RGA Global
Reinsurance Company, Ltd.

Financial Statements as of and for the
Years Ended December 31, 2022 and 2021, and
Independent Auditor's Report

RGA GLOBAL REINSURANCE COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
RGA Global Reinsurance Company, Ltd.:

Opinion

We have audited the accompanying financial statements of RGA Global Reinsurance Company, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, 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, 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.

Other Matter

Results of the Company may not be indicative of those of a stand-alone entity, as the Company is a member of a controlled group of affiliated companies. Our opinion is not modified with respect to this matter.

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 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 & Touche LLP

April 14, 2023

RGA GLOBAL REINSURANCE COMPANY, LTD.
BALANCE SHEETS
(in thousands of U.S. dollars, except share data)

	December 31, 2022	December 31, 2021
Assets		
Fixed maturity securities available-for-sale at fair value (amortized cost of $2,008,514 and $656,701)	$ 1,834,074	$ 690,658
Equity securities, at fair value	1,808	—
Funds withheld at interest	44,835	51,169
Short-term investments	72,128	19,696
Derivatives	24,138	—
Total investments	1,976,983	761,523
Cash and cash equivalents	220,702	144,013
Accrued investment income	14,846	5,018
Premiums receivable	397,804	380,493
Reinsurance ceded receivables	1,092,606	787,021
Deferred policy acquisition costs	54,499	52,404
Other reinsurance balances	8,897	8,623
Receivable from parent and affiliates	5,382	1,247
Other assets	6,050	6,298
Total assets	$ 3,777,769	$ 2,146,640
Liabilities and shareholder's equity		
Future policy benefits	$ 442,771	$ 544,060
Interest-sensitive contract liabilities	1,361,889	—
Other policy claims and benefits	787,781	975,679
Other reinsurance balances	90,056	43,543
Payable to parent and affiliates	4,528	2,621
Funds withheld liability	684,538	—
Other liabilities	22,689	13,828
Total liabilities	3,394,252	1,579,731
Commitments and Contingencies (See Note 11)		
Shareholder's equity:		
Common stock (par value $1.00 per share; 500,000 shares authorized; shares issued: 500,000 at both December 31, 2022 and 2021)	500	500
Additional paid-in-capital	122,457	122,405
Retained earnings	431,122	431,497
Accumulated other comprehensive income (loss)	(170,562)	12,507
Total shareholder's equity	383,517	566,909
Total liabilities and shareholder's equity	$ 3,777,769	$ 2,146,640

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF INCOME
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2022	2021
Revenues		
Net premiums	$ 465,102	$ 380,077
Net investment income	34,325	22,709
Investment related gains (losses), net	(45,702)	28,317
Other revenues (expenses)	(4,885)	71,323
Total revenues	448,840	502,426
Benefits and expenses		
Claims and other policy benefits	386,977	369,735
Interest credited	4,250	—
Policy acquisition costs and other insurance expenses	14,916	4,287
Other operating expenses	37,682	33,315
Total benefits and expenses	443,825	407,337
Income before income taxes	5,015	95,089
Provision for income taxes	5,390	1,780
Net income (loss)	$ (375)	$ 93,309

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2022	2021
Comprehensive income (loss)		
Net income (loss)	$ (375)	$ 93,309
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	26,166	20,188
Net unrealized investment losses	(209,235)	(49,360)
Total other comprehensive loss, net of tax	(183,069)	(29,172)
Total comprehensive income (loss)	$ (183,444)	$ 64,137

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF SHAREHOLDER'S EQUITY
(in thousands of U.S. dollars)

	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, January 1, 2021	$ 500	$ 122,364	$ 338,188	$ 41,679	$ 502,731
Net income	—	—	93,309	—	93,309
Total other comprehensive loss	—	—	—	(29,172)	(29,172)
Equity based compensation	—	41	—	—	41
Balance, December 31, 2021	500	122,405	431,497	12,507	566,909
Net loss	—	—	(375)	—	(375)
Total other comprehensive loss	—	—	—	(183,069)	(183,069)
Equity based compensation	—	52	—	—	52
Balance, December 31, 2022	$ 500	$ 122,457	$ 431,122	$ (170,562)	$ 383,517

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	For the years ended December 31, 2022	2021
Cash flows from operating activities		
Net income (loss)	$ (375)	$ 93,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(10,087)	1,240
Premiums receivable and other reinsurance balances	(13,242)	(67,437)
Reinsurance ceded receivables	(311,850)	(296,922)
Deferred policy acquisition costs	(11,619)	(13,050)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	754,773	265,609
Receivable from parent and affiliates	(76,649)	(23,961)
Payable to parent and affiliates	1,907	(695)
Other assets and other liabilities, net	2,234	24,057
Amortization of net investment premiums, discounts and other	(136)	1,262
Investment related (gains) losses, net	45,702	(28,317)
Depreciation and amortization expense	483	619
Equity based compensation	52	41
Net cash provided by (used in) operating activities	381,193	(44,245)
Cash flows from investing activities		
Sales of fixed maturity securities available-for-sale	1,258,678	265,021
Maturities of fixed maturity securities available-for-sale	2,769	9,156
Purchases of fixed maturity securities available-for-sale	(2,711,795)	(221,562)
Purchases of equity securities	(2,006)	—
Cash withdrawn from funds withheld at interest	671,845	2,145
Change in short-term investments	(72,903)	4,954
Change in derivatives	(43,608)	—
Net cash provided by (used in) investing activities	(897,020)	59,714
Cash flows from financing activities		
Change in cash collateral for derivative positions and arrangements	14,863	—
Deposits on universal life and other investment type policies and contracts	898,306	—
Withdrawals on universal life and other investment type policies and contracts	(303,316)	—
Net cash provided by financing activities	609,853	—
Effect of exchange rate changes on cash	(17,337)	(1,546)
Change in cash and cash equivalents	76,689	13,923
Cash and cash equivalents, beginning of year	144,013	130,090
Cash and cash equivalents, end of year	$ 220,702	$ 144,013
Supplemental disclosures of cash flow information:		
Income taxes paid, net of refunds	$ 3,148	$ 3,342

See accompanying notes to financial statements.

RGA Global Reinsurance Company, Ltd.
Notes to financial statements
For the years ended December 31, 2022 and 2021
(in U.S. dollars)

Note 1 BUSINESS AND BASIS OF PRESENTATION

Business

RGA Global Reinsurance Company, Ltd. (the "Company") was incorporated in accordance with the Bermuda Companies Act 1981 on December 14, 2005, and is registered as a Class E insurer under the Insurance Act 1978 as amended and related regulations. In 2016, Reinsurance Group of America, Incorporated ("RGA"), a United States of America ("U.S.") insurance holding company formed on December 31, 1992, contributed to RGA Reinsurance Company (Barbados) Ltd. ("RGA Barbados") all of the outstanding shares of the Company. RGA Barbados was incorporated under the laws of Barbados on June 27, 1995 and is a wholly owned subsidiary of RGA. As of December 31, 2022, all outstanding shares of the Company were owned by RGA Barbados.

The Company maintains branch licenses in Taiwan and Labuan, Malaysia, and a representative company in Brazil and their results are included in these financial statements.

The Company received authorization to operate a retakaful window in Labuan, Malaysia effective September 30, 2009. The retakaful window authorizes the Company to provide retakaful services to takaful operators. Takaful operators are entities that apply Islamic finance accounting ("Shariah"), that provide benefits to pools of participants for the purpose of sharing risk, which is similar to the principles of mutual insurance. Retakaful benefits can be provided under various models and a Shariah Advisory Council has been appointed to oversee the Company's retakaful operations. The Company began writing retakaful business in 2011.

The Company engages in providing traditional reinsurance, which includes individual and group life and health, disability, and critical illness reinsurance. The Company also provides financial solutions, which includes longevity reinsurance, reinsurance of asset-intensive products, primary annuities, financial reinsurance, and capital solutions.

Reinsurance is an arrangement under which an insurance company, the reinsurer, agrees to indemnify another insurance company, the ceding company, for all or a portion of the insurance risks underwritten by the ceding company. Reinsurance is designed to:

(i) reduce the net amount at risk on individual risks, thereby enabling the ceding company to increase the volume of business it can underwrite, as well as increase the maximum risk it can underwrite on a single risk;

(ii) enhance the ceding company's financial strength and surplus position;

(iii) stabilize operating results by leveling fluctuations in the ceding company's loss experience; and

(iv) assist the ceding company in meeting applicable regulatory requirements.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred policy acquisition costs ("DAC"), premiums receivable, future policy benefits, incurred but not reported claims ("IBNR"), income taxes, valuation of investments and investment impairments. Actual results could differ materially from the estimates and assumptions used by management.

A portion of the Company's reinsurance receivables and policy liabilities are associated with affiliated companies, and the Company relies on affiliated companies for services. See Note 10 - "Related-Party Transactions" for further details.

The COVID-19 global pandemic and the response thereto continued to result in increases in mortality, morbidity and other insurance risks during 2022. The extent to which the Company’s future results continue to be affected by COVID-19 will largely depend on, among other factors, country-specific circumstances, measures by public and private institutions, the impact of new variants of the virus, and vaccination levels globally. Given these many variables, the Company cannot reliably predict the future impact of the pandemic on its business, results of operations and financial condition.

There were no subsequent events that would require disclosure or adjustments to the accompanying financial statements through the date the financial statements were issued.

Note 2 SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

Investments

Fixed Maturity Securities

Fixed maturity securities classified as available-for-sale are reported at fair value and are so classified based upon the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs.

Unrealized gains and losses on fixed maturity securities classified as available-for-sale, less applicable deferred income taxes as well as related adjustments to DAC, if applicable, are recorded in other comprehensive income (loss) ("OCI").

Investment income is recognized as it accrues or is legally due. Realized gains and losses on sales of investments are included in investment related gains (losses), net, as are change in allowance for credit losses and impairments. The cost of investments sold is primarily determined based upon the specific identification method.

Equity Securities

Equity securities are carried at fair value and realized and unrealized gains and losses are included in investment related gains (losses), net.

Funds Withheld at Interest

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance ("modco") basis and agreements written on a coinsurance funds withheld basis, assets that support the transactions are defined in the treaty, and are withheld and legally owned by the ceding company. Interest, recorded in net investment income, accrues to these assets at calculated rates as defined by the treaty terms.

Short-term Investments

Short-term investments represent investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at estimated fair value or amortized cost, which approximates estimated fair value. Interest on short-term investments is recorded in net investment income.

Allowance for Credit Losses and Impairments

Fixed Maturity Securities

The Company identifies fixed maturity securities that could result in a credit loss by monitoring market events that could impact issuers' credit ratings, business climates, management changes, litigation, government actions and other similar factors. The Company also monitors late payments, pricing levels, rating agency actions, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

The Company reviews all securities to determine whether a decline in fair value below amortized cost has resulted from a credit loss and whether an allowance for credit loss should be recognized. In making this determination, the Company considers relevant facts and circumstances including: (1) the reasons for the decline in fair value; (2) the issuer's financial position and access to capital; and (3) the Company's intent to sell a security or whether it is more likely than not it will be required to sell the security before the recovery of its amortized cost that, in some cases, may extend to maturity.

If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, less any recorded credit loss, it recognizes an impairment loss in investment related gains (losses), net for the difference between amortized cost and fair value.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in investment related gains (losses), net, while non-credit impairment losses are recognized in accumulated other comprehensive income ("AOCI").

For the years ended December 31, 2022 and 2021, there were no allowances for credit losses.

Derivative Instruments

Overview

The Company utilizes a variety of derivative instruments including swaps and forwards, primarily to manage or hedge foreign currency risk and various other market risks associated with its business. The Company does not invest in derivatives for speculative purposes. It is the Company's policy to enter into derivative contracts primarily with highly rated parties. See Note 4 - "Derivative Instruments" for additional detail on the Company's derivative positions.

Accounting and Financial Statement Presentation of Derivatives

Derivatives are carried on the Company's balance sheets primarily in other invested assets or other liabilities, at fair value. Certain derivatives are subject to master netting provisions and reported as a net asset or liability. On the date a derivative contract is executed, the Company designates the derivative as (1) a cash flow hedge (2) a net investment hedge in a foreign operation or (3) free-standing derivatives held for other risk management purposes, which primarily involve managing asset or liability risks associated with the Company's reinsurance treaties that do not qualify for hedge accounting.

Changes in the fair value of free-standing derivative instruments, which do not receive accounting hedge treatment, are primarily reflected in investment related gains (losses), net.

Hedge Documentation and Hedge Effectiveness

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a cash flow hedge or (ii) a hedge of a net investment in a foreign operation. In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship.

Under a cash flow hedge, changes in the fair value of the hedging derivative measured as effective are reported within AOCI and the deferred gains or losses on the derivative are reclassified into the statements of income when the Company's earnings are affected by the variability in cash flows of the hedged item. The fair values of the hedging derivatives are exclusive of any accruals that are separately reported within net investment income or other operating expenses, if applicable, to match the location of the hedged item.

In a hedge of a net investment in a foreign operation, changes in the fair value of the hedging derivative that are measured as effective are reported within AOCI consistent with the translation adjustment for the hedged net investment in the foreign operation.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective, the derivative continues to be carried in the balance sheets at fair value, with changes in fair value recognized in investment related gains (losses), net. Provided the hedged forecasted transaction occurrence is still probable, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statements of income when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried in the balance sheets at its estimated fair value, with changes in estimated fair value recognized currently in investment related gains (losses), net. Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in investment related gains (losses), net.

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value in the balance sheets, with changes in its estimated fair value recognized in the current period as investment related gains (losses), net.

Fair Value Measurements

General accounting principles for *Fair Value Measurements and Disclosures* define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its assets, based on the priority of the inputs to the valuation technique, into a three level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1), the second highest priority to quoted prices in markets that are not active or inputs that are observable either directly or indirectly (Level 2) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the asset.

See Note 5 - "Fair Value of Assets" for further details on the Company's assets recorded at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid debt instruments purchased with an original maturity of three months or less.

Premiums Receivable

Premiums are accrued when due and in accordance with information received from the ceding company. When the Company enters into a new reinsurance agreement, it records accruals based on the terms of the reinsurance treaty. Similarly, when a ceding company fails to report information on a timely basis, the Company records accruals based on the terms of the reinsurance treaty as well as historical experience. Other management estimates include adjustments for increased in force on existing treaties, lapsed premiums given historical experience, the financial health of specific ceding companies, collateral value and the legal right of offset on related amounts (i.e. allowances and claims) owed to the ceding company. Under the legal right of offset provisions in its reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on its review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2022 or 2021.

Reinsurance Ceded Receivables

The Company generally reports retrocession activity on a gross basis. Amounts paid or deemed to have been paid for reinsurance are reflected in reinsurance ceded receivables. The cost of reinsurance related to long-duration contracts is recognized over the terms of the reinsured policies on a basis consistent with the reporting of those policies.

Deferred Policy Acquisition Costs

Costs of acquiring new business, which vary with and are directly related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. Non-commission costs related to the acquisition of new and renewal insurance contracts may be deferred only if they meet the following criteria:

- Incremental direct costs of a successful contract acquisition
- Portions of employees' salaries and benefits directly related to time spent performing specified acquisition activities for a contract that has been acquired or renewed
- Other costs directly related to the specified acquisition or renewal activities that would not have been incurred had that acquisition contract transaction not occurred

The Company tests the recoverability for each year of business at issue before establishing additional DAC. The Company also performs annual tests to establish that DAC are expected to remain recoverable, and if financial performance significantly deteriorates to the point where a deficiency exists, a cumulative charge to current operations will be recorded. No such adjustments related to DAC recoverability were made in 2022 or 2021.

DAC related to traditional life insurance contracts are amortized with interest over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the expected life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

DAC related to interest-sensitive life and investment-type policies are amortized over the expected lives of the policies, in proportion to the gross profits realized from mortality, investment income less interest credited, and expense margins.

Other Reinsurance Balances

The Company assumes and retrocedes financial reinsurance contracts that do not expose it to a reasonable possibility of loss from insurance risk. These contracts are reported as deposits and are included in other reinsurance balance assets and/or liabilities. The amount of revenue reported in other revenues on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement. Assets and liabilities are reported on a net or gross basis, depending on the specific details within each treaty. Reinsurance agreements reported on a net basis, where a legal right of offset exists, are generally included in other reinsurance balances on the balance sheets. Other reinsurance assets are included in other reinsurance balances within total assets, while other reinsurance liabilities are included in other reinsurance balances within total liabilities on the balance sheets.

Receivable From/Payable To Parent and Affiliates

Receivable from/payable to parent and affiliates are primarily comprised of non-reinsurance related receivables/payables. See Note 10 - "Related-Party Transactions" for further details about transactions with affiliated companies.

Other Assets

Other assets primarily include capitalized assets and foreign income taxes recoverable. Capitalized assets are stated at cost, less accumulated depreciation and amortization. Carrying values are reviewed at least annually for indicators of impairment in value.

Future Policy Benefits

Liabilities for future benefits on life and health policies are established in an amount adequate to meet the estimated future obligations on policies in force. Liabilities for future policy benefits under long-duration life and health insurance policies have been computed based upon expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions. These assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. The mortality and withdrawal assumptions are based on the Company's experience as well as industry experience and standards. In establishing reserves for future policy benefits, the Company assigns policy liability assumptions to particular timeframes (eras) in such a manner as to be consistent with the underlying assumptions and economic conditions at the time the risks are assumed. The Company maintains a consistent approach to setting the provision for adverse deviation between eras.

Liabilities for future benefits on longevity business, including annuities in the payout phase, are established in an amount adequate to meet the estimated future obligations on policies in force and have been calculated using expected mortality, investment yields, and other assumptions. These assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. The mortality assumptions are based on the Company's experience as well as industry experience and standards. A deferred profit liability is established when the gross premium exceeds the net premium.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish policy benefits. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. Anticipated investment income is considered in the calculation of premium deficiency losses for short-duration contracts. The premium deficiency reserve is established by a charge to income, as well as a reduction in unamortized acquisition costs and, to the extent there are no unamortized acquisition costs, an increase in future policy benefits.

The reserving process includes normal periodic reviews of assumptions used and adjustments of reserves to incorporate the refinement of the assumptions. Any such adjustments relate only to policies assumed in recent periods and the adjustments are reflected by a cumulative charge or credit to current operations.

The Company reinsures disability products in various markets. Liabilities for future benefits on disability policies active lives are established in an amount adequate to meet the estimated future obligations on policies in force. These reserves are the amounts that, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature.

Interest-Sensitive Contract Liabilities

Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. The Company reinsures asset-intensive products, including annuities. The liabilities under asset-intensive insurance contracts or reinsurance contracts reinsured on a coinsurance basis are included in interest-sensitive contract liabilities on the balance sheets. Asset-intensive contracts principally include individual fixed annuities in the accumulation phase, individual variable annuities, and group fixed annuities. Interest-sensitive contract liabilities are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest less expenses, mortality charges, and withdrawals; and (iii) fair value adjustments relating to business combinations. Liabilities for immediate annuities are calculated as the present value of the expected cash flows, with the locked-in discount rate determined such that there is no gain or loss at inception.

The Company reviews its estimates of actuarial liabilities for interest-sensitive contract liabilities and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these benefits and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Other Policy Claims and Benefits

Claims payable for IBNR losses are determined using case-basis estimates and lag studies of past experience. The time lag from the date of the claim or death to when the ceding company reports the claim to the Company can vary significantly by ceding company, business segment and product type. IBNR are estimates on an undiscounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amount recognized, which are reflected in claims and other policy benefits in the period in which they are determined.

Funds Withheld Liabilities

Funds withheld liabilities represent amounts contractually withheld by the Company in accordance with reinsurance agreements. For agreements written on a modco basis and agreements written on a coinsurance funds withheld basis, assets that support the ceded transactions are defined in the treaty, and are withheld and legally owned by the Company. Interest expense, recorded in interest credited, accrues to these assets at calculated rates as defined by the treaty terms.

Other Liabilities

Other liabilities primarily include accounts payable, employee benefits, investments in transit, deferred income taxes and lease liabilities.

Income Taxes

The Company provides for foreign income taxes currently payable, as well as those deferred due to temporary differences between the tax basis of assets and liabilities and the reported amounts, and are recognized in net income or in certain cases in OCI. The Company's accounting for income taxes represents management's best estimate of various events and transactions considering the laws enacted as of the reporting date.

Deferred tax assets and liabilities are measured by applying the relevant jurisdictions' enacted tax rate for the period in which the temporary differences are expected to reverse to the temporary difference change for that period The Company will establish a valuation allowance if management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized.

Significant judgment is required in determining whether valuation allowances should be established as well as the amount of such allowances. When making such a determination, consideration is given to, among other things, the following:

(i) taxable income in prior carryback years;

(ii) future reversals of existing taxable temporary differences;

(iii) future taxable income exclusive of reversing temporary differences and carryforwards; and

(iv) tax planning strategies.

Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

The Company reports uncertain tax positions in accordance with GAAP. In order to recognize the benefit of an uncertain tax position, the position must meet the more likely than not criteria of being sustained. Unrecognized tax benefits due to tax uncertainties that do not meet the more likely than not criteria are included within income tax liabilities and are charged to earnings in the period that such determination is made. The Company classifies interest related to tax uncertainties as interest expense whereas penalties related to tax uncertainties are classified as a component of income tax.

See Note 8 - "Income Tax" for further discussion.

Foreign Currency Translation

Assets, liabilities and results of foreign operations are recorded based on the functional currency of each foreign operation. The determination of the functional currency is based on economic facts and circumstances pertaining to each foreign operation. The Company's material functional currencies are the U.S. dollar, Thai bhat, Hong Kong dollar, Japanese yen, British pound sterling, and Taiwanese dollar. The translation of the functional currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using weighted-average exchange rates during each year. Gains or losses, net of applicable deferred income taxes, resulting from such translation are included in accumulated currency translation adjustments, in AOCI until the underlying functional currency operation is sold or substantially liquidated.

Recognition of Revenues and Related Expenses - Long Duration Products

Life and health premiums are recognized as revenue when due from the insured, and are reported net of amounts retroceded. Benefits and expenses are reported net of amounts retroceded and are associated with earned premiums so that profits are recognized over the life of the related contract. This association is accomplished through the provision for future policy benefits and the amortization of DAC. Other revenues includes items such as treaty recapture fees, fees associated with financial reinsurance and policy changes on interest-sensitive and investment-type products that the Company reinsures. Any fees that are collected in advance of the period benefited are deferred and recognized over the period benefited.

For certain reinsurance transactions involving in force blocks of business, the ceding company pays a premium equal to the initial required reserve (future policy benefit). In such transactions, for income statement presentation, the Company nets the expense associated with the establishment of the reserve against the premiums from the transaction.

Revenues for interest-sensitive and investment-type products consist of investment income, policy charges for the cost of insurance, policy administration, and surrenders that have been assessed against policy account balances during the period. Interest-sensitive contract liabilities for these products represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expenses include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. Interest is credited to policyholder account balances according to terms of the policies or contracts.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with GAAP. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject or features that delay the timely reimbursement of claims. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with any net amount receivable reflected as an asset within other reinsurance balances, and any net amount payable reflected as a liability within other reinsurance balances. Fees earned on the contracts are reflected as other revenues, rather than premiums.

Recognition of Revenues and Related Expenses – Short-Duration Products

The Company provides reinsurance of medical, disability, life and other products for a fixed period of short-duration, typically one to three years. Under the short-duration insurance accounting model:

- Premiums are recognized over the coverage period in proportion to the amount of insurance protection provided.
- Claims or benefits are recognized when insured events occur, based on the ultimate cost to settle the claim, and are adjusted to reflect changes in estimates during the life of the contract. The estimated cost to settle the claim is based on actuarial assumptions for similar claims. The Company also establishes an IBNR liability based on historical reporting patterns.
- Eligible DAC are capitalized and amortized in proportion to premium.

Equity Based Compensation

The Company expenses the fair value of stock awards included in its incentive compensation plans. The fair value of the awards is expensed over the performance or service period, which generally corresponds to the vesting period, and is recognized as an increase to additional paid-in-capital in shareholder's equity, and stock-based compensation expense is reflected in other operating expenses. The Company recognized an immaterial amount of equity compensation expense in 2022 and 2021.

New Accounting Pronouncements

Changes to the general accounting principles are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates to the FASB Accounting Standards Codification™. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial statements.

Standards Adopted

There were no new accounting standards or updated accounting guidance adopted by the Company that had a material impact on the Company's results of operations and financial position.

Standards Not Yet Adopted

In the first quarter of 2023, the Company will adopt Accounting Standards Update ("ASU"): ASU 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12").* ASU 2018-12 updates certain requirements for the accounting for long-duration insurance contracts.

- *Cash flow assumptions and measuring liability for future policy benefits* – ASU 2018-12 requires the Company to review its cash flow assumptions at least annually and update, when necessary, with the impact recognized in net income in the period of the change.

  Upon adoption, there will be an adjustment to retained earnings as a result of capping the net premium ratio at 100% and eliminating negative reserves on certain issue year cohorts.

- *Discount rate* – The discount rate assumption is prescribed by ASU 2018-12 as an upper-medium (low credit risk) fixed-income yield and is required to be updated every quarter. The change in the liability as a result of updating the discount rate assumption is recognized in OCI.

  Upon adoption, there will be an adjustment to AOCI as a result of remeasuring in force contract liabilities using current upper-medium grade fixed income instrument yields. The adjustment will largely reflect the difference between discount rates locked-in at contract inception versus current discount rates at transition.

- *DAC and similar balances* – DAC and other capitalized costs such as unearned revenue are amortized on a constant level or straight-line basis over the expected term of the contracts.

  Upon adoption, the Company expects an adjustment to AOCI for the removal of cumulative adjustments to DAC associated with unrealized gains and losses previously recorded in AOCI.

- *Market risk benefits* – Market risk benefits, which are contracts or contract features that provide protection to the policyholder from capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value. The periodic change in fair value is recognized in net income with the exception of the periodic change in fair value related to the instrument-specific credit risk, which is recognized in OCI.

  Upon adoption, the Company expects an impact to (1) AOCI for the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date and (2) retained earnings for the difference between fair value and carrying value at the transition date, excluding the changes in the instrument-specific credit risk.

The updated guidance for the cash flow assumptions, discount rate and DAC will be applied on a modified retrospective method as of the earliest period included in the financial statements of RGA; that is, to contracts in force as of January 1, 2021. The guidance for market risk benefits will be applied retrospectively as of January 1, 2021. The following summarizes the estimated impact the adoption will have on previously reported amounts:

- *Shareholder's equity as of January 1, 2021 (the transition date):* The Company estimates the adoption of the new guidance will decrease previously reported retained earnings and AOCI by an immaterial amount, net of tax, as of the transition date of January 1, 2021.

While the Company has substantially completed the necessary updates to its valuation models and other systems to implement the standard, the Company's implementation of the new guidance is continuing to be refined and reviewed. Therefore, the Company's estimates are subject to change.

Note 3 INVESTMENTS

Fixed Maturity Securities Available-for-Sale

The Company holds various types of fixed maturity securities available-for-sale and classifies them as corporate securities ("Corporate"), residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), commercial mortgage-backed securities ("CMBS"), U.S. government and agencies ("U.S. government"), state and political subdivisions, and foreign governments, supranational and foreign government-sponsored enterprises ("Foreign governments"). RMBS, ABS and CMBS are collectively "structured securities."

The following tables provide information relating to investments in fixed maturity securities by type as of December 31, 2022 and 2021 (dollars in thousands):

December 31, 2022:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	$ 1,135,125	$ —	$ 537	$ 93,982	$ 1,041,680	56.8 %
RMBS	82,614	—	—	6,157	76,457	4.2
ABS	147,567	—	—	15,498	132,069	7.2
CMBS	144,673	—	—	18,154	126,519	6.9
U.S. government	32,856	—	—	409	32,447	1.8
State and political subdivisions	12,212	—	—	890	11,322	0.6
Foreign governments [(1)]	453,467	—	37	39,924	413,580	22.5
Total fixed maturity securities	$ 2,008,514	$ —	$ 574	$ 175,014	$ 1,834,074	100.0 %

(1) The Company holds securities of the Government of Japan of $292.8 million and $259.5 million of amortized cost and estimated fair value, respectively, all acquired in 2022.

December 31, 2021:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	$ 364,960	$ —	$ 27,712	$ 1,371	$ 391,301	56.8 %
RMBS	9,932	—	106	82	9,956	1.4
ABS	66,800	—	307	543	66,564	9.6
CMBS	56,890	—	2,673	—	59,563	8.6
U.S. government	85,141	—	330	12	85,459	12.4
State and political subdivisions	12,312	—	1,653	—	13,965	2.0
Foreign governments	60,666	—	3,318	134	63,850	9.2
Total fixed maturity securities	$ 656,701	$ —	$ 36,099	$ 2,142	$ 690,658	100.0 %

The Company enters into various collateral arrangements with counterparties that require both the pledging and acceptance of fixed maturity securities as collateral. Pledged fixed maturity securities are included in fixed maturity securities, available-for-sale in the Company's balance sheets. Fixed maturity securities received as collateral are held in separate custodial accounts and are not recorded on the Company's balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge collateral it receives; however, as of December 31, 2022 and 2021, none of the collateral received had been sold or repledged. The Company also holds assets in trust to satisfy collateral requirements under derivative transactions and certain third-party reinsurance treaties. The following table includes fixed maturity securities pledged and received as collateral and assets in trust held to satisfy collateral requirements under derivative transactions and certain third-party reinsurance treaties as of December 31, 2022 and 2021 (dollars in thousands):

	2022		2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities pledged as collateral	$ 6,172	$ 6,151	$ —	$ —
Fixed maturity securities received as collateral	n/a	684,946	n/a	938,311
Assets in trust held to satisfy collateral requirements	1,172,681	1,088,637	—	—

The Company monitors its concentrations of financial instruments on an ongoing basis and mitigates credit risk by maintaining a diversified investment portfolio that limits exposure to any one issuer. As of December 31, 2022, the Company’s exposure to concentrations of credit risk from single issuers greater than 10% of the Company’s equity is as follows in the table below. As of December 31, 2021, the Company’s exposure to concentrations of credit risk from single issuers greater than 10% of the Company’s equity consisted of securities of the U.S. government and its agencies.

	2022		2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities guaranteed or issued by:				
Government of Japan	$ 292,848	$ 259,478	$ —	$ —

The amortized cost and estimated fair value of fixed maturity securities classified as available-for-sale as of December 31, 2022, are shown by contractual maturity in the table below (dollars in thousands). Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Structured securities are shown separately in the table below, as they are not due at a single maturity date.

	Amortized Cost	Estimated Fair Value
Available-for-sale:		
Due in one year or less	$ 8,759	$ 8,727
Due after one year through five years	524,874	515,535
Due after five years through ten years	480,288	438,310
Due after ten years	619,739	536,457
Structured securities	374,854	335,045
Total	$ 2,008,514	$ 1,834,074

Corporate Fixed Maturity Securities

The tables below show the major sectors of the Company's corporate fixed maturity holdings as of December 31, 2022 and 2021 (dollars in thousands):

December 31, 2022:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 636,051	$ 584,899	56.1 %
Industrial	422,678	389,414	37.4
Utility	76,396	67,367	6.5
Total	$ 1,135,125	$ 1,041,680	100.0 %

December 31, 2021:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 193,917	$ 205,769	52.6 %
Industrial	131,292	139,732	35.7
Utility	39,751	45,800	11.7
Total	$ 364,960	$ 391,301	100.0 %

Unrealized Losses for Fixed Maturity Securities Available-for-Sale

The Company's determination of whether a decline in value necessitates the recording of an allowance for credit losses includes an analysis of whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment.

The following tables present the estimated fair values and gross unrealized losses for the 427 and 61 fixed maturity securities for which the estimated fair values had declined and remained below amortized cost as of December 31, 2022 and 2021, respectively (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related fair value has continuously remained below amortized cost.

December 31, 2022:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	$ 871,700	$ 65,588	$ 100,487	$ 27,407	$ 972,187	$ 92,995
RMBS	73,647	5,763	2,810	394	76,457	6,157
ABS	99,487	8,625	29,660	6,191	129,147	14,816
CMBS	121,754	15,856	4,765	2,298	126,519	18,154
U.S. government	32,447	409	—	—	32,447	409
State and political subdivisions	11,322	890	—	—	11,322	890
Foreign governments	370,733	38,291	32,349	1,441	403,082	39,732
Total investment grade securities	1,581,090	135,422	170,071	37,731	1,751,161	173,153
Below investment grade securities:						
Corporate	21,730	394	3,483	593	25,213	987
ABS	2,378	511	544	171	2,922	682
Foreign governments	456	58	783	134	1,239	192
Total below investment grade securities	24,564	963	4,810	898	29,374	1,861
Total fixed maturity securities	$ 1,605,654	$ 136,385	$ 174,881	$ 38,629	$ 1,780,535	$ 175,014

December 31, 2021:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	$ 57,683	$ 1,017	$ 8,109	$ 342	$ 65,792	$ 1,359
RMBS	1,867	38	2,232	44	4,099	82
ABS	34,730	466	2,193	77	36,923	543
U.S. government	84,017	12	—	—	84,017	12
Foreign governments	21,016	119	—	—	21,016	119
Total investment grade securities	199,313	1,652	12,534	463	211,847	2,115
Below investment grade securities:						
Corporate	1,042	12	—	—	1,042	12
Foreign governments	—	—	959	15	959	15
Total below investment grade securities	1,042	12	959	15	2,001	27
Total fixed maturity securities	$ 200,355	$ 1,664	$ 13,493	$ 478	$ 213,848	$ 2,142

The Company has no intention to sell, nor does it expect to be required to sell, the securities outlined in the tables above, as of the dates indicated. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines. Changes in unrealized losses are primarily driven by changes in risk-free interest rates and credit spreads.

Net Investment Income

Major categories of net investment income consist of the following (dollars in thousands):

	For the years ended December 31,	
	2022	2021
Fixed maturity securities available-for-sale	$ 52,144	$ 25,836
Equity securities	8	—
Funds withheld at interest	(8,871)	(2,615)
Short-term investments and cash and cash equivalents	714	554
Derivatives	(7,361)	—
Investment income	36,634	23,775
Investment expense	(2,309)	(1,066)
Net investment income	$ 34,325	$ 22,709

Investment Related Gains (Losses), Net

Investment related gains (losses), net, consist of the following (dollars in thousands):

	For the years ended December 31,	
	2022	2021
Fixed maturity securities available-for-sale:		
Impairments on fixed maturity securities	$ (17)	$ —
Realized gains on investment activity	21,449	30,155
Realized losses on investment activity	(22,827)	(1,951)
Net losses on equity securities	(211)	—
Other, net	(488)	113
Net losses on derivatives	(43,608)	—
Total investment related gains (losses), net	$ (45,702)	$ 28,317

As of December 31, 2022 and December 31, 2021, the Company did not hold any securities that were non-income producing. Generally, securities are non-income producing when principal or interest is not paid primarily as a result of bankruptcies or credit defaults.

For the years ended December 31, 2022 and 2021, there were no securities purchased from affiliates for cash. For the year ended December 31, 2022, there were no securities sold to affiliates for cash. For the year ended December 31, 2021, there were securities sold to affiliates for cash with amortized costs of $176.7 million and estimated fair values of $204.2 million.

Funds Withheld at Interest

In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed to the Company from the ceding company.

Note 4 DERIVATIVE INSTRUMENTS

Accounting for Derivative Instruments and Hedging Activities

See Note 2 - "Significant Accounting Policies and Pronouncements" for a detailed discussion of the accounting treatment for derivative instruments and Note 5 - "Fair Value of Assets" for additional disclosures related to the fair value hierarchy for derivative instruments.

Types of Derivatives Used by the Company

Foreign Currency Derivatives

Foreign currency swaps are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the termination of the currency swap by each party. The Company uses foreign currency swaps in cash flow hedges.

Foreign currency forwards are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date. The Company uses foreign currency forwards in hedges of net investments in foreign operations and non-qualifying hedging relationships.

Summary of Derivative Positions

Derivatives are included in total invested assets or other liabilities at fair value. The following table presents the notional amounts and gross fair value of derivative instruments prior to taking into account the netting effects of master netting agreements as of December 31, 2022 (dollars in thousand):

		December 31, 2022		
			Carrying Value/ Fair Value	
	Primary Underlying Risk	Notional Amount	Assets	Liabilities
Derivatives not designated as hedging instruments:				
Foreign currency forwards	Foreign currency	$ 380,000	$ 25,078	$ —
Derivatives designated as hedging instruments:				
Foreign currency swaps	Foreign currency	321,309	544	1,484
Total derivatives		$ 701,309	$ 25,622	$ 1,484

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges when they meet the requirements of the general accounting principles for *Derivatives and Hedging*. The Company designates and accounts for foreign currency swaps as cash flow hedges, in which the cash flows of assets are denominated in different currencies, commonly referred to as cross-currency swaps.

The following table presents the components of AOCI, before income tax, and the income statement classification where the gain or loss is recognized related to cash flow hedges for the year ended December 31, 2022 (dollars in thousands):

	Amounts Included in AOCI
Balance, January 1, 2022	$ —
Losses deferred in OCI	(8,301)
Amounts reclassified to net investment income	7,361
Balance, December 31, 2022	$ (940)

As of December 31, 2022, there are no material amounts recorded in AOCI that are expected to be reclassified to earnings during the next twelve months.

The following table presents the effect of derivatives in cash flow hedging relationships on the statements of income and the statements of shareholder's equity for the year ended December 31, 2022 (dollars in thousands):

Derivative Type	Gains (Losses) Deferred in OCI	Gains (Losses) Reclassified into Income from AOCI		
For the year ended December 31, 2022:		Investment Related Gains (Losses)	Investment Income	Interest Expense
Foreign currency	$ (8,301)	$ —	$ (7,361)	$ —

For the year ended December 31, 2022, there was no amount reclassified into earnings relating to instances in which the Company discontinued cash flow hedge accounting because the forecasted transaction did not occur by the anticipated date or within the additional time period permitted by the authoritative guidance for the accounting for derivatives and hedging.

The loss on the hedged item attributable to a difference in the change in foreign currency and the offsetting gain or loss on the related foreign currency swaps that is recognized in investment related gains (losses), net for the year ended December 31, 2022 was $5 thousand.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency forwards to hedge a portion of its net investment in certain foreign operations against adverse movements in exchange rates. The loss deferred in OCI for the year ended December 31, 2022 and the cumulative foreign currency translation loss recorded in AOCI related to these hedges as of December 31, 2022 was $8.8 million.

If a hedged foreign operation was sold or substantially liquidated, the amounts in AOCI would be reclassified to the statements of income. A pro rata portion would be reclassified upon partial sale of a hedged foreign operation. There were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into investment income during the periods presented.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company uses other derivative instruments for risk management purposes that either do not qualify or have not been elected for hedge accounting treatment. The loss on the non-hedging foreign currency forward recognized in investment related gains (losses), net was $43.6 million for the year ended December 31, 2022.

Netting Arrangements and Credit Risk

Certain of the Company's derivatives are subject to enforceable master netting arrangements and reported as a net asset or liability in the balance sheets. The Company nets all derivatives that are subject to such arrangements.

The Company has elected to include all derivatives in the table below, irrespective of whether they are subject to an enforceable master netting arrangement or a similar agreement as of December 31, 2022 (dollars in thousands):

	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheets	Net Amounts Presented in the Balance Sheets	Financial Instruments/ Collateral(1)	Net Amount
December 31, 2022:					
Derivative assets	$ 25,622	$ (1,484)	$ 24,138	$ (14,863)	$ 9,275
Derivative liabilities	1,484	(1,484)	—	—	—

(1) Includes initial margin posted to a central clearing partner for financial instruments and excludes the excess of collateral received/ pledged from/to the counterparty.

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. Generally, the credit exposure of the Company's derivative contracts is limited to the fair value and accrued interest of non-collateralized derivative contracts in an asset position at the reporting date. As of December 31, 2022, the Company had no credit exposure.

The Company's derivatives, which are referred to as over the counter ("OTC") derivatives, are privately negotiated bilateral contracts between two counterparties. The Company manages its credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master netting agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. The Company is only exposed to the default of the bilateral counterparty and these transactions require daily variation margin collateral postings.

Note 5 FAIR VALUE OF ASSETS

Fair Value Measurement

General accounting principles for *Fair Value Measurements and Disclosures* define fair value as the exchange price that would be received for an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. These principles also establish a three-level fair value hierarchy that requires the Company to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets. Active markets are defined through various characteristics for the measured asset, such as having many transactions and narrow bid/ask spreads.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or market standard valuation techniques and assumptions that use significant inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related assets and include those whose value is determined using market standard valuation techniques described above. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques that require management's judgment or estimation in developing inputs that are consistent with those other market participants would use when pricing similar assets.

Assets by Hierarchy Level

Assets measured at fair value on a recurring basis as of December 31, 2022 and 2021 are summarized below (dollars in thousands):

December 31, 2022:		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	$ 1,041,680	$ —	$ 940,445	$ 101,235
RMBS	76,457	—	76,457	—
ABS	132,069	—	116,295	15,774
CMBS	126,519	—	126,519	—
U.S. government	32,447	31,589	858	—
State and political subdivisions	11,322	—	11,322	—
Foreign governments	413,580	—	413,580	—
Total fixed maturity securities — available-for-sale	1,834,074	31,589	1,685,476	117,009
Equity securities	1,808	—	—	1,808
Cash equivalents	66,712	66,712	—	—
Short-term investments	43,706	43,706	—	—
Derivatives	24,138	—	24,138	—
Total	$ 1,970,438	$ 142,007	$ 1,709,614	$ 118,817

December 31, 2021:		Fair Value Measurements Using:		
	Total	Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	$ 391,301	$ —	$ 369,272	$ 22,029
RMBS	9,956	—	9,956	—
ABS	66,564	—	58,072	8,492
CMBS	59,563	—	59,563	—
U.S. government	85,459	84,017	1,442	—
State and political subdivisions	13,965	—	13,965	—
Foreign governments	63,850	—	63,850	—
Total fixed maturity securities — available-for-sale	690,658	84,017	576,120	30,521
Cash equivalents	1,508	1,508	—	—
Total	$ 692,166	$ 85,525	$ 576,120	$ 30,521

The Company may utilize information from third parties, such as pricing services and brokers, to assist in determining the fair value for certain assets; however, management is ultimately responsible for all fair values presented in the Company's financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices and pricing of assets, and approving changes to valuation methodologies and pricing sources. The selection of the valuation technique(s) to apply considers the definition of an exit price and the nature of the asset being valued and significant expertise and judgment is required.

The Company performs initial and ongoing analysis and review of the various techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the various assumptions are reasonable. The Company analyzes and reviews the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value and to monitor controls around pricing, which includes quantitative and qualitative analysis and is overseen by the Company's investment and accounting personnel. Examples of procedures performed include, but are not limited to, review of pricing trends, comparison of a sample of executed prices of securities sold to the fair value estimates, comparison of fair value estimates to management's knowledge of the current market, and ongoing confirmation that third party pricing services use, wherever possible, market-based parameters for valuation. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. The Company also determines if the inputs used in estimated fair values received from pricing services are observable by assessing whether these inputs can be corroborated by observable market data.

For assets reported at fair value, the Company utilizes, when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. Generally, these are very liquid investments and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on market valuation techniques, market comparable pricing and the income approach. The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings. For the periods presented, the application of market standard valuation techniques applied to similar assets has been consistent.

The methods and assumptions the Company uses to estimate the fair value of assets measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities - The fair values of the Company's publicly-traded fixed maturity securities are generally based on prices obtained from independent pricing services. Prices from pricing services are sourced from multiple vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company generally receives prices from multiple pricing services for each security, but ultimately uses the price from the vendor that is highest in the hierarchy for the respective asset type. To validate reasonableness, prices are periodically reviewed as explained above. Consistent with the fair value hierarchy described above, securities with quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. If the pricing information received from third party pricing services is not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service.

If the Company ultimately concludes that pricing information received from the independent pricing service is not reflective of fair value, non-binding broker quotes are used, if available. If the Company concludes that the values from both pricing services and brokers are not reflective of fair value, an internally developed valuation may be prepared; however, this occurs infrequently. Internally developed valuations or non-binding broker quotes are also used to determine fair value in circumstances where vendor pricing is not available. These valuations may use significant unobservable inputs, which reflect the Company's assumptions about the inputs that market participants would use in pricing the asset. Observable market data may not be available in certain circumstances such as market illiquidity and credit events related to the security. Pricing service overrides, internally developed valuations and non-binding broker quotes are generally based on significant unobservable inputs and are reflected as Level 3 in the valuation hierarchy.

The inputs used in the valuation of corporate and government securities include, but are not limited to, standard market observable inputs that are derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately placed issues that incorporate the credit quality and industry sector of the issuer. For internal pricing of private placements and structured securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

When observable inputs are not available, the market standard valuation techniques for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data, such as market illiquidity. These unobservable inputs can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are believed to be consistent with what other market participants would use when pricing such securities.

Equity Securities - Equity securities consist principally of preferred stock of privately traded companies. Non-binding broker quotes and internally developed evaluations for equity securities are generally based on significant unobservable inputs and are reflected as Level 3 in the fair value hierarchy.

Cash Equivalents and Short-Term Investments - Cash equivalents and short-term investments include money market instruments and other highly liquid debt instruments which are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. The fair value of certain other short-term investments, such as bonds with original maturities twelve months or less, are based upon other market observable data and are typically classified as Level 2. Various time deposits, certificates of deposit and sweeps carried as cash equivalents and short-term investments are not measured at estimated fair value and therefore are excluded from the tables presented.

Derivative Assets - All of the derivative instruments utilized by the Company are classified within Level 2 on the fair value hierarchy. These derivatives are principally valued using an income approach. Valuations of foreign currency contracts are based on present value techniques, which utilize significant inputs that may include the swap yield curve, Secured Overnight Financing Rate basis curves, currency spot rates, and cross currency basis curves.

Quantitative Information Regarding Internally-Priced Assets

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements that are developed internally by the Company as of December 31, 2022 and 2021 (dollars in thousands):

	Estimated Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)	
Assets:	2022	2021			2022	2021
Corporate	$ —	$ 2,136	Market comparable securities	Liquidity premium	—	1.0 %

Changes in Level 3 Assets

Assets transferred into Level 3 are due to a lack of observable market transactions and price information.

The reconciliations for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows (dollars in thousands):

For the year ended December 31, 2022:	Fixed maturity securities - available-for-sale		
	Corporate	Structured securities	Equity securities
Fair value, beginning of period	$ 22,029	$ 8,492	$ —
Total gains/losses (realized/unrealized)			
Included in earnings, net:			
Net investment income	(1)	9	—
Investment related gains (losses), net	19	(328)	(191)
Included in OCI	(6,745)	(1,725)	—
Purchases(1)	87,129	10,000	1,999
Sales(1)	—	(3,672)	—
Settlements(1)	(1,196)	—	—
Transfers into Level 3	—	2,998	—
Fair value, end of period	$ 101,235	$ 15,774	$ 1,808
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets that were still held at the end of the period			
Included in earnings, net:			
Net investment income	$ (1)	$ 9	$ —
Investment related gains (losses), net	—	—	(191)
Included in OCI	(7,349)	(1,725)	—

(1) The amount reported within purchases and settlements is the purchase price (for purchases) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased or sold/settled. Items purchased and sold/settled in the same period are excluded from the rollforward. The Company had no issuances during the period.

For the year ended December 31, 2021:	Fixed maturity securities - available-for-sale	
	Corporate	Structured securities
Fair value, beginning of period	$ 10,594	$ —
Total gains/losses (realized/unrealized)		
Included in earnings, net:		
Net investment income	(12)	—
Included in OCI	(36)	(8)
Purchases[(1)]	11,496	—
Settlements[(1)]	(13)	—
Transfers into Level 3	—	8,500
Fair value, end of period	$ 22,029	$ 8,492
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and that were still held at the end of the period		
Included in earnings, net:		
Net investment income	$ (12)	$ —
Included in OCI	(36)	(8)

(1) The amount reported within purchases and settlements is the purchase price (for purchases) and the settlement proceeds (for settlements) based upon the actual date purchased or settled. Items purchased and settled in the same period are excluded from the rollforward. The Company had no issuances during the period.

Nonrecurring Fair Value Measurements

The Company did not have any assets measured at estimated fair value on a nonrecurring basis during the periods ended December 31, 2022 and 2021.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following table presents the carrying values and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis, as of December 31, 2022 and 2021 (dollars in thousands). This table excludes any payables or receivables for collateral transactions. The estimated fair value of the excluded amount approximates carrying value as they equal the amount of cash collateral received/paid.

December 31, 2022:	Carrying Value [(1)]	Estimated Fair Value	Fair Value Measurement Using: Level 1	Level 2	Level 3
Assets:					
Funds withheld at interest	$ 44,835	$ 44,835	$ —	$ —	$ 44,835
Cash and cash equivalents	153,990	153,990	153,990	—	—
Short-term investments	28,422	28,422	28,422	—	—
Accrued investment income	14,846	14,846	—	14,846	—
Liabilities:					
Interest-sensitive contract liabilities	$ 1,361,889	$ 1,361,889	$ —	$ —	$ 1,361,889
Funds withheld liabilities	684,538	684,538	—	—	684,538
December 31, 2021:					
Assets:					
Funds withheld at interest	$ 51,169	$ 51,169	$ —	$ —	$ 51,169
Cash and cash equivalents	142,505	142,505	142,505	—	—
Short-term investments	19,696	19,696	19,696	—	—
Accrued investment income	5,018	5,018	—	5,018	—

(1) Carrying values presented herein may differ from those presented in the Company's balance sheets because certain items within the respective financial statement captions may be measured at fair value on a recurring basis.

Funds Withheld at Interest and Funds Withheld Liabilities - The carrying value of funds withheld at interest approximates fair value except where the funds withheld are specifically identified in the agreement. When funds withheld are specifically identified in the agreement, the fair value is based on the fair value of the underlying assets that are held by the ceding company. A variety of sources and pricing methodologies, which are not transparent to the Company and may include significant unobservable inputs, are used to value the securities that are held in distinct portfolios, therefore the valuation of these funds withheld assets and liabilities are considered Level 3 in the fair value hierarchy.

Cash and Cash Equivalents and Short-term Investments - The carrying values of cash and cash equivalents and short-term investments approximate fair values due to the short-term maturities of these instruments and are considered Level 1 in the fair value hierarchy.

Accrued Investment Income - The carrying value for accrued investment income approximates fair value as there are no adjustments made to the carrying value. This is considered Level 2 in the fair value hierarchy.

Interest-Sensitive Contract Liabilities - The carrying and fair values of interest-sensitive contract liabilities reflected in the table above exclude contracts with significant mortality risk. The fair value of the Company's interest-sensitive contract liabilities utilizes a market standard technique with both capital market inputs and policyholder behavior assumptions, as well as cash values adjusted for recapture fees. The capital market inputs to the model, such as interest rates, are generally observable. Policyholder behavior assumptions are generally not observable and may require use of significant management judgment. The valuation of interest-sensitive contract liabilities is considered Level 3 in the fair value hierarchy.

Note 6 REINSURANCE

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance or reinsurance companies under excess coverage and coinsurance contracts.

Retrocession reinsurance treaties do not relieve the Company from its obligations to direct writing companies. Failure of retrocessionaires to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of the insurance and reinsurance companies from which it assumes and to which it cedes reinsurance. Consequently, allowances would be established for amounts deemed uncollectible. At December 31, 2022 and 2021, no allowances were deemed necessary.

Retrocessions are arranged through the Company's retrocession pools for amounts in excess of the Company's retention limit. As of December 31, 2022 and 2021, all rated retrocession pool participants followed by the A.M. Best Company were rated "A- (excellent)" or better.

Included in the reinsurance ceded receivables balances were $96.6 million and $243.7 million of claims recoverable, of which $87.5 million and $235.6 million were with affiliates, as of December 31, 2022 and 2021, respectively.

The effect of reinsurance on net premiums is as follows for the years ended December 31, 2022 and 2021, (dollars in thousands):

	2022	2021
Reinsurance assumed:		
Affiliated	50,334	261,923
Non-affiliated	655,742	691,780
Total reinsurance assumed	706,076	953,703
Reinsurance retroceded:		
Affiliated	(221,304)	(552,223)
Non-affiliated	(19,670)	(21,403)
Total reinsurance retroceded	(240,974)	(573,626)
Net premiums	$ 465,102	$ 380,077

The effect of reinsurance on claims and other policy benefits is as follows for the years ended December 31, 2022 and 2021 (dollars in thousands):

	2022	2021
Reinsurance assumed:		
Affiliated	72,692	384,603
Non-affiliated	512,159	554,005
Total reinsurance assumed	584,851	938,608
Reinsurance retroceded:		
Affiliated	(190,048)	(542,354)
Non-affiliated	(7,826)	(26,519)
Total reinsurance retroceded	(197,874)	(568,873)
Claims and other policy benefits	$ 386,977	$ 369,735

The effect of reinsurance on life reinsurance in force is shown in the following schedule as of December 31, 2022 and 2021 (dollars in millions):

	2022	2021
Life insurance in force assumed:		
Affiliated	4,279	43,246
Non-affiliated	128,383	140,059
Total life insurance in force assumed	132,662	183,305
Life insurance in force retroceded:		
Affiliated	(6,216)	(45,334)
Non-affiliated	(11,878)	(10,291)
Total life insurance in force retroceded	(18,094)	(55,625)
Life insurance in force net:		
Affiliated	(1,937)	(2,088)
Non-affiliated	116,505	129,768
Total life insurance in force net	$ 114,568	$ 127,680
Assumed/net percentage	115.79 %	143.57 %

At December 31, 2022 and 2021, respectively, the Company provided approximately $194.5 million and $987.7 million of financial reinsurance, as measured by pre-tax statutory surplus, risk based capital and other financial reinsurance structures, to other insurance companies under financial reinsurance or capital solutions transactions to assist ceding companies in meeting applicable regulatory requirements. Generally, such financial reinsurance is provided by the Company committing cash or assuming insurance liabilities, which are collateralized by future profits on the reinsured business. The Company earns a fee based on the amount of net outstanding financial reinsurance.

Reinsurance treaties, whether facultative or automatic, may provide for recapture rights on the part of the ceding company. Recapture rights permit the ceding company to reassume all or a portion of the risk formerly ceded to the reinsurer after an agreed-upon period of time, generally 10 years, or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business but would reduce premiums in subsequent periods. Additionally, some reinsurance treaties give the ceding company the right to require the Company to place assets in trust for their benefit to support the ceding company’s statutory reserve credits, in the event of a downgrade of the Company’s credit ratings and or other statutory measure to specified levels, generally non-investment grade levels, or if minimum levels of financial condition are not maintained. As of December 31, 2022, the Company was not required to post additional collateral or had a reinsurance treaty recaptured as a result of credit downgrade or defined statutory measure decline.

Note 7 DEFERRED POLICY ACQUISITION COSTS

The following reflects the amounts of policy acquisition costs deferred and amortized as of December 31, 2022 and 2021 (dollars in thousands):

	2022	2021
Balance, beginning of year	$ 52,404	$ 39,516
Capitalization	10,144	19,598
Amortization (including interest)	(5,340)	(6,556)
Foreign currency translation	(2,709)	(154)
Balance, end of year	$ 54,499	$ 52,404

Some reinsurance agreements involve reimbursing the ceding company for allowances and commissions in excess of first-year premiums. These amounts represent acquisition costs and are capitalized to the extent deemed recoverable from the future premiums and amortized against future profits of the business. This type of agreement presents a risk to the extent that the business lapses faster than originally anticipated, resulting in future profits being insufficient to recover the Company's investment.

Note 8 INCOME TAX

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until March 28, 2035.

Pursuant to an irrevocable election made in 2020 under the Malaysia income Tax Act of 1967, the Labuan Branch is subject to tax on reinsurance income at 8% and non-reinsurance income at 24%. Total income tax for the year in the Labuan branch was $2.6 million.

The Taiwan branch is subject to a 20% income tax rate in Taiwan. Total income tax for the year in the Taiwan branch was $2.5 million.

RGA Global Reinsurance Company, Ltd. - Escritório de Representação no Brasil Ltda. is subject to a 34% income tax rate. Total income tax for the year in Brazil was $0.3 million.

The Company's earnings are not effectively connected to the U.S., therefore, there are no U.S. income taxes required in 2022 or 2021.

Note 9 SHAREHOLDER'S EQUITY

The Company is authorized to issue 0.5 million shares of $1.00 par value common shares. The Company had issued 0.5 million common shares with a stated value of $0.5 million as of December 31, 2022 and 2021.

The Company is registered under the Bermuda Insurance Act 1978 (the "Act") and amendments thereto and related regulations, which require that the Company maintain a minimum solvency margin. The minimum solvency margin required at December 31, 2022 is the greater of $8.0 million or 2% of the first $500 million of statutory assets of the Company plus 1.5% of statutory assets of the Company above $500 million. The Company is required to calculate an enhanced capital requirement ("ECR") and target capital level ("TCL") as prescribed by or under rules made under Section 6A of the Act, which are additional capital and surplus requirements to the minimum solvency margin. The Company's ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") model and the minimum margin of solvency. The TCL is calculated as 120% of the ECR. As of December 31, 2022 and 2021, the Company has met the requirements. As of December 31, 2022 and 2021, statutory capital and surplus of the Company was $381.9 million and $564.8 million, respectively.

The Bermuda Monetary Authority considers prepaid and fixed assets non-admitted assets. As non-admitted assets, such balances were reflected as a reduction of statutory surplus, and reinsurance assets and liabilities were presented net of reinsurance.

In 2022 and 2021, the Company did not receive any capital contributions.

Note 10 RELATED-PARTY TRANSACTIONS

The Company transacts business with affiliated companies on a regular basis. These transactions primarily consist of reinsurance agreements, notes with affiliates, administrative service agreements, investment management agreements, and the Company may purchase or sell securities with affiliated companies. The table below contains material related-party reinsurance transactions, other than those previously disclosed in Note - 6 "Reinsurance", as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Future policy benefits	$ 194,678	$ 315,665
Other policy claims and benefits	262,957	527,655
Funds withheld liability	684,538	—

The Company regularly transacts business with affiliates under various service agreements and investment management agreements. As of December 31, 2022 and 2021, the Company had receivables from affiliates of $5.4 million and $1.2 million, respectfully, and payables to affiliates of $4.5 million and $2.6 million, respectfully, associated with these agreements.

See Note - 3 "Investments" for information on security purchases and sales with affiliated companies.

Note 11 COMMITMENTS AND CONTINGENCIES

Commitments

Letters of Credit

In the ordinary course of business, the Company provides letters of credit as security to cover liabilities relating to reinsurance agreements. There were no letters of credit outstanding at December 31, 2022. The total amount of letters of credit outstanding at December 31, 2021 was $31.5 million, none of which was for the benefit of a related party. RGA was the guarantor to these letters of credit as of December 31, 2021.

Contingencies

Litigation

The Company is subject to litigation and regulatory investigations or actions from time to time. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters will have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, in light of the inherent uncertainties involved in future or pending legal, regulatory and governmental matters, some of which are beyond the

Company's control, and indeterminate or potentially substantial amount of damages sought in any such matters, an adverse outcome could be material to the Company's financial condition, results of operations or cash flows for any particular reporting period. A legal reserve is established when the Company is notified of an arbitration demand, litigation or regulatory action, or is notified that an arbitration demand, litigation or regulatory action is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated.

Note 12 OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of the Company's OCI for the years ended December 31, 2022 and 2021 (dollars in thousands):

For the year ended December 31, 2022:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments, change arising during year	$ 26,166	$ —	$ 26,166
Unrealized losses on investments: [1]			
Unrealized net holding losses arising during the year	(211,220)	91	(211,129)
Less: Reclassification adjustment for net losses realized in net income	(1,883)	(11)	(1,894)
Net unrealized losses	(209,337)	102	(209,235)
Other comprehensive income (loss)	$ (183,171)	$ 102	$ (183,069)

For the year ended December 31, 2021:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments, change arising during year	$ 20,188	$ —	$ 20,188
Unrealized losses on investments:			
Unrealized net holding losses arising during the year	(21,105)	47	(21,058)
Less: Reclassification adjustment for net gains realized in net income	28,317	(15)	28,302
Net unrealized losses	(49,422)	62	(49,360)
Other comprehensive income (loss)	$ (29,234)	$ 62	$ (29,172)

(1) Includes cash flow hedges. See Note 4 - "Derivative Instruments" for additional information on cash flow hedges.

The balances of and changes in each component of AOCI for the years ended December 31, 2022 and 2021 were as follows (dollars in thousands):

	Accumulated Currency Translation Adjustments	Unrealized Appreciation (Depreciation) of Investments[1]	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2021	$ (41,641)	$ 83,320	$ 41,679
Change in foreign currency translation adjustments	20,188	—	20,188
Unrealized losses on investments	—	(21,058)	(21,058)
Amounts reclassified from AOCI	—	(28,302)	(28,302)
Balance, December 31, 2021	(21,453)	33,960	12,507
Change in foreign currency translation adjustments	26,166	—	26,166
Unrealized losses on investments	—	(211,129)	(211,129)
Amounts reclassified from AOCI	—	1,894	1,894
Balance, December 31, 2022	$ 4,713	$ (175,275)	$ (170,562)

(1) Includes cash flow hedge of $(0.9) million as of December 31, 2022. See Note 4 - "Derivative Instruments" for additional information on cash flow hedges.

The following table presents the amounts of AOCI reclassifications for the years ended December 31, 2022 and 2021 (dollars in thousands):

	Amount Reclassified from AOCI		
Details about AOCI Components	2022	2021	Affected Line Item in Statement of Income
Net unrealized investment gains (losses):			
Net unrealized gains (losses) on available-for-sale securities	$ (1,883)	$ 28,317	Investment related gains (losses), net
Provision for income taxes	(11)	(15)	
Total reclassifications for the period	$ (1,894)	$ 28,302	