative contracts and related deferred tax assets. 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 and credit derivatives.

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.

Restatement of Prior Period Financial Statements

Restatement of the 2024 consolidated financial statements

The Company has restated its previously issued consolidated financial statements for the year ended December 31, 2024 to correct an error in the consolidated statements of cash flows. In the previously issued financial statements, certain non-cash policyholder activities, most notably cost of insurance assessments, were incorrectly presented as financing cash inflows and outflows. These amounts did not represent actual cash flows and therefore should have been classified as non-cash items in reconciling net income to net cash flow used in operating activities.

The correction results in (i) a net increase of \$1,430 million to net cash provided by (used in) financing activities and (ii) a corresponding decrease of \$1,430 million to net cash provided by (used in) operating activities. There was no impact on total cash at the beginning or end of the periods presented. The Company evaluated the significance of this misclassification in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*. Based on quantitative considerations, management concluded that the

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

error was material to the previously issued consolidated financial statements. Accordingly, the financial statements have been restated to correct the error.

The Company also corrected the previously issued consolidated financial statements for the year ended December 31, 2024, for the impacts of certain previously known errors, which decreased the 2024 net loss and comprehensive loss by \$41 million and \$81 million, respectively. These corrections are immaterial both individually and in aggregate to the consolidated financial statements.

The Company has also restated impacted amounts within the notes to the consolidated financial statements, as applicable.

The financial statement impact of the above-mentioned restatement is noted below for the year ended December 31, 2024.

Consolidated Statements of Income (Loss) - Impacted Lines Only

	Year Ended December 31, 2024		
	As Reported	Adjustments	As Restated
Revenues:			
Investment losses	\$ (903)	\$ (80)	\$ (983)
Total revenues	2,390	(80)	2,310
Benefits and expenses:			
Policyholder benefits and changes in fair value of insurance liabilities	\$ 2,522	\$ (61)	\$ 2,461
Interest credited to policyholder account balances	833	(71)	762
Total benefits and expenses	3,579	(132)	3,447
Loss before income tax benefit	(1,189)	52	(1,137)
Income tax benefit	(269)	11	(258)
Net loss	\$ (920)	\$ 41	\$ (879)

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31, 2024		
	As Reported	Adjustments	As Restated
Net loss	\$ (920)	\$ 41	\$ (879)
Other comprehensive income (loss), before income taxes:			
Change in additional insurance liability	200	51	251
Total other comprehensive loss, before income taxes	(451)	51	(400)
Income tax benefit related to other comprehensive loss	95	(11)	84
Total other comprehensive loss, net of income taxes	(356)	40	(316)
Comprehensive loss	\$ (1,276)	\$ 81	\$ (1,195)

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

Consolidated Balance Sheets - Impacted Lines Only

	December 31, 2024		
	As Reported	Adjustments	As Restated
Assets:			
Deferred income taxes, net	\$ 2,565	\$ (21)	\$ 2,544
Total assets	\$ 69,527	\$ (21)	\$ 69,506
Liabilities and Equity			
Liabilities:			
Future policy benefits	\$ 40,689	\$ (102)	\$ 40,587
Total liabilities	71,400	(102)	71,298
Equity:			
Retained deficit	(7,409)	41	(7,368)
Accumulated other comprehensive loss	(347)	40	(307)
Total equity (deficit)	(1,873)	81	(1,792)
Total liabilities and equity	\$ 69,527	\$ (21)	\$ 69,506

Consolidated Statements of Cash Flows - Impacted Lines Only

	Year Ended December 31, 2024		
	As Reported	Adjustments	As Restated
Net loss	\$ (920)	\$ 41	\$ (879)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Investment losses	746	80	826
Changes in operating assets and liabilities:			
Deferred income tax benefit	(332)	11	(321)
Future policy benefits	389	(52)	337
Policyholder contract deposits	(219)	(1,542)	(1,761)
Other, net	(118)	32	(86)
Net cash provided by (used in) operating activities	1,247	(1,430)	(183)
Deposits received for investment-type policyholder contract deposits	685	(39)	646
Withdrawals from investment-type policyholder contract deposits	(3,224)	1,469	(1,755)
Net cash provided by (used in) financing activities	(1,915)	1,430	(485)
Non-cash transactions			
Premiums and deposits on policies reinsured through funds withheld arrangements	\$ 249	\$ 41	\$ 290
Claims, withdrawals and surrenders on policies reinsured through funds withheld arrangements	2,766	244	3,010

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

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, as it improves operational efficiency and better aligns the recognition and measurement of those investments with the associated reinsurance activity with how the business is managed. Refer to Note 3 for more information on the Company's FVO elections.

Investments

Funds withheld - directly managed, at fair value: Funds withheld - directly managed represents a reinsurance receivable collateralized by segregated portfolios of investments contractually maintained by the ceding companies. It is carried at fair value because it represents the aggregate of the funds held at cost and the value of embedded derivative. The Company is entitled to all economic rights and obligations on the collateral as if the Company held the investments directly.

The reinsurance agreements contain embedded derivatives which are required to be separated from their host contracts and reported as derivatives. The embedded derivative relates to the contractual rights to receive the return on the segregated portfolio of investments and the performance risk of the individual assets supporting the funds withheld agreement. The embedded derivative is valued as a total return swap with a floating leg and is computed as the change in fair value of the underlying assets. Changes in the fair value of the embedded derivative are included in Change in fair value of funds withheld embedded derivative in the consolidated statements of income (loss).

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

The Company reinsures FIA 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 - directly managed with unrealized fair value movements reported in change in fair value of funds withheld embedded derivative 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.

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 estimated credit losses recognized in investment gains (losses).

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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.

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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 are reported in investment gains (losses) on the consolidated statements of income (loss).

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).

Mortgage loans, at fair value: The Company has elected the FVO on the entirety of the residential 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).

Other invested assets - Private equity funds, limited partnerships and limited liability companies ("LP/LLCs"): LP/LLC 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. The Company consolidates LPs/LLCs in certain other instances where it is deemed to exercise control, or is considered the primary beneficiary of a VIE (See Note 4). 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.

Other invested assets - 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.

Other invested assets - 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 valuations.

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

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The Company does not elect to apply hedge accounting for derivative instruments. 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). The Company reports cash flows from derivatives in the operating activities and investing activities section of the consolidated statements of cash flows depending on the nature of the underlying hedged item.

Derivatives are recorded either as assets, within other invested assets, or as liabilities, within accrued and other 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 (See Note 5). 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.

Reinsurance

The Company assumes short duration and long duration insurance and investment contracts under funds withheld, coinsurance and modified-coinsurance funds withheld arrangements. The Company follows reinsurance accounting for assumed 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.

If the Company determines that a contract lacks significant mortality risk and thus could not achieve risk transfer, the Company records the contract using the deposit method of accounting. Any net amount receivable is reflected as an asset within reinsurance receivables, recorded within other assets, and any net amount payable reflected as a liability within reinsurance payables, recorded within accrued and other liabilities. Deposits received on investment-oriented products are not recognized as revenues, because they are recorded directly to policyholder contract deposits upon receipt. Short duration contracts qualify to be accounted for as retroactive reinsurance.

Reinsurance receivables, recorded in other assets, includes contractual balances due from ceding companies. Reinsurance payables, recorded in accrued and other liabilities, include unpaid claims which are based upon estimates of payments to be made for claims incurred whether reported or unreported. Reinsurance payables also include net settlements due to ceding companies and accrued interest on policyholder contract deposits which is accrued outside the account value as it is due to the ceding company. The Company generally has the right of offset on reinsurance contracts and has elected to present reinsurance settlement amounts due to and from the Company on a net basis.

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty risks. The Company attempts to minimize counterparty risk through the structuring of the terms of the reinsurance agreements, including the use of trusts and the monitoring of credit ratings of the counterparties for signs of declining credit quality.

As the Company actively runs off its reinsurance business, it may seek to mitigate exposure through early settlement of its obligations to ceding companies by entering into novations. A novation results in full and final settlement of all current and future policy obligations due from the Company to the ceding company. Gains and losses on novations are recorded as either a decrease or increase respectively in policyholder benefits in the consolidated statements of income (loss).

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Deferred Costs

For the reinsurance of existing in-force blocks, 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 to, or fair value of assets received from, 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 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 contracts 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 within the consolidated statements of income (loss).

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 in policyholder benefits on the consolidated statements of income (loss).

Other Assets

Other assets primarily consist of accrued investment income, funds withheld by ceding companies, other investment-related receivables, receivables from related parties and current income tax receivable.

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

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, which is reported in net investment income. Funds withheld by ceding companies are carried at cost less paid losses plus accrued interest. During the year ended December 31, 2024, the Company entered into a novation agreement, see Note 9 for further information.

Loan receivable from related parties: The loan receivable from related parties is carried at the unpaid principal balances. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate and is recorded as earned within interest income on the consolidated statements of income (loss).

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Future Policy Benefits

Future policy benefits include obligations for insurance products that are long-duration and are primarily comprised of the following:

- Traditional life insurance including whole life ("WL") and return of premium term products;
- Life contingent structured settlement products whereby a claimant has agreed to settle a general insurance claim in exchange for fixed payments over the claimant's lifetime;
- Life contingent annuities including single premium immediate annuity ("SPIA") and pension risk transfer products;
- Long term care ("LTC") and other accident and health ("A&H") products; and
- Additional insurance liabilities ("AIL") associated with universal life-type contracts with secondary guarantees features ("ULSG") and interest sensitive universal life-type contracts.

Life, annuity and A&H reserves represent an estimate of the present value of future benefits less the present value of future net premiums and are established using assumptions for mortality, morbidity, persistency, maintenance expenses, and investment returns. When applicable, the assumptions also include margins for adverse deviation to reflect uncertainty given that actual experience might deviate from these assumptions. 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 assumptions used to estimate certain benefit liabilities are set when a contract is issued and do not change with changes in actual experience unless a loss recognition event occurs. 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 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 assumptions. Future reserves would be set by reviewing the updated best estimate assumptions periodically and making further adjustments where necessary. These further adjustments may 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.

For universal-life type contracts that are determined to have profits in earlier years and losses in subsequent years from the insurance benefits, an AIL 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.

The AIL for the ULSG contracts is calculated by dividing the present value of total expected benefit payments over the life of the contract from inception, less the AIL at inception, by the present value of assessments at the inception date to calculate a benefit ratio. The benefit ratio is then multiplied by the cumulative assessments recorded from the contract inception through the balance sheet date less the cumulative excess benefit payments plus accrued interest on the liability. 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).

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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). Policyholder contract deposits are primarily comprised of the following:

- ULSG products which 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 guarantees. These products contain secondary guarantees 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 products which consist of certain payments with set payment patterns such as level payment, compound increase, fixed amount increase or one-time lump sum payments;
- Deferred annuity products which are designed to collect premiums and accrue credited interest over an extended period for payout at a later date;
- Non-life contingent SPIA products which consist of certain level payments over a specified duration with a range from five to thirty years or more;
- FIA products which 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; and
- Universal life-type products which are interest sensitive and provide permanent coverage for life insurance with the potential to accumulate cash value.

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.

The equity market option associated with the FIA product 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 investment 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.

Unpaid Losses and Loss Adjustment Expenses

The unpaid losses and loss adjustment expenses represents estimates of unpaid claims on short duration contracts, 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. 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.

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%.

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VOBA and Deferred Gains

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 Company's 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 within the consolidated statements of income (loss).

Deferred Gains - 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. Deferred Gains are 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 within the consolidated statements of income (loss).

Deferred Gains - 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 within the consolidated statements of income (loss).

Repurchase Agreements

Securities repurchase agreements that satisfy certain criteria are treated as secured borrowing arrangements and are carried at the amounts at which the securities will be subsequently reacquired, as specified in the respective transactions. As part of securities repurchase agreements, the Company primarily transfers U.S. government and government agency securities to a third-party and receives cash as collateral, which is subsequently reinvested in higher yielding assets. 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 95% of the fair value of the securities sold. The 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, all of which are used to earn spread income, are reported within net investment income.

Accrued and Other Liabilities

Accrued and other liabilities primarily consist of reinsurance payables, derivatives, deposit liability, due and unpaid claim liabilities, payables to related parties, current income tax payable, deferred income tax payable, accrued expenses and payables resulting from purchases of securities that have not yet settled at the balance sheet date.

Income Taxes

The Company operates as a corporation for U.S. federal income tax purposes and also owns several subsidiaries that are subject to U.S. federal and state income tax and, as such, the related tax provision attributable to these operations is reflected in the consolidated statements of income and comprehensive income (loss).

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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 carrying amount 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 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.

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. Benefits are recorded as an expense when they are incurred.

For reinsurance of traditional long-duration insurance contracts, premiums are recognized and earned when due. Estimates for premiums due but not yet collected are accrued. Benefits are recorded as an expense when they are incurred.

For fixed 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 increases to policyholder contract deposits. 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, surrender charges and cost of insurance associated with universal life-type contracts. Policy charges are recognized as revenues in the period in which they are assessed against policyholders or earned in the period, as applicable.

Foreign Exchange Gains (Losses)

Foreign currency assets and liabilities that are considered monetary items are remeasured at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are remeasured at average exchange rates for the reporting period. These exchange gains and losses are recognized in foreign exchange gains (losses) within the consolidated statements of income (loss).

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.

Future Adoption of Accounting Standard Updates

ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts:

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.

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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 deferred policy acquisition costs ("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.

The Company will adopt ASU 2018-12 effective January 1, 2025, using the 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. The guidance will be applied as of January 1, 2023 (and transition adjustments recorded 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, dividend capacity or ability to meet applicable regulatory capital standards, nor does the Company anticipate adoption to affect its strategies for capital deployment.

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.

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2. Significant Reinsurance Transactions

The Company acquires blocks of legacy reserves and executes flow reinsurance transactions through reinsurance agreements. The following table summarizes the Company's significant reinsurance transactions completed between January 1, 2022 and December 31, 2024. Values are shown in millions at the execution date of transaction.

Transaction	Execution Date	Total Liabilities Assumed	Total Assets Received	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.
Reinsurance agreement with a U.S. based life insurance company	November 17, 2022	1,239	1,024	(215)	Legacy block of fixed deferred annuities on a funds withheld and coinsurance basis.
Loss portfolio transfer ("LPT") reinsurance agreement with a Bermuda based reinsurance company ⁽¹⁾	March 31, 2022	305	297	(8)	Quota share participation on reinsurance treaties from treaty years 2011 through 2020, net of inuring reinsurance.
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.
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.

⁽¹⁾ See Note 9 for information regarding the novation of the agreement.

3. 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.

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- 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 fair value of the underlying assets collateralizing the funds withheld - directly managed, inclusive of the associated embedded derivative, are generally based on market observable inputs using industry standard valuation techniques but also require 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 the fair value of fixed maturity securities. 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.

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.

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Derivative instruments (Other invested assets and accrued and other 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 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 Secured Overnight Financing Rate "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.

In addition, the Company participates in a credit default swap with an affiliate for which the fair value is calculated using an internally developed notional principal contract pricing model. The Company had no outstanding receivables or payables associated with the credit default swap on the consolidated balance sheets as of December 31, 2024. See Note 14 for further information.

Other invested assets - LPs/LLCs

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

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.

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.

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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):

	2024					
	Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Netting ⁽¹⁾	Total
Assets:						
Funds withheld - directly managed	\$ 430	\$ 23,791	\$ 11,059	\$ 3,369	\$ —	\$ 38,649
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	—	858	—	—	—	858
Obligations of states, municipalities and political subdivisions	—	1,147	—	—	—	1,147
Non-U.S. governments	—	37	—	—	—	37
Corporate debt	—	8,713	974	—	—	9,687
Residential mortgage backed securities ("RMBS")	—	513	16	—	—	529
CMBS	—	654	1	—	—	655
CDO / ABS	—	1,622	2,221	—	—	3,843
Total fixed maturity securities, AFS	—	13,544	3,212	—	—	16,756
Fixed maturity securities, at fair value:						
Obligations of states, municipalities and political subdivisions	—	100	—	—	—	100
Non-U.S. governments	—	312	—	—	—	312
Corporate debt	—	570	256	—	—	826
RMBS	—	9	—	—	—	9
CMBS	—	174	—	—	—	174
CDO / ABS	—	439	331	—	—	770
Total fixed maturity securities, at fair value	—	1,604	587	—	—	2,191
Mortgage loans	—	—	2,942	—	—	2,942
Other invested assets	2	177	—	1,412	(177)	1,414
Short term investments	—	170	—	—	—	170
Cash and cash equivalents	749	—	—	—	—	749
Total assets	\$ 1,181	\$ 39,286	\$ 17,800	\$ 4,781	\$ (177)	\$ 62,871
Liabilities:						
FIA embedded derivative ⁽²⁾	\$ —	\$ —	\$ 182	\$ —	\$ —	\$ 182
Accrued and other liabilities	—	984	80	—	(939)	125
Total liabilities	\$ —	\$ 984	\$ 262	\$ —	\$ (939)	\$ 307

⁽¹⁾ "Netting" amounts represent offsetting considerations as disclosed in Note 5.

⁽²⁾ Recorded in policyholder contract deposits on the consolidated balance sheets.

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2023

	Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Netting ⁽¹⁾	Total
Assets:						
Funds withheld - directly managed	\$ 708	\$ 26,537	\$ 11,412	\$ 3,016	\$ —	\$ 41,673
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	—	1,239	—	—	—	1,239
Obligations of states, municipalities and political subdivisions	—	2,269	—	—	—	2,269
Non-U.S. governments	—	336	—	—	—	336
Corporate debt	—	13,130	295	—	—	13,425
RMBS	—	126	—	—	—	126
CMBS	—	475	11	—	—	486
CDO / ABS	—	1,071	256	—	—	1,327
Total fixed maturity securities, AFS	—	18,646	562	—	—	19,208
Fixed maturity securities, at fair value:						
Obligations of states, municipalities and political subdivisions	—	110	—	—	—	110
Non-U.S. governments	—	557	—	—	—	557
Corporate debt	—	318	390	—	—	708
RMBS	—	14	7	—	—	21
CMBS	—	215	—	—	—	215
CDO / ABS	—	625	160	—	—	785
Total fixed maturity securities, at fair value	—	1,839	557	—	—	2,396
Mortgage loans	—	—	882	—	—	882
Other invested assets	—	80	—	1,612	(57)	1,635
Short term investments	—	49	—	—	—	49
Cash and cash equivalents	1,356	4	—	—	—	1,360
Total assets	\$ 2,064	\$ 47,155	\$ 13,413	\$ 4,628	\$ (57)	\$ 67,203
Liabilities:						
Accrued and other liabilities	\$ —	\$ 307	\$ —	\$ —	\$ (307)	\$ —
FIA embedded derivative ⁽²⁾	—	—	252	—	—	252
Total liabilities	\$ —	\$ 307	\$ 252	\$ —	\$ (307)	\$ 252

⁽¹⁾ "Netting" amounts represent offsetting considerations as disclosed in Note 5.

⁽²⁾ Recorded in policyholder contract deposits on the consolidated balance sheets.

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Quantitative Information About Level 3 Fair Value Measurements

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 category of assets and liabilities. Table shows values as of December 31, (in millions):

2024					
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact of Increase in the Input on Fair Value
Assets:					
Fixed maturity securities:					
Corporate debt	\$ 883	Discounted Cash Flow	Discount rate	1.95% - 15.53% (6.93%)	Decrease
CDO / ABS	1,665	Discounted Cash Flow	Discount rate	3.33% - 21.50% (8.98%)	Decrease
	491	Trade price	Trade price	N/A	Increase
Mortgage loans	2,942	Level yield	Market yield	3.78% - 12.15% (7.37%)	Increase
Liabilities:					
FIA embedded derivative	\$ 182	Discounted Cash Flow	Lapse rate	3.42% - 30.65%	Decrease
			Spread over risk-free	0.46% - 2.10%	Decrease
			Withdrawal rate	2.50% - 3.17%	Decrease
			Mortality rate	0.01% - 1.52%	Decrease

Excluded from the above chart are certain Level 3 assets and liabilities that were valued by an external vendor and for which the unobservable inputs were not readily available. As of December 31, 2024, \$11,059 million of funds withheld - directly managed, \$718 million of fixed maturity securities, AFS and \$42 million of fixed maturity securities, at fair value were excluded from assets under this criteria. As of December 31, 2024, \$80 million of accrued and other liabilities were excluded from liabilities under this criteria.

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	\$ 284	Discounted Cash Flow	Discount rate	5.09% - 9.51% (7.57%)	Decrease
	15	Trade price	Trade price	N/A	Increase
CDO / ABS	59	Discounted Cash Flow	Discount rate	5.72% - 12.67% (8.57%)	Decrease
	103	Discounted Cash Flow	Spread	205 bps - 680 bps (377 bps)	Decrease
	148	Trade price	Trade price	N/A	Increase
Mortgage loans	741	Level yield	Market yield	5.48% - 11.17% (7.97%)	Increase
	140	Trade price	Trade price	N/A	Increase
Liabilities:					
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

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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, \$11,412 million of funds withheld - directly managed, \$196 million of fixed maturity securities, AFS and \$314 million of fixed maturity securities, at fair value were excluded from assets under this criteria.

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):

	2024				
	Assets				
	Funds Withheld - Directly Managed	Fixed Maturity Securities, AFS	Fixed Maturity Securities, at Fair Value	Mortgage Loans	Total Assets
Balance, beginning of year	\$ 11,412	\$ 562	\$ 557	\$ 882	\$ 13,413
Purchases	—	2,796	375	2,727	5,898
Sales, maturities, redemptions	—	(127)	(14)	(677)	(818)
Total realized and unrealized gains (losses) included in net income (loss) ⁽¹⁾	—	(6)	(2)	21	13
Unrealized gains (losses) included in other comprehensive income (loss)	—	25	—	—	25
Change in fair value of funds withheld embedded derivative included in net income (loss)	(353)	—	—	—	(353)
Transfers into Level 3	—	26	—	—	26
Transfers out of Level 3	—	(56)	(339)	—	(395)
Other	—	(8)	10	(11)	(9)
Balance, end of year	\$ 11,059	\$ 3,212	\$ 587	\$ 2,942	\$ 17,800

⁽¹⁾ Fixed maturity securities, at fair value includes changes in unrealized gains (losses) of \$(4) million included in the consolidated statements of income (loss) for instruments still held as of December 31, 2024.

	2023				
	Assets				
	Funds Withheld - Directly Managed	Fixed Maturity Securities, AFS	Fixed Maturity Securities, at Fair Value	Mortgage Loans	Total Assets
Balance, beginning of year	\$ 8,572	\$ —	\$ 165	\$ 138	\$ 8,875
Purchases	—	545	161	866	1,572
Sales, maturities, redemptions	—	—	(20)	(122)	(142)
Total realized and unrealized gains (losses) included in net income (loss) ⁽¹⁾	—	—	(9)	—	(9)
Unrealized gains (losses) included in other comprehensive income (loss)	—	(19)	—	—	(19)
Change in fair value of funds withheld embedded derivative included in net income (loss)	68	—	—	—	68
Transfers into Level 3	5,048	36	305	—	5,389
Transfers out of Level 3	(2,276)	—	(45)	—	(2,321)
Balance, end of year	\$ 11,412	\$ 562	\$ 557	\$ 882	\$ 13,413

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

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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):

	2024		
	Liabilities		
	FIA Embedded Derivative	Accrued and other liabilities ⁽¹⁾	Total Liabilities
Balance, beginning of year	\$ 252	\$ —	\$ 252
Total realized and unrealized gains (losses) included in net income (loss)	—	51	51
Change in fair value (discount rate)	(70)	—	(70)
Other	—	29	29
Balance, end of year	\$ 182	\$ 80	\$ 262

⁽¹⁾ Represents derivative liabilities associated with repackaging vehicles. See Note 4 for further information.

	2023	
	Liabilities	
	FIA Embedded Derivative	Total Liabilities
Balance, beginning of year	\$ —	\$ —
Significant transactions ⁽¹⁾	246	246
Change in fair value (discount rate)	6	6
Balance, end of year	\$ 252	\$ 252

⁽¹⁾ FIA Embedded Derivative is included in the total liabilities assumed from the reinsurance agreement executed November 20, 2023 in Note 2.

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.

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):

	2024				Carrying Value
	Estimated Fair Value				
	Level 1	Level 2	Level 3	Total	
Assets:					
Other invested assets - other	\$ —	\$ —	\$ 76	\$ 76	\$ 76
Loans receivable from related parties ⁽¹⁾	—	—	51	51	51
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	\$ —	\$ —	\$ 9,788	\$ 9,788	\$ 11,022
Deposit liability ⁽²⁾	—	—	101	101	110
Repurchase agreements ⁽²⁾	—	249	—	249	249

⁽¹⁾ Recorded in other assets in the consolidated balance sheets.

⁽²⁾ Recorded in accrued and other liabilities in the consolidated balance sheets.

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	2023					Carrying Value
	Estimated Fair Value				Total	
	Level 1	Level 2	Level 3	Total		
Assets:						
Other invested assets - other	\$ 35	\$ —	\$ 70	\$ 105		105
Liabilities:						
Policyholder contract deposits associated with investment-type contracts	\$ —	\$ —	\$ 12,122	\$ 12,122		\$ 13,523
Deposit liability ⁽¹⁾	—	—	117	117		129

⁽¹⁾ Recorded in accrued and other liabilities in the consolidated balance sheets.

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.

Loans receivable from related parties

The fair value of loans are 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 loans.

Policyholder contract deposits associated with investment-type contracts

The fair value of policyholder contract deposits associated with investment-type contracts is 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.

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.

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.

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4. Investments

Fixed Maturity Securities AFS

The following tables present 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):

	2024				
	Amortized Cost or Cost	Gross Unrealized ⁽¹⁾		Allowance for Expected Credit Losses ⁽²⁾	Fair Value
		Gains	Losses		
Fixed maturity securities, AFS:					
U.S. government and government sponsored entities	\$ 1,062	\$ —	\$ (203)	\$ (1)	\$ 858
Obligations of states, municipalities and other political subdivisions	1,146	8	(4)	(3)	1,147
Non-U.S. governments	60	—	(23)	—	37
Corporate debt	9,728	151	(99)	(93)	9,687
Mortgage-backed, asset-backed and collateralized:					
RMBS	531	7	(6)	(3)	529
CMBS	657	10	(11)	(1)	655
CDO / ABS	3,830	30	(12)	(5)	3,843
Total mortgage-backed, asset-backed and collateralized	5,018	47	(29)	(9)	5,027
Total fixed maturity securities, AFS	\$ 17,014	\$ 206	\$ (358)	\$ (106)	\$ 16,756

⁽¹⁾ Gross unrealized gains (losses) are reported as a separate component of AOCI on the consolidated statements of comprehensive income (loss).

⁽²⁾ Allowance for expected credit losses are recognized in investment gains (losses) on the consolidated statements of income (loss).

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	2023				
	Amortized Cost or Cost	Gross Unrealized ⁽¹⁾		Allowance for Expected Credit Losses ⁽²⁾	Fair Value
		Gains	Losses ⁽³⁾		
Fixed maturity securities, AFS:					
U.S. government and government sponsored entities	\$ 1,623	\$ —	\$ (384)	\$ —	\$ 1,239
Obligations of states, municipalities and other political subdivisions	2,153	122	(6)	—	2,269
Non-U.S. governments	352	12	(26)	(2)	336
Corporate debt	12,836	758	(135)	(34)	13,425
					—
Mortgage-backed, asset-backed and collateralized:					—
RMBS	127	4	(4)	(1)	126
CMBS	495	9	(18)	—	486
CDO / ABS	1,347	10	(29)	(1)	1,327
					—
Total mortgage-backed, asset-backed and collateralized	1,969	23	(51)	(2)	1,939
Total fixed maturity securities, AFS	\$ 18,933	\$ 915	\$ (602)	\$ (38)	\$ 19,208

⁽¹⁾ Gross unrealized gains (losses) are reported as a separate component of AOCI on the consolidated statements of comprehensive income (loss).

⁽²⁾ Allowance for expected credit losses are recognized in investment gains (losses) on the consolidated statements of income (loss).

⁽³⁾ Prior period amounts have been updated to conform to current period presentation.

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):

	2024					
	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	\$ 506	\$ (27)	\$ 352	\$ (176)	\$ 858	\$ (203)
Obligations of states and municipalities and other political subdivisions	407	(1)	50	(3)	457	(4)
Non-U.S. governments	7	(1)	12	(22)	19	(23)
Corporate debt	2,804	(6)	645	(93)	3,449	(99)
Mortgage-backed, asset-backed and collateralized:						
RMBS	188	(2)	91	(4)	279	(6)
CMBS	63	—	39	(11)	102	(11)
CDO / ABS	379	(7)	10	(5)	389	(12)
Total mortgage-backed, asset-backed and collateralized	630	(9)	140	(20)	770	(29)
Total fixed maturity securities, AFS	\$ 4,354	\$ (44)	\$ 1,199	\$ (314)	\$ 5,553	\$ (358)

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	2023					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses ⁽¹⁾	Fair Value	Gross Unrealized Losses ⁽¹⁾	Fair Value	Gross Unrealized Losses ⁽¹⁾
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	\$ 850	\$ (59)	\$ 388	\$ (325)	\$ 1,238	\$ (384)
Obligations of states and municipalities and other political subdivisions	—	—	55	(6)	55	(6)
Non-U.S. governments	17	(1)	66	(25)	83	(26)
Corporate debt	96	—	921	(135)	1,017	(135)
Mortgage-backed, asset-backed and collateralized:						
RMBS	12	—	31	(4)	43	(4)
CMBS	59	(2)	91	(16)	150	(18)
CDO / ABS	259	(26)	75	(3)	334	(29)
Total mortgage-backed, asset-backed and collateralized	330	(28)	197	(23)	527	(51)
Total fixed maturity securities, AFS	\$ 1,293	\$ (88)	\$ 1,627	\$ (514)	\$ 2,920	\$ (602)

⁽¹⁾ Prior period amounts have been updated to conform to current period presentation.

As of December 31, 2024 and 2023, 73% and 75% of fixed maturity securities, AFS in a gross unrealized loss position had a decline in fair value less than 6% and 18% of amortized cost, respectively. Additionally, \$325 million and \$563 million of the gross unrealized losses as of December 31, 2024 and 2023, respectively, relates to investment-grade securities (or highly rated or securities with a Standard and Poor's rating of at least BBB-).

Gross unrealized losses are primarily attributable to increases in interest rates, general credit spread widening and foreign currency exchange rate movements since the date of acquisition. As of December 31, 2024, the Company did not intend to sell these securities, nor is it more likely than not that the Company will be required to sell these securities before recovery of the amortized cost basis.

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):

	2024		2023	
	Total Fixed Maturity Securities, AFS			
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 55	\$ 55	\$ 68	\$ 67
Due after one year through five years	1,120	1,121	2,343	2,381
Due after five years through ten years	1,398	1,394	1,829	1,875
Due after ten years	9,423	9,159	12,724	12,946
Mortgage-backed, asset-backed and collateralized	5,018	5,027	1,969	1,939
Total	\$ 17,014	\$ 16,756	\$ 18,933	\$ 19,208

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

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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):

	2024	2023	2022
Proceeds from voluntary sales	\$ 9,272	\$ 1,069	\$ 588
Gross gains	317	22	2
Gross losses	(296)	(44)	(74)

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 years ended December 31, (in millions):

	U.S. government and government sponsored entities	Obligations of states and municipalities and other political subdivisions	Non-U.S. governments	Corporate debt	RMBS	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
Additions to the allowance for credit losses not previously recorded	1	1	(3)	29	2	1	3	34
Reductions for securities sold during the period	—	—	—	(7)	—	—	—	(7)
Additional increases or decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period	—	2	1	37	1	(1)	1	41
Balance, December 31, 2024	\$ 1	\$ 3	\$ —	\$ 93	\$ 3	\$ 1	\$ 5	\$ 106

⁽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 \$4 million.

Other Invested Assets

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

	2024	2023
LPs/LLCs:		
Equity Method:		
Private equity	\$ 1,049	\$ 692
Fair Value:		
Private equity	363	920
Total LPs/LLCs⁽¹⁾	1,412	1,612
Derivatives	—	23
Other	78	105
Total other invested assets	\$ 1,490	\$ 1,740

⁽¹⁾ Includes related party balances of \$1,375 million and \$1,585 million as of December 31, 2024 and 2023, respectively.

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Private equity investments 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 and restrictions on the frequency of redemption and notice periods.

Variable Interest Entities

A VIE is an entity that either: (a) has equity investors that lack certain essential characteristics of a controlling financial interest (including the ability to control activities of the entity, the obligation to absorb the entity's expected losses and the right to receive the entity's expected residual returns); or (b) lacks sufficient equity to finance its own activities without financial support provided by other entities, which in turn would be expected to absorb at least some of the expected losses of the VIE.

The Company holds both fixed maturity securities and equity interest issued by VIEs. The Company is the primary beneficiary of a VIE if the Company has: (a) the power to direct the activities of the VIE that most significantly impact the economic performance of the entity; and (b) the obligation to absorb losses of the entity that could be potentially significant to the VIE or the right to receive benefits from the entity that could be potentially significant. If the Company determines that it is the VIE's primary beneficiary, it consolidates the VIE. While also considering these factors, the consolidation conclusion also depends on the breadth of the Company's decision-making ability and the Company's ability to influence activities that significantly affect the economic performance of the VIE.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have recourse only to the assets and cash flows of the VIEs and have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment. Assets of consolidated VIE's can only be used to settle liabilities of consolidated VIEs.

Securitization and repackaging vehicles: The Company has created VIEs that are securitizations of residential mortgage loans or where the Company has repackaged fixed maturities and derivatives into passthrough securities. The Company's subsidiaries own some of the beneficial interests of these VIEs and maintain the power to direct the activities of the VIEs that most significantly impact their economic performance. Accordingly, the Company consolidates these entities and the associated beneficial interests issued to third parties and derivative liabilities are reported within accrued and other liabilities on the consolidated balance sheets. This debt is non-recourse to the Company.

The following table presents the total assets and total liabilities relating to investment related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated as of December 31, (in millions):

	2024		2023	
	Securitization Vehicles	Repackaging Vehicles	Securitization Vehicles	Repackaging Vehicles
Assets:				
Fixed maturity securities, AFS	\$ —	\$ 188	\$ —	\$ —
Fixed maturity securities, at fair value	—	304	—	—
Mortgage loans, at fair value	927	—	—	—
Total Assets	\$ 927	\$ 492	\$ —	\$ —
Liabilities:				
Accrued and other liabilities	\$ 380	\$ 80	\$ —	\$ —
Total liabilities	\$ 380	\$ 80	\$ —	\$ —

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Unconsolidated VIEs

In the normal course of activities, the Company will invest in LPs/LLCs which include hedge funds, private equity funds and real estate-related funds and may or may not be VIEs. The Company's maximum exposure to loss on these investments, both VIEs and non-VIEs, is limited to the amount of its investment plus any unfunded commitments. The Company has determined that it is not required to consolidate these entities because either (1) it does not control them or (2) it does not have the obligation to absorb losses of these entities that could be potentially significant to the entities or the right to receive benefits from the entities that could be potentially significant.

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a variable interest but is not the primary beneficiary and which have not been consolidated were as follows as of December 31, (in millions):

	2024		2023	
	Carrying Amount	Maximum Exposure to Loss ⁽¹⁾	Carrying Amount	Maximum Exposure to Loss ⁽¹⁾
Fixed maturity securities, AFS ⁽²⁾	\$ 34	\$ 108	\$ —	\$ —
Fixed maturity securities, at fair value ⁽²⁾	91	125	—	—
Other invested assets	438	878	714	1,048
Total	\$ 563	\$ 1,111	\$ 714	\$ 1,048

⁽¹⁾ The maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments.

⁽²⁾ For variable interests included within fixed maturity securities, AFS and fixed maturity securities, at fair value, the Company's involvement is limited to that of a passive investor in asset-backed securities issued by LPs or LLCs that do not have substantial equity.

Net Investment Income

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

	2024	2023	2022
Funds withheld - directly managed	\$ 2,064	\$ 1,502	\$ 1,677
Fixed maturity securities, AFS	1,072	226	72
Other invested assets	172	125	50
Mortgage loans	163	34	—
Fixed maturity securities, at fair value	122	136	56
Short term investments and other investments	70	31	15
Gross investment income	3,663	2,054	1,870
Investment expenses ⁽¹⁾	(113)	(73)	(49)
Net investment income	\$ 3,550	\$ 1,981	\$ 1,821

⁽¹⁾ For the years ended December 31, 2024, 2023 and 2022, investment expenses includes \$2 million, \$25 million and \$0, respectively, of expenses related to liabilities associated with repurchase agreements.

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Investment Gains (Losses)

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

	2024	2023	2022
	<u>As Restated</u>		
Net gains (losses) on derivative instruments	\$ (715)	\$ (110)	\$ —
Realized gains (losses) on funds withheld - directly managed	(260)	(615)	(995)
Net gains (losses) on FIA embedded derivative ⁽¹⁾	25	8	—
Realized gains (losses) on fixed maturity securities, AFS	(55)	(19)	(72)
Net gains (losses) on mortgage loans	21	—	—
Unrealized gains (losses) on fixed maturity securities under the FVO	2	90	(118)
Realized gains (losses) on fixed maturity securities under the FVO	(1)	(20)	(16)
Other net gains (losses)	—	1	—
Investment gains (losses)	\$ (983)	\$ (665)	\$ (1,201)

⁽¹⁾ Net gains on FIA embedded derivative were originally reported as \$105 million and has been restated as noted above.

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 \$274 million, \$22 million and \$(4) million for the years ended December 31, 2024, 2023 and 2022, respectively.

Included in investment gains (losses) from funds withheld - directly managed for the years ended December 31, 2024, 2023 and 2022 are (\$51) million, \$(208) million and \$42 million, respectively, related to the transfer of securities from funds withheld - directly managed to fixed maturity securities, AFS.

Repurchase Agreements

In the normal course of business, the Company sells securities under agreements to repurchase.

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):

	2024				2023			
	Remaining Contractual Maturities of the Agreements							
	Up to 30 days	30-90 days	Greater than 90 days	Total	Up to 30 days	30-90 days	Greater than 90 days	Total
U.S. corporate public securities	\$ 249	\$ —	\$ —	\$ 249	\$ —	\$ —	\$ —	\$ —

The market value of the securities posted as collateral under the repurchase agreements was \$244 million as of December 31, 2024.

Securities Pledged and Restricted Assets

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

The Company utilizes asset trust accounts to collateralize business with reinsurance counterparties. The fair value of assets held in these trusts for the benefit of the counterparties as of December 31, 2024 and 2023 was \$17,766 million and \$19,953 million, respectively.

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As of December 31, 2024 and 2023, 74% and 74%, 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.

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.

5. Derivatives and Offsetting

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, floors and treasury bond total return swaps;
- Equity contracts: futures, options and total return swaps;
- Foreign exchange contracts: futures, options, forwards and swaps; and
- 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 3 for additional disclosures related to the fair value of derivative instruments.

Interest Rate Contracts

Interest rate swaps 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.

Treasury bond total return swaps are contracts whereby the Company agrees with counterparties to exchange, at specified intervals, the difference between the return on an asset and SOFR plus an associated funding spread based on a notional amount. The Company generally uses total return swaps to hedge the effect of changes interest rate movements.

Equity Contracts

Equity options and total return swaps 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

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

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. 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):

Instrument Type	2024			2023		
	Notional	Gross Fair Value		Notional	Gross Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps ⁽¹⁾	\$ 12,798	\$ 150	\$ 709	\$ 4,822	\$ 16	\$ 249
Foreign currency forwards ⁽¹⁾	1,082	12	43	1,310	47	3
Foreign currency swaps ⁽¹⁾	881	5	190	722	—	55
Total return swaps ⁽¹⁾	1,545	—	122	140	17	—
Equity options ⁽¹⁾	1,850	6	—	—	—	—
Credit spread index options ⁽¹⁾	4,900	4	—	—	—	—
Funds withheld embedded derivative ⁽²⁾	—	(7,027)	—	—	(5,700)	—
FIA embedded derivative ⁽³⁾ (Note 3)	—	—	182	—	—	252
Total Derivatives	\$ 23,056	\$ (6,850)	\$ 1,246	\$ 6,994	\$ (5,620)	\$ 559

⁽¹⁾ Recorded in other invested assets and accrued and other liabilities on the consolidated balance sheets.

⁽²⁾ Recorded in funds withheld - directly managed, at fair value on the consolidated balance sheets.

⁽³⁾ Recorded in policyholder contract deposits on the consolidated balance sheets.

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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):

	2024					
	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	\$ 177	\$ (172)	\$ (5)	\$ —	\$ —	\$ —
Offsetting of Financial Liabilities:						
Derivatives	\$ 1,064	\$ (172)	\$ (767)	\$ 125	\$ —	\$ 125
Repurchase agreements ⁽²⁾	249	—	—	249	(244)	5

⁽¹⁾ Amounts exclude the excess of collateral received/pledged from/to the counterparty.

⁽²⁾ Recorded in accrued and other liabilities on the consolidated balance sheets.

	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	\$ 80	\$ (37)	\$ (20)	\$ 23	\$ —	\$ 23
Offsetting of Financial Liabilities:						
Derivatives	\$ 307	\$ (37)	\$ (270)	\$ —	\$ —	\$ —

⁽¹⁾ Amounts exclude the excess of collateral received/pledged from/to the counterparty.

For 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 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.

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

Instrument Type	2024		2023		2022	
	Investment Gains (Losses)	Foreign Exchange Gains (Losses)	Investment Gains (Losses)	Foreign Exchange Gains (Losses)	Investment Gains (Losses)	Foreign Exchange Gains (Losses)
	As Restated					
Interest rate swaps	\$ (434)	\$ —	\$ (176)	\$ —	\$ —	\$ —
Foreign currency forwards	—	(185)	—	(145)	—	27
Foreign currency swaps	—	(153)	—	(79)	—	(1)
Credit default swaps ⁽¹⁾	(158)	—	—	—	—	—
Total return swaps	(118)	—	17	—	—	—
Equity options	(4)	—	49	—	—	—
Credit spread index options	(1)	—	—	—	—	—
FIA embedded derivative ⁽²⁾	25	—	8	—	—	—
Total Derivatives	\$ (690)	\$ (338)	\$ (102)	\$ (224)	\$ —	\$ 26

⁽¹⁾ Represents related party balances. See Note 14 for additional information.

⁽²⁾ Investment gains (losses) on FIA embedded derivative were originally reported as \$105 million and has been restated as noted above.

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.

6. Reinsurance

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

	2024	2023	2022
	As Restated		
Premiums	\$ 207	\$ 217	\$ 225
Policy charges and fee income	852	251	84
Policyholder benefits ⁽¹⁾	2,461	1,807	898
Interest credited to policyholder account balances ⁽¹⁾⁽²⁾	762	391	318

⁽¹⁾ Policyholder benefits and Interest credited to policyholder account balances were originally reported as \$2,522 million and \$833 million, respectively, and has been restated as noted above.

⁽²⁾ Includes related party balances of \$26 million, \$33 million and \$29 million, respectively, for the years ended December 31, 2024, 2023 and 2022.

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7. Future Policy Benefits

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

	<u>2024</u>	<u>2023</u>
	<u>As Restated</u>	
Structured settlements	\$ 15,529	\$ 15,808
ULSG ⁽¹⁾	12,349	11,603
Pension risk transfer annuities	3,943	4,210
Traditional WL	3,180	3,220
SPIA	2,613	2,798
Term life insurance	2,139	2,127
Long term care	409	424
A&H	343	334
Interest sensitive universal life	82	—
Total	\$ 40,587	\$ 40,524

⁽¹⁾ULSG was originally reported as \$12,451 million and has been restated as noted above.

8. Policyholder Contract Deposits

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

	<u>2024</u>	<u>2023</u>
ULSG	\$ 9,775	\$ 10,322
Deferred annuities	5,227	6,237
Single premium immediate annuities – non-life contingent	2,528	3,216
Structured settlements – non-life contingent	1,826	1,963
FIA	1,624	2,107
Interest sensitive universal life	1,162	1,403
Total	\$ 22,142	\$ 25,248

Interest crediting rates for the Company's policyholder contract deposits range from 1.0% to 6.0%. The interest crediting rate for FIA are equity market dependent.

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9. Short Duration Contracts

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):

	2024			
	Case Reserves	IBNR	LAE	Total
Excess workers' compensation	\$ 556	\$ 742	\$ 100	\$ 1,398
Environmental impairment liabilities	237	156	39	432
Legacy environmental	178	144	158	480
All other lines	252	297	135	684
Liabilities for unpaid loss and allocated LAE, net of reinsurance	1,223	1,339	432	2,994
Discount for workers' compensation	(156)	(199)	—	(355)
Total liability for unpaid loss and loss adjustment expenses	\$ 1,067	\$ 1,140	\$ 432	\$ 2,639

Of the total unpaid loss and loss adjustment expenses of \$2,639 million in the table above, \$2,498 million is related to reinsurance assumed prior to 2022 and \$141 million related to reinsurance assumed in 2022.

	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

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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	2024	2023	2022
Balance at beginning of period	\$ 3,168	\$ 3,613	\$ 3,310
Assumed business	—	—	541
Net losses incurred:			
Current period	1	3	3
Prior period ⁽¹⁾	(71)	(100)	72
Total net losses incurred	(70)	(97)	75
Effect of change in discount	57	54	59
Net paid losses:			
Prior period	(307)	(402)	(372)
Total net paid losses	(307)	(402)	(372)
Novations	(209)	—	—
Balance at end of period	\$ 2,639	\$ 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	2024	2023	2022
Excess workers' compensation	\$ (123)	\$ (125)	\$ (56)
Environmental impairment liabilities	(48)	(62)	—
Legacy environmental	10	44	12
All other lines	90	43	116
Total prior year development	\$ (71)	\$ (100)	\$ 72

The significant drivers of the prior year loss development are discussed below. See Note 10 for additional information on the amortization of deferred gain and deferred costs.

Prior Year Loss Development - year ended December 31, 2024

During 2024, the Company recognized favorable prior year loss reserve development of \$71 million. With respect to individual lines of business detailed in the table above:

- **Excess Workers' Compensation:** The Company recorded \$123 million in favorable prior year development. This favorable development was a result of continuing loss mitigation efforts for this line of business.
- **Environment Impairment Liabilities:** The Company recorded \$48 million in favorable prior year development. This favorable development was mostly driven by favorable settlements on claims that closed since the prior review as well as a continued decline in the pure IBNR need as the claims-made policies mature and expire.

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- Legacy Environmental: The Company recorded \$10 million in unfavorable prior year development. This unfavorable development was a result of increases in the recent report year trends of both claim counts and claim severity.
- All Other Lines: The Company recorded \$90 million of unfavorable prior year development primarily due to higher than expected loss experience for these lines of business.

Prior Year Loss Development - year ended December 31, 2023

During 2023, the Company recognized favorable prior year loss reserve development of \$100 million. With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The Company recorded \$125 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.
- Environment Impairment Liabilities: The Company recorded \$62 million in favorable prior year development. This favorable development was mostly driven by favorable settlements on claims that closed since the prior review.
- Legacy Environmental: The Company recorded \$44 million in unfavorable prior year development. This unfavorable development was a result of an increase in the claim frequency assumption as well as some case reserve strengthening on certain accounts.
- All Other Lines: The Company recorded \$43 millions 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. With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The Company recorded \$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 recorded \$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 recorded \$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.

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Notes to Consolidated Financial Statements

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

Accident Year	Incurred Loss and Allocated LAE								As of December 31, 2024	
	Net Reserves Assumed	For the years ended December 31,							Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
	2018	2019	2020	2021	2022	2023	2024			
	(unaudited)									
	(in millions, except for number of reported claims)									
Prior	\$ 4,751	\$ 4,816	\$ 4,812	\$ 4,794	\$ 4,682	\$ 4,623	\$ 4,550	\$ 4,497	\$ 1,612	17,868
2015	368	268	257	244	242	244	234	222	20	465
2016	146	140	155	138	140	147	135	136	20	427
2017	123	158	150	107	116	122	121	117	6	421
2018	9	49	68	57	49	52	51	51	5	352
2019			26	33	33	29	28	26	2	148
2020				22	23	20	21	20	10	227
2021					5	6	3	3	3	17
2022						3	3	2	3	4
2023							3	4	3	5
2024								1	1	5
	<u>\$ 5,397</u>							<u>\$ 5,079</u>	<u>\$ 1,685</u>	<u>19,939</u>
Cumulative Paid Losses and Allocated LAE during the above period								(2,226)		
Discount as of December 31, 2024								(355)		
Liabilities for losses and LAE								<u>\$ 2,498</u>		

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

Accident Year	Cumulative Paid Loss and Allocated LAE							2024
	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023 (unaudited)		
Prior	\$ 318	\$ 663	\$ 862	\$ 1,104	\$ 1,350	\$ 1,566	\$ 1,767	
2015	65	97	145	162	174	182	189	
2016	18	46	64	70	94	99	103	
2017	30	57	52	58	65	91	91	
2018	9	22	31	37	38	43	43	
2019		2	16	20	21	22	23	
2020			2	4	6	8	10	
2021								
2022								
2023								
2024								
							<u>\$ 2,226</u>	

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.

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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 \$50 million, \$61 million and \$56 million for the years ending December 31, 2024, 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.

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Notes to Consolidated Financial Statements

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.

Accident Year	Incurred Loss and Allocated LAE									Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims		
	For the years ended December 31,											As of December 31, 2024	
	Net Reserves Assumed	2018	2019	2020	2021	2022	2023	2024	2024			2024	
	(unaudited)												
	(in millions, except for number of reported claims)												
Prior	\$ 1,075	\$ 1,021	\$ 1,021	\$ 1,032	\$ 965	\$ 958	\$ 917	\$ 886	\$	136	1,755		
2015	186	154	149	137	123	121	112	101		9	231		
2016	89	91	95	86	83	88	81	82		17	324		
2017	122	157	149	107	116	122	121	117		6	421		
2018	9	48	67	56	49	52	51	51		5	352		
2019			26	33	33	29	28	26		2	148		
2020				22	23	20	21	20		10	227		
2021					5	6	3	3		3	17		
2022						3	3	2		3	4		
2023							3	4		3	5		
2024							—	1		1	5		
	<u>\$ 1,481</u>							<u>\$ 1,293</u>	<u>\$</u>	<u>195</u>	<u>3,489</u>		
Cumulative Paid Losses and Allocated LAE during the above period									<u>(861)</u>				
Liabilities for losses and LAE									<u>\$ 432</u>				

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

Accident Year	Cumulative Paid Loss and Allocated LAE						
	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)	2023 (unaudited)	2024
Prior	\$ 122	\$ 236	\$ 284	\$ 357	\$ 455	512	554
2015	24	35	73	77	78	81	83
2016	14	25	38	42	52	53	57
2017	30	57	52	58	65	91	91
2018	9	22	31	37	38	43	43
2019		2	16	20	21	22	23
2020			2	4	6	8	10
2021				—	—	—	—
2022					—	—	—
2023						—	—
2024							—
						<u>\$</u>	<u>861</u>

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.

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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 detailed 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, \$32 million and \$39 million for the years ending December 31, 2024, 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 frequency severity method for certain types of claims, 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 of business assumed in 2022

During year ended December 31, 2024, the Company entered into a novation agreement with a ceding company for liability exposure stemming from the All Other Lines of business. The novation resulted in full and final settlement of the Company’s obligations under the reinsurance agreement. The impact of the novation resulted in a reduction in unpaid losses and loss adjustment expenses of \$209 million, a reduction in other assets of \$119 million and a reduction in deferred cost of reinsurance contracts of \$11 million on the consolidated balance sheets.

The loss development tables below reflect general liability and professional liability exposures assumed by the

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

Company during 2022 and still held at December 31, 2024.

		Incurred Loss and Allocated LAE				
		For the years ended December 31,			As of December 31, 2024	
Accident Year	Net Reserves Assumed	2022	2023	2024	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
(unaudited)						
(in millions, except for number of reported claims)						
Prior	\$ 20	\$ 26	\$ 29	\$ 31	\$ 4	509
2015	31	37	36	37	5	619
2016	37	44	44	41	10	647
2017	45	54	59	61	17	899
2018	40	48	49	52	17	818
2019	42	52	49	46	19	450
2020	20	25	21	19	10	142
2021	—	—	—	—	—	9
2022	—	—	—	—	—	8
2023	—	—	—	—	—	2
2024	—	—	—	—	—	1
	<u>\$ 235</u>			<u>\$ 287</u>	<u>\$ 82</u>	<u>\$ 4,104</u>
Cumulative Paid Losses and Allocated LAE during the above period				(150)		
Unallocated Loss Adjustment Expenses as of the above period				4		
Liabilities for losses and LAE				<u>\$ 141</u>		

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

		Cumulative Paid Loss and Allocated LAE		
		2022	2023	2024
Accident Year		(unaudited)	(unaudited)	
Prior	\$	5	\$ 14	21
2015		5	15	24
2016		8	15	21
2017		8	22	33
2018		7	15	24
2019		6	14	20
2020		2	5	7
2021		—	—	—
2022		—	—	—
2023		—	—	—
2024		—	—	—
			<u><u>\$ 150</u></u>	

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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, 2024.

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	5.6%	13.3%	13.2%	10.3%	6.8%	7.6%	5.7%	4.1%	3.2%	3.1%
All Other Lines business assumed in 2022	0.1%	3.6%	9.2%	13.6%	14.9%	13.0%	11.3%	10.5%	6.4%	5.2%

Given the significant amount of loss and loss adjustment expense reserves in the 2014 and prior accident years, and different distributions among lines of business and accident year, a total claim payout pattern is not meaningful.

10. 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):

	2024	2023	2022
Balance, beginning of year	\$ 3,617	\$ 3,824	\$ 4,053
Amortization	(183)	(207)	(229)
Balance, end of year	\$ 3,434	\$ 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
2025	\$ 165
2026	162
2027	151
2028	151
2029	139

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Deferred Costs

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

	2024						
	Balance, beginning of year	Additions	Amortization expense	(Favorable)/ unfavorable loss development	Impairment of deferred costs	Other	Balance, end of year
Long duration business	\$ 3,627	\$ —	\$ (226)	\$ —	\$ —	\$ —	\$ 3,401
Short duration business	44	—	(13)	—	—	(11)	20
Total Deferred Costs	\$ 3,671	\$ —	\$ (239)	\$ —	\$ —	\$ (11)	\$ 3,421

	2023						
	Balance, beginning of year	Additions	Amortization expense	(Favorable)/ unfavorable loss development	Impairment of deferred costs	Other	Balance, end of year
Long duration business	\$ 213	\$ 3,453	\$ (39)	\$ —	\$ —	\$ —	\$ 3,627
Short duration business	66	—	(20)	—	(2)	—	44
Total Deferred Costs	\$ 279	\$ 3,453	\$ (59)	\$ —	\$ (2)	\$ —	\$ 3,671

	2022						
	Balance, beginning of year	Additions	Amortization expense	(Favorable)/ unfavorable loss development	Impairment of deferred costs	Other	Balance, end of year
Long duration business	\$ —	\$ 215	\$ (2)	\$ —	\$ —	\$ —	\$ 213
Short duration business	—	8	(13)	118	(47)	—	66
Total Deferred Costs	\$ —	\$ 223	\$ (15)	\$ 118	\$ (47)	\$ —	\$ 279

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

	2024						
	Balance, beginning of year	Additions	Amortization expense	Favorable/ (unfavorable) loss development	Effect of change in discount	Other	Balance, end of year
Long duration business	\$ 408	\$ —	\$ (36)	\$ —	\$ —	\$ —	\$ 372
Short duration business	299	—	(9)	70	(57)	—	303
Total Deferred Gains	\$ 707	\$ —	\$ (45)	\$ 70	\$ (57)	\$ —	\$ 675

Fortitude Reinsurance Company Ltd.
Notes to Consolidated Financial Statements

2023							
	Balance, beginning of year	Additions	Amortization expense	Favorable/ (unfavorable) loss development	Effect of change in discount	Other	Balance, end of year
Long duration business	441	—	(33)	—	—	—	408
Short duration business	258	—	(3)	98	(54)	—	299
Total Deferred Gains	\$ 699	\$ —	\$ (36)	\$ 98	\$ (54)	\$ —	\$ 707

2022							
	Balance, beginning of year	Additions	Amortization expense	Favorable/ (unfavorable) loss development	Effect of change in discount	Other	Balance, end of year
Long duration business	471	—	(30)	—	—	—	441
Short duration business	260	—	17	43	(59)	(3)	258
Total Deferred Gains	\$ 731	\$ —	\$ (13)	\$ 43	\$ (59)	\$ (3)	\$ 699

11. Credit and Liquidity Agreements

Letter of Credit Facilities

In 2023, the Company and other eligible affiliates entered into committed and non-committed bilateral letter of credit agreements (“Bilateral Credit Agreements”), with a syndicate of banks to support collateral requirements for the Company’s reinsurance agreements. 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 banks 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 was in compliance with all covenants contained therein as of December 31, 2024.

Agreement	Expiration	Maximum Capacity	Utilization	Unused Facility Capacity
Bilateral credit agreements		1,050	575	475
Unsecured arrangements	December 21, 2026	200	200	—

The Company has issued a letter of credit for \$10 million to the Internal Revenue Service (“IRS”) in connection with the Company’s election 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 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 Company recorded interest expense of \$8 million associated with these credit agreements within general operating and other expenses on the consolidated statement of income (loss) for the year ended December 31, 2024. The Company did not record any interest expense associated with these credit agreements for the year ended December 31, 2023.

Intercompany Liquidity Agreement

The Company entered into an intercompany liquidity agreement with FGH and FGP that allows the Company and other affiliates to lend or borrow funds to meet short term liquidity and other capital needs.

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During 2024, the Company loaned \$15 million, \$5 million and \$10 million to Fortitude Group Services ("FGS") under the agreement on three separate transactions. FGS repaid the Company in full for these three transactions, plus interest, during 2024. In addition, during 2024, the Company loaned \$50 million to FGH and \$80 million to Fortitude Life Insurance & Annuity Company ("FLIAC") and borrowed \$50 million from FGP under the agreement. The transactions with FLIAC and FGP were repaid in full, plus interest, during 2024, while the \$50 million loaned to FGH was still outstanding as of December 31, 2024. The Company recorded interest income of \$1 million within net investment income and interest expense of less than \$1 million within general operating and other expenses on the consolidated statements of income (loss) for the year ended December 31, 2024.

During 2023, the Company borrowed \$52 million from FGH and \$75 million from FGP and loaned \$77 million to FLIAC under the agreement. These three loans were repaid in full, plus interest, during 2023. The Company recorded interest income of less than \$1 million within net investment income and interest expense of \$1 million within general operating and other expenses on the consolidated statements of income (loss) for the year ended December 31, 2023.

12. Contingencies and Commitments

Litigation and Regulatory Matters

As of December 31, 2024 and 2023, 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.

Commitments

The Company has commitments to purchase or fund investments, mostly private credit fixed maturity securities, mortgage loans and alternative investments. The following amounts include unfunded commitments that are not unconditionally cancellable. As of December 31, 2024 and 2023, these commitments include unfunded commitments of \$2,603 million (amount restated from an originally reported amount of \$2,455 million) and \$1,786 million, respectively, associated with investments managed by affiliates of Carlyle, a related party. See Note 14 for further information regarding related party investments.

In addition, as of December 31, 2024 and 2023, the outstanding balance on commitments for private credit fixed maturity securities, mortgage loans and alternative investments managed by unaffiliated counterparties was \$538 million (amount restated from an originally reported amount of \$686 million) and \$110 million, respectively.

13. Income Taxes

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 and is subject to federal income taxation in the U.S.

FRL is considered a life insurance company for U.S. tax purposes and files a separate tax return. FRL will be eligible to join the consolidated return group no later than the 2027 tax year. The Company's wholly owned subsidiary, Fortitude Re Investments, LLC ("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.

In 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. 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 is 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 implications with respect to the Bermuda CIT for the years ended December 31, 2024 and 2023.

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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 material impacts with respect to CAMT for the years ended December 31, 2024 and 2023.

Effective Tax Rate

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>As Restated</u>		
Income tax expense (benefit):			
Current	\$ 63	\$ (24)	\$ 118
Deferred	(321)	267	(2,030)
Total income tax expense (benefit)	\$ (258)	\$ 243	\$ (1,912)

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% (the tax rate at which a majority of the Company's operations are taxed) to net income (loss) before tax, as shown in the following reconciliation for the years ended December 31, (in millions):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>As Restated</u>		
Income (loss) before income taxes	\$ (1,137)	\$ 1,350	\$ (9,106)
Income tax expense (benefit) at the U.S. statutory rate	(239)	283	(1,912)
Other	(19)	(40)	—
Total income tax expense (benefit)	\$ (258)	\$ 243	\$ (1,912)

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Deferred Taxes

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

	<u>2024</u>	<u>2023</u>
	<u>As Restated</u>	
Deferred tax assets:		
VOBA	\$ 721	\$ 760
Loss on funds withheld - directly managed	669	411
Life policy reserves	527	480
Reinsurance settlement	439	404
Net operating loss	257	340
Deferred acquisition costs	199	245
Deferred gain from reinsurance	139	160
Basis difference on investments - U.S.	134	—
Basis difference on investments - Bermuda	124	—
Other	83	47
Total deferred tax assets	3,292	2,847
Deferred tax liabilities:		
Deferred cost of reinsurance	(679)	(722)
Reinsurance modification	(19)	(20)
Basis difference in investments	—	(36)
Basis difference in investments - Bermuda	—	(7)
Total deferred tax liabilities	(698)	(785)
Net deferred tax asset before valuation allowance	2,594	2,062
Valuation allowance - Bermuda	(124)	—
Net deferred tax asset	\$ 2,470	\$ 2,062

Deferred tax assets and deferred tax liabilities are included in deferred income taxes, net and accrued and other liabilities, respectively, 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 following table reconciles net deferred tax asset (liability) to the amounts recorded on the consolidated balance sheets as of December 31, (in millions):

	<u>2024</u>	<u>2023</u>
	<u>As Restated</u>	
Deferred income tax assets, net	\$ 2,544	\$ 2,108
Deferred tax liabilities	(74)	(46)
Net deferred tax asset	\$ 2,470	\$ 2,062

The difference between the increase in the net deferred tax asset (liability) balance of \$408 million and the deferred tax benefit recognized for the year of \$321 million, which totals \$87 million, represents the current year deferred tax asset of \$84 million recorded in AOCI and \$3 million of other activity.

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Capital Loss Carryforwards and Net Operating Loss Carryforwards

As of December 31, 2024, there is no capital loss carryforward.

As of December 31, 2024, the Company's net operating loss balance totaled \$1,222 million, which represents a \$257 million deferred tax asset and can be carried forward indefinitely. 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;
- timing of the temporary difference 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.

As of December 31, 2024 and 2023, based on all available evidence, management believed that it was more likely than not that its U.S. net deferred tax assets will be realized. Therefore, the Company did not record a valuation allowance against its U.S. net deferred tax asset.

As of December 31, 2024, the Company held a valuation allowance of \$124 million against Bermuda deferred tax assets regarding unrealized capital losses on securities that mature after December 31, 2029. The increase in the valuation allowance is due to current year unrealized losses and the Company's inability to recognize the future tax benefit. As of December 31, 2023, the Company did not establish a valuation allowance against Bermuda deferred tax assets.

Accounting for Uncertainty in Income Taxes

The Company filed federal tax returns for the years ended December 31, 2023, 2022 and 2021. All 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, 2024 and 2023, 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.

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14. 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.

See Note 11 for information regarding the Company's related party transactions under the intercompany liquidity agreement.

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 \$40 million, \$27 million and \$17 million for the years ended December 31, 2024, 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 managed by Carlyle affiliates. The Company's investments in funds and other structured investments managed by Carlyle were valued at \$5,599 million (amount restated from an originally reported amount of \$5,332 million) and \$2,477 million as of December 31, 2024 and 2023, respectively, and were primarily of private credit fixed income securities and limited partnership interests. The Company recorded net investment income related to these investments of \$366 million, \$155 million and \$68 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Additionally, as of December 31, 2024 and 2023, the Company held investments originated by Carlyle of \$5,976 million and \$5,236 million, respectively, that are included within funds withheld - directly managed, at fair value within the consolidated balance sheets.

T&D Affiliated Entities

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

The Company reported the following assumed balances in the consolidated balance sheets in connection with this reinsurance agreement as of December 31, (in millions):

	<u>2024</u>	<u>2023</u>
Liabilities:		
Policyholder contract deposits	\$ 2,196	\$ 2,836
Accrued and other liabilities	104	125

The Company reported the following assumed balances in the consolidated statements of income (loss) in connection with this reinsurance agreement for the years ended December 31, (in millions):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Benefits and expenses:			
Interest credited to policyholder account balances	\$ 26	\$ 33	\$ 29

For the year ended December 31, 2023, the Company paid \$8 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).

Expense Charges and Allocations

The Company has entered into service agreements with affiliates for services necessary to conduct its activities. In accordance with the service agreements, a portion of the Company's expenses are allocations or charges from FGS and Fortitude International Group Services ("FIGS") which are indirect wholly-owned subsidiaries of FGP. These

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expenses primarily relate to general and administrative expenses which include personnel and facilities usage, general management services and investment management services. When specific identification to a particular legal entity is not practicable, an allocation methodology is used. The majority of the expenses are allocated based on the following methodologies: headcount, investments under management, reserves and time studies. The allocation methodology is reviewed periodically and may be adjusted accordingly.

During the year ended December 31, 2024, the Company was allocated \$106 million and \$6 million of costs for these services from FGS and FIGS, respectively. During the year ended December 31, 2023, the Company was allocated \$25 million and \$15 million of costs for these services from FGS and FIGS, respectively. During the year ended December 31, 2022, the Company was allocated \$43 million and \$11 million of costs for these services from FGS and FIGS, respectively.

As of December 31, 2024, the Company recorded payables of \$45 million and \$0 to FGS and FIGS, respectively, for invoices not yet settled within other liabilities on the consolidated balance sheet. As of December 31, 2023, the Company recorded payables of \$21 million and \$6 million to FGS and FIGS, respectively, for invoices not yet settled within other liabilities on the consolidated balance sheet.

Affiliated Asset Transfers

The Company may participate in asset transfers with affiliates. Book and market value differences for trades with the Company and affiliates are recognized within investment gains (losses) on the consolidated statement of income (loss). The table below shows affiliated asset trades for the year ended December 31, 2024, (in millions):

Affiliate	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), net
FLIAC	Purchase	Asset Backed Security & Bank Loan	\$ 197	\$ 197	\$ —
FLIAC	Purchase	Derivatives	10	10	—
Fortitude International Reinsurance Ltd. ("FIRL")	Sale	RMBS	69	70	(1)
FIRL	Sale	RMBS	18	18	—
FIRL	Sale	RMBS	6	6	—
FGH	Purchase	Alternative Investments	2	2	—

The table below shows affiliated asset trades for the year ended December 31, 2023, (in millions):

Affiliate	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), net
FLIAC	Purchase	Limited Partnership	\$ 26	\$ 26	\$ —
FLIAC	Purchase	Limited Partnership	47	47	—
FLIAC	Purchase	Limited Partnership	24	24	—
FLIAC	Purchase	Limited Partnership	135	135	—
FLIAC	Purchase	Limited Partnership	56	56	—
FLIAC	Purchase	Limited Partnership	37	37	—
FLIAC	Purchase	Limited Partnership	12	12	—
FLIAC	Purchase	Limited Partnership	7	7	—
FIRL	Sale	CMBS	2	2	—
FIRL	Sale	CMBS	4	4	—
FIRL	Sale	CMBS	2	2	—
FIRL	Sale	CMBS	3	3	—
FIRL	Sale	CMBS	9	9	—
FIRL	Sale	CMBS	1	1	—
FIRL	Sale	CMBS	9	9	—
FIRL	Sale	CMBS	4	4	—

The Company did not participate in asset transfers with affiliates during the year ended December 31, 2022.

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Derivatives

Effective January 1, 2024, the Company entered into a credit default swap with Fortitude International Ltd. ("FIL"), a direct wholly-owned subsidiary of FGP, whereby FIL provides the Company with protection from economic exposure to credit losses on the outstanding principal of a specific portion of the Company's investment portfolio over a defined period of time. The Company paid \$158 million in premium payments to FIL during the year ended December 31, 2024. There were no credit events noted during the year ended December 31, 2024.

The premium payments under the credit default swap with FIL are recorded within investment gains (losses) on the consolidated statements of income (loss). The Company had no outstanding receivables or payables associated with the credit default swap on the consolidated balance sheets as of December 31, 2024.

15. Shareholder's Equity

As of December 31, 2024 and 2023, the Company has issued 1,250,000 shares, of which, 100% were owned by FGH.

The Company did not receive any capital contributions during the year ended December 31, 2024. The Company received capital contributions from FGH of \$2,446 million during the year ended December 31, 2023, of which \$1,774 million was in cash, \$679 million was in securities, and \$(7) million was due to a deferred tax liability transfer from FGH. The Company did not receive any capital contributions during the year ended December 31, 2022.

The Company made a \$5 million distribution to FGH which was recorded as a reduction to additional paid-in capital during the year ended December 31, 2024. The Company did not declare or pay any dividends during the year ended December 31, 2023. The Company declared and paid dividends of \$750 million to FGH during the year ended December 31, 2022.

The following table shows the balance and changes in each component of AOCI for the years ended December 31, 2024, 2023 and 2022 (in millions):

	Unrealized Investment Gains (Losses)	Changes in AIL	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2021	\$ (5)	\$ —	\$ (5)
Change in OCI	(575)	—	(575)
Income tax (expense) benefit	121	—	121
Balance, December 31, 2022	(459)	—	(459)
Effect of adoption of ASU 2016-13, <i>Current Expected Credit Loss</i>	35	—	35
Change in OCI	850	(301)	549
Income tax (expense) benefit	(179)	63	(116)
Balance, December 31, 2023	247	(238)	9
Change in OCI - As Restated ⁽¹⁾	(651)	251	(400)
Income tax (expense) benefit - As Restated ⁽¹⁾	137	(53)	84
Balance, December 31, 2024	\$ (267)	\$ (40)	\$ (307)

⁽¹⁾ Change in OCI and income tax (expense) benefit, contained within changes in AIL, were originally reported as \$200 million and \$(42) million, respectively, and have been restated as noted above.

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16. Statutory Requirements

Under the Bermuda Insurance Act, the Company is registered as a Class 4 and Class E composite reinsurance company. The Company is 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 BMA. The Company has 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 the 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 valued and reported 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 reserve related balances valued based on a best estimate liability assumptions 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 Company is 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 Company's 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 Company is 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 reinsurance agreement in 2023, the BMA imposed an additional operational risk charge on the Company. As of December 31, 2024 and 2023, the Company 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 Company fails to maintain statutory economic capital and surplus at least equal to the TCL, such failure will likely result in increased regulatory oversight by the BMA. As of December 31, 2024 and 2023, the Company met the minimum statutory requirements.

The statutory capital and surplus reported in the Company's SFS as of December 31, (in millions) is detailed below.

	2024	2023
Statutory capital and surplus	\$ 3,716	\$ 3,965

Under the Bermuda Insurance Act, the Company is 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 Company to fail to meet such margin or ratio. The Company is prohibited from declaring or paying in any fiscal period, dividends of more than 25% of its 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 Company from reducing its prior period

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statutory capital by 15% or more without prior approval of the BMA. As the Company reinsures run-off business, the Company is required to seek BMA approval for any dividends or distributions.

17. Subsequent Events

The Company has evaluated the impact of subsequent events through April 30, 2025, the date at which the consolidated financial statements were available to be issued and determined there are no items to disclose, except for the below transactions.

Effective January 1, 2025, a U.S. based life insurance company recaptured its reinsurance agreement with the Company. The recapture resulted in full and final settlement of the Company's obligations under the reinsurance agreement. The impact of the recapture resulted in a reduction in future policy benefits, a reduction in policyholder contract deposit, a reduction in funds withheld by ceding companies and an extinguishment of the related VOBA liability.

On February 26, 2025, the Company entered into a reinsurance agreement with a subsidiary of a U.S. based life insurance company to assume, on a coinsurance basis, a block of Long Term Care statutory reserves and Individual Disability Insurance premium, with an immediate retrocession of biometric risk to a highly rated global reinsurer. The transaction closed on July 1, 2025 following the completion of closing conditions.

Events Subsequent to Original Issuance of Financial Statements (Unaudited)

In connection with the reissuance of the financial statements, the Company has evaluated subsequent events through December 22, 2025, the date the financial statements were available to be reissued.

In July 2025, H.R.1, known as the "One Big Beautiful Bill Act" was signed into law. H.R.1 includes a broad range of tax reform provisions that are expected to impact businesses across numerous sectors of the U.S. economy. We have evaluated the full potential impacts of H.R.1 on the Company and do not expect it will have a material impact on its financial position or results of operations in 2025.

In August 2025, the Company's Board of Directors approved a dividend of \$300 million to FGH, which was subsequently paid in cash during 2025.

In October 2025, the Company closed on a reinsurance agreement to assume, on a modified coinsurance basis, at least 85% of funding agreement liabilities totaling \$500 million, from a U.S.-domiciled affiliate of the Company. The funding agreements are associated with funding agreement backed notes issued from an unaffiliated special-purpose trust.