FINANCIAL STATEMENTS

F&G Life Re Ltd.
Years Ended December 31, 2021 and 2020
With Report of Independent Auditors

F&G Life Re Ltd.

Financial Statements

Years Ended December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
F&G Life Re Ltd.

Opinion

We have audited the financial statements of F&G Life Re Ltd. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related income statement and statement of comprehensive income (loss), changes in shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the 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 that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

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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.

Ernst & Young Ltd.

Hamilton, Bermuda
April 26, 2022

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F&G Life Re Ltd.

Balance Sheets

(Expressed in USD Thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Cash and Cash Equivalents	28,186	1,531
Investments		
Available for Sale Securities, at fair value	29,099	35,759
Investments in Limited Partnerships	49,198	40,000
Total Investments	**78,297**	**75,759**
Property, Plant, and Equipment	20	—
Funds Withheld for Reinsurance Assumed	5,454,641	5,408,524
Reinsurance Recoverable	2,372,191	2,510,565
Accounts Receivable from Affiliated Companies	—	554
Deferred Cost of Reinsurance	147,347	170,508
Other Assets	55,914	26,739
Deferred Tax Asset	—	8,423
Total Assets	**8,136,596**	**8,202,603**
LIABILITIES		
Contractholder Funds	5,271,536	5,579,033
Funds Withheld from Reinsurers	2,462,673	2,426,246
Deferred Reinsurance Revenue	73,106	84,318
Other Liabilities	107,499	135
Income Taxes Payable	2,223	8,876
Deferred Tax Liability	13,115	—
Accounts Payable to Affiliated Companies	70	26
Total Liabilities	**7,930,222**	**8,098,634**
SHAREHOLDER’S EQUITY		
Common Shares	250	250
Additional Paid in Capital	112,682	103,782
Retained Earnings	93,772	(83)
Accumulated Other Comprehensive Income (Loss)	(330)	20
Total Shareholder's Equity	**206,374**	**103,969**
Total Liabilities and Shareholder's Equity	**8,136,596**	**8,202,603**

See accompanying notes.

F&G Life Re Ltd.

Income Statements

(Expressed in USD Thousands)

	December 31, 2021	December 31, 2020
REVENUE		
Insurance, Investment Product Fees, and Other	(29,755)	—
Net Investment Income (Loss)	160,348	(8)
Net Investment Gain (Loss)	24,339	—
Total Revenue	154,932	(8)
EXPENSES		
Operating Expenses	(11,549)	(89)
Benefits and Other Changes in Policy Reserves	(24,579)	—
Total Benefits and Expenses	(36,128)	(89)
Net Income (Loss) before Income Taxes	118,804	(97)
Income Tax (Expense) Benefit	(24,949)	14
Net Income (Loss)	93,855	(83)

See accompanying notes.

F&G Life Re Ltd.

Statements of Comprehensive Income (Loss)

(Expressed in USD Thousands)

	December 31, 2021	December 31, 2020
Net Income (Loss)	93,855	(83)
Other Comprehensive Income:		
Net Unrealized Gains (Losses) on Available for Sale Securities - Net of Tax	(350)	20
Total Comprehensive Income (Loss)	93,505	(63)

See accompanying notes.

F&G Life Re Ltd.
Statements of Changes in Shareholder's Equity
(Expressed in USD Thousands)

	Common Stock	Additional Paid-in-Capital (APIC)	Retained Earnings	Accumulated Other Comprehensive Income (AOCI)	Total Shareholder's Equity
Balance, December 31, 2019 (Unaudited)	250	1,157	706	—	2,113
PGAAP Adjustments	—	622	(706)	—	(84)
Capital Contributions	—	102,465	—	—	102,465
Deferred Tax on Capital Contributions	—	(462)	—	—	(462)
Other Comprehensive Income (Loss)	—	—	—	20	20
Net Income (Loss)	—	—	(83)	—	(83)
Balance, December 31, 2020	250	103,782	(83)	20	103,969
Capital Contributions	—	8,900	—	—	8,900
Other Comprehensive Income (Loss)	—	—	—	(350)	(350)
Net Income (Loss)	—	—	93,855	—	93,855
Balance, December 31, 2021	250	112,682	93,772	(330)	206,374

See accompanying notes.

F&G Life Re Ltd.
Statements of Cash Flows
(Expressed in USD Thousands)

	December 31, 2021	December 31, 2020
Cash Flows from Operating Activities		
Net Income (Loss)	93,855	(83)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) in Operating Activities:		
Change in Value of Investments	(8,759)	(25)
Changes in Operating Assets and Liabilities:		
Funds Withheld Assets	(46,117)	(5,408,524)
Accounts Receivables from Affiliated Companies		178
Deferred Cost of Reinsurance	23,162	(170,508)
Reinsurance Recoverable	138,374	(2,510,565)
Deferred Tax Liabilities (Assets)	21,538	(8,423)
Other Assets	(29,355)	(27,293)
Funds Withheld from Reinsurers	36,427	2,426,246
Contractholder Funds	(307,496)	5,579,033
Deferred Reinsurance Revenue	(11,213)	84,318
Interest Receivable	22	(127)
Other Liabilities	107,364	135
Income Taxes Payable	(6,653)	8,876
Accounts Payable to Affiliated Companies	599	26
Cash Flows Provided (Used) in Operating Activities	11,748	(26,736)
Cash Flows from Investing Activities		
Sales of Available for Sale Securities	6,029	—
Purchases of Available for Sale Securities	—	(75,739)
Additions to property and equipment	(22)	—
Cash Flows Provided (Used) in Investing Activities	6,007	(75,739)
Cash Flows from Financing Activities		
Capital Contributions Received	8,900	102,625
Cash Flows Provided in Financing Activities	8,900	102,625
Net Increase in Cash and Cash Equivalents	26,655	150
Cash and Cash Equivalents at Beginning of Year	1,531	1,381
Cash and Cash Equivalents at End of Year	28,186	1,531

See accompanying notes.

1. General

F&G Life Re Ltd. (the "Company" or "F&G Life Re"), a Bermuda exempted company, is a wholly owned subsidiary of Fidelity & Guaranty Life Insurance Company (FGLIC), which is ultimately owned by Fidelity National Financial, Inc (FNF) a Delaware corporation listed on the NYSE. FGLIC became the direct parent of the Company on December 17, 2020 (prior to this date, the Company's direct parent was CF Bermuda Holdings Limited). FNF became the ultimate parent of the Company on June 1, 2020. F&G Life Re provides reinsurance solutions covering fixed indexed annuities issued in the United States.

F&G Life Re is registered as a Class E (re)insurer (prior to May 2021, the Company was Class C) under the Insurance Act 1978 of Bermuda and was incorporated on August 24, 2017.

As of December 31, 2021, a financial strength rating of "A-"(Strong), was issued to the Company by Standards & Poor (S&P) (2020: A-). Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by ratings agencies of a company's financial condition and performance.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas within the Company's financial statements that involve a significant amount of estimation and judgment include the following:

- Funds withheld for reinsurance assumed
- Funds withheld from reinsurers
- Contractholder Funds
- Reinsurance Recoverables

The following are the significant accounting policies and practices adopted by the Company:

Purchase Accounting

On June 1, 2020, FNF completed the acquisition of FGL Holdings ("FGL'), the direct parent of FGLIC. The acquisition was accounted for under the acquisition method of accounting (purchase accounting, or PGAAP), and the Company elected "pushdown" accounting by applying the guidance of Accounting Standard Codification (ASC) 805, Business Combinations. The impact as a result of this acquisition was deemed immaterial by the management and is disclosed in the Statement of Shareholder's Equity.

2. Significant Accounting Policies (continued)

Investments

In the normal course of business, the Company enters into transactions involving various types of investments. Investments consist of fixed maturity securities, as well as equity investments in limited partnerships. Investments are recorded on a trade-date basis.

Available-for-Sale Securities at Fair Value

The Company primarily accounts for its fixed maturity securities, as available-for-sale (AFS). AFS fixed maturity securities are carried at fair value, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss) in the balance sheet. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net investment gains (losses) in the statement of income/(loss). The amortized cost of fixed maturity securities is adjusted for other-than-temporary impairment, or "OTTI," amortization of premiums and accretion of discounts. Such amortization and accretion is calculated using the effective yield method and included in net investment income in the statement of income (loss).

Investments in Limited Partnerships

Investments in limited partnerships in the balance sheet include the Company's investments in limited partnerships, for which the Company does not have voting control or power to direct activities. Fair values for limited partnerships are based on their respective net asset values or equivalent ("NAV"). NAV for limited partnerships is based upon the Company's percentage ownership of the net assets of each limited partnership. In some cases, the Company has both debt and equity investments in a limited company or limited partnership. Accordingly, the fair value of equity investments in limited partnerships is equal to the outstanding principal amount issued to the Company and the Company's equity ownership percentage of the net assets of the limited partnership.

Investment funds for which the Company has used NAV as a practical expedient to measure fair value are not classified within the fair value hierarchy table below. At December 31, 2021, investments in limited partnerships had a carrying value of $49,198. At December 31, 2020, investments in limited partnerships had a carrying value of $40,000.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents in the balance sheet include short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Restricted cash is recognized in other assets and includes cash and cash equivalents that are legally or contractually restricted with respect to withdrawal or use. As of December 31, 2021 and 2020, there were no restrictions on cash.

2. Significant Accounting Policies (continued)

Derivative Instruments

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter, or "OTC," derivatives, or they may be listed and traded on an exchange, or "exchange-traded." The Company's derivative instruments are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange and inflation risks. Where certain criteria are met, some of these hedging arrangements may achieve hedge accounting.

Derivative instruments are recognized at estimated fair value in funds withheld for reinsurance assumed and funds withheld from reinsurers in the balance sheet, with changes in fair value recorded in net investment gains (losses) in the statement of income (loss).

Other than Temporary Impairments

One of the significant estimates related to AFS securities is the evaluation of those investments for OTTI. The evaluation of investments for OTTI is a quantitative and qualitative quarterly process that is subject to risks and uncertainties and involves significant estimates and judgments by management. Changes in the estimates and judgments used in such analysis can have a significant impact on the Company's statement of income/(loss).

A security is impaired when the fair value is below its cost or amortized cost. Securities classified as available for sale, are reviewed on a periodic basis to determine whether a decline in fair value below cost or amortized cost represents other-than-temporary impairments ("OTTI"). Several factors are considered in this assessment including, but not limited to: (1) the extent and duration of the decline; (2) the reason for the decline (e.g. credit spread widening, credit event); (3) the historical and implied future volatility of the fair value; (4) the financial condition and near-term prospects of the issuer; and (5) the collateral structure and credit support of the security, if applicable.

For impaired AFS securities where the Company intends to sell the security, or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the full amount of the impairment is charged to earnings and is included in "Net investment income (loss)" in the accompanying Statement of Income (Loss).

Revenue Recognition

Insurance, Investment Product Fees, and Other

Insurance, investment product fees, and other includes cost of reinsurance, product charges, fees and adjustments.

Net Investment Income (Loss)

Net investment income (loss) includes funds withheld investment income and income related to limited partnerships. Net investment income (loss) is presented net of investment management fees.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Net Investment Gains (Losses)

Net investment gains (losses) include realized losses and gains from the sale of investments, changes in the fair value of the Company's funds withheld receivables, as well as realized and unrealized gains and losses on equity options.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the income in the period that includes the enactment date. The Company has the ability and intent to recover in a tax-free manner assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided, in accordance with ASC Topic 740, Income Taxes.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Accrued interest expense and penalties related to uncertain tax positions would be recorded in "tax expense (benefit)" in the accompanying Statements of Comprehensive Income (Loss).

Legal Matters and Contingencies

The Company records legal fees and accruals in accordance with ASC Topic 450, “Contingencies”. Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

Comprehensive Income (Loss)

The Statement of Comprehensive Income (Loss) includes unrealized gains (losses) on investment securities classified as AFS. The change in fair value of available for sale investments for the years ended December 31, 2021 and 2020 was $(350) and $20, respectively.

2. Significant Accounting Policies (continued)

Fair Value Measurements

The Company's measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or non-performance risk, which may include the Company's own credit risk. The Company's estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). The Company categorizes financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique.

The three-level hierarchy for fair value measurement is defined as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lower level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. However, Level 3 fair value investments may include, in addition to the unobservable or Level 3 inputs, observable components, which are components that are actively quoted or can be validated to market-based sources.

2. Significant Accounting Policies (continued)

Reinsurance

Reinsurance accounting is applied for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer insurance risk and subject the reinsurer to a reasonable possibility of a significant loss. Long-duration contracts that do not subject the insurer to mortality or morbidity risks are investment contracts. Accordingly, reinsurance of long-duration contracts does not indemnify the ceding entity against insurance risk and therefore the reinsurance agreement cannot be characterized as reinsurance. Instead, these types of agreements are accounted for as separate investment contracts. Effective December 31, 2020, the Company entered into a reinsurance agreement with FGLIC, a related party, to assume fixed-indexed annuity policies on a funds withheld basis. Concurrently, the Company entered into a reinsurance agreement to retrocede 45% of the assumed policies to F&G Cayman Re, a related party. As these fixed-indexed annuity policies do not contain insurance risk, both of these agreements are accounted for as separate investment contracts.

With respect to the agreement entered into with FGLIC, the Company applies the accounting for the assumed contracts in the same manner as investment contracts sold directly to individuals or non-insurance entities by a direct insurer. Accordingly, the assumption of the reinsured policies results in the establishment of Contractholder Funds on the Balance Sheet, for the amount of the policyholders' account value and embedded derivative value. Premiums received from and benefit reimbursements paid to FGLIC, to the extent the reimbursement represents a return of the contractholder balance, will drive the Contractholder Funds liability up or down, respectively, with changes flowing through in the Statement of (Loss) Income.

With respect to the agreement entered into with F&G Cayman Re, the Company established a reinsurance recoverable that represents the amount of funds the Company expects to receive over the life of the reinsured policies by F&G Cayman Re. Premiums paid to and benefit reimbursements received from F&G Cayman Re, to the extent the reimbursement represents a return of the reinsured contractholder balance, will drive the Reinsurance recoverable asset up and down, respectively, with changes flowing through in the Statements of (Loss) Income.

Additionally, as the agreements with FGLIC and F&G Cayman Re are on a coinsurance funds withheld basis, a Funds withheld for reinsurance assumed (asset) and Funds withheld from reinsurers (liability), respectively, have been established that represents the asset or liability supporting the funds withheld assets and reinsured contracts. Each period, the funds withheld asset and liability change based upon the earned investment income and realized gains/(losses) on the underlying assets in the segregated portfolios and flow through Net Investment (Loss) Income in the Statements of (Loss) Income.

At inception of both agreements, differences between the funds withheld for the reinsured contracts and the amount of the contractholder fund liability relating to the underlying reinsured contracts emerge and are deferred and amortized over the lives of the policies in relation to the expected emergence of estimated gross profits ("EGPs") on those reinsured policies. For the agreements with FGLIC and F&G Cayman Re, these differences are presented as a Deferred cost of reinsurance (asset) and Deferred reinsurance revenue (liability), respectively, on the Balance Sheet.

2. Significant Accounting Policies (continued)

New Accounting Pronouncements

New Credit Loss Standard

In June 2016, the FASB issued new guidance (ASU 2016-13), Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments), effective for the Company for fiscal year beginning after December 15, 2022. Notable amendments in this update will change the accounting for impairment of most financial assets and certain other instruments in the following ways:

- Financial assets (or a group of financial assets) measured at amortized cost will be required to be presented at the net amount expected to be collected, with an allowance for credit losses deducted from the amortized cost basis, resulting in a net carrying value that reflects the amount the entity expects to collect on the financial asset at purchase.
- Credit losses relating to AFS fixed maturity securities will be recorded through an allowance for credit losses, rather than reductions in the amortized cost of the securities. The allowance methodology recognizes that value may be realized either through collection of contractual cash flows or through the sale of the security. Therefore, the amount of the allowance for credit losses will be limited to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value.
- The income statement will reflect the measurement of expected credit losses for newly recognized financial assets as well as the expected increases or decreases (including the reversal of previously recognized losses) of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.
- Disclosures will be required to include information around how the credit loss allowance was developed, further details on information currently disclosed about credit quality of financing receivables and net investments in leases, and a roll forward of the allowance for credit losses for AFS fixed maturity securities as well as an aging analysis for securities that are past due.
- The Company has identified available for sale securities impacted by the new guidance and is in the process of assessing the accounting, reporting and/or process changes that will be required to comply with the new guidance.

(Expressed in USD Thousands)

2. Significant Accounting Policies (continued)

Long-Duration Contracts

In August 2018, the FASB issued new guidance (ASU 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts), effective for the Company for the fiscal year beginning after December 15, 2024. Under this update:

- Assumptions used to measure cash flows for traditional and limited-payment contracts must be reviewed at least annually with the effect of changes in those assumptions being recognized in the statement of operations.
- The discount rate applied to measure the liability for future policy benefits and limited-payment contracts must be updated at each reporting date with the effect of changes in the rate being recognized in other comprehensive income.
- Market risk benefits associated with deposit contracts must be measured at fair value, with the effect of the change in the fair value attributable to a change in the instrument-specific credit risk being recognized in other comprehensive income.
- Deferred acquisition costs are required to be amortized in proportion to premiums, gross profits, or gross margins and those balances must be amortized on a constant level basis over the expected term of the related contracts.
- Deferred acquisition costs must be written off for unexpected contract terminations.
- Disaggregated roll-forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs, as well as information about significant inputs, judgments, assumptions, and methods used in measurement are required to be disclosed.

The amendments in this ASU may be early adopted as of the beginning of an annual reporting period for which financial statements have not yet been issued, including interim financial statements. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its financial statements.

3. Investments

The following table summarizes the Company's available-for-sale investments by asset type.

	December 31, 2021			
Asset Type	**Amortized Cost**	**Unrealized (Loss)**	**Unrealized Gain**	**Aggregate Fair Value**
Fixed Maturity Securities:				
Collateralized Mortgage Securities	29,449	(350)	—	29,099
Investments, Available for Sale	29,449	(350)	—	29,099

(Expressed in USD Thousands)

3. Investments (continued)

Asset Type	December 31, 2020			
	Amortized Cost	**Unrealized (Loss)**	**Unrealized Gain**	**Aggregate Fair Value**
Fixed Maturity Securities:				
Collateralized Mortgage Securities	35,739	—	20	35,759
Investments, Available for Sale	35,739	—	20	35,759

The amortized cost and fair value of fixed maturity securities are shown by contractual maturity below.

Maturity Period	December 31, 2021	
	Amortized Cost	**Fair Value**
Due After 1 through 5 Years	—	—
Due After 5 through 10 Years	—	—
Due After 10 Years	29,449	29,099
Total Available for Sale Securities	29,449	29,099

The amortized cost and fair value of fixed maturity securities are shown by contractual maturity below.

Maturity Period	December 31, 2020	
	Amortized Cost	**Fair Value**
Due After 1 through 5 Years	—	—
Due After 5 through 10 Years	—	—
Due After 10 Years	35,739	35,759
Total Available for Sale Securities	35,739	35,759

(Expressed in USD Thousands)

3. Investments (continued)

The following table presents the components of net investment income (loss).

	December 31, 2021	December 31, 2020
Funds Withheld Investment Income	159,975	—
Available for Sale Investments	1,548	8
Amortization of Premiums	(345)	(2)
Limited Partnership Income	11,477	—
Gross Investment Income (Loss)	172,655	6
Investment Expenses	(12,307)	(14)
Net Investment Income (Loss)	160,348	(8)

The following table presents the components of net investment gain (loss).

	December 31, 2021	December 31, 2020
Realized Gain (Loss) on Investments	(1,949)	—
Realized Gains on Funds Withheld	3,157	—
Unrealized Loss on Funds Withheld	(48,359)	—
Realized Gains on Equity Options	47,610	—
Unrealized Loss on Equity Options	23,880	—
Net Investment Gain (Loss)	24,339	—

4. Fair Value of Financial Instruments

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security’s fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored, and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

The Company's assets and liabilities measured at fair value are summarized according to the hierarchy previously described as follows:

Financial Assets	**December 31, 2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
Funds Withheld for Reinsurance Assumed				
Asset Backed Securities	—	1,233,592	11,606	1,245,198
Collateralized Mortgage Backed Securities	—	445,504	—	445,504
Corporate Bonds	—	2,427,216	45,198	2,472,414
Equity Securities	116,144	93,928	—	210,072
Foreign Government Bonds	—	53,594	—	53,594
Hybrid Bonds	27,670	176,136	—	203,806
Municipal Bonds	—	98,805	—	98,805
Residential Mortgage Backed Securities	—	19,501	—	19,501
U.S. Government Bonds	1,780	—	—	1,780
Derivatives	—	196,877	—	196,877
Total Funds Withheld	145,594	4,745,153	56,804	4,947,551
Fixed Maturities, Available for Sale	—	29,099	—	29,099
Total Assets Measured at Fair Value	145,594	4,774,252	56,804	4,976,650

Funds withheld for reinsurance assumed also includes assets which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above leveling table.

Liabilities	**December 31, 2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
Funds Withheld from Reinsurers				
Asset Backed Securities	—	521,246	7,373	528,619
Collateralized Mortgage Backed Securities	—	166,940	—	166,940
Corporate Bonds	—	1,087,160	45,198	1,132,358
Equity Securities	46,341	—	—	46,341
Foreign Government Bonds	—	7,006	—	7,006
Hybrid Bonds	3,413	67,356	—	70,769
Municipal Bonds	—	51,849	—	51,849
Residential Mortgage Backed Securities	—	13,799	—	13,799
U.S. Government Bonds	1,780	—	—	1,780
FIA Embedded Derivatives, Included in Contractholder Funds	—	—	949,178	949,178
Total Liabilities Measured at Fair Value	51,534	1,915,356	1,001,749	2,968,639

Funds withheld from reinsurers also includes liabilities which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above levelling table.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Financial Assets	**December 31, 2020**			
	Level 1	**Level 2**	**Level 3**	**Total**
Funds Withheld for Reinsurance Assumed				
Asset Backed Securities	—	1,531,789	11,804	1,543,593
Collateralized Mortgage Backed Securities	—	449,133	—	449,133
Corporate Bonds	—	2,378,823	45,500	2,424,323
Equity Securities	78,336	114,305	—	192,641
Foreign Government Bonds	—	60,102	—	60,102
Hybrid Bonds	44,622	175,862	—	220,484
Municipal Bonds	—	99,472	—	99,472
Residential Mortgage Backed Securities	—	27,166	—	27,166
U.S. Government Bonds	1,926	—	—	1,926
Derivatives	—	154,742	—	154,742
Total Funds Withheld	124,884	4,991,394	57,304	5,173,582
Fixed Maturities, Available for Sale	—	35,759	—	35,759
Total Assets Measured at Fair Value	124,884	5,027,153	57,304	5,209,341

Funds withheld for reinsurance assumed also includes assets which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above leveling table.

Liabilities	**December 31, 2020**			
	Level 1	**Level 2**	**Level 3**	**Total**
Funds Withheld from Reinsurers				
Asset Backed Securities	—	661,777	7,388	669,165
Collateralized Mortgage Backed Securities	—	180,726	—	180,726
Corporate Bonds	—	1,091,785	45,500	1,137,285
Equity Securities	32,861	—	—	32,861
Foreign Government Bonds	—	11,458	—	11,458
Hybrid Bonds	3,551	66,240	—	69,791
Municipal Bonds	—	53,108	—	53,108
Residential Mortgage Backed Securities	—	19,536	—	19,536
U.S. Government Bonds	1,925	—	—	1,925
FIA Embedded Derivatives, Included in Contractholder Funds	—	—	1,001,691	1,001,691
Total Liabilities Measured at Fair Value	38,337	2,084,630	1,054,579	3,177,546

Funds withheld from reinsurers also includes liabilities which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above levelling table.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value December 31, 2021:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Financial Assets					
Asset Backed Securities	11,606	Broker-quoted	Offered quotes	52.56% - 260.70%	97.06%
		Third-Party Valuation	Offered quotes	93.02% - 108.45%	104.95%
Corporate Bonds	45,198	Broker-quoted	Offered quotes	0.00% - 109.69%	100.90%
		Third-Party Valuation	Offered quotes	85.71% - 119.57%	107.80%
Financial Liabilities					
Asset Backed Securities	7,373	Broker-quoted	Offered quotes	52.56% - 260.70%	97.06%
		Third-Party Valuation	Offered quotes	93.02% - 108.45%	104.95%
Corporate Bonds	45,198	Broker-quoted	Offered quotes	0.00% - 109.69%	100.90%
		Third-Party Valuation	Offered quotes	85.71% - 119.57%	107.80%
FIA Embedded Derivatives, Included in Contractholder Funds	949,178	Discounted Cash Flow	Market Value of Option	0.00% - 38.72%	2.90%
			Treasury Rates	0.05% - 1.94%	1.00%
			Mortality Multiplier	100.00% - 100.00%	100.00%
			Surrender Rates	0.25% - 70.00%	6.43%
			Partial Withdrawals	2.00% - 14.71%	2.79%
			Non-Performance Spread	0.43% - 1.01%	0.68%
			Option Budget (Table)	0.07% - 2.71%	1.83%

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value December 31, 2020:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Financial Assets					
Asset Backed Securities	11,804	Broker-quoted	Offered quotes	85.00% - 126.15%	103.96%
		Third-Party Valuation	Offered quotes	0.00% - 107.25%	79.87%
Corporate Bonds	45,500	Broker-quoted	Offered quotes	94.85% - 114.68%	103.36%
		Third-Party Valuation	Offered quotes	88.42% - 125.83%	109.47%
Financial Liabilities					
Asset Backed Securities	7,388	Matrix Pricing	Quoted prices	85.00% - 126.15%	103.96%
		Broker-quoted	Offered quotes	0.00% - 107.25%	79.87%
Corporate Bonds	45,500	Broker-quoted	Offered quotes	94.85% - 114.68%	103.36%
		Third-Party Valuation	Offered quotes	88.42% - 125.83%	109.47%
FIA Embedded Derivatives, Included in Contractholder Funds	1,001,691	Discounted Cash Flow	Market Value of Option	0.00% - 67.65%	2.25%
			Treasury Rates	0.08% - 1.65%	0.87%
			Mortality Multiplier	100.00% - 100.00%	100.00%
			Surrender Rates	0.25% - 55.00%	5.24%
			Partial Withdrawals	2.00% - 3.50%	2.58%
			Non-Performance Spread	0.74% - 0.74%	0.74%
			Option Cost	0.05% - 16.61%	2.25%

The following table includes assets that have not been classified in the fair value hierarchy as the value of these investments are measured using the net asset value ("NAV") per share practical expedient.

	December 31, 2021	December 31, 2020
Investments in Limited Partnerships - Surplus Funds	49,198	40,000
Investments in Limited Partnerships - Funds Withheld Assets	341,969	214,707

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed

Funds withheld receivables represents the receivable for assets supporting funds withheld and coinsurance contracts. These assets are held in trusts or custodial accounts that are legally separated from the Company's general accounts and are managed by Blackstone Asset Management. In the event of the ceding company's insolvency, the Company would need to assert a claim on the assets supporting the Company's reserve liabilities. However, the Company has the ability to offset amounts owing to the ceding company, which reduces the Company's risk of loss. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. Information on the underlying assets within funds withheld is presented below.

As the credit-risk exposure to F&G Life Re is unrelated to the creditworthiness of FGLIC nor the underlying FIA products ceded under the reinsurance contract, there is an embedded derivative receivable from FGLIC on the Funds withheld receivable balance. In accordance with ASC 815-10-15 the embedded derivative was initially valued at $0 and subsequently valued at fair value in accordance with ASC 815-10-35-1.

	December 31, 2021	**December 31, 2020**
	Carried at Fair Value	Carried at Fair Value
Funds Withheld Receivables		
Fixed Maturities	4,540,602	4,826,198
Preferred Stock	176,578	173,005
Equity Securities	33,495	19,636
Investments in Limited Partnerships	341,969	214,707
Cash & Cash Equivalents	41,078	15,598
Other Assets	39,889	41,047
Derivatives	196,877	154,742
Embedded Derivative	104,167	—
Other Payables	(45,676)	(36,409)
Synthetic Derivative Receivable	25,665	—
Total Funds Withheld Receivables	5,454,641	5,408,524

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed (continued)

The following tables summarizes the credit quality for funds withheld assets at December 31, 2021:

S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating	Fair Value	Total
AAA	32,109	Aa1	18,800	AA	17,885	
AA+	66,220	Aa2	30,494	A	18,750	
AA	73,358	Aa3	17,084	A-	30,704	
AA-	158,504	A1	32,739	BBB+	5,493	
A+	115,527	A2	217,722	BBB	30,363	
A	611,397	A3	32,471	BBB-	93,573	
A-	457,228	Baa1	30,093			
BBB+	432,173	Baa2	75,758			
BBB	583,197	Baa3	229,535			
BBB-	516,557					
Total Investment Grade	3,046,270		684,696		196,768	3,927,734
BB+	98,563	Ba1	125,408	BB	20,979	
BB	90,624	Ba3	44,275	BB-	6,113	
BB-	34,645	B1	7,695	B	2,519	
B+	28,510	Caa1	16,633	C	29	
B	4,704	Caa3	628	CCC	6,454	
B-	1,198	Ca				
CCC	3,912					
CC	2,416					
D	285					
Total Non Investment Grade	264,857		194,639		36,094	495,590
Total Non Rated Investments						907,273

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed (continued)

The following tables summarizes the credit quality for funds withheld assets at December 31, 2020:

S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating	Fair Value	Total
AAA	32,039	Aa1	13,238	AA	39,417	
AA+	58,966	Aa2	50,951	A	2,788	
AA	74,200	Aa3	15,741	A-	27,701	
AA-	169,951	A1	36,132	BBB+	5,194	
A+	101,531	A2	296,274	BBB	37,431	
A	643,070	A3	62,347	BBB-	100,591	
A-	428,958	Baa1	29,796			
BBB+	426,484	Baa2	39,300			
BBB	468,558	Baa3	324,413			
BBB-	653,073					
Total Investment Grade	3,056,830		868,192		213,122	4,138,144
BB+	126,928	Ba1	138,612	BB	6,912	
BB	57,928	Ba3	54,481	BB-	5,467	
BB-	86,209	B1	8,112	B	2,737	
B+	37,658	Caa1	8,176	B-	6,259	
B	4,485	Caa3	785	CC	37	
B-	1,436	Ca	5,152			
CCC	4,956					
CC	2,721					
D	348					
Total Non Investment Grade	322,669		215,318		21,412	559,399
Total Non Rated Investments						705,245

Concentrations of Financial and Capital Markets Risk

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company's results of operations, financial condition and liquidity.

5. Funds Withheld for Reinsurance Assumed (continued)

The Company's exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will have an adverse impact on the recorded fair value of the Company's fund withheld for reinsurance assumed and funds withheld from reinsurers. If long-term interest rates rise dramatically within a short period of time, certain of the Company's reinsured products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring the Company to liquidate assets earlier than expected. This risk is mitigated to some extent by surrender charge protection provided by the products reinsured by the Company.

6. Contractholder Funds

The contractholder funds balance represents the liability assumed under the Reinsurance agreement with FGLIC. The policies assumed under this contract are fixed-indexed annuity contracts that allow the policyholder to elect a fixed interest rate return or a market indexed strategy where interest credited is based on the performance of an index, such as S&P 500 or other indices.

The equity market strategy is an embedded derivative, similar to a call option. The fair value of the embedded derivative is $949,178 as at December 31, 2021 ($1,001,691 as at December 31, 2020) and is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, future equity option costs, volatility, interest rates and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The accounting standards for fair value measurement require the discount rates used in the calculation of the embedded derivative liability to be based on risk-free interest rates adjusted for our non-performance as of the reporting date.

7. Reinsurance Recoverable

This balance represents the amount the Company expects to recover from F&G Cayman for the fixed-indexed annuity policies ceded. This balance is adjusted for impairment for credit loss on the counterparty, although there was none for the period ended December 31, 2021 or December 31, 2020. Reinsurance recoverable had a carrying value of $2,372,191 as at December 31, 2021 and $2,510,565 as at December 31, 2020.

8. Funds Withheld from Reinsurers

Funds withheld from reinsurers represents the payable of assets supporting funds withheld reinsurance. These assets are held in trusts or custodial accounts that are legally separated from the Company's general accounts and are managed by Blackstone Asset Management. Funds withheld from reinsurers had a fair value of $2,462,673 at December 31, 2021 and $2,426,246 as at December 31, 2020.

(Expressed in USD Thousands)

8. Funds Withheld from Reinsurers (continued)

As the credit-risk exposure to F&G Cayman is unrelated to the creditworthiness of F&G Life Re nor the underlying FIA products ceded under the reinsurance contract, there is an embedded derivative payable to F&G Cayman on the Funds withheld payable balance. In accordance with ASC 815-10-15 the embedded derivative was initially valued at $0 and subsequently valued at fair value in accordance with ASC 815-10-35-1.

9. Other Operating Expenses

Other operating expenses for December 31, 2021 and 2020, encompassed the below:

	2021	2020
Employee Related Costs	1,104	47
Professional Fees	648	42
Net Commission Allowance and Policy Fees	9,295	—
Depreciation and Amortization	8	—
Other General and Administrative Fees	494	—
Total Operating Expenses	11,549	89

10. Taxes

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

The Company has 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, therefore, subject to income taxation in the U.S for the 2020 tax year onwards. FGLIC files a consolidated federal income tax return with certain subsidiaries, including F&G Life Re. At December 31, 2020, the Company had an income tax payable balance of $8,876 due to FGLIC. This payable balance was paid to FGLIC in 2021. Additionally, of the 2021 tax expense due, quarterly payments totaling $1,095 were paid to FGLIC in 2021.

(Expressed in USD Thousands)

10. Taxes (continued)

Effective Tax Rate

The following table presents the income tax expense (benefit) for the period ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Current Income Tax Expense (Benefit)		
Federal	3,318	8,876
State/Local	—	—
Total Current Tax Expense (Benefit)	3,318	8,876
Deferred Tax Expense (Benefit)		
Federal	21,631	(8,890)
State/Local	—	—
Total Deferred Tax Expense (Benefit)	21,631	(8,890)
Total Income Tax Expense (Benefit)	24,949	(14)

The actual income tax expense (benefit) differs from the statutory U.S. federal amount computed by applying the U.S. federal income tax rate of 21% to income (loss) before tax due to the following, as shown in the following reconciliation for the period ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Expected Income Tax Expense (Benefit) at Statutory Rate	24,949	(20)
Additions (Reductions) in Income Taxes Resulting from:		
Other	—	6
Total Income Tax Expense (Benefit)	24,949	(14)

Deferred Taxes

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

As of December 31, 2021 and December 31, 2020 there was no valuation allowance required.

(Expressed in USD Thousands)

10. Taxes (continued)

The following table presents the components of the net deferred tax assets (liabilities) as of December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Deferred Tax Assets		
Insurance Reserves	60,152	80,387
Deferred Acquisition Costs	612	—
Limited Partnerships	—	7
Other	78	170
Total Deferred Tax Assets	60,842	80,564
Deferred Tax Liabilities		
Reinsurance Recoverables	71,812	71,509
Investments	384	632
Limited Partnerships	1,761	—
Total Deferred Tax Liabilities	73,957	72,141
Total Deferred Tax Assets (Liabilities), Net	(13,115)	8,423

11. Common Shares

The Company has one class of common stock, which represents 100% of the Company's total voting shares. All issued shares are beneficially owned by FGLIC and were transferred during 2020 from CF Bermuda Holdings Limited. Fidelity & Guaranty Life Insurance Company is a direct, wholly owned subsidiary of Fidelity & Guaranty Life Holdings, Inc., a Delaware corporation ("F&G Life Holdings"), which is, in turn, a direct, wholly owned subsidiary of FGL US Holdings Inc., a Delaware corporation ("FGL US Holdings"), which is, in turn, a direct, wholly owned subsidiary of CF Bermuda Holdings Limited, a Bermuda exempted company ("CF Bermuda"), which is, in turn, a direct, wholly owned subsidiary of F&G Annuities & Life, Inc., a Delaware corporation ("FGAL"). FGAL is wholly owned by Fidelity National Financial, Inc., a Delaware corporation publicly traded on the New York Stock Exchange (NYSE: FNF). The Company is authorized to and has issued 250,000 shares at a par value of $1.00 (One dollar) each to FGLIC.

12. Accumulated Other Comprehensive Income

The Statement of Comprehensive Income for the year ended December 31, 2021, includes $(350) of unrealized losses on available for sale securities (2020: $20 of unrealized gains).

13. Statutory Requirements

The Company is licensed by the Bermuda Monetary Authority (BMA) as a Class E long term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. Effective January 1, 2016, the BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency and Capital Requirement (BSCR) for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II") in March 2016. Under this framework a Class E insurer must produce three sets of financial statements:

1. GAAP Financial Statements – Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.
2. Statutory Financial Statements (SFS) – Equal to the GAAP financial statements adjusted for:

    a. Prudential filters that include adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets not considered admissible for solvency purposes, and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts

    b. Directions or permitted practices issued by the BMA.

3. Economic Balance Sheet (EBS) – A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario 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 nine prescribed stressed conditions.

Under the Bermuda Insurance Act, the Company is required to maintain SFS capital and surplus to meet the Minimum Margin of Solvency (MMS) which is equal to the greater of $500 or 1.5% of SFS assets. The MMS is subject to a floor of 25% of the Enhanced Capital Ratio (ECR). The Company met the minimum requirements.

Under the Bermuda Insurance Act, the Company is also required to maintain minimum EBS capital and surplus to meet the ECR which is equal to a risk based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. The Company met the minimum requirements.

(Expressed in USD Thousands)

13. Statutory Requirements (continued)

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2021, all of the Company's eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins.

	December 31, 2021	December 31, 2020
Total GAAP Shareholder's Equity	206,374	103,969
Non-Admitted Assets (1)	—	—
Statutory Capital and Surplus	206,374	103,969

(1) Non-admitted assets arose which are not admissible for the statutory capital and surplus.

14. Litigation, Claims and Assessments

As at December 31, 2021 and 2020, there were no matters arising outside the normal course of business.

15. Related-Party Transactions

On December 22, 2020, F&G Life Re entered into a coinsurance agreement with Fidelity & Guaranty Life Insurance Company ("FGLIC" or "Ceding Company"), an affiliate reinsurer, to reinsure a quota share of fixed indexed annuity ("FIA") policies. Concurrently with the entry into this Coinsurance Agreement, F&G Life Re and F&G Cayman Re Ltd. ("F&G Cayman" or "Retrocessionaire"), an affiliated reinsurer of both FGLIC and F&G Life Re, entered into a Fixed Indexed Annuities Retrocession Agreement ("Retrocession Agreement"). Both of these treaties are on a coinsurance funds withheld basis. The cession from FGLIC to F&G Life Re is on a 100% quota share basis and the retrocession to F&G Cayman from the Reinsurer is on a 45% quota share basis. Both contracts have an effective date of December 31, 2020, ("Effective Date"). As at December 31, 2021, the Company had not entered into any other contracts.

FGLIC capitalized the Company with $9 million during the period ending December 31, 2021 (2020:$102M).

As of December 31, 2021, the Company had a liability amount of $70 (2020: $26) payable to FGLBS and a receivable amount of $0 (2020: $554) due from FSRC.

16. Subsequent Events

ASC Topic 855, "Subsequent Events" ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued and to determine whether adjustments to or additional disclosures in the financial statements are necessary.

As at April 26, 2022 the signing date of these financial statements there has been no subsequent events that would have a material impact on these financial statements.