Talcott Life Re, Ltd.

Financial Statements

As of December 31, 2021

For the reporting period of Incorporation through December 31, 2021

TALCOTT LIFE RE, LTD.
INDEX TO FINANCIAL STATEMENTS

Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Tel: + 1 (441) 292 1500
Fax: + 1 (441) 292 0961
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Talcott Life Re, Ltd.

Opinion

We have audited the financial statements of Talcott Life Re, Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2021, and the related statement of loss, comprehensive loss, changes in stockholder's equity, and cash flows, for the period from August 23, 2021 (date of incorporation) to December 31, 2021, and the related notes to the financial statements (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 of December 31, 2021, and the results of its operations and its cash flows for the period from August 23, 2021 (date of incorporation) to December 31, 2021, 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 from 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 a period of one year after the date that the financial statements are issued.

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 from 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.

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.

Deloitte Ltd.

May 31, 2022

TALCOTT LIFE RE, LTD.

Balance Sheet

(In millions)		As of December 31, 2021
Assets		
Investments:		
Fixed maturities, available-for-sale ("AFS"), at fair value (net of ACL: $0) (amortized cost $338)	$	338
Funds withheld at interest (portion at fair value: $312)		12,854
Total investments		13,192
Cash		13
Reinsurance receivable		19
Deferred acquisition cost		717
Total assets		**13,941**
Liabilities		
Reserve for future policy benefits	$	570
Other policyholder funds and benefits payable (portion at fair value: $1,552)		12,091
Other liabilities		82
Total liabilities		**12,743**
Stockholder's Equity		
Common stock - par value $1 per share; authorized, issued and outstanding: 260,000 shares		—
Additional paid-in capital		1,206
Accumulated other comprehensive income (loss)		—
Retained deficit		(8)
Total stockholder's equity		**1,198**
Total liabilities and stockholder's equity	**$**	**13,941**

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statement of Loss

(In millions)		For the Period of Incorporation to December 31, 2021
Revenues		
Net realized capital gains	$	5
Total revenues		**5**
Benefits, losses and expenses		
Insurance operating costs and other expenses		13
Total benefits, losses and expenses		**13**
Net loss	**$**	**(8)**

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statement of Comprehensive Loss

(In millions)		For the Period of Incorporation to December 31, 2021
Net loss	**$**	**(8)**
Other comprehensive income (loss) ("OCI"):		
Changes in net unrealized gain on fixed maturities		—
OCI		**—**
Comprehensive loss	**$**	**(8)**

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statement of Changes in Stockholder's Equity

For the Period From Incorporation to December 31, 2021

(In millions)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Stockholder's Equity
Balance, beginning of period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Net loss	—	—	—	(8)	(8)
Issuance of common shares	—	—	—	—	—
Capital contributed from parent	—	1,206	—	—	1,206
Balance, end of period	**$ —**	**$ 1,206**	**$ —**	**$ (8)**	**$ 1,198**

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statement of Cash Flows

(In millions)		**For the Period of Incorporation to December 31, 2021**
Operating Activities		
Net loss	$	(8)
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Net realized capital gains		(5)
Change in assets and liabilities:		
Net change in other assets and other liabilities		1
Net payments for reinsurance transactions		(843)
Net cash used for operating activities		**(855)**
Investing Activities		
Payments for the purchase of:		
Fixed maturities, AFS		(338)
Net used for investing activities		**(338)**
Financing Activities		
Capital contribution from parent		1,206
Net cash provided by financing activities		**1,206**
Net increase in cash		13
Cash — beginning of period		—
Cash — end of period	**$**	**13**
Supplemental Disclosure of Cash Flow Information:		
Deposits on investment-type policies and contracts through reinsurance contracts	$	12,083

See Notes to Financial Statements.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Talcott Life Re, Ltd. ("TLR," the "Company," "we" or "our"), a Bermuda exempted company and Class E long term insurer, is a wholly-owned subsidiary of Talcott Re Holdings, Ltd. ("TRH"). The Company's ultimate parent is Talcott Financial Group, Ltd., a leading provider of comprehensive risk solutions for the insurance industry. TLR was incorporated on August 23, 2021 and registered as a Bermuda Class E insurer effective November 24, 2021 under the entity name Sutton Life Re, Ltd. On May 6, 2022, the Company changed its name to TLR, which is the entity name used throughout these financial statements.

The financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). TLR's financial statements and footnote disclosures are presented from the date of incorporation, August 23, 2021, through the period ending and as of December 31, 2021.

COVID-19 Update

The impact of the outbreak and continuing spread of the novel coronavirus ("COVID-19") and the related disruption to the worldwide economy continues to affect companies across all industries. For the period of incorporation to December 31, 2021, there was no material impact on the Company's results of operations attributable to the COVID-19 pandemic. The duration and impact of the COVID-19 public health crisis on financial markets, overall economy and our operations remain uncertain, as is the efficacy of government and central bank interventions. As such, the Company continues to be unable to quantify its impact on the financial results and operations in future periods.

Use of Estimates

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 materially from those estimates.

The most significant estimates include:

- Valuation of investments, including the underlying investments within the funds withheld at interest;
- Evaluation of credit losses on fixed maturities, available for sale ("AFS");
- Valuation of derivative assets and liabilities, including embedded derivatives;
- Valuation of liabilities associated with fixed indexed annuities ("FIAs");
- Valuation of deferred acquisition costs ("DAC").

Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets and could have a material impact on the financial statements.

Future Adoption of New Accounting Standards

Targeted Improvements to the Accounting for Long Duration Contracts

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2018-12 ("ASU 2018-12"), which impacts the existing recognition, measurement, presentation and disclosure requirements for certain long duration contracts issued by an insurance company. This guidance was amended through the issuance of ASU 2020-11, which deferred the effective date the Company is required to adopt the guidance to January 1, 2025; however, early adoption of this ASU is permitted.

Under the new guidance, the Company will update the cash flow assumptions used to measure the liability for future policy benefits and will discount cash flows with an upper-medium grade (or low credit risk) fixed-income instrument yields, with the effect of discount rate changes on the liability recorded in other comprehensive income (loss). In addition, ASU 2018-12 requires certain guarantees defined under the new standard as market risk benefits, which protect the contractholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk, to be measured at fair value. The new standard also simplified the method used to amortize DAC and unearned reinsurance reserve to be consistent with a constant-level basis of amortization and requires enhanced disclosures.

The Company intends to adopt the guidance on January 1, 2023 to be consistent with affiliates who are required to file financial statements with the Securities and Exchange Commission. The Company continues to assess its policies, processes, and applicable systems to determine the impact on the Company's operations and financial results. We are

1. Basis of Presentation and Significant Accounting Policies (continued)

unable to reasonably estimate the expected impact of the new standard at this time due to the nature and extent of the required changes to a significant portion of the Company's operations.

Significant Accounting Policies

The Company's significant accounting policies are as follows:

Investments

Overview

The Company's investments in fixed maturities are bonds. Most of these investments are classified as AFS and are carried at fair value, net of an allowance for credit losses ("ACL"), in accordance with guidance regarding expected credit losses. The after-tax difference between fair value and cost or amortized cost is reflected in stockholder's equity as a component of accumulated other comprehensive income (loss).

Credit Losses

An ACL is recognized as an estimate of credit losses expected over the life of financial instruments. Credit losses on fixed maturities, AFS carried at fair value are measured through an other-than-temporary impairment ("OTTI"); however, losses are recognized through the ACL and no longer as an adjustment to the amortized cost. Recoveries of OTTI on fixed maturities, AFS are recognized as reversals of the ACL recognized through net realized capital gains and losses and no longer accreted as net investment income through an adjustment to the investment yield.

Net Realized Capital Gains and Losses

Net realized capital gains and losses from investment sales are reported as a component of revenues and are determined on a specific identification basis. Net realized capital gains and losses also result from fair value changes of embedded derivatives contracts. Impairments and changes in the ACL on fixed maturities, AFS are recognized as net realized capital losses in accordance with the Company's impairment and ACL policies as discussed in Note 3 - Investments of Notes to Financial Statements.

Net Investment Income

Interest income from fixed maturities, AFS is recognized when earned on the constant effective yield method based on estimated timing of cash flows. The amortization of premium and accretion of discount for fixed maturities also takes into consideration call and maturity dates that produce the lowest yield. Prepayment fees and make-whole payments on fixed maturities are recorded in net investment income when earned. In accordance with accounting guidance regarding expected credit losses, such losses are recognized through an ACL.

Funds Withheld at Interest

Funds withheld at interest represent a receivable for investments, net of any payables and receivables, contractually withheld by a ceding company under a funds withheld or modified coinsurance arrangement in which the Company is the assuming reinsurer. Typically, assets with a U.S. statutory book value equal to U.S. statutory reserves are withheld and are legally owned by the ceding company, and any excess or shortfall is settled on a periodic basis. All of the economics of the assets inure to the benefit of the reinsurer.

The Company records funds withheld at interest equal to the fair value of the underlying assets. The funds withheld at interest is recorded as the total of the host contract, which we have assessed as the book value of assets, and the embedded derivative, which we have assessed as the net unrealized gain (losses) on the underlying assets. In the Statement of Loss, we record the total return of the underlying assets and derivatives in the funds withheld at interest. U.S. GAAP requires that the total return is allocated between net investment income, which accrues interest on a risk-free rate, and net realized capital gains (losses) which is the difference between the total return and host accretion.

Derivative Instruments

Embedded Derivatives

We reinsure products that contain embedded derivatives. When it is determined that: (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host for measurement purposes.

FIA contracts allow the policyholder to receive an interest credit that is linked to the performance of various equity market indices. The total FIA reserve is equal to the host reserve component of the contract, in addition to the fair value of the

1. Basis of Presentation and Significant Accounting Policies (continued)

embedded derivative. The host value is established at the inception of the contract and accreted over the policy's life at a constant rate of interest. We estimate the fair value of the embedded derivative component by projecting policy contract values and minimum guaranteed contract values over the expected life of the contracts and discounting the excess of the projected contract value at the applicable risk-free interest rates, adjusted for our nonperformance risk. The projections of policy contract values are based on our best estimate assumptions for future policy growth and future policy decrements including lapse, partial withdrawal and mortality rates. Our best estimate assumptions for future policy growth include assumptions for the expected index credits on the next policy anniversary date. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements, as were used to project policy contract values.

Cash

Cash represents cash on hand and demand deposits with banks or other financial institutions.

Reinsurance

We have assumed insurance on a modified coinsurance basis. Assets and liabilities assumed for modified coinsurance arrangements are presented on a gross basis on the Balance Sheet. When a ceding company does not report information in a timely manner, we record accruals based on the best available information at the time based on the terms of the reinsurance agreement and historical experience on the contracts.

For block reinsurance transactions the day one gain or loss, which is the difference between the value of the assets, liabilities, and ceding commission at inception of the transaction, is deferred as a DAC for a day one loss or unearned revenue reserve for a day one gain.

Deferred Acquisition Costs

For fixed annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include i) the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; ii) product charges and fees iii) policy administration charges and other assumed reinsurance costs; iv) the change in rider reserves; v) the change in fair value of derivatives and embedded derivatives on annuity products; vi) Realized investment gains (losses) which includes realized and unrealized gains on funds withheld assets which are marked-to-market through net income due to the funds withheld embedded derivative. Estimates of the expected gross profits and margins are based on assumptions related to policyholder behavior, including lapses and rider utilization, mortality, yields on investments supporting the liabilities, future interest credited amounts (which include index credit amounts on fixed indexed annuity products), and other policy and reinsurance changes as applicable. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments) to be realized from a group of products are revised.

Reserve for Future Policy Benefits

Reserve for Future Policy Benefits on FIA

The majority of contracts classified as universal life-type include guaranteed living withdrawal benefits ("GLWB") riders offered by assumed FIA contracts. GLWBs on FIA contracts allow guaranteed lifetime withdrawals even if account value is otherwise insufficient. The GLWB liability is reported in reserve for future policy benefits on the Company's Balance Sheet. Changes in insurance benefit reserves are recorded in benefits, losses and loss adjustment expenses in the Company's Statement of Loss.

The GLWB is determined by estimating the expected present value of the benefits in excess of the policyholder's expected account value in proportion to the present value of total expected assessments and investment margin. Total expected assessments are the aggregate of all contract charges, including those for administration, mortality, expense, and surrender. The liability is accrued as actual assessments are earned. The expected present value of benefits and assessments are generally derived from a set of stochastic scenarios that have been calibrated to assumed market rates of return and assumptions including volatility, discount rates, lapse rates and mortality experience.

Other Policyholder Funds and Benefits Payable

Other policyholder funds and benefits payable primarily include the non-variable account values associated with assumed FIAs and assumed FIAs that are accounted for as embedded derivatives at fair value. For discussion of the fair value of assumed FIAs that represent embedded derivatives, see Note 2 - Fair Value Measurements of Notes to Financial Statements.

2. Fair Value Measurements

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs. The fair value hierarchy levels are as follows:

Level 1 Fair values based primarily on unadjusted quoted prices for identical assets, or liabilities, in active markets that the Company has the ability to access at the measurement date.

Level 2 Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.

Level 3 Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine fair values that the Company has classified within Level 3.

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2021

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Accounted for at Fair Value on a Recurring Basis				
Fixed maturities, AFS				
U.S. Treasuries	$ 338	$ 152	$ 186	$ —
Total fixed maturities	338	152	186	—
Funds withheld at interest - option value	307	—	—	307
Funds withheld at interest - embedded derivative	5	—	5	—
Total assets accounted for at fair value on a recurring basis	**$ 650**	**$ 152**	**$ 191**	**$ 307**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
FIA embedded derivatives	$ (1,552)	$ —	$ —	$ (1,552)
Total other policyholder funds and benefits payable	(1,552)	—	—	(1,552)
Total liabilities accounted for at fair value on a recurring basis	**$ (1,552)**	**$ —**	**$ —**	**$ (1,552)**

Fixed Maturities

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-

2. Fair Value Measurements (continued)

party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3.

- Internal matrix pricing is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer's sector, financial strength, and term to maturity, using an independent public security index, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the significant inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

In addition, the Company will classify the funds withheld at interest embedded derivative consistent with the valuation techniques of the investment assets underlying the funds withheld at interest.

Valuation Inputs

Valuation Inputs Used in Level 2 Measurements

Level 2 Primary Observable Inputs
Fixed Maturity Investments
U.S Treasuries
• Benchmark yields and spreads • Issuer credit default swap curves • Political events in emerging market economies • Municipal Securities Rulemaking Board reported trades and material event notices • Issuer financial statements

FIA Embedded Derivatives

FIA Embedded Derivative	The Company assumed through reinsurance FIA contracts that provide the policyholder with benefits that depend on the performance of market indices. Benefits in excess of contract guarantees represent an embedded derivative carried at fair value and reported in other policyholder funds and benefits payable on the Balance Sheet with changes in fair value reported in net realized capital gains (losses).

Valuation Inputs

The fair value for FIA embedded derivatives is calculated as an aggregation of the following components: Best Estimate Benefits; Credit Standing Adjustment; and Margins. The Company believes the aggregation of these components results in an amount that a market participant in an active liquid market would require, if such a market existed, to assume the risks associated with the guaranteed minimum benefits and the related reinsurance and customized derivatives. Each component described in the following discussion is unobservable in the marketplace and requires subjectivity by the Company in determining its value.

Best Estimate Benefits

The Best Estimate Benefits are calculated based on actuarial and capital market assumptions related to projected cash flows, including the present value of benefits and related contract charges, over the lives of the contracts, incorporating unobservable inputs including expectations concerning policyholder behavior.

Credit Standing Adjustment

The credit standing adjustment is an estimate of the adjustment to the fair value that market participants would require in determining fair value to reflect the risk that an obligation will not be fulfilled. The Company incorporates a blend of

2. Fair Value Measurements (continued)

estimates of peer company and reinsurer bond spreads and credit default spreads from capital markets, adjusted for market recoverability.

Margins

The behavior risk margin adds a margin that market participants would require, in determining fair value, for the risk that the Company's assumptions about policyholder behavior could differ from actual experience. The behavior risk margin is calculated by taking the difference between adverse policyholder behavior assumptions and best estimate assumptions.

Valuation Inputs Used in Level 3 Measurements for FIA Embedded Derivatives
Level 3 - Primary Unobservable Inputs
• Market implied equity volatility assumptions • Credit standing adjustment assumptions • Option budgets Assumptions about policyholder behavior, including: • Withdrawal utilization • Withdrawal rates • Lapse rates • Reset elections

Significant Unobservable Inputs for Level 3 FIA Embedded Derivative

As of December 31, 2021

	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal rates [2]	—%	2%	2%	Decrease
Lapse rates [3]	1%	34%	3%	Decrease
Option budgets [4]	1%	4%	2%	Increase
Credit standing adjustment [5]	0.01%	0.08%	0.05%	Decrease

[1] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[2] Range represents assumed annual percentage of allowable amount withdrawn.
[3] Range represents assumed annual percentages of policyholders electing a full surrender.
[4] Range represents assumed annual budget for index options.
[5] Range represents Company credit spreads, adjusted for market recoverability.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the period of July 1, 2021 to December 31, 2021, for which the Company had used significant unobservable inputs (Level 3):

Fair Value Rollforwards for Financial Instruments Classified as Level 3

		Total Realized/ Unrealized Gains (Losses)							
	Fair Value as of Incorporation	Included in Net Income	Included in OCI	Purchases [1]	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Fair Value as of December 31, 2021
Assets									
Funds withheld at interest - option value	—	—	—	307	—	—	—	—	307
Total assets	**$ —**	**$ —**	**$ —**	**$ 307**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 307**
Liabilities									
Other policyholder funds and benefits payable									
Total other policyholder funds and benefits payable	—	—	—	(1,552)	—	—	—	—	(1,552)
Total liabilities	**$ —**	**$ —**	**$ —**	**$ (1,552)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (1,552)**

[1] Includes balances received as part of the modified coinsurance reinsurance agreements with Allianz and Resolution Re entered into on December 30, 2021.

2. Fair Value Measurements (continued)

Financial Assets Not Carried at Fair Value

	Fair Value Hierarchy Level	Carrying Amount	Fair Value
		December 31, 2021	
Assets			
Funds withheld at interest [1]	Level 2	$ 12,542	$ 12,542

[1] The value of the underlying investments that support modified coinsurance contracts at amortized cost and fair value.

3. Investments

Fixed Maturities, AFS

Fixed Maturities, AFS by Type

	December 31, 2021				
	Amortized Cost	ACL	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasuries	$ 338	$ —	$ —	$ —	$ 338
Total fixed maturities, AFS	**$ 338**	**$ —**	**$ —**	**$ —**	**$ 338**

Fixed Maturities, AFS by Contractual Maturity Year

	December 31, 2021	
Contractual Maturity	Amortized Cost	Fair Value
One year or less	$ —	$ —
Over one year through five years	338	338
Over five years through ten years	—	—
Over ten years	—	—
Total fixed maturities, AFS	**$ 338**	**$ 338**

Estimated maturities may differ from contractual maturities due to call or prepayment provisions.

The following summarizes the underlying investment composition of the funds withheld at interest:

Funds Withheld at Interest

	December 31, 2021	
	Carrying Value	Percent of Total
Fixed maturity securities		
U.S. Treasuries	$ 50	— %
Municipal	1,008	8 %
U.S. corporate	7,990	64 %
Foreign government/government agencies	139	1 %
Foreign corporate	561	4 %
ABS	4	— %
CMBS	1,642	13 %
Equity securities	27	— %
Mortgage loans	835	6 %
Investment funds	212	2 %
Option value	307	2 %
Cash and cash equivalents	62	— %
Other investments	12	— %
Total funds withheld at interest	**$ 12,849**	**100 %**

3. Investments (continued)

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk.

The Company had no investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's stockholders' equity, other than the U.S. government and certain U.S. government agencies as of December 31, 2021. 92% of the fixed maturity and mortgage loan investments composing the funds withheld at interest balance are investment grade.

Recognition and Presentation of Intent-to-Sell Impairments and ACL on Fixed Maturities, AFS

The Company will record an "intent-to-sell impairment" as a reduction to the amortized cost of fixed maturities, AFS in an unrealized loss position if the Company intends to sell or it is more likely than not that the Company will be required to sell the fixed maturity before a recovery in value. A corresponding charge is recorded in net realized capital losses equal to the difference between the fair value on the impairment date and the amortized cost basis of the fixed maturity before recognizing the impairment.

When fixed maturities are in an unrealized loss position and the Company does not record an intent-to-sell impairment, the Company will record an ACL, through net realized capital gains and losses, for the portion of the unrealized loss due to a credit loss. Any remaining unrealized loss on a fixed maturity after recording an ACL is the non-credit amount and is recorded in OCI. The ACL is the excess of the amortized cost over the greater of the Company's best estimate of the present value of expected future cash flows or the security's fair value. Cash flows are discounted at the effective yield that is used to record interest income. The ACL cannot exceed the unrealized loss and, therefore, it may fluctuate with changes in the fair value of the fixed maturity if the fair value is greater than the Company's best estimate of the present value of expected future cash flows. The initial ACL and any subsequent changes are recorded in net realized capital gains and losses. The ACL is written off against the amortized cost in the period in which all or a portion of the related fixed maturity is determined to be uncollectible.

Developing the Company’s best estimate of expected future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. The Company's considerations include, but are not limited to (a) changes in the financial condition of the issuer and/or the underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) credit ratings, (d) payment structure of the security and (e) the extent to which the fair value has been less than the amortized cost of the security.

For non-structured securities, assumptions include, but are not limited to, economic and industry-specific trends and fundamentals, instrument-specific developments including changes in credit ratings, industry earnings multiples and the issuer’s ability to restructure, access capital markets, and execute asset sales.

ACL on Fixed Maturities, AFS by Type for the Period of Incorporation to December 31, 2021

(Before tax)	Total
Balance, beginning of period	$ —
Credit losses on fixed maturities where an allowance was not previously recorded	—
Balance, end of period	**$ —**

4. Derivatives

Derivative Instruments

The Company has assumed financial products through reinsurance that are accounted for as embedded derivative instruments and entered into reinsurance agreements that contain embedded derivatives. These derivative relationships do not qualify for hedge accounting (“non-qualifying strategies”).

The following table presents the fair value of derivative instruments.

	Notional Amount [1]	Asset Derivatives Fair Value	Liability Derivatives Fair Value
Hedge Designation/Derivative Type	**Dec 31, 2021**	**Dec 31, 2021**	**Dec 31, 2021**
Non-qualifying strategies			
Embedded derivatives			
Other policyholder funds and benefits payable [2]	$ 11,984	$ —	$ (1,552)
Funds withheld at interest	12,849	5	—
Total derivatives	**$ 24,833**	**$ 5**	**$ (1,552)**

[1] Notional values represent the account value of reinsured FIA contracts and the book value of funds withheld at interest, respectively.
[2] These derivatives are embedded within liabilities and are not held for risk management purposes.

Non-qualifying Strategies

For non-qualifying strategies, including embedded derivatives that are required to be bifurcated from their host contracts and accounted for as derivatives, the gain or loss on the derivative is recognized currently in earnings within net realized capital gains.

Non-qualifying Strategies
Gain Recognized within Net Realized Capital Gains

	For the Period of Incorporation to December 31, 2021
Non-qualifying derivatives	
Funds withheld at interest embedded derivative	$ 5
Total	**$ 5**

5. Reinsurance

On December 30, 2021, the Company entered into a reinsurance arrangement with Resolution Re, Ltd. ("Resolution Re") and Allianz Life Insurance Company of North America ("Allianz") whereby Allianz ceded to Resolution Re and Resolution Re retroceded to TLR approximately $12 billion of FIA liabilities on a modified coinsurance basis. Through the reinsurance arrangement the Company pays an option cost of hedging the FIA liability index credits and receive payoffs equal to actual index credits; this option asset is recorded at fair value as part of the funds withheld at interest. The following table summarizes the impacts of the transaction:

Reinsurance executed on December 30, 2021	
Liabilities assumed	$ 12,741
Net ceding commission paid	731
Less: assets received	(12,755)
DAC	**$ 717**

For the period of incorporation through December 31, 2021, there was not a material impact on the Statement of Loss from the Company's assumed reinsurance.

6. Deferred Acquisition Costs

Changes in the DAC Balance

		For the Period of Incorporation to December 31, 2021
Balance, beginning of period	**$**	**—**
Additions		717
Balance, end of period	**$**	**717**

DAC is amortized over the life of the reinsurance agreement in a consistent manner with our DAC amortization policy. There was no DAC amortization in 2021 due to the closing date of the reinsurance agreement being at the end of the year.

7. Commitments and Contingencies

Contingencies Relating to Corporate Litigation and Regulatory Matters

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes reserves for these contingencies at its “best estimate,” or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated liability at the low end of the range of losses.

Litigation

The Company may be involved in claims litigation arising in the ordinary course of business with respect to life and annuity contracts. The Company accounts for such activity through the establishment of reserves for future policy benefits. The Company is not involved in any litigation as of December 31, 2021 and through the date the financial statements were issued.

8. Transactions with Affiliates

As part of the Company's reinsurance agreement with Allianz, Talcott Holdings, LP, an affiliate, guaranteed the Company's performance in the event it does not satisfy its obligations under the agreement.

For information related to capital contributions from the parent company, see Note 9 - Equity of Notes to Financial Statements.

9. Statutory Results

Bermuda

TLR is licensed by the Bermuda Monetary Authority (“BMA”) as a Class E long term insurer, subject to the Insurance Act 1978, as amended (the “Bermuda Insurance Act”). The BMA has implemented the Economic Balance Sheet ("EBS") framework into the Bermuda Solvency and Capital Requirement ("BSCR") for commercial insurers, which has been granted equivalency to the European Union’s Directive (2009/138/EC) (“Solvency II”). A Class E insurer must produce three sets of financial statements, as follows:

GAAP Financial Statements

Financial statements are required to be prepared in accordance with an internationally recognized comprehensive base of accounting. The GAAP financial statements form the basis for the preparation of the Statutory Financial Statements ("SFS") and the EBS. The Company has elected U.S. GAAP for the GAAP financial statements requirement.

Statutory Financial Statements

The SFS start with the GAAP financial statements and are adjusted for Prudential Filters which include i) non-admitting goodwill, intangible, and other assets that cannot be monetized (but noting that DAC remains an admitted asset); and ii) inclusion of certain assets and liabilities not otherwise recorded under GAAP, for example guarantees the insurer has given that do not relate to the insurer’s own insurance contracts. The SFS capital and surplus must meet a minimum required capital amount prescribed as the Minimum Solvency Margin (“MSM”).

Economic Balance Sheet

The EBS is a balance sheet where assets are recorded at fair value and policyholder 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 both approaches, the best estimate of policyholder liability cash flows are used. The discount rate under the standard approach is prescribed by the BMA and updated periodically. Under the scenario approach, the discount rate is based on the yield on eligible assets (generally fixed income-like assets)

9. Statutory Results (continued)

owned by the insurer as determined under the worst result of nine prescribed stressed scenarios. The statutory economic capital surplus in the EBS must meet a minimum required capital amount prescribed as the Enhanced Capital Requirement ("ECR").

Under the Bermuda Insurance Act, a Class E insurer is required to maintain SFS capital and surplus at least equal to the MSM, which is equal to the greater of $8 or the sum of 2% of the first $500 of statutory assets plus 1.5% of statutory assets in excess of $500. The MSM is floored at 25% of the ECR. The ECR is a risk-based capital calculation used to measure the risk associated with assets and liabilities and premiums of the insurer. The ECR is floored at the MSM.

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. The capital supporting the Company's ECR must be at least 50% Tier 1 capital. Additionally, no more than 50% of the Company's ECR can be made up for Tier 2 capital and no more than 17.65% of the aggregate amount of the Company's Tier 1 and Tier 2 capital can be classified as Tier 3 provided that the Tier 2 and Tier 3 capital do not exceed the amount of Tier 1 capital. As of December 31, 2021 all of the Company's eligible capital used to meet the ECR was Tier 1 Capital.

While not specifically referred to in the Bermuda Insurance Act, Target Capital Level ("TCL") is also an important threshold for statutory capital and surplus. TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. 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.

The following table shows the Company's actual GAAP, SFS, and EBS capital and surplus and net income:

	Year Ended December 31, 2021		
(in millions)	GAAP	SFS	EBS
Actual capital and surplus	$ 1,198	$ 1,198	$ 1,297
Net income (loss)	$ (8)	$ (8)	N/A

As of December 31, 2021 TLR had statutory and economic capital in excess of the MSM, ECR and TCL.

Dividends

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's total 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 an affidavit to the BMA attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act, and further subject to the Company meeting its MMS and ECR, the Company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of total statutory capital. Distributions in excess of this amount require the approval of the BMA. As of December 31, 2021, the maximum distribution the Company was permitted to pay without prior approval of the BMA was $173.

The Company did not declare any dividends during 2021.

10. Equity

Common Stock

The Company had 260,000 shares of $1 par value ordinary common stock issued and outstanding as of December 31, 2021. All common shares were held by the Company's parent and sole stockholder, TRH.

Additional Paid-in Capital

On December 30, 2021, the Company received $1.2 billion in contributions from its parent.

11. Income Taxes

Under current Bermuda law, the Company is not subject to income taxes in Bermuda. The Company has received an assurance from the Minister of Finance in Bermuda that, in the event of any taxes being imposed which are computed on profits or income or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, the Company will be exempt from such taxation in Bermuda until March 2035.

TLR is resident in the United Kingdom ("U.K.") for U.K. tax purposes and is subject to U.K. corporation tax due to being centrally managed and controlled in the U.K. TLR is not, however, expected to be liable for material U.K. corporation tax because most of its income will be attributable to its permanent establishment in Bermuda and exempt from U.K. corporation tax in accordance with a foreign branch exemption election (18A Corporation Tax Act 2009).

12. Subsequent Events

The Company has evaluated subsequent events through May 31, 2022, the date the financial statements were issued.

On February 24, 2022, Russia invaded Ukraine commencing a war between the two countries. As of the date of this report, the depth and length of this war is unknown and is developing rapidly from day to day. The Company had no direct investment exposure to Russia or Ukraine as of December 31, 2021.