FINANCIAL STATEMENTS

F&G Life Re Ltd.
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

F&G Life Re Ltd.

Financial Statements

Years Ended December 31, 2022 and 2021

Table of Contents

Report of Independent Auditor's 1

Financial Statements

- Balance Sheets 4
- Statements of Income (Loss) 5
- Statements of Comprehensive Income (Loss) 6
- Statements of Changes in Shareholder's Equity (Deficit) 7
- Statements of Cash Flows 8
- Notes to Financial Statements 9

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

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, 2022 and 2021, and the related statements of income (loss), comprehensive income (loss), changes in shareholder's equity (deficit) 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 at December 31, 2022 and 2021, 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.

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.

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, 2023

F&G Life Re Ltd.
Balance Sheets
(Expressed in USD Thousands)

	December 31, 2022	December 31, 2021
ASSETS		
Cash and Cash Equivalents	23,083	28,186
Investments		
Available for Sale Securities, at fair value	22,333	29,099
Investments in Limited Partnerships	52,056	49,198
Total Investments	**74,389**	**78,297**
Property, Plant, and Equipment	24	20
Funds Withheld for Reinsurance Assumed	6,781,291	5,454,641
Reinsurance Recoverable	2,063,598	2,372,191
Embedded Derivative Receivable from Affiliate	423,370	55,808
Deferred Cost of Reinsurance	178,262	147,347
Accrued Investment Income	140	106
Deferred Tax Asset	77,814	—
Total Assets	**9,621,971**	**8,136,596**
LIABILITIES		
Contractholder Funds	4,588,126	5,271,536
Funds Withheld from Reinsurers	2,189,321	2,462,673
Future Policy Benefits	1,891,716	—
Embedded Derivative Payable to Affiliate	997,051	104,167
Deferred Reinsurance Revenue	88,445	73,106
Other Liabilities	4,729	3,332
Income Taxes Payable	883	2,223
Deferred Tax Liability	—	13,115
Accounts Payable to Affiliated Companies	—	70
Total Liabilities	**9,760,271**	**7,930,222**
SHAREHOLDER’S EQUITY (DEFICIT)		
Common Shares	250	250
Additional Paid in Capital	112,682	112,682
Retained Earnings (Deficit)	(244,842)	93,772
Accumulated Other Comprehensive Income (Loss)	(6,390)	(330)
Total Shareholder's Equity (Deficit)	**(138,300)**	**206,374**
Total Liabilities and Shareholder's Equity	**9,621,971**	**8,136,596**

See accompanying notes.

F&G Life Re Ltd.

Statements of Income (Loss)

(Expressed in USD Thousands)

	December 31, 2022	December 31, 2021
REVENUE		
Premiums	1,891,716	—
Insurance, Investment Product Fees, and Other	(2,281)	(29,755)
Net Investment Income (Loss)	145,587	160,348
Net Investment Gain (Loss)	(684,253)	24,339
Total Revenue	1,350,769	154,932
EXPENSES		
Operating Expenses	(10,490)	(11,549)
Benefits and Other Changes in Policy Reserves	(1,768,904)	(24,579)
Total Benefits and Expenses	(1,779,394)	(36,128)
Net Income (Loss) before Income Taxes	(428,625)	118,804
Income Tax Benefit (Expense)	90,011	(24,949)
Net Income (Loss)	(338,614)	93,855

See accompanying notes.

F&G Life Re Ltd.

Statements of Comprehensive Income (Loss)

(Expressed in USD Thousands)

	December 31, 2022	December 31, 2021
Net Income (Loss)	(338,614)	93,855
Other Comprehensive Income:		
Net Unrealized Gains (Losses) on Available for Sale Securities - Net of Tax	(6,060)	(350)
Total Comprehensive Income (Loss)	(344,674)	93,505

See accompanying notes.

F&G Life Re Ltd.

Statements of Changes in Shareholder's Equity (Deficit)

(Expressed in USD Thousands)

	Common Stock	Additional Paid-in-Capital (APIC)	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (AOCI)	Total Shareholder's Equity (Deficit)
Balance, December 31, 2020	250	103,782	(83)	20	103,969
Unrealized Gains (Losses) on Available for Sale Securities - Net of Tax	—	—	—	(350)	(350)
Capital Contributions	—	8,900	—	—	8,900
Net Income (Loss)	—	—	93,855	—	93,855
Balance, December 31, 2021	250	112,682	93,772	(330)	206,374
Unrealized Gains (Losses) on Available for Sale Securities	—	—	—	(5,973)	(5,973)
Tax on Unrealized Gains (Losses) on Available for Sale Securities	—	—	—	1,255	1,255
Valuation Allowance for Deferred Tax Assets	—	—	—	(1,342)	(1,342)
Net Income (Loss)	—	—	(338,614)	—	(338,614)
Balance, December 31, 2022	250	112,682	(244,842)	(6,390)	(138,300)

See accompanying notes.

F&G Life Re Ltd.

Statements of Cash Flows

(Expressed in USD Thousands)

	December 31, 2022	December 31, 2021
Cash Flows from Operating Activities		
Net (Loss) Income	(338,614)	93,855
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used) Provided in Operating Activities:		
Change in Value of Investments	(2,634)	(8,759)
Changes in Operating Assets and Liabilities:		
Funds Withheld Assets for Reinsurance Assumed	(1,326,649)	(46,117)
Deferred Cost of Reinsurance	(30,915)	23,162
Reinsurance Recoverable	308,593	138,374
Deferred Tax Assets	(77,814)	13,115
Deferred Tax Liabilities	(13,115)	8,423
Other Assets	(367,457)	(29,355)
Funds Withheld from Reinsurers	(273,352)	36,427
Contractholder Funds	(683,410)	(307,496)
Future Policy Benefits	1,891,716	—
Deferred Reinsurance Revenue	15,339	(11,213)
Interest Receivable	(35)	22
Other Liabilities	894,280	107,364
Income Taxes Payable	(1,340)	(6,653)
Accounts Payable to Affiliated Companies	(70)	599
Cash Flows (Used) Provided in Operating Activities	(5,477)	11,748
Cash Flows from Investing Activities		
Sales of Available for Sale Securities	384	6,029
Additions to property and equipment	(10)	(22)
Cash Flows Provided in Investing Activities	374	6,007
Cash Flows from Financing Activities		
Capital Contributions Received	—	8,900
Cash Flows Provided in Financing Activities	—	8,900
Net (Decrease) Increase in Cash and Cash Equivalents	(5,103)	26,655
Cash and Cash Equivalents at Beginning of Year	28,186	1,531
Cash and Cash Equivalents at End of Year	23,083	28,186

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 F&G Annuities & Life, Inc. ("FGAL"), and FGAL is a subsidiary of 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. On December 1, 2022, FNF distributed, on a pro rata basis, approximately 15% of the common stock of FGAL to FNF shareholders and FGAL commenced trading on the New York Stock Exchange under symbol FG. FNF retained control of FGAL through ownership of approximately 85% of FGAL's common stock.

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, 2022, a financial strength rating of "A-"(Strong), was issued to the Company by Standards & Poor (S&P) (2021: 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
- Future Policy Benefits
- Reinsurance Recoverables

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

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.

2. Significant Accounting Policies (continued)

Investments (continued)

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, 2022, investments in limited partnerships had a carrying value of $52,056. At December 31, 2021, investments in limited partnerships had a carrying value of $49,198.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents in the balance sheet include cash and 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, 2022 and 2021, there were no restrictions on cash.

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.

2. Significant Accounting Policies (continued)

Derivative Instruments (continued)

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 Gain (Loss) in the Income Statements.

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 Income Statements.

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 Income Statements.

Revenue Recognition

Premiums

Premiums include premiums earned from reinsurance agreements.

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.

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.

2. Significant Accounting Policies (continued)

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 Income Tax Benefit (Expense) in the accompanying Statements of 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, 2022 and 2021 was $(6,060) and $(350), respectively.

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.

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

Reinsurance

Reinsurance accounting is applied for ceded 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. For assumed transactions entered into, the Company accounts for the assumed contracts in the same manner as if they directly wrote the business.

2. Significant Accounting Policies (continued)

Reinsurance (continued)

Effective December 31, 2020, the Company entered into a reinsurance agreement with FGLIC, a related party, to assume fixed-indexed annuity policies on a coinsurance funds withheld basis. Concurrently, the Company entered into a reinsurance agreement to retrocede 45% of the assumed policies to F&G Cayman Re Ltd. ("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 Sheets, 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 Statements of Income (Loss).

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 Income (Loss).

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 Income (Loss) and Net Investment Gain (Loss), respectively, on the Statements of Income (Loss).

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 was deferred and is subsequently 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 Sheets.

2. Significant Accounting Policies (continued)

Reinsurance (continued)

Effective December 31, 2022, the Company entered into a Coinsurance Agreement with FGLIC, a related party, to assume a quota share of pension risk transfer ("PRT") group annuity contracts. Some of the contracts reinsured are held by FGLIC's general account and others are held by a FGLIC separate account (which does not meet the GAAP definition of a separate account). The cession from FGLIC to the Company is on an 80% quota share basis. Reinsurance of the separate account contracts is maintained on a modified coinsurance basis ("modco") and reinsurance of the general account contracts is maintained on a funds withheld basis. With respect to the agreement, the underlying group annuity contracts are considered limited payment insurance contracts and the reserves established for the assumed contracts are reported as Future Policy Benefits (liability) on the Balance Sheets.

A funds withheld reinsurance assumed (asset) has been established that represents the funds withheld and modco assets segregated by FGLIC to support the reinsured contracts. Each period, the funds withheld asset changes based upon the earned investment income and realized gains/(losses) on the underlying assets in the segregated portfolios and flows through Net Investment Income (Loss) and Net Investment Gain (Loss), respectively, on the Income Statements.

At inception of the agreement, the difference between the receivables established representing the assets segregated for the reinsured contracts and the amount of the future policy benefits liability assumed was deferred as a deferred profit liability. The deferred profit liability is subsequently amortized into income in a constant relationship with the amount of expected future benefit payments. This difference is presented within Future Policy Benefits on the Balance Sheets.

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.

2. Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

New Credit Loss Standard (continued)

- 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.

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.

(Expressed in USD Thousands)

3. Investments

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

Asset Type	December 31, 2022			
	Amortized Cost	Unrealized (Loss)	Unrealized Gain	Aggregate Fair Value
Fixed Maturity Securities:				
Collateralized Mortgage Securities	28,723	(6,390)	—	22,333
Investments, Available for Sale	28,723	(6,390)	—	22,333

Asset Type	December 31, 2021			
	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

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

Maturity Period	December 31, 2022	
	Amortized Cost	Fair Value
Due After 1 through 5 Years	—	—
Due After 5 through 10 Years	—	—
Due After 10 Years	28,723	22,333
Total Available for Sale Securities	28,723	22,333

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

(Expressed in USD Thousands)

3. Investments (continued)

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

	December 31, 2022	December 31, 2021
Funds Withheld Investment Income	149,326	159,975
Available for Sale Investments	1,463	1,548
Amortization of Premiums	(305)	(345)
Limited Partnership Income	5,204	11,477
Gross Investment Income (Loss)	155,688	172,655
Investment Expenses	(10,101)	(12,307)
Net Investment Income (Loss)	145,587	160,348

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

	December 31, 2022	December 31, 2021
Realized Loss on Investments	(51,599)	(1,949)
Realized Gains on Funds Withheld	—	3,157
Unrealized Loss on Funds Withheld	(525,323)	(48,359)
Realized Gain (Loss) on Equity Options	(24,059)	47,610
Unrealized Gain (Loss) on Equity Options	(82,353)	23,880
Change in allowance for expected credit losses	(919)	—
Net Investment Gain (Loss)	(684,253)	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, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Funds Withheld for Reinsurance Assumed					
Asset Backed Securities	—	1,222,035	422,037	—	1,644,072
Collateralized Mortgage Backed Securities	—	341,717	6,213	—	347,930
Corporate Bonds	—	2,584,013	301,812	—	2,885,825
Equity Securities	69,965	76,339	—	2,894	149,198
Foreign Government Bonds	—	46,312	—	—	46,312
Hybrid Bonds	21,233	156,883	—	—	178,116
Municipal Bonds	—	127,424	8,303	—	135,727
Residential Mortgage Backed Securities	—	51,354	—	—	51,354
U.S. Government Bonds	1,529	—	—	—	1,529
Derivatives	—	36,900	—	—	36,900
Total Funds Withheld	92,727	4,642,977	738,365	2,894	5,476,963
Fixed Maturities, Available for Sale	—	22,333	—	—	22,333
Total Assets Measured at Fair Value	92,727	4,665,310	738,365	2,894	5,499,296

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, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Funds Withheld from Reinsurers					
Asset Backed Securities	—	493,423	48,177	—	541,600
Collateralized Mortgage Backed Securities	—	132,571	—	—	132,571
Corporate Bonds	—	733,172	—	—	733,172
Equity Securities	17,225	—	—	2,894	20,119
Foreign Government Bonds	—	5,452	—	—	5,452
Hybrid Bonds	2,775	65,012	—	—	67,787
Municipal Bonds	—	29,652	—	—	29,652
Residential Mortgage Backed Securities	—	9,771	—	—	9,771
U.S. Government Bonds	1,529	—	—	—	1,529
FIA Embedded Derivatives, Included in Contractholder Funds	—	—	581,981	—	581,981
Total Liabilities Measured at Fair Value	21,529	1,469,053	630,158	2,894	2,123,634

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.

Notes to Financial Statements (continued)
(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

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.

Notes to Financial Statements (continued)
(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, 2022:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Financial Assets					
Asset Backed Securities	422,037	Broker-quoted	Offered quotes	117.17% - 52.85%	94.18%
		Third-Party Valuation	Offered quotes	210.50% - 41.43%	67.99%
Collateralized Mortgage Backed Securities	6,213	Broker-quoted	Offered quotes	109.02% - 109.02%	109.02%
		Third-Party Valuation	Offered quotes	88.48% - 74.66%	82.74%
Corporate Bonds	301,812	Broker-quoted	Offered quotes	102.53% - 79.16%	94.16%
		Third-Party Valuation	Offered quotes	104.96% - 0.00%	89.69%
Municipal Bonds	8,303	Third-Party Valuation	Offered quotes	93.95% - 93.95%	93.95%
Financial Liabilities					
Asset Backed Securities	48,177	Broker-quoted	Offered quotes	117.17% - 52.85%	94.18%
		Third-Party Valuation	Offered quotes	210.50% - 41.43%	67.99%
FIA Embedded Derivatives, Included in Contractholder Funds	581,981	Discounted Cash Flow	Market Value of Option	0.00% - 23.40%	0.65%
			Treasury Rates	3.88% - 4.73%	4.31%
			Mortality Multiplier	100.00% - 100.00%	100.00%
			Surrender Rates	0.25% - 70.00%	6.87%
			Partial Withdrawals	2.00% - 21.74%	2.76%
			Non-Performance Spread	0.48% - 1.44%	1.30%
			Option Budget (Table)	0.07% - 4.97%	1.84%

(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%

The following table includes assets and liabilities 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, 2022	December 31, 2021
Investments in Limited Partnerships - Surplus Funds	52,056	49,198
Investments in Limited Partnerships - Funds Withheld Assets	348,870	341,969

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed

Funds withheld receivables represents the receivable for assets supporting funds withheld and modco 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 PRT or 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, 2022	**December 31, 2021**
	Carried at Fair Value	Carried at Fair Value
Funds Withheld Receivables		
Fixed Maturities	5,290,866	4,540,602
Preferred Stock	129,080	176,578
Equity Securities	20,117	33,495
Investments in Limited Partnerships	348,870	341,969
Cash & Cash Equivalents	44,075	41,078
Other Assets	87,221	39,889
Derivatives	36,900	196,877
Embedded Derivative	997,051	104,167
Other Payables	(165,537)	(45,676)
Synthetic Derivative Receivable (Payable)	(7,352)	25,662
Total Funds Withheld Receivables	6,781,291	5,454,641

(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, 2022:

S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating	Fair Value	Total
AAA	72,405	Aaa	95,231	AAA	7,027	
AA+	60,600	Aa1	1,914	AA	5,616	
AA	139,529	Aa2	36,013	A	27,103	
AA-	178,258	Aa3	3,792	A-	23,846	
A+	190,405	A1	48,298	BBB+	4,254	
A	647,006	A2	161,331	BBB	17,485	
A-	530,937	A3	23,772	BBB-	69,652	
BBB+	422,818	Baa1	31,062			
BBB	601,333	Baa2	35,438			
BBB-	523,629	Baa3	200,443			
Total Investment Grade	3,366,920		637,294		154,983	4,159,197
BB+	44,701	Ba1	129,244	BB	15,566	
BB	34,179	Ba3	25,445	BB-	1,972	
BB-	41,493	B3	16,282	C	1,411	
B+	8,934	Caa3	450	CCC	4,463	
B	1,231					
B-	603					
CCC	2,596					
CC	1,884					
D	1,092					
Total Non Investment Grade	136,713		171,421		23,412	331,546
Total Non Rated Investments						1,379,165

(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	B-	29	
B	4,704	Caa3	628	CCC	6,454	
B-	1,198					
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

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 $581,981 as at December 31, 2022 ($949,178 as at December 31, 2021) 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. Future Policy Benefits

The future policy benefits balance represents the liability assumed under the Reinsurance agreement with FGLIC. The policies assumed under this contract are limited payment group annuity contracts that provide a steady stream of benefit payments to the certificate holders within each group annuity contract. The balance is computed using assumptions for investment yields, mortality and withdrawals, with a provision for adverse deviation, based on generally accepted actuarial methods and assumptions at the time of contract issue.

8. Reinsurance Recoverable

This balance represents the amount the Company expects to recover from F&G Cayman Re 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, 2022 and 2021. Reinsurance recoverable had a carrying value of $2,063,598 as at December 31, 2022 and $2,372,191 as at December 31, 2021.

(Expressed in USD Thousands)

9. 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 $2,189,321 at December 31, 2022 and $2,462,673 as at December 31, 2021.

As the credit-risk exposure to F&G Cayman Re 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 Re 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.

10. Other Operating Expenses

Other operating expenses for December 31, 2022 and 2021, encompassed the below:

	December 31, 2022	**December 31, 2021**
Employee Related Costs	1,006	1,104
Professional Fees	253	648
Net Commission Allowance and Policy Fees	8,848	9,295
Depreciation and Amortization	8	8
Other General and Administrative Fees	375	494
Total Operating Expenses	10,490	11,549

11. 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, 2021, the Company had an income tax payable balance of $2,223 due to FGLIC. This payable balance was paid to FGLIC in 2022. Additionally, of the 2022 tax expense due, quarterly payments totaling $122 were paid to FGLIC in 2022.

(Expressed in USD Thousands)

11. Taxes (continued)

Effective Tax Rate

The following table presents the income tax expense (benefit) for the period ended December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Current Income Tax Expense (Benefit)		
Federal	1,005	3,318
State/Local	—	—
Total Current Tax Expense (Benefit)	1,005	3,318
Deferred Tax Expense (Benefit)		
Federal	(91,016)	21,631
State/Local	—	—
Total Deferred Tax Expense (Benefit)	(91,016)	21,631
Total Income Tax Expense (Benefit)	(90,011)	24,949

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, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Expected Income Tax Expense (Benefit) at Statutory Rate	(90,011)	24,949
Additions (Reductions) in Income Taxes Resulting from:		
Other	—	—
Total Income Tax Expense (Benefit)	(90,011)	24,949

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, 2022 there was a valuation allowance of $1,342 (2021: $0 valuation allowance).

(Expressed in USD Thousands)

11. Taxes (continued)

The following table presents the components of the net deferred tax assets (liabilities) as of December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Deferred Tax Assets		
Insurance Reserves	342,225	60,152
Investments	936	612
Deferred Acquisition Costs	23	—
Other	1,252	78
Total Deferred Tax Assets	344,436	60,842
Less: Valuation Allowance	(1,342)	—
Deferred Tax Assets, Net of Valuation Allowance	343,094	60,842
Deferred Tax Liabilities		
Reinsurance Recoverables	263,071	71,812
Limited Partnerships	2,204	384
Depreciation	5	1,761
Total Deferred Tax Liabilities	265,280	73,957
Total Deferred Tax Assets (Liabilities), Net	77,814	(13,115)

12. 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. FGLIC, 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 FGAL, a Delaware corporation publicly traded on the NYSE (NYSE: FG). FGAL is wholly owned by Fidelity National Financial, Inc., a Delaware corporation publicly traded on the NYSE (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.

13. Accumulated Other Comprehensive Income

The Statement of Comprehensive Income for the year ended December 31, 2022, includes $(6,060) of unrealized losses on available for sale securities (2021: $(350) of unrealized losses).

14. 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.

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.

(Expressed in USD Thousands)

14. Statutory Requirements (continued)

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.

For the year ended December 31, 2022, the BMA approved a permitted practice for the Company to use accounting practices different from those prescribed by the BMA. As a result, the Company has elected to remove the effect of the Financial Accounting Standard 133 DIG Issued B36 ("DIG B36"). This permits the Company to not measure the embedded derivative included within its funds withheld coinsurance agreements at fair value. The following table summarizes the impact of this permitted practice.

	December 31, 2022	December 31, 2021
Total GAAP Shareholder's Equity (Deficit)	(138,300)	206,374
Permitted Practice - Removal of DIG B36 Embedded Derivative	441,128	34,806
Non-Admitted Assets (1)	—	—
Statutory Capital and Surplus	302,828	241,180

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

15. Litigation, Claims and Assessments

As at December 31, 2022 and 2021, there were no matters arising outside the normal course of business.

16. 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, 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 Re from the Reinsurer is on a 45% quota share basis. Both contracts have an effective date of December 31, 2020, ("Effective Date").

On December 31, 2022, the Company entered into a coinsurance agreement with FGLIC, an affiliate reinsurer, to reinsure a quota share of pension risk transfer ("PRT") business. The treaty is on a coinsurance funds withheld and modco basis. The cession from FGLIC to F&G Life Re is on a 80% quota share basis. The contract has an effective date of December 31, 2022.

As at December 31, 2022, the Company had not entered into any other contracts.

FGLIC capitalized the Company with $0 during the period ending December 31, 2022 (2021:$9M).

16. Related Party Transactions (continued)

As of December 31, 2022, the Company had a liability amount of $0 (2021: $70) payable to FGLBS and a receivable amount of $0 (2021: $0) due from FSRC.

17. 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, 2023 the signing date of these financial statements there has been no subsequent events that would have a material impact on these financial statements.