Financial Statements

SkyRidge Re Limited
Year Ended December 31, 2022, and Period November 30, 2021 (Commencement of Operations) Through December 31, 2021
With Report of Independent Auditors

SkyRidge Re Limited

Financial Statements

Year Ended December 31, 2022, and Period November 30, 2021 (Commencement of Operations) Through December 31, 2021

Contents

Building a better
working world

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Report of Independent Auditors

The Board of Directors
SkyRidge Re Limited

Opinion

We have audited the financial statements of SkyRidge Re Limited (the Company), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations, changes in stockholder's equity and cash flows for the year ended December 31, 2022 and the period November 30, 2021 (commencement of operations) through December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and the period November 30, 2021 (commencement of operations) through December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

April 27, 2023

SkyRidge Re Limited

Balance Sheets

	December 31, 2022	December 31, 2021
	(In Thousands, except par and share amounts)	
Assets		
Cash and cash equivalents	**$ 638**	$ 4,187
Funds withheld and held receivable	**5,570,930**	5,307,392
Deferred policy acquisition costs	**126,678**	12,393
Deferred sales inducement costs	**26,628**	1,912
Cost of reinsurance	**274,433**	312,715
Deferred income tax asset	**55,393**	5,283
Income tax receivable	**4,032**	—
Other assets	**55,718**	—
Total assets	**$ 6,114,450**	$ 5,643,882
Liabilities and stockholder's equity		
Liabilities:		
Policy reserves and annuity account values	**$ 5,860,547**	$ 5,286,294
Accounts payable and accrued expenses	**1,733**	1,814
Income tax payable	—	12,453
Other liabilities	**2,634**	364
Total liabilities	**5,864,914**	5,300,925
Stockholder's equity:		
Common stock, $1 par value, 250,000 shares authorized, issued and outstanding	**250**	250
Additional paid-in capital	**343,595**	320,385
Retained earnings (deficit)	**(94,309)**	22,322
Total stockholder's equity	**249,536**	342,957
Total liabilities and stockholder's equity	**$ 6,114,450**	$ 5,643,882

See accompanying notes.

SkyRidge Re Limited

Statements of Operations

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Revenues:		
Net investment income	**$ 319,791**	$ 17,457
Other product charges	**2,879**	157
Net realized/unrealized gains (losses) on fixed index annuity derivatives	**(56,150)**	30,791
Net realized/unrealized gains (losses) on funds withheld and held investments	**(469,446)**	3,318
Other revenue	**32,601**	—
Total revenues	**(170,325)**	51,723
Benefits and expenses:		
Index credits and interest credited to account balances	**86,638**	13,552
Change in fixed index annuity embedded derivative and related benefits	**(165,827)**	(7,631)
Total benefits	**(79,189)**	5,921
Commissions and other operating expenses	**10,765**	13,068
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and cost of reinsurance	**45,826**	3,242
Total benefits and expenses	**(22,598)**	22,231
Income (loss) before income tax expense (benefit)	**(147,727)**	29,492
Income tax expense (benefit)	**(31,096)**	7,170
Net income (loss)	**$ (116,631)**	$ 22,322

See accompanying notes.

SkyRidge Re Limited

Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
	(In Thousands)			
Issuance of common stock	$ 250	$ —	$ —	$ 250
Net income	—	—	22,322	22,322
Contribution from parent	—	320,385	—	320,385
Balance at December 31, 2021	**250**	**320,385**	**22,322**	**342,957**
Net loss	**—**	**—**	**(116,631)**	**(116,631)**
Contribution from parent	**—**	**23,210**	**—**	**23,210**
Balance at December 31, 2022	**$ 250**	**$ 343,595**	**$ (94,309)**	**$ 249,536**

See accompanying notes.

SkyRidge Re Limited

Statements of Cash Flows

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Operating activities		
Net income (loss)	**$ (116,631)**	$ 22,322
Adjustments to reconcile net income (loss) to net cash and cash equivalents used in operating activities:		
Index credits and interest credited to account balances	**86,638**	13,552
Deferral of the cost of initial reinsurance assumed	**—**	(315,947)
Policy acquisition costs deferred	**(120,654)**	(12,403)
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and cost of reinsurance	**45,826**	3,242
Net realized/unrealized (gains) losses on fixed index annuity derivatives	**56,150**	(30,791)
Net realized/unrealized (gains) losses on funds withheld and held investments	**469,446**	(3,318)
Change in fixed index annuity embedded derivative and related benefits	**(165,827)**	(7,631)
Deferred income taxes	**(50,110)**	(5,283)
Change in income taxes receivable or payable	**(16,485)**	12,453
Change in other liabilities	**2,270**	364
Other changes in operating assets and liabilities	**(202)**	1,814
Net cash and cash equivalents provided by (used in) operating activities	**190,421**	(321,626)
Investing activities		
Acquisition of funds withheld and held	**(1,424,399)**	(5,292,581)
Settlement of funds withheld and held	**622,746**	19,298
Acquisition of derivative asset	**(86,276)**	—
Settlement of derivative asset	**43,198**	—
Net cash and cash equivalents used in investing activities	**(844,731)**	(5,273,283)
Financing activities		
Contribution from parent	**23,210**	320,635
Deposits to annuity account balances	**1,250,297**	5,296,035
Withdrawals from annuity account balances	**(622,746)**	(17,574)
Net cash and cash equivalents provided by financing activities	**650,761**	5,599,096
Increase (decrease) in cash and cash equivalents	**(3,549)**	4,187
Cash and cash equivalents at beginning of period	**4,187**	—
Cash and cash equivalents at end of period	**$ 638**	$ 4,187
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Income taxes	**$ 35,500**	$ —

See accompanying notes.

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

Nature of Operations and Basis of Presentation

SkyRidge Re Limited (SkyRidge Re or the Company) is a Bermuda domiciled reinsurance company and was incorporated on August 11, 2021. The Company was licensed in November 2021 as an insurance company by the Bermuda Monetary Authority (BMA). The Company commenced operations on November 30, 2021 commensurate with the effective date of the Company's first reinsurance agreement.

SkyRidge Cayman Holdings LLC (SkyRidge Holdings) is the ultimate parent of SkyRidge Re. SkyRidge Holdings is a company organized under the laws of the Cayman Islands, which owns 100% of the shares in SkyRidge Re UK Limited, a limited company incorporated under the laws of England and Wales (UK HoldCo). UK HoldCo owns 100% of the membership interest in SkyRidge Re MidCo LLC (MidCo). MidCo is a Delaware limited liability company and owns 100% of the shares in the Company.

The primary operations of the Company since inception has been to assume fixed annuity (FA) and fixed index annuity (FIA) business on a funds withheld coinsurance basis. The ceding company manages the funds withheld and held assets in accordance with agreements between the ceding company and the Company. The Company's management oversees reporting, risk management and investment management, which in part is outsourced to third parties.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported and disclosed. Significant estimates and assumptions include the calculation of the embedded derivative relative to the Company's reinsurance agreement; the calculation of the index credit receivable derivative; amortization of deferred policy acquisition costs (DAC), deferred sales inducement costs (DSI), and cost of reinsurance; calculation of liabilities for future policy benefits; calculation of the embedded derivative relative to policy reserves and annuity account values; and calculation of income taxes and the recognition of deferred income tax assets and liabilities. Management believes that the estimates used in preparing its financial statements are reasonable.

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

Cash and Cash Equivalents

Cash and cash equivalents includes operating cash, other investments with original maturities of 90 days or less, and money market funds principally supported with cash and cash equivalent funds.

Funds Withheld and Held Receivable

Funds withheld receivable represents a receivable for amounts contractually withheld by the ceding company in accordance with a funds withheld coinsurance reinsurance agreement in which the Company is the reinsurer. Generally, assets equal to statutory reserves and unamortized statutory interest maintenance reserve are withheld yet beneficially owned by the assuming company, and any excess or shortfall is settled periodically.

The Company is contractually obligated, as a part of its funds withheld coinsurance reinsurance agreement, to hold an amount of assets equal to 5% of the statutory reserves assumed and unamortized statutory interest maintenance reserve calculated by the ceding company as additional collateralization. This additional collateralization is reflected as funds held on the balance sheet of the Company in the funds withheld and held receivable balance and is being held on deposit with and managed by the ceding company.

All investment income earned on the investing of the funds withheld and held receivable will be recorded by the Company as net investment income on the statements of operations. Realized and unrealized gains and losses will be recorded by the Company within net realized/unrealized gains (losses) on fixed index annuity derivatives and net realized/unrealized gains (losses) on funds withheld and held investments (see Note 2).

Asset and Liability Derivatives

The Company's funds withheld receivable is comprised of the host contract and an embedded derivative. The Company is subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Additionally, the Company assumes certain products that contain a derivative that is embedded in the product. Both embedded derivatives must be accounted for under ASC 815, *Derivatives and Hedging* (ASC 815). Under ASC 815, the Company assesses whether the embedded derivative is clearly and closely related to the host contract. The Company bifurcates embedded derivatives from the

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

host instrument for measurement purposes when the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and a separate instrument with the same terms would qualify as a derivative instrument. Other assets represents the market value of the index credit receivable from Security Benefit Life Insurance Company (SBLIC). The Company pays SBLIC the cost of hedging index credits at the beginning of the index period. In exchange, SBLIC is obligated to pay the Company index credits.

Deferred Policy Acquisition Costs, Deferred Sales Inducement Costs and Cost of Reinsurance

Incremental direct costs of contract acquisition (commissions) as well as certain costs directly related to acquisition activities (underwriting, other policy issuance and processing, and selling costs) assumed from the ceding company for the successful acquisition or renewal of deferred annuity business have been deferred. DAC is amortized on a constant level basis based on policy count. The period over which DAC is amortized was determined such that there is no longer a material portion of business remaining at the end of the period. This period is 30 years for fixed index annuity and 15 years for fixed annuity.

Significant assumption inputs to the calculation of DAC amortization for fixed index annuities and fixed annuities include mortality and full surrender rates. The Company relied on assumptions developed and reviewed by the ceding company. The ceding company relies on a tier approach for assumption review in which the most significant assumptions are reviewed with the highest frequency.

In 2021 the ceding company reviewed all significant assumptions. Certain assumptions were revised and other assumptions were not. Full surrender assumptions for fixed index annuities and fixed annuities were revised. In general, full surrender rates were decreased during the surrender charge period for fixed annuities and increased after the surrender charge period for both fixed index annuities and fixed annuities. No revisions were made to the fixed index annuity full surrender rates during the surrender charge period. Additionally, no revisions were made to the mortality assumption for either fixed index annuities or fixed annuities.

In 2022, the ceding company further reviewed all significant assumptions and revised as necessary. Full surrender rates within the surrender charge period were reduced by approximately 10% for fixed index annuities. No revisions were made to full surrender rates for

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

fixed annuities. Mortality rates were increased by 5% for fixed annuities. No revisions were made to the mortality assumption for fixed index annuities.

The following table provides the policy count weighted-average durations for the policies issued after commencement of operations using the above assumptions over the DAC amortization period, in years ended December 31:

	2022	2021
Fixed Index Annuity	7.5	7.5
Fixed Annuity	3.6	3.8
Total	7.1	7.3

For insurance and annuity contracts, policyholders may desire different product benefits, features, rights, or coverages by exchanging a contract for a new contract or by an amendment or an endorsement. These transactions are known as internal replacements. The Company accounts for internal replacements as a termination of the original reinsured contract and an issuance of a new reinsured contract on a basis similar to the direct business being ceded. Any DAC or DSI associated with the original contract is written off.

DSI consists of bonus interest credits and premium credits added to certain annuity contract values assumed from the ceding company. It is subject to vesting requirements and is capitalized to the extent it is incremental to amounts that would be credited on similar contracts without the applicable feature. DSI is amortized using the same methodology and assumptions used to amortize DAC. DSI policy count weighted-average durations are the same as DAC.

Cost of reinsurance is an asset that reflects the net cash flows between the ceding company and the Company, including the ceding commission. Cost of reinsurance is amortized using the same methodology and assumptions used to amortize DAC.

The following table provides the policy count weighted-average durations for the policies issued prior to commencement of operations over the cost of reinsurance amortization period, in years ended December 31:

	2022	2021
Fixed Index Annuity	7.2	7.4
Fixed Annuity	3.3	3.4
Total	6.0	6.1

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

Policy Reserves and Annuity Account Values

Liabilities for future policy benefits for deferred annuity products represent contract values accumulated with interest without reduction for potential surrender charges. Interest on accumulated contract values is credited to contracts as earned. Interest crediting rates ranged from 1% to 6.5% and 1% to 4% during 2022 and 2021, respectively.

The Company assumes fixed index annuity products with returns linked to the performance of certain indices. Policy reserves for index annuities are equal to the sum of the fair value of the embedded index options, the host components of the index account, and the fixed account accumulated with interest and without reduction for potential surrender charges. The host value is established at inception of the contract and is accreted over the policy's life at a constant rate of interest.

Reinsurance

The Company assumes investment-type insurance contracts under a coinsurance funds withheld agreement. Assets and liabilities assumed under funds withheld are presented gross on the balance sheet. Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks.

Deferred Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. Deferred income tax expense or benefit, reflected in the Company's statements of operations as a component of income tax expense or benefit, is based on the changes in deferred income tax assets or liabilities from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. The Company is required to record a valuation allowance to reduce its deferred income tax assets, if warranted, to an amount that represents management's best estimate of the amount of such deferred income tax assets that will more likely than not be realized using the enacted tax rates and laws.

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

Recognition of Revenues

Investment income, including interest and dividends, earned on funds withheld and held receivable is recorded in net investment income on the statements of operations and is recognized when earned. Additional detail is provided in Note 2.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-12, *Financial Services-Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts*. This amendment improves four areas to the accounting for long-duration contracts.

(1) Assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts. The amendments in this update require an insurance entity to (a) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (b) update the discount rate assumption at each reporting date. The provision for risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. The change in the liability estimate as a result of updating cash flow assumptions is required to be recognized in net income. The change in the liability estimate as a result of updating the discount rate assumption is required to be recognized in other comprehensive income. The amendments require that an insurance entity discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed-income instrument yield that maximizes the use of observable market inputs.

(2) Measurement of market risk benefits. The amendments require that an insurance entity measure all market risk benefits associated with deposit (or account balance) contracts at fair value. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income.

(3) Amortization of deferred acquisition costs. The amendments simplify the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require that those balances be amortized on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test.

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

(4) Disclosures. The amendments require that an insurance entity provide aggregated roll forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendments also require that an insurance entity disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.

The standard is effective January 1, 2025 for the Company, with early adoption permitted. The Company adopted this standard at its commencement.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. The guidance is effective upon issuance and may be adopted on any date on or after March 12, 2020. In January 2021, the FASB issued ASU 2021-01 Reference Rate Reform (Topic 848): Scope to amend the scope of ASU 2020-04. New optional expedients allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment (i.e., discount transition) to qualify for certain optional relief. Both updates are applicable for contract modifications and/or hedging relationships that occur through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", to defer the expiration date of ASC 848 from December 31, 2022, to December 31, 2024. The Company adopted the updates for ASU 2020-04 and ASU 2021-01 on commencement of operations. The adoption of and future elections under this new guidance did not and are not expected to have a material impact on the Company's consolidated financial position or results of operations. The guidance is effective through December 31, 2024.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses, Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and

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

supportable information to inform credit loss estimates. The new standard is effective for the Company on January 1, 2023. This update was subsequently clarified or amended by ASU 2019-04 (as discussed in Recently Adopted Accounting Pronouncements below), ASU 2019-05 *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief*; and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. The Company will adopt using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained earnings.

Although the Company believes the new impairment model may lead to earlier recognition of credit losses on certain assets compared to current loss recognition methodology, the Company does not expect the adoption of this guidance to have a material impact on the Company's financial condition, results of operations, or cash flows. Management is evaluating the impact of this ASU to its consolidated financial statements upon adoption of this standard in 2023.

ASUs issued but not yet adopted as of December 31, 2022 would not be disclosed above should they be assessed as either not applicable or are not expected to have a material impact on the Company's consolidated financial statements at this time.

2. Funds Withheld and Held Receivable

Funds withheld and held receivable represents receivables for amounts contractually withheld by a ceding company in accordance with a funds withheld reinsurance agreement in which the Company is the reinsurer or other agreements between the Company and the ceding company. Generally, assets equal to statutory reserves and unamortized statutory interest maintenance reserve are withheld yet beneficially owned by the assuming company. Investment income on funds withheld includes the interest income earned on the segregated assets as defined by the treaty terms. The Company is subject to the investment performance on the withheld and held assets with the total return directly impacting the host contract and the embedded derivative.

Interest accrues based on the performance of the underlying assets that support the host receivable and is recorded as net investment income in the statements of operations. The change in the embedded derivative in the Company's reinsurance agreement (as further discussed in Note 3) is recorded in net realized/unrealized gains (losses) on funds withheld and held investments in the statements of operations. The change is recorded in net realized/unrealized gains (losses) on fixed index annuity derivatives in the statements of operations as it relates to the derivatives utilized in the hedging of the equity index crediting features of the FIA business

2. Funds Withheld and Held Receivable (continued)

assumed during 2021 and in net realized/unrealized gains (losses) on funds withheld and held investments on the statements of operations as it relates to non-derivative assets backing the statutory reserves of all business assumed.

The ceding company contractually manages the withheld and held assets in accordance with the Company's investment guidelines.

Net investment income for the year ended December 31, 2022 and the period of November 30, 2021 (Commencement of Operations) through December 31, 2021 of $319.8 million and $17.5 million, respectively, is comprised of investment income on funds withheld and held.

Net realized/unrealized gains (losses) consist of the following for the periods:

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Net realized/unrealized gains (losses) on fixed index annuity derivatives:		
Embedded derivative, funds withheld reinsurance	**$ (56,150)**	$ 25,753
Call options - realized	**—**	4,866
Other	**—**	172
Net realized/unrealized gains (losses) on fixed index annuity derivatives	**$ (56,150)**	$ 30,791

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Net realized/unrealized gains (losses) on funds withheld and held investments:		
Embedded derivative, funds withheld reinsurance	**$ (464,410)**	$ 3,556
Other	**(5,036)**	(238)
Net realized/unrealized gains (losses) on funds withheld and held investments	**$ (469,446)**	$ 3,318

3. Derivative Instruments

The Company assumes fixed index deferred annuity contracts which credit interest based on a percentage of the gain in a specified market index. This index crediting feature is an embedded derivative.

The Company is party to a coinsurance funds withheld reinsurance agreement (see Note 7). Under ASC 815, the Company's reinsurance agreement contains an embedded derivative that requires bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the ceding company. The embedded derivative in the funds withheld reinsurance agreement has characteristics similar to a total return swap, as the Company assumes the total return on a designated investment portfolio from the ceding company. The ceding company passes risk associated with the interest credited to the policyholders on the policies covered by the agreement, which is relatively fixed. The value of the embedded derivative in the funds withheld reinsurance agreement is equal to the value of the unrealized gain or loss on the designated investments.

The fair value of the Company's derivative financial instruments classified as assets and liabilities on the balance sheet as of December 31 is as follows:

	Derivative Asset		Derivative Liability		
	2022	**2021**	**2022**	**2021**	**Balance reported in**
	(In Thousands)				
Embedded derivatives:					
Index credit receivable derivative	**$ 55,598**	$ —	**$ —**	$ —	Other assets
Fixed index annuity contracts	**—**	—	**386,840**	459,917	Policy reserves and annuity account values
Funds withheld and held receivable	**(409,139)**	111,421	**—**	—	Funds withheld receivable
Total embedded derivative financial instruments	**$ (353,541)**	$ 111,421	**$ 386,840**	$ 459,917	

3. Derivative Instruments (continued)

The changes in fair value of fixed index annuity contracts embedded derivative and related benefits is comprised of the following:

	Year Ended December 31, 2022		November 30, 2021 (Commencement of Operations) through December 31, 2021		Change of fair value reported in
	(In Thousands)				
Index credit receivable derivative (see Note 10)	$	30,678	$	—	Change in fixed index annuity embedded derivative and related benefits
Fixed index annuities - embedded derivatives (see Note 10)		(195,928)		(460)	Change in fixed index annuity embedded derivative and related benefits
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting		(577)		(7,171)	Change in fixed index annuity embedded derivative and related benefits
	$	(165,827)	$	(7,631)	

The amounts presented as "Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting" represents the difference between policy benefit reserve change for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in Note 10.

4. Deferred Policy Acquisition Costs

An analysis of the DAC asset balance is presented below for the periods:

	December 31, 2022			November 30, 2021 (Commencement of Operations) through December 31, 2021		
	(In Thousands)					
	Fixed Index Annuity	**Fixed Annuity**	**Total**	Fixed Index Annuity	Fixed Annuity	Total
Balance at beginning of period	**$ 12,135**	**$ 258**	**$ 12,393**	$ —	$ —	$ —
Cost deferred	**112,356**	**8,298**	**120,654**	12,143	260	12,403
Amortized to expense	**(5,585)**	**(784)**	**(6,369)**	(8)	(2)	(10)
Balance at end of period	**$ 118,906**	**$ 7,772**	**$ 126,678**	$ 12,135	$ 258	$ 12,393

5. Deferred Sales Inducement Costs

An analysis of the DSI costs asset balance is presented below for the periods:

	December 31, 2022			November 30, 2021 (Commencement of Operations) through December 31, 2021		
	(In Thousands)					
	Fixed Index Annuity	**Fixed Annuity**	**Total**	Fixed Index Annuity	Fixed Annuity	Total
Balance at beginning of period	**$ 1,912**	**$ —**	**$ 1,912**	$ —	$ —	$ —
Costs deferred	**25,891**	**—**	**25,891**	1,913	—	1,913
Amortized to expense	**(1,175)**	**—**	**(1,175)**	(1)	—	(1)
Balance at end of period	**$ 26,628**	**$ —**	**$ 26,628**	$ 1,912	$ —	$ 1,912

6. Cost of Reinsurance

The Company recorded cost of reinsurance that is being amortized in a similar manner to DAC. An analysis of cost of reinsurance and associated amortization is presented below for the periods:

	December 31, 2022			November 30, 2021 (Commencement of Operations) through December 31, 2021		
	(In Thousands)					
	Fixed Index Annuity	**Fixed Annuity**	**Total**	**Fixed Index Annuity**	**Fixed Annuity**	**Total**
Balance at beginning of period	**$ 244,844**	**$ 67,871**	**$ 312,715**	$ —	$ —	$ —
Initial reinsurance settlement	—	—	—	246,758	69,189	315,947
Amortized to expense	**(22,958)**	**(15,324)**	**(38,282)**	(1,914)	(1,318)	(3,232)
Balance at end of period	**$ 221,886**	**$ 52,547**	**$ 274,433**	$ 244,844	$ 67,871	$ 312,715

7. Reinsurance

In December 2021, the Company entered into an agreement (as amended) to assume certain FA and FIA liabilities from SBLIC, a Kansas domiciled life and health insurance company licensed in 49 states and the District of Columbia. The liabilities subject to the agreement are (i) liabilities on policies in-force with SBLIC as of November 30, 2021 and (ii) liabilities on policies as they are written through 2024, subject to the terms of the agreement. SBL Holdings Inc. (SBLH), the parent company of SBLIC, has a non-controlling minority interest in SkyRidge Holdings. SBLH and SBLIC are not affiliates of the Company for state insurance law purposes, and SBLH and SBLIC are not consolidated with the Company.

The Company entered into a funds withheld coinsurance amendment on April 29, 2022, with an effective date of January 1, 2022. This amendment excluded FIA derivatives from being allocated by SBLIC to the funds withheld (FWH) amount in order to hedge future index credits. The amendment also included an index credit receivable derivative the Company entered into with SBLIC, in which the Company will pay SBLIC a fee related to the cost of hedging the future index credits of the ceded FIA policies and SBLIC will cover the future index credits of such policies. The Company recognized expense of $30.7 million, recognized within "change in fixed index annuity embedded derivative and related benefits" in the Statements of Operations. The value of the index credit reimbursement was $32.6 million, presented within "other revenue" in the Statements of Operations.

On December 16, 2022, the Company executed an amendment to the Amended and Restated funds withheld coinsurance agreement. The amendment adjusted the timing of the quota share arrangement and extended the investment period through 2024.

7. Reinsurance (continued)

Principal reinsurance assumed transactions are summarized as follows for the periods:

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Reinsurance assumed:		
Premiums received	**$ 1,285,255**	$ 131,049
Commissions paid	**121,796**	11,477
Claims paid	**73,630**	4,387
Surrenders paid	**551,995**	13,188

As of December 31, 2022 and 2021, the value of the Company's funds withheld and held receivable under its reinsurance agreement was $5,570.9 million and $5,307.4 million, respectively, including overcollateralization.

8. Insurance Liabilities

The following table details the balances of and changes in the fixed portion of the policyholder account balances for the periods below:

	December 31, 2022			November 30, 2021 (Commencement of Operations) through December 31, 2021		
	(In Thousands)					
	Fixed Index Annuity (Indexed)	**Fixed Index Annuity (Fixed)**	**Fixed Annuity**	**Fixed Index Annuity (Indexed)**	**Fixed Index Annuity (Fixed)**	**Fixed Annuity**
Balance at beginning of period	**$ 2,852,466**	**$ 179,228**	**$ 2,276,752**	—	$ —	—
Initial reinsurance settlement	—	—	—	2,731,462	173,202	2,276,757
Issuances	**970,285**	**92,962**	**163,712**	111,048	7,168	6,123
Premiums received	**11,196**	**13,164**	**33,936**	2,966	1,938	1,807
Policy charges	**(1,827)**	**(148)**	**(1,023)**	(51)	(2)	(170)
Surrenders and withdrawals	**(51,169)**	**(6,014)**	**(29,638)**	(3,373)	(511)	(3,863)
Benefit payments	**(44,112)**	**(4,766)**	**(461,617)**	(978)	(465)	(8,162)
Net transfers	**(816)**	**816**	**—**	2,351	(2,351)	—
Interest credited/index credits	**32,601**	**4,238**	**49,799**	9,043	257	4,203
Other	**(599)**	**(250)**	**28**	(2)	(8)	57
Balance at end of period	**$ 3,768,025**	**$ 279,230**	**$ 2,031,949**	$ 2,852,466	$ 179,228	$ 2,276,752
Weighted-average crediting rate [(1)]	**2.38 %**	**2.01 %**	**2.77 %**	2.10 %	1.74 %	2.20 %
Cash surrender value	**$ 3,217,252**	**$ 243,080**	**$ 1,863,581**	$ 2,489,146	$ 159,254	$ 2,122,382

[(1)] The weighted average crediting rate is expressed as a percentage of indexed account value and represents the annual cost of hedging under market conditions at the beginning of the index period. This cost is paid by the Company to Security Benefit to replicate the crediting strategy to the policyholder. In exchange, Security Benefit pays the Company index credits.

8. Insurance Liabilities (continued)

The following tables detail the policyholder account balances by range of guaranteed minimum crediting rates and the related range of difference between rates being credited to policyholders and the respective guaranteed minimums as of December 31.

	2022 (In Thousands)					
	Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Points-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
Fixed Annuity	0.00% - 1.49%	**$ 10,963**	**$ 153,429**	**$ 782,086**	**$ 787,505**	**$ 1,733,983**
	1.50% - 2.99%	**61,631**	**16,760**	**833**	**218,742**	**297,966**
	Greater than 2.99%	**—**	**—**	**—**	**—**	**—**
	Total	**$ 72,594**	**$ 170,189**	**$ 782,919**	**$ 1,006,247**	**$ 2,031,949**
Fixed Index Annuity [(1)]	0.00% - 0.99%	**$ —**	**$ —**	**$ 53,895**	**$ 30,671**	**$ 84,566**
	1.00% - 1.99%	**1,245**	**24,224**	**138,282**	**30,913**	**194,664**
	Greater than 1.99%	**—**	**—**	**—**	**—**	**—**
	Total	**$ 1,245**	**$ 24,224**	**$ 192,177**	**$ 61,584**	**$ 279,230**

(1) The FIA indexed account is not included in this table because index credits are based on market performance and crediting parameters, not a rate declared to the policyholder. Additionally, the hedge cost used to represent the cost of these credits has guaranteed parameters but not a discernible guaranteed minimum.

	2021 (In Thousands)					
	Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Points-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
Fixed Annuity	0.00% - 1.49%	$ 172,878	$ 261,459	$ 1,010,184	$ 443,938	$ 1,888,459
	1.50% - 2.99%	87,713	531	110,548	189,501	388,293
	Greater than 2.99%	—	—	—	—	—
	Total	$ 260,591	$ 261,990	$ 1,120,732	$ 633,439	$ 2,276,752
Fixed Index Annuity [(1)]	0.00% - 0.99%	$ —	$ —	$ 44,574	$ 3,977	$ 48,551
	1.00% - 1.99%	653	20,461	109,563	—	130,677
	Greater than 1.99%	—	—	—	—	—
	Total	$ 653	$ 20,461	$ 154,137	$ 3,977	$ 179,228

(1) The FIA indexed account is not included in this table because index credits are based on market performance and crediting parameters, not a rate declared to the policyholder. Additionally, the hedge cost used to represent the cost of these credits has guaranteed parameters but not a discernible guaranteed minimum.

8. Insurance Liabilities (continued)

A reconciliation of the fixed annuity and fixed index annuity account balances to the total policy reserves and annuity account values on the balance sheet as of December 31 is as follows:

	2022	2021
	(In Thousands)	
Fixed annuity account balances	**$ 2,031,949**	$ 2,276,752
Fixed index annuity account balances	**4,047,255**	3,031,694
Derivative accounting versus long-duration contracts accounting difference	**(218,657)**	(22,152)
Total policy reserves and annuity account values	**$ 5,860,547**	$ 5,286,294

The components of index credits and interest credited to account balances are summarized as follows for the periods:

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Index credits	**$ 32,601**	$ 9,043
Interest credited to account balances	**54,037**	4,509
	$ 86,638	$ 13,552

9. Income Taxes

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 Bermuda government that, in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until March 31, 2035. Effective in 2021, the Company has made a qualifying election available to foreign insurance companies under Section 953(d) of the Internal Revenue Code to be treated as a U.S. corporation for U.S. federal income tax purposes. As part of the Section 953(d) election, the Company anticipates entering into a closing agreement with the Internal Revenue Service (IRS) and providing the IRS with security for the payment of future U.S. taxes due in the form of a $10.0 million letter of credit. The Company files a U.S. federal income tax return on a stand alone basis.

9. Income Taxes (continued)

The provision for income taxes includes current federal tax expense or benefit and deferred income tax expense or benefit due to temporary differences between the financial reporting and income tax bases of assets and liabilities.

As of December 31, 2022 and 2021, the Company had no gross unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense as a component of operating expenses in the statements of operations. The Company recorded neither interest expense nor penalties for unrecognized tax benefits for December 31, 2022 and the period from November 30, 2021 (commencement of operations) through December 31, 2021.

Income tax expense consists of the following for the periods:

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Current income tax expense	**$ 19,014**	$ 12,453
Deferred income tax (benefit) expense	**(50,110)**	(5,283)
Income tax (benefit) expense	**$ (31,096)**	$ 7,170

The differences between reported income tax expense and the results from applying the statutory federal rate to income before income tax expense are as follows for the periods:

	Year Ended December 31, 2022	November 30, 2021 (Commencement of Operations) through December 31, 2021
	(In Thousands)	
Federal income tax expense (benefit) computed at statutory rate	**$ (31,023)**	$ 6,193
Increases (decreases) in taxes resulting from:		
Organization costs	**—**	977
Prior year adjustments	**(73)**	—
Income tax expense (benefit)	**$ (31,096)**	$ 7,170

9. Income Taxes (continued)

Net deferred income tax assets and liabilities consist of the following as of December 31:

	2022	2021
	(In Thousands)	
Deferred income tax assets:		
Future policy benefits	**$ 71,133**	$ 98,305
Net unrealized loss on embedded derivative - funds withheld investments	**85,919**	—
Other	**5,388**	5,535
Total deferred income tax assets	**162,440**	103,840
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	**32,181**	3,004
Net unrealized loss on embedded derivative - funds withheld investments	**—**	23,339
Fair value of index receivable	**11,676**	—
Investments	**5,559**	6,544
Cost of reinsurance	**57,631**	65,670
Total deferred income tax liabilities	**107,047**	98,557
Net deferred income tax assets	**$ 55,393**	$ 5,283

The Company assesses the available positive and negative evidence surrounding the recoverability of the deferred income tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. As of December 31, 2022 and 2021, the Company recorded no valuation allowance.

10. Fair Value Measurements

Fair Value Hierarchy

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels based on the inputs and assumptions used to determine the fair value. The levels are as follows:

Level 1 – Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which significant assumptions are observable in the market, and option pricing models using inputs observable in the market.

Level 3 – Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

Determination of Fair Value

Under ASC 820, the Company bases fair values on the price that would be received to sell an asset (exit price) or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in ASC 820.

10. Fair Value Measurements (continued)

Index credit receivable derivative

The fair value of the index credit receivable is determined using call option pricing with current market data and updated fund value allocations for policyholder balances. This fair value is classified as Level 3.

Embedded derivative - funds withheld and held receivable

The fair value of the embedded derivative is estimated based on the fair value of the assets supporting the funds withheld reinsurance liability under the coinsurance funds withheld agreement. The fair value of the embedded derivative is classified as Level 3.

Embedded derivative – fixed index annuity contracts

Fair values of the Company's embedded derivative component of the fixed index annuity policy liabilities are determined by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for the nonperformance risk related to those liabilities. The projections of policy contract values are based on the Company's best estimate assumptions for future policy growth and future policy decrements. The Company's best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date derived from the fair values of the underlying call options purchased by SBLIC to fund such index credits and the expected costs of call options SBLIC will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. These liabilities are included in Level 3.

10. Fair Value Measurements (continued)

Assets and Liabilities Measured and Reported at Fair Value

The following tables present categories measured at fair value on a recurring basis as of December 31:

	2022			
		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
		(In Thousands)		
Assets:				
Index credit receivable derivative	**$ 55,598**	**$ —**	**$ —**	**$ 55,598**
Embedded derivative - funds withheld and held receivable	**(409,139)**	**—**	**—**	**(409,139)**
Total assets	**$ (353,541)**	**$ —**	**$ —**	**$ (353,541)**
Liabilities:				
Derivatives and embedded derivatives:				
Embedded derivative - fixed index annuity contracts	**$ 386,840**	**$ —**	**$ —**	**$ 386,840**
Total liabilities	**$ 386,840**	**$ —**	**$ —**	**$ 386,840**

	2021			
		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
		(In Thousands)		
Assets:				
Embedded derivative - funds withheld and held receivable	$ 111,421	$ —	$ —	$ 111,421
Total assets	$ 111,421	$ —	$ —	$ 111,421
Liabilities:				
Derivatives and embedded derivatives:				
Embedded derivative - fixed index annuity contracts	$ 459,917	$ —	$ —	$ 459,917
Total liabilities	$ 459,917	$ —	$ —	$ 459,917

10. Fair Value Measurements (continued)

Changes in Level 3 Fair Value Measurements

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for December 31, 2022 and the period from November 30, 2021 (commencement of operations) through December 31, 2021 is as follows:

	December 31, 2022				
		Total Realized/ Unrealized Gains and Losses			
	Balance at January 1, 2022	Included in Net Income	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2022
			(In Thousands)		
Assets:					
Index credit receivable derivative	**$ —**	**$ (30,678)**	**$ 86,276**	**$ —**	**$ 55,598**
Embedded derivative - funds withheld and held receivable	**111,421**	**(520,560)**	**—**	**—**	**(409,139)**
Total assets	**$ 111,421**	**$ (551,238)**	**$ 86,276**	**$ —**	**$ (353,541)**
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	**$ 459,917**	**$ (195,928)**	**$ 122,851**	**$ —**	**$ 386,840**
Total liabilities	**$ 459,917**	**$ (195,928)**	**$ 122,851**	**$ —**	**$ 386,840**

	November 30, 2021 (Commencement of Operations) through December 31, 2021				
		Total Realized/ Unrealized Gains and Losses			
	Initial Reinsurance Settlement	Included in Net Income	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2021
			(In Thousands)		
Assets:					
Embedded derivative - funds withheld and held receivable	$ 82,112	$ 29,309	$ —	$ —	$ 111,421
Total assets	$ 82,112	$ 29,309	$ —	$ —	$ 111,421
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	$ 444,758	$ (461)	$ 15,620	$ —	$ 459,917
Total liabilities	$ 444,758	$ (461)	$ 15,620	$ —	$ 459,917

10. Fair Value Measurements (continued)

The details of the Level 3 purchases, issuances, sales, and settlements for the periods as follows:

	December 31, 2022				
	Purchases	Issuances	Sales	Settlements	Net
	(In Thousands)				
Assets:					
Index credit receivable derivative	$ —	$ 86,276	$ —	$ —	$ 86,276
Total liabilities	$ —	$ 86,276	$ —	$ —	$ 86,276
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	$ —	$ 128,318	$ —	$ 5,467	$ 122,851
Total liabilities	$ —	$ 128,318	$ —	$ 5,467	$ 122,851

	November 30, 2021 (Commencement of Operations) through December 31, 2021				
	Purchases	Issuances	Sales	Settlements	Net
	(In Thousands)				
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	$ —	$ 15,846	$ —	$ 226	$ 15,620
Total liabilities	$ —	$ 15,846	$ —	$ 226	$ 15,620

Transfers

There were no transfers into and out of Level 3 of assets and liabilities measured at fair value for December 31, 2022 and the period from November 30, 2021 (commencement of operations) through December 31, 2021.

10. Fair Value Measurements (continued)

Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for fair value measurements categorized within Level 3, excluding assets and liabilities for which significant unobservable inputs primarily consist of those valued using broker quotes.

	As of December 31, 2022			
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input
	(In Thousands)			
Assets:				
Embedded derivatives				
Index credit receivable derivative	$ **55,598**	See Note (1)		
Funds withheld and held receivable	**(409,139)**	See Note (1)		
Total assets	$ **(353,541)**			
Liabilities:				
Embedded derivatives:				
Fixed index annuity contracts	$ **386,840**	Discounted Cash Flow	Own credit spread	2.26%
			Risk margin	0.05% - 0.24%
Total liabilities	$ **386,840**			

	As of December 31, 2021			
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input
	(In Thousands)			
Assets:				
Embedded derivatives				
Funds withheld and held receivable	$ 111,421	See Note (1)		
Total assets	$ 111,421			
Liabilities:				
Embedded derivatives:				
Fixed index annuity contracts	$ 459,917	Discounted Cash Flow	Own credit spread	1.35%
			Risk margin	0.11% - 0.17%
Total liabilities	$ 459,917			

(1) Equal to the estimated net unrealized gains or losses of the assets supporting the funds withheld and held receivable under the coinsurance funds withheld agreement.

10. Fair Value Measurements (continued)

Financial Instruments Not Reported at Fair Value

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis but required to be disclosed at fair value as of December 31 are as follows:

	2022				
			Fair Value Hierarchy Level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Assets (liabilities)					
Funds withheld and held receivable	**$ 5,980,069**	**$ 5,570,930**	**$ —**	**$ —**	**$ 5,570,930**
Fixed annuity account balances	**(2,031,949)**	**(1,940,691)**	**—**	**—**	**(1,940,691)**

	2021				
			Fair Value Hierarchy Level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Assets (liabilities)					
Funds withheld and held receivable	$ 5,195,971	$ 5,307,392	$ —	$ —	$ 5,307,392
Fixed annuity account balances	(2,276,752)	(2,238,274)	—	—	(2,238,274)

11. Commitments and Contingencies

Pursuant to the Amended and Restated Limited Liability Company Agreement of SkyRidge Holdings, the Company is required to establish a contingent capital account consisting of assets with an aggregate book value equal to the lesser of (i) $20.0 million as of January 1, 2022, $45.0 million as of January 1, 2023, $67.5 million as of January 1, 2024 and $90.0 million as of January 1, 2025 or (ii) the aggregate net amounts paid to the Company pursuant to the reinsurance agreement entered into with SBLIC for each of the cumulative periods since inception of the reinsurance agreement. SBLH would be entitled to the contingent capital account in future years if certain requirements are met. As of December 31, 2022 and 2021, the Company was in compliance with this requirement.

11. Commitments and Contingencies (continued)

The Company is periodically party to legal and arbitral proceedings and subject to complaints, and the like, and is periodically examined by its regulators and may discuss certain matters with its regulators that come up during such examinations or otherwise. Management currently does not believe that any litigation, arbitration, complaint or other such matter to which the Company is party, or that any actions by its regulators with respect to any such examinations or matters under discussion with them, will, alone or collectively, materially adversely affect the Company's results of operations or financial condition.

12. Related-Party Transactions

The Company received $23.2 million and $320.4 million in capital contributions from its parent, MidCo, during 2022 and 2021, respectively. The Company did not pay any dividends to MidCo during 2022 and 2021.

During the fourth quarter of 2021, SBLH acquired a less than 10% equity investment in SkyRidge Holdings, which is the ultimate parent of the Company. Effective November 30, 2021, SBLIC, a subsidiary of SBLH, entered into a funds withheld coinsurance reinsurance agreement to cede certain FA and FIA liabilities to the Company (see Note 7). SBLIC also entered into an investment management agreement with the Company to manage the invested assets of the Company.

13. Statutory Financial Information and Regulatory Net Capital Requirements

The Company is subject to insurance laws and regulations in Bermuda. Certain regulations include restrictions that limit the dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The differences between financial statements prepared for insurance regulatory authorities and GAAP financial statements vary by jurisdiction.

The Company is licensed by the BMA as a long-term class E insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II).

13. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

Under the Bermuda Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum solvency margin (MSM) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). The Company is a Class E reinsurer. Accordingly, MSM is equal to the greater of $8 million, 2% of the first $500 million of statutory assets plus 1.5% of statutory assets above $500 million or 25% of ECR. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MSM. As of December 31, 2022 and 2021, the Company was in excess of the minimum levels required. For the Company, the ECR is the binding regulatory constraint. The Company's MSM was $101.1 million and $88.3 million as of December 31, 2022 and 2021, respectively. Statutory capital and surplus was $485.6 million and $312.7 million as of December 31, 2022 and 2021, respectively, which is adequate to cover the MSM requirement for both periods.

Under the BMA framework, statutory financial statements are generally equivalent to GAAP financial statements, adjusted for permitted practices granted by the BMA. The Company has permission to exclude recognition of the embedded derivative related to the non-derivative assets underlying the funds withheld and held receivable. Additionally, to the extent derivatives are held in the funds withheld accounts, the Company has permission to adjust FIA reserve requirements to only include current indexed account value and the associated derivative market value less the derivative amortized cost. The following represents the effect of the permitted practices to the statutory financial statements as of December 31:

	2022	2021
	(In Millions)	
Increase/(decrease) to capital and surplus due to permitted practices	**$ 236.0**	$ (30.3)
Increase/(decrease) to statutory net income due to permitted practices	**266.3**	(30.3)

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company’s respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. The maximum dividend without attestation as of December 31, 2022 was $78 million. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, the Company is permitted to distribute up to the sum

13. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The maximum dividend without prior BMA approval as of December 31, 2022 was $193 million. In 2021, given that this is the first year of operations, the Company was not permitted to remit to its parent any dividend amount without the need for prior approval as of December 31, 2021. The Company did not declare nor pay any divided during the period November 30, 2021 (commencement of operations) through December 31, 2021 or for year ended December 31, 2022.

14. Subsequent Events

Subsequent events have been evaluated through April 27, 2023, which is the date the financial statements were issued.