TR Re, Ltd.

Report of Independent Auditor's

Consolidated Financial Statements

As of December 31, 2022 and 2021

For the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021

TR RE, LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
TR Re Ltd.

Opinion

We have audited the consolidated financial statements of TR Re Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the related consolidated statement of operation, comprehensive income, changes in stockholder's equity, and cash flows, for the year and period then ended, and the related notes to the consolidated 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 year and period then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

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 audits.

Deloitte Ltd.

June 13, 2023

TR RE, LTD.
Consolidated Balance Sheets

(In millions, except share data)	As of December 31, 2022		As of December 31, 2021	
Assets				
Investments:				
Fixed maturities, available-for-sale ("AFS") (net of allowance for credit losses ("ACL") of $0 and $0) (amortized cost of $18,832 and $21,164)	$	15,516	$	21,149
Fixed maturities, at fair value, using the fair value option		331		—
Equity securities, at fair value		179		203
Mortgage loans (net of ACL of $15 and $12)		2,520		2,131
Policy loans		1,495		1,484
Limited partnerships and other alternative investments (portion at fair value: $58 and $0)		1,300		1,147
Other investments		95		26
Short-term investments		1,655		1,254
Total investments		23,091		27,394
Cash		177		56
Reinsurance recoverables (net of ACL of $27 and $37) (portion at fair value: $135 and $(8))		29,165		29,718
Value of business acquired ("VOBA") and deferred acquisition costs ("DAC")		562		555
Deferred income taxes, net		1,417		704
Goodwill and other intangible assets		155		161
Other assets		454		415
Separate account assets		87,255		111,592
Total assets		**142,276**		**170,595**
Liabilities				
Reserve for future policy benefits	$	21,432	$	21,698
Other policyholder funds and benefits payable (portion at fair value: $254 and $575)		31,302		32,622
Funds withheld liability		1,237		1,250
Other liabilities		1,115		1,220
Separate account liabilities		87,255		111,592
Total liabilities		**142,341**		**168,382**
Stockholder's Equity				
Common stock - par value $1 per share; authorized, issued and outstanding: 250,000 shares		—		—
Additional paid-in capital		1,883		1,883
Accumulated other comprehensive loss, net of tax		(2,197)		(11)
Retained earnings		249		341
Total stockholder's equity		**(65)**		**2,213**
Total liabilities and stockholder's equity	**$**	**142,276**	**$**	**170,595**

See Notes to Consolidated Financial Statements.

TR RE, LTD.
Consolidated Statements of Operations

(In millions)	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Revenues		
Policy charges and fee income	$ 786	$ 410
Premiums	135	31
Net investment income	917	498
Net realized capital losses	(676)	(20)
Other revenue	6	—
Total revenues	**1,168**	**919**
Benefits, losses and expenses		
Benefits and losses	821	285
Amortization of VOBA	94	13
Insurance operating costs and other expenses	417	208
Other intangible asset amortization	6	3
Dividends to policyholders	3	2
Total benefits, losses and expenses	**1,341**	**511**
Income (loss) before income taxes	**(173)**	**408**
Income tax expense (benefit)	(81)	67
Net income (loss)	**$ (92)**	**$ 341**

See Notes to Consolidated Financial Statements.

TR RE, LTD.
Consolidated Statements of Comprehensive Income (Loss)

(In millions)	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Net income (loss)	**$ (92)**	**$ 341**
Other comprehensive loss ("OCI"):		
Net unrealized loss on fixed maturities, AFS	(2,159)	(11)
Net loss on cash flow hedging instruments	(27)	—
OCI, net of tax	**(2,186)**	**(11)**
Comprehensive income (loss)	**$ (2,278)**	**$ 330**

See Notes to Consolidated Financial Statements.

TR RE, LTD.

Consolidated Statements of Changes in Stockholder's Equity

For the Year Ended December 31, 2022

(In millions)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholder's Equity
Balance, beginning of period	**$ —**	**$ 1,883**	**$ (11)**	**$ 341**	**$ 2,213**
Net loss	—	—	—	(92)	(92)
Total other comprehensive loss	—	—	(2,186)	—	(2,186)
Balance, end of period	**$ —**	**$ 1,883**	**$ (2,197)**	**$ 249**	**$ (65)**

For the Period of July 1, 2021 to December 31, 2021

(In millions)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholder's Equity
Balance, beginning of period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Net income	—	—	—	341	341
Capital contribution from parent	—	1,883	—	—	1,883
Total other comprehensive loss	—	—	(11)	—	(11)
Balance, end of period	**$ —**	**$ 1,883**	**$ (11)**	**$ 341**	**$ 2,213**

See Notes to Consolidated Financial Statements.

TR RE, LTD.
Consolidated Statements of Cash Flows

(In millions)	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Operating Activities		
Net income (loss)	$ (92)	$ 341
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Net realized capital losses	676	20
Amortization of deferred reinsurance gain	(6)	—
Amortization of VOBA	94	13
Depreciation and amortization	226	102
Deferred income tax expense (benefit)	(132)	154
Interest credited on investment and universal life-type contracts	534	—
Other operating activities, net	(196)	106
Change in assets and liabilities:		
Increase in reinsurance recoverables	(482)	(63)
Increase (decrease) in reserve for future policy benefits and unearned premiums	230	(40)
Net changes in other assets and other liabilities	38	(132)
Net proceeds from (payments for) reinsurance transactions	121	(692)
Net cash provided by (used for) operating activities	**1,011**	**(191)**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	6,252	2,976
Equity securities, at fair value	26	47
Mortgage loans	258	294
Partnerships	64	102
Payments for the purchase of:		
Fixed maturities, available-for-sale	(4,291)	(2,152)
Fixed maturities, fair value option	(352)	—
Equity securities, at fair value	(22)	(121)
Mortgage loans	(667)	(207)
Partnerships	(158)	(100)
Net proceeds from (payments for) repurchase agreements program	25	(11)
Net payments for derivatives	(559)	(161)
Net proceeds from (payments for) policy loans	(11)	9
Net payments for short-term investments	(420)	(314)
Acquisition, net of cash acquired	—	(1,833)
Net cash provided by (used for) investing activities	**145**	**(1,471)**
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	2,033	872
Withdrawals and other deductions from investment and universal life-type contracts	(8,109)	(4,766)
Net transfers from separate accounts related to investment and universal life-type contracts	5,140	3,598
Net change in securities loaned or sold under agreements to repurchase	(99)	131
Capital contributions from parent	—	1,883
Net cash provided by (used for) financing activities	**(1,035)**	**1,718**
Net increase in cash	121	56
Cash — beginning of period	56	—
Cash — end of period	**$ 177**	**$ 56**
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid	$ (41)	$ (13)

See Notes to Consolidated Financial Statements.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

TR Re, Ltd., incorporated on June 28, 2021 and registered as a Bermuda Class E insurer effective November 24, 2021, together with its subsidiaries (collectively, "TR Re", "the Company," “we” or “our”) is a leading provider of comprehensive risk solutions for the insurance industry. The Company conducts business through its United States ("U.S.") insurance subsidiary, Talcott Resolution Life Insurance Company and its subsidiaries ("TL") who primarily provide variable annuity ("VA") and fixed deferred annuities, and who reinsures third party business.

The Company is indirectly owned by Talcott Holdings, L.P. ("THLP"), with an ultimate parent of Talcott Financial Group, Ltd. ("TFG").

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which differ materially from the accounting practices prescribed by various insurance regulatory authorities, requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the Consolidated Financial Statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s business and operations. Actual results could differ from these estimates. Certain reclassifications have been made to conform to current year presentation.

Acquisitions and Transactions

The Company has completed the following transactions. See Note 5 - Reinsurance for additional details:

- Talcott Resolution: A legal entity purchase of the TL insurance platform that closed on June 30, 2021, consisting of primarily variable and fixed deferred annuities;
- Allianz reinsurance: Block reinsurance on a quota share basis totaling approximately $8 billion of fixed indexed annuities ("FIA") that closed on December 30, 2021;
- Guardian reinsurance: 100% block reinsurance of approximately $7 billion of VA that closed on November 1, 2022;
- Flow reinsurance: With two counterparties covering FIA and VA.

On December 30, 2021, pursuant to a reorganization approved by the Connecticut Department of Insurance ("CTDOI") on November 18, 2021, the Company was contributed to Talcott Life Insurance, Inc. ("TLI") from an affiliated company. On the same date, TLI contributed TL to the Company. As a result of the reorganization, TL became a wholly-owned subsidiary of the Company and the Company became a wholly-owned subsidiary of TLI, and thus the impacts of the contribution are eliminated in consolidation. The Company's financial statements are presented for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021 as there was no prior activity from the Company's incorporation through July 1, 2021.

In conjunction with the sale from The Hartford Financial Services Group ("The Hartford") in 2018, the Company entered into a five-year transition services agreement with The Hartford to provide general ledger, cash management, investment accounting and information technology infrastructure services. In March 2019, the Company converted its existing transition services agreement for investment accounting services into an administrative service agreement, which expires in May 2023.

Consolidation

The Consolidated Financial Statements include the accounts of the Company and entities the Company directly or indirectly has a controlling financial interest in which the Company is required to consolidate. Entities in which the Company has significant influence over the operating and financing decisions but is not required to consolidate are reported using the equity method. All intercompany transactions and balances between the Company and its subsidiaries have been eliminated.

Use of Estimates

Our principal estimates impact:

- Fair value of investment assets;
- Impairment of investments and ACL;
- Derivatives valuation, including embedded derivatives;
- Unearned revenue reserve ("URR") and VOBA;

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

- Reserves for future policy benefits;
- Valuation allowances on deferred tax assets;
- Evaluation of goodwill for impairment

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

Pushdown Accounting

Sixth Street

On June 30, 2021, TLI’s previous indirect owner, Hopmeadow Holdings GP LLC, completed the sale of TLI (the "Sixth Street Acquisition") through the merger of an affiliate of Sixth Street, a global investment firm, with and into THLP pursuant to an Agreement and Plan of Merger (the “Agreement"). Through the Agreement, TFG indirectly obtained 100% control of THLP and its life and annuity operating subsidiaries for a total purchase price of $2.2 billion, comprised of a $500 pre-closing dividend and cash of $1.7 billion. The merger was accounted for using business combination accounting, together with an election to apply pushdown accounting. Under this method, the purchase price paid was assigned to the identifiable assets acquired and liabilities assumed as of the acquisition date based on their fair value. Determining the fair value of certain assets acquired and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions.

The goodwill from the Sixth Street Acquisition is attributable to the Company's strategy to leverage its insurance platform to become a life insurance aggregator. Goodwill for the Sixth Street Acquisition is not deductible for tax purposes.

The following table represents the final determination of the fair value of the assets acquired and liabilities assumed for the Sixth Street Acquisition.

Cash and invested assets	$	19,711
VOBA		565
Deferred income taxes		737
Goodwill		97
Other intangible assets		67
Reinsurance recoverables and other assets [1]		30,481
Separate account assets		112,857
Total assets		**164,515**
Reserves for future policy benefits		21,122
Other policyholder funds and benefits payable		25,961
Funds withheld liability [1]		1,039
Other liabilities		1,653
Separate account liabilities		112,857
Total liabilities		**162,632**
Stockholder's equity		1,883
Total liabilities and stockholder's equity	**$**	**164,515**

[1] Previously reported table was updated to reflect the gross presentation for modified coinsurance reinsurance transactions.

The Company's assets and liabilities are recognized based on TFG's accounting basis, with an offset to additional paid-in capital.

Invested Assets

The acquired investments are recorded at fair value through adjustments to additional paid-in capital at the acquisition date.

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

Value of Business Acquired / Additional Reserves

In conjunction with the acquisition of the Company, a portion of the purchase price was allocated to the right to receive future gross profits from cash flows and earnings of the Company's insurance and investment contracts as of the date of the Sixth Street Acquisition. This intangible asset is called VOBA and is based on the actuarially estimated present value of future cash flows from the Company's insurance and investment contracts in-force as of the date of the transaction. The estimated fair value calculation of VOBA is based on certain assumptions, including equity market returns, mortality, persistency, expenses, discount rates, and other factors that the Company expects to experience in future years. Actual experience on the acquired contracts may vary from these projections and the recovery of VOBA is dependent upon the future profitability of the related business. The Company amortizes VOBA over EGPs and it is reviewed for recoverability quarterly. The fair value of certain acquired obligations of the Company exceeded the book value of assumed in-force policy liabilities resulting in additional reserve liabilities. These liabilities were increased to fair value, which is presented separately from VOBA as an additional insurance liability in other policyholder funds and benefits payable. The additional liability is amortized to income over the life of the underlying policies.

Goodwill

Goodwill represents the excess of the acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at the entity or reporting unit level annually or when events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the entity or a reporting unit below its carrying value. Our methodology for conducting this goodwill impairment testing contains both a qualitative and quantitative assessment.

The Company has the option to initially perform an assessment of qualitative factors in order to determine whether it is more likely than not that the fair value of the entity or a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the entity or a reporting unit and other company and entity-level or reporting unit-specific events. If it is determined that it is more likely than not that the fair value of the entity or reporting unit is less than its carrying amount, we then perform the impairment evaluation using a more detailed quantitative assessment. If the carrying values of the entity or reporting units were to exceed their fair value under that quantitative assessment, the amount of the impairment would be calculated and goodwill would be adjusted accordingly. The Company could directly perform this quantitative assessment, bypassing the qualitative assessment and perform a quantitative impairment test.

The Company determined that the goodwill associated with TL was not impaired for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021.

For a discussion of goodwill from the Sixth Street Acquisition, refer to Note 7 - Goodwill and Other Intangible Assets.

Other Intangible Assets

Intangible assets with definite lives are amortized over the estimated useful life of the asset. Amortizing intangible assets primarily consists of internally developed software and software license amortized over a period not to exceed seven years. Intangible assets with indefinite lives, primarily insurance licenses, are not amortized but are reviewed annually in the Company's impairment analysis. They will be tested for impairment more frequently if events or circumstances indicate the fair value of indefinitely lived intangibles is less than the carrying value.

The Company determined during its reviews for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, that its other indefinite-lived intangible assets and finite-lived intangible assets were not impaired.

For a discussion of other intangible assets from the Sixth Street Acquisition, refer to Note 7 - Goodwill and Other Intangible Assets.

Significant Accounting Policies

The Company’s significant accounting policies are as follows:

Investments

Fixed Maturities

Investments in fixed maturities include bonds, structured securities, redeemable preferred stock and commercial paper. Most of these investments are classified as AFS and are carried at fair value, net of ACL. The after-tax difference between fair value and cost or amortized cost is reflected in stockholder's equity as a component of accumulated other comprehensive income ("AOCI"), after adjustments for the effect of VOBA and reserve adjustments.

Equity Securities

Equity securities are measured at fair value with any changes in valuation reported in net income.

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

Mortgage Loans

Mortgage loans are recorded at the outstanding principal balance adjusted for amortization of premiums or discounts, net of ACL.

Policy Loans

Policy loans are carried at outstanding balance.

Limited Partnerships and Other Alternative investments

Limited partnerships ("LPs") and other alternative investments are reported at their carrying value and are primarily accounted for under the equity method, with the Company's share of earnings included in net investment income. Recognition of income related to LPs and other alternative investments is delayed due to the availability of the related financial information, as private equity and other funds are generally on a three-month lag and hedge funds generally on a one-month lag. Accordingly, income for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, may not include the full impact of current year changes in valuation of the underlying assets and liabilities of the funds, which are generally obtained from the LPs and other alternative investments' general partners.

Other Investments

Other investments, consist of derivative instruments which are carried at fair value and real estate acquired in satisfaction of debt.

Short-Term Investments

Short-term investments, which includes cash equivalents, are carried at amortized cost, which approximates fair value.

Fair Value Option ("FVO")

The Company has elected the FVO for rated feeder fund investments, where a single entity issues both debt securities and equity interests and the Company owns both the debt security and equity interest portions of the investment. The Company has elected the FVO for these investments to reflect changes in fair value in earnings and to align the timing of the fair value measurement for its multiple investments in that single entity.

Credit Losses

An ACL is recognized as an estimate of credit losses expected over the life of financial instruments, such as mortgage loans, reinsurance recoverables and off-balance sheet credit exposures that the Company cannot unconditionally cancel. The measurement of the expected credit loss estimate is based on historical loss data, current conditions, and reasonable and supportable forecasts.

Credit losses on fixed maturities, AFS carried at fair value are measured through an other-than-temporary impairment ("OTTI"); however, losses are recognized through the ACL and no longer as an adjustment to the amortized cost. Recoveries of OTTI on fixed maturities, AFS are recognized as reversals of the ACL recognized through net realized capital gains and losses and no longer accreted as net investment income through an adjustment to the investment yield. Additionally, purchased financial assets with a more-than-insignificant amount of credit deterioration since original issuance establishes an ACL at acquisition, which is recorded with the purchase price to establish the initial amortized cost of the investment.

Net Investment Income

The components of net investment income include:

- Interest income from fixed maturities, AFS and mortgage loans is recognized when earned on the constant effective yield method based on estimated timing of cash flows. The amortization of premium and accretion of discount for fixed maturities also takes into consideration call and maturity dates that produce the lowest yield. For securitized financial assets subject to prepayment risk, yields are recalculated and adjusted periodically to reflect historical and/or estimated future prepayments using the retrospective method; however, if these investments have previously recognized an ACL and for certain other asset-backed securities, any yield adjustments are made using the prospective method;
- Prepayment fees and make-whole payments on fixed maturities and mortgage loans are recorded in net investment income when earned;
- Dividends for equity securities, which are recognized as investment income on the ex-dividend date;

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

- Share of earnings for the Company's LPs and other alternative investments primarily use the equity method of accounting. The Company’s non-income producing investments were not material for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021;

Net Realized Capital Gains and Losses

The components of net realized capital gains and losses include:

- Realized gains and losses on the sale of investments. Investment sales are reported as a component of revenues and are determined on a specific identification basis;
- Fair value changes in equity securities;
- Derivative contracts (both freestanding and embedded, including the embedded derivative on modified reinsurance contracts) that do not qualify, or are not designated, as a hedge for accounting purposes;
- Fair value changes for feeder fund investments where the FVO has been elected. The entire change in fair value of the FVO investment includes the components related to dividends and interest income. Interest income from fixed maturities, FVO is recognized when earned on the constant effective yield method based on estimated timing of cash flows;
- Impairments and changes in the ACL on fixed maturities, AFS; mortgage loans; and reinsurance recoverables are recognized as net realized capital losses in accordance with the Company’s impairment and ACL policies as discussed in Note 3 - Investments;
- Foreign currency transaction remeasurements are also included in net realized capital gains and losses.

Derivative Instruments

Overview

The Company utilizes a variety of over-the-counter ("OTC") transactions, OTC cleared through central clearing houses ("OTC-cleared") and exchange traded derivative instruments as part of its overall risk management strategy as well as to enter into replication transactions. The types of instruments may include swaps, caps, floors, forwards, futures and options to achieve one of four Company-approved objectives:

- to hedge risk arising from interest rate, equity market, commodity market, credit spread and issuer default, price or currency exchange rate risk or volatility;
- to manage liquidity;
- to control transaction costs;
- to enter into synthetic replication transactions.

Interest rate and credit default swaps involve the periodic exchange of cash flows with other parties, at specified intervals, calculated using agreed upon rates or other financial variables and notional principal amounts. Generally, little to no cash or principal payments are exchanged at the inception of the contract. Typically, at the time a swap is entered into, the cash flow streams exchanged by the counterparties are equal in value.

Interest rate cap and floor contracts entitle the purchaser to receive from the issuer at specified dates, the amount, if any, by which a specified market rate exceeds the cap strike interest rate or falls below the floor strike interest rate, applied to a notional principal amount. A premium payment determined at inception is made by the purchaser of the contract and no principal payments are exchanged.

Forward contracts are customized commitments that specify a rate of interest or currency exchange rate to be paid or received on an obligation beginning on a future start date and are typically settled in cash.

Financial futures are standardized commitments to either purchase or sell designated financial instruments, at a future date, for a specified price and may be settled in cash or through delivery of the underlying instrument. Futures contracts trade on organized exchanges. Margin requirements for futures are met by pledging securities or cash, and changes in the futures’ contract values are settled daily in cash.

Option contracts grant the purchaser, for a premium payment, the right to either purchase from or sell to the issuer a financial instrument at a specified price, within a specified period or on a stated date. The contracts may reference commodities, which grant the purchaser the right to either purchase from or sell to the issuer commodities at a specified price, within a specified period or on a stated date. Option contracts are typically settled in cash.

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

Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There may also be a periodic exchange of payments at specified intervals calculated using the agreed upon rates and exchanged principal amounts.

The Company's derivative transactions conducted in insurance company subsidiaries are used in strategies permitted under the derivative use plans required by the State of Connecticut and the State of New York insurance departments.

Accounting and Financial Statement Presentation of Derivative Instruments and Hedging Activities

Derivative instruments are recognized on the Consolidated Balance Sheets at fair value and are reported in other investments and other liabilities. For balance sheet presentation purposes, the Company has elected to offset the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty or under a master netting agreement, which provides the Company with the legal right of offset.

The Company clears certain interest rate swap and credit default swap derivative transactions through central clearing houses. OTC-cleared derivatives require initial collateral at the inception of the trade in the form of cash or highly liquid securities, such as U.S. Treasuries and government agency investments. Central clearing houses also require additional cash as variation margin based on daily market value movements. For information on collateral, see the derivative collateral arrangements section in Note 4 - Derivatives. In addition, OTC-cleared transactions include price alignment amounts either received or paid on the variation margin, which are reflected in realized capital gains and losses or, if characterized as interest, in net investment income.

On the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the variability in cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset or liability ("cash flow" hedge), (2) a hedge of a net investment in a foreign operation ("net investment" hedge) or (3) held for other investment and/or risk management purposes, which primarily involve managing asset or liability related risks and do not qualify for hedge accounting.

Cash Flow Hedges - Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, including foreign-currency cash flow hedges, are recorded in AOCI and are reclassified into earnings when the variability of the cash flow of the hedged item impacts earnings. Gains and losses on derivative contracts that are reclassified from AOCI to current period earnings are included in the line item in the Consolidated Statements of Operations in which the cash flows of the hedged item are recorded. Periodic derivative net coupon settlements are recorded in the line item of the Consolidated Statements of Operations in which the cash flows of the hedged item are recorded. Cash flows from cash flow hedges are presented in the same category as the cash flows from the items being hedged on the Consolidated Statements of Cash Flows.

Other Investment and/or Risk Management Activities - The Company's other investment and/or risk management activities primarily relate to strategies used to reduce economic risk or replicate permitted investments and do not receive hedge accounting treatment. Changes in the fair value, including periodic derivative net coupon settlements, of derivative instruments held for other investment and/or risk management purposes are reported in current period earnings as net realized capital gains and losses.

Hedge Documentation and Effectiveness Testing

To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated changes in fair value or cash flow of the hedged item. At hedge inception, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking each hedge transaction. The documentation process includes linking derivatives that are designated as fair value, cash flow, or net investment hedges to specific assets or liabilities on the Consolidated Balance Sheets or to specific forecasted transactions and defining the effectiveness testing methods to be used. The Company also formally assesses both at the hedge's inception and ongoing on a quarterly basis, whether the derivatives that are used in hedging transactions have been and are expected to continue to be highly effective in offsetting changes in fair values, cash flows or net investment in foreign operations of hedged items. Hedge effectiveness is assessed primarily using quantitative methods as well as using qualitative methods. Quantitative methods include regression or other statistical analysis of changes in fair value or cash flows associated with the hedge relationship. Qualitative methods may include comparison of critical terms of the derivative to the hedged item.

Discontinuance of Hedge Accounting

The Company discontinues hedge accounting prospectively when (1) it is determined that the qualifying criteria are no longer met; (2) the derivative is no longer designated as a hedging instrument; or (3) the derivative expires or is sold, terminated or exercised.

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

When cash flow hedge accounting is discontinued because the Company becomes aware that it is not probable that the forecasted transaction will occur, the derivative continues to be carried on the Consolidated Balance Sheets at its fair value, and gains and losses that were accumulated in AOCI are recognized immediately in earnings.

In other situations in which hedge accounting is discontinued, including those where the derivative is sold, terminated or exercised, amounts previously deferred in AOCI are reclassified into earnings when earnings are impacted by the hedged item.

Embedded Derivatives

The Company purchases investments and has previously issued and assumed via reinsurance financial products that contain embedded derivative instruments. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host for measurement purposes. The embedded derivative, which is reported with the host instrument on the Consolidated Balance Sheets, is carried at fair value with changes in fair value reported in net realized capital gains and losses.

Credit Risk

Credit risk is defined as the risk of financial loss due to uncertainty of an obligors' or counterparty's ability or willingness to meet its obligations in accordance with agreed upon terms. Credit exposures are measured using the market value of the derivatives, resulting in amounts owed to the Company by its counterparties or potential payment obligations from the Company to its counterparties. The Company generally requires that OTC derivative contracts, other than certain forward contracts, be governed by International Swaps and Derivatives Association agreements which are structured by legal entity and by counterparty and permit right of offset. Some agreements require daily collateral settlement based upon agreed upon thresholds. For purposes of daily derivative collateral maintenance, credit exposures are generally quantified based on the prior business day's market value and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of the derivatives exceed the contractual thresholds. For the Company's domestic derivative programs, the maximum uncollateralized threshold for a derivative counterparty for a single legal entity is $7. The Company also minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties primarily rated A or better, which are monitored and evaluated by the Company's risk management team and reviewed by senior management. OTC-cleared derivatives are governed by clearing house rules. Transactions cleared through a central clearing house reduce risk due to their ability to require daily variation margin and act as an independent valuation source. In addition, the Company monitors counterparty credit exposure on a monthly basis to ensure compliance with Company policies and statutory limitations.

Cash

Cash represents cash on hand and demand deposits with banks or other financial institutions, as well as money market funds.

Reinsurance

The Company assumes from unaffiliated insurers to provide our counterparties with risk management solutions. The Company also cedes to unaffiliated insurers to enable the Company to manage capital and risk exposure. The Company's historical reinsurance cessions provided a level of risk mitigation desired by prior ownership. The Company's current reinsurance assumptions provide strategic business growth opportunities. In ceding and assuming risks, the Company may use various types of reinsurance including coinsurance, modified coinsurance, coinsurance with funds withheld and yearly renewable term arrangements. Failure of reinsurers to honor their obligations could result in losses to the Company. Ceded reinsurance arrangements do not discharge the Company as the primary insurer, except for instances where the primary policy or policies have been novated.

Premiums and benefits and losses reflect the net effects of ceded and assumed reinsurance transactions. Included in other assets are prepaid reinsurance premiums, which represent the portion of premiums ceded to reinsurers applicable to the unexpired terms of the reinsurance agreements. Included in reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses, and are presented net of an ACL which is based on the expectation of lifetime credit loss.

Reinsurance accounting is followed for ceded and assumed transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must include insurance risk, consisting of underwriting, investment, and timing risk, and a reasonable possibility of a significant loss to the reinsurer. If the ceded and assumed transactions do not meet risk transfer requirements, the Company accounts for these transactions as financing transactions. The URR or DAC related to long-duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

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

Under coinsurance arrangements, reserves and investment assets are transferred from the ceding insurer to the reinsurer. In certain arrangements, the reinsurer will hold the assets supporting the reserves in a trust for the benefit of the ceding insurer.

Under modified coinsurance arrangements, both the ceded reserves and the investment assets that support the reserves are retained by the cedant and profit and loss with respect to the obligations and investment returns flow through periodic net settlements. Under coinsurance with funds withheld arrangements, ceded reserves are transferred to the reinsurer, however, investment assets that support the reserves are retained by the Company, and profit and loss with respect to only the investment returns flow through periodic net settlements. Both modified coinsurance and coinsurance with funds withheld arrangements require the cedant to establish a mechanism which legally segregates the underlying assets. We have the right of offset on general account assets and liabilities reinsured on a modified coinsurance and coinsurance with funds withheld basis, but have elected to present balances due to and due from reinsurance counterparties on a gross basis, as reinsurance recoverable and withheld liability for ceded reinsurance or funds withheld at interest for assumed reinsurance on the Consolidated Balance Sheets. For separate account assets and liabilities assumed on a modified coinsurance basis, the assets and liabilities are reported on a net basis in the financial statements. As a result of the net presentation of the assumed separate account assets and liabilities, we have recorded revenue from the reinsurance separate accounts as fee income, but not an associated asset or liability on the Consolidated Balance Sheets.

A funds withheld liability is established which represents the fair value of investment assets segregated under ceded modified coinsurance or coinsurance with funds withheld reinsurance arrangements. The funds withheld liability is comprised of a host contract and an embedded derivative. For ceded reinsurance agreements, the cedant has an obligation to pay the total return on the assets supporting the funds withheld liability. Interest accrues at a risk-free rate on the host contract and is recorded as net investment income in the Consolidated Statements of Operations. The embedded derivative is similar to a total return swap on the income generated by the underlying assets held by the cedant. The change in the embedded derivative is recorded in net realized capital gains (losses).

The Company evaluates the financial condition of its reinsurers and concentrations of credit risk. Reinsurance is placed with reinsurers that meet strict financial criteria established by the Company.

Value of Business Acquired

VOBA represents the estimated value assigned to the right to receive future gross profits from cash flows and earnings of acquired insurance and investment contracts as of the date of the acquisition. It is based on the actuarially estimated present value of future cash flows from the acquired insurance and investment contracts in-force as of the date of the acquisition. The principal assumptions used in estimating VOBA include equity market returns, mortality, persistency, expenses, and discount rates, in addition to other factors that the Company expects to experience in future years. Actual experience on the acquired contracts may vary from these projections and the recovery of VOBA is dependent upon the future profitability of the related business. For certain transactions, the fair value of acquired obligations of the Company exceed the book value of assumed in-force policy liabilities resulting in a negative VOBA which is presented separately from VOBA as an additional insurance liability included in other policyholder funds and benefits payable on the Consolidated Balance Sheets. The Company amortizes VOBA over estimated gross profits ("EGP") and it is reviewed for recoverability quarterly.

The Company also uses the present value of EGPs to determine reserves for universal life type contracts (including VA) with death or other insurance benefits such as guaranteed minimum death benefits, life-contingent guaranteed minimum withdrawal and universal life insurance with secondary guarantee benefits. These benefits are accounted for and collectively referred to as death and other insurance benefit reserves and are held in addition to the account value liability representing policyholder funds.

For most life insurance product contracts, including VA, the Company estimates gross profits over 20 years as EGPs emerging subsequent to that time frame are immaterial. Future gross profits are projected over the estimated lives of the underlying contracts, based on future account value projections for VA products. The projection of future account values requires the use of certain assumptions including: separate account returns; separate account fund mix; fees assessed against the contract holder's account balance; full and partial surrender rates; interest credited; mortality; and annuitization rates. Changes in these assumptions and changes to other assumptions such as expenses and hedging costs cause EGPs to fluctuate, which impacts earnings.

In the third quarter of 2022, the Company completed a comprehensive policyholder behavior assumption study which resulted in a non-market related after-tax charge and incorporated the results of that study into its projection of future gross profits. Additionally, throughout the year, the Company evaluates various aspects of policyholder behavior and will revise its policyholder behavior assumptions if credible emerging data indicates that changes are warranted. Upon completion of an annual assumption study or evaluation of credible new information, the Company will revise its assumptions to reflect its

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

current best estimate. These assumption revisions will change the projected account values and the related EGPs in the VOBA models, as well as EGPs used in the death and other insurance benefit reserving models.

All assumption changes that affect the estimate of future EGPs including the update of current account values and policyholder behavior assumptions are considered an Unlock in the period of revision. An Unlock adjusts the VOBA, death and other insurance benefit reserve balances on the Consolidated Balance Sheets with an offsetting benefit or charge on the Consolidated Statements of Operations in the period of the revision. An Unlock revises EGPs to reflect the Company's current best estimate assumptions. The Company also tests the aggregate recoverability of VOBA by comparing the existing balance to the present value of future EGPs. An Unlock that results in an after-tax benefit generally occurs as a result of actual experience or future expectations of product profitability being favorable compared to previous estimates. An Unlock that results in an after-tax charge generally occurs as a result of actual experience or future expectations of product profitability being unfavorable compared to previous estimates.

Policyholders or their beneficiaries may make modifications to existing contracts. If the new modification results in a substantially changed replacement contract, the existing VOBA is written off through income. If the modified contract is not substantially changed, the existing VOBA continues to be amortized and incremental costs are expensed in the period incurred.

Income Taxes

The Company recognizes taxes payable or refundable for the current year and deferred taxes for the tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. A deferred tax provision is recorded for the tax effects of differences between the Company's current taxable income and its income before tax under U.S. GAAP in the Consolidated Statements of Operations. For deferred tax assets, the Company records a valuation allowance that is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. The Company classifies interest and penalties (if applicable) as income tax expense in the Consolidated Statements of Operations.

Separate Accounts

The Company records the variable account value portion of VA, variable life insurance products and individual, institutional, and governmental investment contracts within separate accounts. As discussed in the Reinsurance section above within the footnote, for separate account assets and liabilities assumed on a modified coinsurance basis, the assets and liabilities are reported on a net basis in the financial statements. Separate account assets are reported at fair value and separate account liabilities are reported at amounts consistent with separate account assets. Investment income and gains and losses from those separate account assets accrue directly to the policyholder, who assumes the related investment risk, and are offset by change in the related liability. The Company earns fee income for investment management, certain administrative services and mortality and expense risks.

Reserves for Future Policy Benefits & Other Policyholder Funds & Benefits Payable

Insurance reserves are included in reserves for future policy benefits and other policyholder funds and benefits payable on the Consolidated Balance Sheets. Changes in insurance reserves are included within benefits and losses in the Consolidated Statements of Operations. The Company records insurance reserves for the following products:

Variable Annuities

VA contracts include insurance contracts both entered into directly between the Company and an individual policyholder or assumed through reinsurance with other insurers. The Company includes the non-variable account values associated with VA in other policyholder funds and benefits payable.

In addition to recording an account value liability that represents policyholder funds, the Company records a death and other insurance benefit liability for guaranteed minimum death benefits ("GMDB") and the life-contingent portion of guaranteed minimum withdrawal benefits ("GMWB"). The liabilities for these benefits are included in reserve for future policy benefits on the Consolidated Balance Sheets. The change in the liabilities for these benefits is included in benefits and losses in the Consolidated Statements of Operations. The Company offered and assumes VA contracts with additional contract features including GMDB and the life-contingent portion of GMWB. GMDB riders on VA provide a death benefit during the accumulation phase that is generally equal to the greater of (a) the contract value at death or (b) premium payments less any prior withdrawals and may include adjustments that increase the benefit, such as for maximum anniversary value ("MAV"). For the Company's products with life-contingent GMWB riders, the withdrawal benefit can exceed the guaranteed remaining balance ("GRB"), which is generally equal to premiums less withdrawals. When payments of the GRB are not life-contingent, the GMWB represents an embedded derivative carried at fair value reported in other policyholder funds and benefits payable on the Consolidated Balance Sheets, with changes in fair value reported in net realized capital gains

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

(losses). For further discussion of fair value of GMWBs that represent embedded derivatives, see Note 2 - Fair Value Measurements.

The death and other insurance benefit liability is determined by estimating the expected present value of the benefits in excess of the policyholder's expected account value in proportion to the present value of total expected assessments and investment margin. Total expected assessments are the aggregate of all contract charges, including those for administration, mortality, expense, and surrender. The liability is accrued as actual assessments are earned. The expected present value of benefits and assessments is generally derived from a set of stochastic scenarios that has been calibrated to assumed market rates of return and assumptions including volatility, discount rates, lapse rates and mortality experience. Consistent with the Company's policy on the Unlock, the Company regularly evaluates estimates used and adjusts the liability, with a related charge or credit to benefits and losses.

The Company reinsures a portion of its in-force GMDB and GMWB business.

Fixed Indexed Annuities

FIA represents annuity contracts issued by another insurance company under which the Company assumes a quota share of the liabilities through reinsurance. These annuity contracts have a cash value that appreciates based on a minimum guaranteed credited rate, or the performance of market indices. FIAs generally protect the contract owner against loss of principal and may include living withdrawal benefits or enhanced annuitization benefits. FIAs allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The reserve within other policyholder funds and benefits payable on the Consolidated Balance Sheets is equal to the sum of the fair value of the embedded derivative and the host contract, which is the non-variable guaranteed minimum contract value. The fair value of the embedded derivative represents the present value of cash flows attributable to the indexed strategies. The embedded derivative cash flows are based on assumptions for future policy growth, which include assumptions for expected index credits on the next policy anniversary date, future equity option costs, volatility, interest rates and policyholder behavior assumptions including lapses and the use of benefit riders. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. For discussion of fair value of assumed FIAs that represent embedded derivatives, see Note 2 - Fair Value Measurements. The host contract is established at contract inception as the initial account value less the initial fair value of the embedded derivative and accreted over the underlying policy's life.

Guaranteed lifetime withdrawal benefits ("GLWB") on FIA contracts allow guaranteed lifetime withdrawals even if account value is otherwise insufficient and an additional liability is determined by estimating the expected present value of the benefits in excess of the policyholder's expected account value in proportion to the present value of total expected assessments and investment margin. An additional liability is also determined for certain FIA contracts, which contain a second notional account value which provides additional annuitization benefits.

Life-Contingent Payout Annuities & Other Contracts

The reserve for future policy benefits on the Consolidated Balance Sheets primarily include life-contingent contracts in the payout phase such as structured settlements and terminal funding agreements. The reserve for future policy benefits for such contracts is calculated using standard actuarial methods considering the present value of future benefits and related expenses to be paid less the present value of the portion of future premiums required using assumptions "locked in" at the time the policies were issued, including discount rate, withdrawal, mortality and expense assumptions deemed appropriate at the issue date. Future policy benefits are computed at amounts that, with additions from any estimated premiums to be received and with interest on such reserves compounded annually at assumed rates, are expected to be sufficient to meet the Company's policy obligations at their maturities or in the event of an insured's death. While assumptions are locked in upon issuance of new contracts and annuitizations of existing contracts, significant changes in experience or assumptions may require the Company to establish premium deficiency reserves. Premium deficiency reserves, if any, are established based on current assumptions without considering a provision for adverse deviation. Changes in or deviations from the assumptions used can significantly affect the Company's reserve levels and results from operations. Other contracts within the reserve for future policy benefits on the Consolidated Balance Sheets include whole life and guaranteed term life insurance contracts.

Universal Life With Secondary Guarantees

ULSG benefits provide additional protection against policy termination and may continue to provide a death benefit, even if there is insufficient policy value to cover the monthly deductions and charges. The Company records an other insurance benefit liability for ULSG. An additional liability is determined by estimating the expected present value of the benefits in excess of the policyholder's expected account value in proportion to the present value of total expected assessments and investment margin. Present values are discounted at the contract rate. Interest accrues on the liability at the same contract rate. The reserve is reduced by the amount of excess payments but may not be less than zero. The reserve must be

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

regularly updated with a charge or credit to benefit expense based on historical experience from the issue date to the balance sheet date and estimated experience thereafter.

Investment Contracts & Other Reserves

Investment contracts included within other policyholder funds and benefits payable are non-life contingent and include institutional and governmental deposits, structured settlements and fixed annuities. The liability for investment contracts is equal to the balance that accrues to the benefit of the contract holder as of the financial statement date, which includes the accumulation of deposits plus credited interest, less withdrawals, payments and assessments through the financial statement date. In addition, reserves in other policyholder funds and benefits payable include policyholder account balances associated with our life insurance businesses and assumed reinsurance.

The Company reinsures a portion of its in-force GMDB, GMWB, fixed and payout annuity businesses, as well as its life insurance business. The Company reinsures all of its ULSG business.

Revenue Recognition

For investment and universal life-type contracts, the amounts collected from policyholders are considered deposits and are not included in revenue. Policy charges and fee income for VA, FIA, deferred annuity and other universal life-type contracts primarily consists of policy charges for policy administration, cost of insurance charges and surrender charges assessed against policyholders' account balances and are recognized in the period in which services are provided. For traditional life products, premiums are recognized as revenue when due from policyholders.

Future Adoption of New Accounting Standards

Troubled Debt Restructurings and Vintage Disclosures

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02, *Financial Instruments – Credit Losses (Topic 326) – Troubled Debt Restructurings and Vintage Disclosures* in March 2022, which eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on vintage disclosures. The amendments require that an entity evaluate whether the loan modification represents a new loan or a continuation of an existing loan, and introduce new requirements related to modifications made to borrowers experiencing financial difficulty. Additionally, ASU 2022-02 enhances disclosures for borrowers experiencing financial difficulty, by requiring current-period gross write-offs by year of origination for creditors with respect to loan refinancing and restructurings and internal risk ratings for financing receivables. ASU 2022-02 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods, with early adoption permitted. The Company will adopt the amendments of ASU 2022-02 prospectively in the first quarter of 2023 and does not expect it to have a material impact on the Company.

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

The FASB issued ASU 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* in June 2022. ASU 2022-03 clarifies that a contractual sales restriction is not considered in measuring an equity security at fair value and to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. ASU 2022-03 applies to both holders and issuers of equity and equity-linked securities measured at fair value. The amendments in ASU 2022-03 are effective for the Company in fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adopted permitted. The Company will adopt the provisions of ASU 2022-03 in the first quarter of 2024 and does not expect it to have a material impact on the Company.

Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

The FASB issued ASU 2021-08 *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* in October 2021, which requires acquiring entities to apply Topic 606, Revenue from Contracts with Customers upon recognizing and measuring contract assets and liabilities in a business combination. This update is intended to improve comparability after a business combination, by providing consistent recognition and measurement of revenue contracts with customers acquired and not acquired in a business combination. ASU 2021-08 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU 2021-08 should be applied prospectively. We will adopt the provisions of this ASU in the first quarter of 2023 and do not expect it to have a material impact on the Company.

Targeted Improvements to the Accounting for Long Duration Contracts

The FASB issued ASU 2018-12 *Targeted Improvements to the Accounting for Long-Duration Contracts* in August 2018, which impacts the existing recognition, measurement, presentation, and disclosure requirements for certain long-duration contracts issued by an insurance company. The guidance is intended to improve the timeliness of recognizing changes in the liability for future policy benefits, by requiring annual or more frequent updates of insurance assumptions and modifying

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

rates used to discount future cash flows. Further, the guidance seeks to improve the accounting for certain market-based options or guarantees associated with account balance contracts, simplify the amortization of DAC and other balances amortized on a basis consistent with DAC, and improve the effectiveness of the required disclosures.

This guidance was amended through the issuance of ASU 2020-11, which deferred the effective date the Company is required to adopt the guidance to January 1, 2025. Through the issuance of ASU 2022-05, an insurance entity is permitted, prior to the effective date, to exclude certain contracts from applying the amendments in ASU 2018-12, when those contracts have been derecognized because of a sale or disposal of an individual or a group of contracts or legal entities and in which the insurance entity has no significant continuing involvement with the derecognized contracts.

The Company is currently evaluating the impact of adopting this ASU on our financial statements.

2. Fair Value Measurements

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

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

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

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

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

2. Fair Value Measurements (continued)

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2022

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Accounted for at Fair Value on a Recurring Basis				
Fixed maturities, AFS				
Asset backed securities ("ABS")	$ 254	$ —	$ 213	$ 41
Collateralized loan obligations ("CLOs")	676	—	567	109
Commercial mortgage-backed securities ("CMBS")	1,514	—	1,237	277
Corporate	10,241	—	9,622	619
Foreign government/government agencies	315	—	311	4
Municipal	1,040	—	1,039	1
Residential mortgage-backed securities ("RMBS")	417	—	400	17
U.S. Treasuries	1,059	—	1,059	—
Total fixed maturities, AFS	15,516	—	14,448	1,068
Fixed maturities, FVO	331	—	25	306
Equity securities, at fair value	179	—	155	24
Limited partnerships and other alternative investments, FVO	58	—	—	58
Derivative assets				
Foreign exchange derivatives	1	—	1	—
Macro hedge program	194	—	39	155
Total derivative assets [1]	195	—	40	155
Short-term investments	1,655	882	610	163
Reinsurance recoverable for FIA options	49	—	—	49
Reinsurance recoverable for GMWB	(43)	—	—	(43)
Modified coinsurance reinsurance contracts	129	—	129	—
Separate account assets [2]	86,122	52,642	33,139	53
Total assets accounted for at fair value on a recurring basis	**$ 104,191**	**$ 53,524**	**$ 48,546**	**$ 1,833**
(Liabilities) Accounted for at Fair Value on a Recurring Basis				
Other policyholder funds and benefits payable				
FIA embedded derivatives	$ (385)	$ —	$ —	$ (385)
GMWB embedded derivative	131	—	—	131
Total other policyholder funds and benefits payable	(254)	—	—	(254)
Derivative liabilities				
Credit derivatives	4	—	4	—
Foreign exchange derivatives	14	—	14	—
Interest rate derivatives	(1)	—	(1)	—
Macro hedge program	17	—	24	(7)
Total derivative liabilities [3]	34	—	41	(7)
Total (liabilities) accounted for at fair value on a recurring basis	**$ (220)**	**$ —**	**$ 41**	**$ (261)**

2. Fair Value Measurements (continued)

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Accounted for at Fair Value on a Recurring Basis				
Fixed maturities, AFS				
ABS	$ 258	$ —	$ 258	$ —
CLOs	944	—	785	159
CMBS	2,335	—	2,059	276
Corporate	13,357	39	12,653	665
Foreign government/government agencies	362	—	362	—
Municipal	1,456	—	1,455	1
RMBS	811	—	737	74
U.S. Treasuries	1,626	207	1,419	—
Total fixed maturities, AFS	21,149	246	19,728	1,175
Equity securities, at fair value	203	11	171	21
Derivative assets				
Credit derivatives	2	—	2	—
Foreign exchange derivatives	7	—	7	—
Interest rate derivatives	18	—	15	3
Macro hedge program	16	—	(11)	27
Total derivative assets [1]	43	—	13	30
Short-term investments	1,254	744	435	75
Reinsurance recoverable for GMWB	(8)	—	—	(8)
Separate account assets [2]	110,021	69,089	40,449	79
Total assets accounted for at fair value on a recurring basis	**$ 132,662**	**$ 70,090**	**$ 60,796**	**$ 1,372**
(Liabilities) Accounted for at Fair Value on a Recurring Basis				
Other policyholder funds and benefits payable				
FIA embedded derivatives	$ (655)	$ —	$ —	$ (655)
GMWB embedded derivative	80	—	—	80
Total other policyholder funds and benefits payable	(575)	—	—	(575)
Derivative liabilities				
Foreign exchange derivatives	2	—	2	—
Interest rate derivatives	(25)	—	(22)	(3)
Macro hedge program	(229)	—	(14)	(215)
Total derivative liabilities [3]	(252)	—	(34)	(218)
Funds withheld on modified coinsurance reinsurance contracts	15	—	15	—
Total (liabilities) accounted for at fair value on a recurring basis	**$ (812)**	**$ —**	**$ (19)**	**$ (793)**

[1] Includes derivative instruments in a net positive fair value position (derivative asset) after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law. Refer to footnote 3 to this table for derivative liabilities.

[2] Approximately $1.1 billion and $1.6 billion of investment sales receivables, as of December 31, 2022 and 2021, respectively, are excluded from this disclosure requirement because they are trade receivables in the ordinary course of business where the carrying amount approximates fair value. Included in the total fair value amount are $288 and $404 of investments, as of December 31, 2022 and 2021, respectively, for which the fair value is estimated using the net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy.

[3] Includes derivative instruments in a net negative fair value position (derivative liability) after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law.

2. Fair Value Measurements (continued)

Valuation Techniques

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

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.
- Internal matrix pricing is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market-based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer’s sector, financial strength, and term to maturity, using an independent public security index, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the significant inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding use inputs that can be difficult to corroborate with observable market-based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

The fair value of freestanding derivative instruments is determined primarily using a discounted cash flow model or option model technique and incorporates counterparty credit risk. In some cases, quoted market prices for exchange-traded and OTC-cleared derivatives may be used and in other cases independent broker quotes may be used. The pricing valuation models primarily use inputs that are observable in the market or can be corroborated by observable market data. The valuation of certain derivatives may include significant inputs that are unobservable, such as volatility levels, and reflect the Company’s view of what other market participants would use when pricing such instruments. Unobservable market data is used in the valuation of customized derivatives that are used to hedge certain GMWB VA riders. See the section “GMWB and FIA Embedded, Customized, and Reinsurance Derivatives” below for further discussion of the valuation model used to value these customized derivatives.

Valuation Inputs

Quoted prices for identical assets in active markets are considered Level 1 and consist of on-the-run U.S. Treasuries, money market funds, exchange-traded equity securities, open-ended mutual funds, certain short-term investments, and exchange traded futures and option contracts.

2. Fair Value Measurements (continued)

Valuation Inputs Used in Levels 2 and 3 Measurements for Securities and Freestanding Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
Fixed Maturity Investments	
Structured securities (includes ABS, CLOs, CMBS and RMBS)	
• Benchmark yields and spreads • Monthly payment information • Collateral performance, which varies by vintage year and includes delinquency rates, loss severity rates and refinancing assumptions • Credit default swap indices Other inputs for ABS, CLOs, and RMBS: • Estimate of future principal prepayments, derived from the characteristics of the underlying structure • Prepayment speeds previously experienced at the interest rate levels projected for the collateral	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for less liquid securities or those that trade less actively, including subprime RMBS: • Estimated cash flows • Credit spreads, which include illiquidity premium • Constant prepayment rates • Constant default rates • Loss severity
Corporate	
• Benchmark yields and spreads • Reported trades, bids, offers of the same or similar securities • Issuer spreads and credit default swap curves Other inputs for investment grade privately placed securities that utilize internal matrix pricing: • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for below investment grade privately placed securities and private bank loans: • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature
U.S Treasuries, Municipals, and Foreign government/government agencies	
• Benchmark yields and spreads • Issuer credit default swap curves • Political events in emerging market economies • Municipal Securities Rulemaking Board reported trades and material event notices • Issuer financial statements	• Credit spreads beyond observable curve • Interest rates beyond observable curve
Equity Securities	
• Quoted prices in markets that are not active	• For privately traded equity securities, internal discounted cash flow models utilizing earnings multiples or other cash flow assumptions that are not observable
Limited Partnerships and Other Alternative Investments, FVO	
Not applicable	• Prices of privately traded securities • Characteristics of privately traded securities, including yield, duration and spread duration
Short-term Investments	
• Benchmark yields and spreads • Reported trades, bids, offers • Issuer spreads and credit default swap curves • Material event notices and new issue money market rates	• Independent broker quotes
Derivatives	
Credit derivatives	
• Swap yield curve • Credit default swap curves	Not applicable
Foreign exchange derivatives	
• Swap yield curve • Currency spot and forward rates • Cross currency basis curves	Not applicable
Interest rate derivatives	
• Swap yield curve	• Independent broker quotes • Interest rate volatility • Swap curve beyond 30 years

2. Fair Value Measurements (continued)

Significant Unobservable Inputs for Level 3 - Securities

As of December 31, 2022

Assets Accounted for at Fair Value on a Recurring Basis	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Weighted Average [1]
CLOs [3]	$ 109	Discounted cash flows	Spread	325bps
CMBS	277	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	534bps
Corporate [3]	901	Discounted cash flows	Spread	309bps
RMBS [2]	13	Discounted cash flows	Spread [4]	138bps
			Constant prepayment rate [4]	6%
			Constant default rate [4]	2%
			Loss severity [4]	25%

As of December 31, 2021

Assets Accounted for at Fair Value on a Recurring Basis	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Weighted Average [1]
CLOs	$ 159	Discounted cash flows	Spread	257bps
CMBS	276	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	303bps
Corporate [3]	623	Discounted cash flows	Spread	278bps
RMBS [2]	65	Discounted cash flows	Spread [4]	90bps
			Constant prepayment rate [4]	8%
			Constant default rate [4]	3%
			Loss severity [4]	64%

[1] The weighted average is determined based on the fair value of the securities.
[2] Excludes securities for which the Company bases fair value on broker quotations.
[3] Excludes securities for which the Company bases fair value on broker quotations; however, included are broker-priced lower-rated private placement securities for which the Company receives spread and yield information to corroborate the fair value. Amounts as of December 31, 2022 include $306 of fixed maturities, FVO.
[4] Generally, a change in the assumption used for the constant default rate would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rate and would have resulted in wider spreads.

Significant Unobservable Inputs for Level 3 - Freestanding Derivatives

As of December 31, 2022

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Weighted Average [1]
Macro hedge program [2]				
Equity options	$ 65	Option model	Equity volatility	26%
Interest rate swaption	97	Option model	Interest rate volatility	1%

As of December 31, 2021

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Weighted Average [1]
Interest rate derivatives				
Interest rate swaps	$ 3	Discounted cash flows	Swap curve beyond 30 years	2%
Interest rate swaptions	(3)	Option Model	Interest rate volatility	1%
Macro hedge program [2]				
Equity options	(195)	Option model	Equity volatility	28%
Interest rate swaption	7	Option model	Interest rate volatility	1%

[1] The weighted average is determined based on the fair value of the securities.
[2] Excludes derivatives for which the Company bases fair value on broker quotations.

2. Fair Value Measurements (continued)

GMWB and FIA Embedded, Customized and Reinsurance Derivatives

GMWB Embedded Derivatives	The Company formerly offered certain VA products with GMWB riders that provide the policyholder with a GRB which is generally equal to premiums less withdrawals. If the policyholder's account value is reduced to a specified level through a combination of market declines and withdrawals but the GRB still has value, the Company is obligated to continue to make annuity payments to the policyholder until the GRB is exhausted. When payments of the GRB are not life-contingent, the GMWB represents an embedded derivative carried at fair value reported in other policyholder funds and benefits payable on the Consolidated Balance Sheets with changes in fair value reported in net realized capital gains (losses).
FIA Embedded Derivative	The Company assumed through reinsurance FIA contracts that provide the policyholder with benefits that depend on the performance of market indices. Benefits in excess of contract guarantees represent an embedded derivative carried at fair value and reported in other policyholder funds and benefits payable on the Consolidated Balance Sheets with changes in fair value reported in net realized capital gains (losses).
Freestanding Customized Derivatives	The Company previously held freestanding customized derivative contracts to provide protection from certain capital markets risks for the remaining term of specified blocks of GMWB riders written on a direct basis. These customized derivatives are based on policyholder behavior assumptions specified at the inception of the derivative contracts. The Company retained the risk for differences between assumed and actual policyholder behavior and between the performance of the actively managed funds underlying the separate accounts and their respective indices. These derivatives were reported on the Consolidated Balance Sheets within other investments or other liabilities, as appropriate, after considering the impact of master netting agreements.
GMWB Reinsurance Derivative	The Company has reinsurance arrangements with unaffiliated reinsurers in place to transfer a portion of its risk of loss due to GMWB. Certain of these arrangements are recognized as derivatives carried at fair value and reported in reinsurance recoverables on the Consolidated Balance Sheets. Changes in the fair value of the reinsurance agreements are reported in net realized capital gains (losses).

Valuation Techniques

Fair values for FIA and GMWB embedded derivatives, freestanding customized derivatives and reinsurance derivatives are classified as Level 3 in the fair value hierarchy and are calculated using internally developed models that utilize significant unobservable inputs because active, observable markets do not exist for these items. In valuing the GMWB embedded derivative, the Company attributes to the derivative a portion of the expected fees to be collected over the expected life of the contract from the contract holder equal to the present value of future GMWB claims. The excess of fees collected from the contract holder in the current period over the portion of fees attributed to the embedded derivative in the current period are associated with the host VA contract and reported in fee income.

Valuation Inputs

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

Best Estimate Benefits

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

Credit Standing Adjustment

The credit standing adjustment is an estimate of the adjustment to the fair value that market participants would require in determining fair value to reflect the risk that GMWB benefit obligations or the GMWB reinsurance recoverables will not be fulfilled. The Company incorporates a blend of estimates of peer company and reinsurer bond spreads and credit default spreads from capital markets, adjusted for market recoverability.

2. Fair Value Measurements (continued)

Margins

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

Valuation Inputs Used in Levels 2 and 3 Measurements for GMWB and FIA Embedded, Customized and Reinsurance Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
• Risk-free rates as represented by the Eurodollar futures, LIBOR deposits and swap rates to derive forward curve rates • Correlations of 10 years of observed historical returns across underlying well-known market indices • Correlations of historical index returns compared to separate account fund returns • Equity index levels	• Market implied equity volatility assumptions • Credit standing adjustment assumptions • Option budgets Assumptions about policyholder behavior, including: • Withdrawal utilization • Withdrawal rates • Lapse rates • Reset elections

2. Fair Value Measurements (continued)

Significant Unobservable Inputs for Level 3 GMWB Embedded, Customized and Reinsurance Derivatives

As of December 31, 2022	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal utilization [2]	—%	100%	62%	Increase
Withdrawal rates [3]	4%	8%	6%	Increase
Lapse rates [4]	—%	40%	3%	Decrease [8]
Reset elections [5]	—%	99%	10%	Decrease [8]
Equity volatility [6]	18%	28%	23%	Increase
Credit standing adjustment [7]	0.1%	0.3%	0.3%	Decrease

As of December 31, 2021	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal utilization [2]	—%	100%	62%	Increase
Withdrawal rates [3]	4%	8%	6%	Increase
Lapse rates [4]	—%	48%	5%	Decrease [8]
Reset elections [5]	—%	99%	8%	Decrease [8]
Equity volatility [6]	11%	25%	21%	Increase
Credit standing adjustment [7]	—%	0.2%	0.1%	Decrease

Significant Unobservable Inputs for Level 3 FIA Embedded Derivative

As of December 31, 2022	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal rates [3]	—%	15.9%	1.7%	Decrease
Lapse rates [4]	1.0%	25.0%	6.5%	Decrease
Option budgets [9]	0.5%	3.8%	1.6%	Increase
Credit standing adjustment [7]	—%	0.2%	0.1%	Decrease

As of December 31, 2021	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal rates [3]	—%	16%	2%	Decrease
Lapse rates [4]	1%	34%	6%	Decrease
Option budgets [9]	1%	4%	2%	Increase
Credit standing adjustment [7]	—%	0.1%	0.1%	Decrease

[1] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[2] Range represents assumed percentages of policyholders taking withdrawals.
[3] Range represents assumed annual percentage of allowable amount withdrawn.
[4] Range represents assumed annual percentages of policyholders electing a full surrender.
[5] Range represents assumed annual percentages of eligible policyholders electing to reset their guaranteed benefit base.
[6] Range represents implied market volatilities for equity indices based on multiple pricing sources.
[7] Range represents Company credit spreads, adjusted for market recoverability.
[8] The impact may be an increase for some contracts, particularly those with out of the money guarantees.
[9] Range represents assumed annual budget for index options.

Separate Account Assets

Separate account assets are primarily invested in mutual funds. Other separate account assets include fixed maturities, LPs, equity securities, short-term investments and derivatives that are valued in the same manner, and using the same pricing sources and inputs, as those investments held by the Company. For LPs in which fair value represents the separate account's share of the NAV, 53% and 40% were subject to significant liquidation restrictions as of December 31, 2022 and 2021, respectively. Total LPs that do not allow any form of redemption were 0% as of December 31, 2022, and 2021, respectively. Separate account assets classified as Level 3 primarily include long-dated bank loans, subprime RMBS and commercial mortgage loans.

2. Fair Value Measurements (continued)

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The Company uses derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified within the same fair value hierarchy level as the associated asset or liability. Therefore, the realized and unrealized gains and losses on derivatives reported in the Level 3 rollforwards may be offset by realized and unrealized gains and losses of the associated assets and liabilities in other line items of the financial statements.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2022, for which the Company used significant unobservable inputs (Level 3):

		Total Realized/Unrealized Gains (Losses)							
	Fair Value as of December 31, 2021	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of December 31, 2022
Assets									
Fixed maturities, AFS									
ABS	$ —	$ —	$ (2)	$ 52	$ (6)	$ —	$ —	$ (3)	$ 41
CLOs	159	—	(1)	80	(54)	—	—	(75)	109
CMBS	276	—	(26)	68	(34)	—	—	(7)	277
Corporate	665	(2)	(43)	132	(137)	(10)	20	(6)	619
Foreign government/ government agencies	—	—	(1)	5	—	—	—	—	4
Municipal	1	—	—	—	—	—	—	—	1
RMBS	74	—	(1)	22	(26)	(19)	—	(33)	17
Total fixed maturities, AFS	1,175	(2)	(74)	359	(257)	(29)	20	(124)	1,068
Fixed maturities, FVO	—	(21)	—	327	—	—	—	—	306
Equity securities, at fair value	21	6	—	8	(11)	—	—	—	24
LPs and other alternative investments, FVO	—	16	—	42	—	—	—	—	58
Freestanding derivatives									
Interest rate	—	22	—	—	(22)	—	—	—	—
Macro hedge program	(188)	74	—	351	(89)	—	—	—	148
Total freestanding derivatives [5]	(188)	96	—	351	(111)	—	—	—	148
Short-term investments	75	—	—	218	(80)	—	—	(50)	163
Reinsurance recoverable for FIA options	—	(22)	—	123	(52)	—	—	—	49
Reinsurance recoverable for GMWB	(8)	(14)	—	—	(21)	—	—	—	(43)
Separate accounts	79	(2)	—	99	—	(23)	—	(100)	53
Total assets	**$ 1,154**	**$ 57**	**$ (74)**	**$ 1,527**	**$ (532)**	**$ (52)**	**$ 20**	**$ (274)**	**$ 1,826**
Liabilities									
Other policyholder funds and benefits payable									
FIA embedded derivative	(655)	256	—	(13)	27	—	—	—	(385)
Guaranteed withdrawal benefits	80	88	—	—	(37)	—	—	—	131
Total other policyholder funds and benefits payable	(575)	344	—	(13)	(10)	—	—	—	(254)
Total liabilities	**$ (575)**	**$ 344**	**$ —**	**$ (13)**	**$ (10)**	**$ —**	**$ —**	**$ —**	**$ (254)**

2. Fair Value Measurements (continued)

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

		Total Realized/Unrealized Gains (Losses)							
	Fair Value as of July 1, 2021	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of December 31, 2021
Assets									
Fixed maturities, AFS									
ABS	$ 8	$ —	$ —	$ —	$ —	$ —	$ —	$ (8)	$ —
CLOs	248	—	—	34	(64)	—	—	(59)	159
CMBS	143	—	(2)	136	(1)	—	—	—	276
Corporate	460	3	(2)	245	(30)	(11)	—	—	665
Municipal	—	—	—	—	—	—	1	—	1
RMBS	108	—	—	29	(29)	(19)	—	(15)	74
Total fixed maturities, AFS	967	3	(4)	444	(124)	(30)	1	(82)	1,175
Equity securities, at fair value	33	20	—	—	(32)	—	—	—	21
Freestanding derivatives									
Interest rate	2	2	—	(4)	—	—	—	—	—
Total freestanding derivatives [5]	2	2	—	(4)	—	—	—	—	—
Reinsurance recoverable for GMWB	(6)	(8)	—	—	6	—	—	—	(8)
Separate accounts	15	—	—	71	—	(5)	4	(6)	79
Short-term investments	14	—	—	88	(27)	—	—	—	75
Total assets	**$ 1,025**	**$ 17**	**$ (4)**	**$ 599**	**$ (177)**	**$ (35)**	**$ 5**	**$ (88)**	**$ 1,342**
Liabilities									
Freestanding derivatives									
Macro hedge program	$ (237)	$ 153	$ —	$ (1)	$ (103)	$ —	$ —	$ —	$ (188)
Total freestanding derivatives [5]	(237)	153	—	(1)	(103)	—	—	—	(188)
Other policyholder funds and benefits payable									
FIA embedded derivative	—	—	—	(655)	—	—	—	—	(655)
Guaranteed withdrawal benefits	77	29	—	—	(26)	—	—	—	80
Total other policyholder funds and benefits payable	77	29	—	(655)	(26)	—	—	—	(575)
Total liabilities	**$ (160)**	**$ 182**	**$ —**	**$ (656)**	**$ (129)**	**$ —**	**$ —**	**$ —**	**$ (763)**

[1] The Company classifies realized and unrealized gains (losses) on FIA and GMWB reinsurance derivatives and GMWB embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] Amounts in these columns are generally reported in net realized capital gains (losses). The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company. All amounts are before income taxes and amortization.

[3] All amounts are before income taxes and amortization.

[4] Transfers in and/or (out) of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs.

[5] Derivative instruments are reported in this table on a net basis for asset (liability) positions and reported on the Consolidated Balance Sheets in other investments and other liabilities.

[6] Includes both market and non-market impacts in deriving realized and unrealized gains (losses).

2. Fair Value Measurements (continued)

Financial Assets and Liabilities Not Carried at Fair Value

	Fair Value Hierarchy Level	December 31, 2022		December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Policy loans	Level 3	$ 1,495	$ 1,495	$ 1,484	$ 1,484
Mortgage loans [1]	Level 3	2,520	2,232	2,131	2,138
Liabilities					
Other policyholder funds and benefits payable [2]	Level 3	$ 4,834	$ 4,271	$ 5,137	$ 4,792
Funds withheld liability	Level 3	1,237	1,237	1,250	1,250

[1] As of December 31, 2022 and 2021 the carrying amount of mortgage loans was net of ACL of $15 and $12, respectively.
[2] Excludes group accident and health and universal life insurance contracts, including certain FIA and COLI contracts.

3. Investments

Net investment income by asset class consists of the following:

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Fixed maturities [1]	$ 624	$ 174
Equity securities	10	10
Mortgage loans	74	32
Policy loans	82	36
Limited partnerships and other alternative investments	168	259
Other [2]	(11)	1
Investment expense	(30)	(14)
Total net investment income	**$ 917**	**$ 498**

[1] Includes net investment income on short-term investments and excludes amounts related to fixed maturities where the FVO was elected.
[2] Includes income or loss from derivatives that qualify for hedge accounting and hedge fixed maturities along with income or loss on assets from the COLI block of business.

Net realized capital losses consists of the following:

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Gross gains on sales	$ 2	$ 14
Gross losses on sales	(535)	(20)
Net realized gains on sales of equity securities	5	19
Net change in unrealized losses on equity securities [1]	(24)	(2)
Net credit losses on fixed maturities, AFS	(1)	—
Change in ACL on mortgage loans	(3)	—
Change in fair value of fixed maturities, FVO	(21)	—
Change in fair value of LPs and other alternative investments, FVO	16	—
FIA embedded derivative	270	—
FIA hedging program	(247)	—
VA macro hedge program	31	(67)
Non-qualifying foreign currency derivatives	7	5
Modified coinsurance reinsurance derivative contracts	114	15
Other, net [2]	(290)	16
Net realized capital losses	**$ (676)**	**$ (20)**

[1] For the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, the net unrealized losses on equity securities still held at the end of the period included in net realized capital losses was $(24) and $(3), respectively.
[2] Includes gains (losses) on non-qualifying derivatives, excluding foreign currency derivatives, of $(189) and $37 for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, respectively.

3. Investments (continued)

Fixed Maturities, AFS and Mortgage Loans

Sales of Fixed Maturities, AFS

Sales of fixed maturities, AFS in 2022 were primarily a result of strategic asset allocations, tactical changes to the portfolio driven by changing market conditions, and duration and liquidity management.

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Fixed maturities, AFS		
Sale proceeds	$ 5,632	$ 2,372
Gross gains	2	14
Gross losses	(534)	(16)

Accrued Interest Receivable on Fixed Maturities, AFS and Mortgage Loans

As of December 31, 2022 and 2021, the Company reported accrued interest receivable related to fixed maturities, AFS of $183 and $178, respectively, and accrued interest receivable related to mortgage loans of $8 and $6, respectively. These amounts are recorded in other assets on the Consolidated Balance Sheets and are not included in the carrying value of the fixed maturities or mortgage loans. The Company does not include the current accrued interest receivable balance when estimating the ACL. The Company has a policy to write-off accrued interest receivable balances that are more than 90 days past due. Write-offs of accrued interest receivable are recorded as a credit loss component of realized capital gains and losses.

Interest income on fixed maturities and mortgage loans is accrued unless it is past due over 90 days or management deems the interest uncollectible.

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

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

For fixed maturities where a credit loss has been identified and no intent-to-sell impairment has been recorded, the Company will record an ACL for the portion of the unrealized loss related to the credit loss. Any remaining unrealized loss on a fixed maturity after recording an ACL is the non-credit amount and is recorded in OCI. The ACL is the excess of the amortized cost over the greater of the Company's best estimate of the present value of expected future cash flows or the security's fair value. Cash flows are discounted at the effective yield that is used to record interest income. The ACL cannot exceed the unrealized loss and, therefore, it may fluctuate with changes in the fair value of the fixed maturity if the fair value is greater than the Company's best estimate of the present value of expected future cash flows. The initial ACL and any subsequent changes are recorded in net realized capital gains and losses. The ACL is written off against the amortized cost in the period in which all or a portion of the related fixed maturity is determined to be uncollectible.

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

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

For structured securities, assumptions include, but are not limited to, various performance indicators such as historical and projected default and recovery rates, credit ratings, current and projected delinquency rates, loan-to-value ratios ("LTV"), average cumulative collateral loss rates that vary by vintage year, prepayment speeds, and property value declines. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries which may include estimating the underlying collateral value.

3. Investments (continued)

The following tables present a rollforward in the ACL for fixed maturities, AFS:

For the Year Ended December 31, 2022

	Corporate	Total
Balance, beginning of period	$ —	$ —
Credit losses on fixed maturities where an allowance was not previously recorded	1	1
Write-offs charged against the allowance	(1)	(1)
Balance, end of period	**$ —**	**$ —**

For the Period of July 1, 2021 to December 31, 2021

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

Fixed Maturities, AFS

The following table presents fixed maturities, AFS, by asset type, at fair value:

	As of December 31, 2022				As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
ABS	$ 276	$ —	$ (22)	$ 254	$ 260	$ —	$ (2)	$ 258
CLOs	703	—	(27)	676	945	—	(1)	944
CMBS	1,724	1	(211)	1,514	2,345	4	(14)	2,335
Corporate	12,565	2	(2,326)	10,241	13,380	50	(73)	13,357
Foreign government/government agencies	377	—	(62)	315	365	1	(4)	362
Municipal bonds	1,309	—	(269)	1,040	1,452	10	(6)	1,456
RMBS	503	—	(86)	417	818	—	(7)	811
U.S. Treasuries	1,375	—	(316)	1,059	1,599	28	(1)	1,626
Total fixed maturities, AFS	**$ 18,832**	**$ 3**	**$ (3,319)**	**$15,516**	**$ 21,164**	**$ 93**	**$ (108)**	**$21,149**

The following table presents the amortized cost and fair value of fixed maturities, AFS, by contractual maturity:

	As of December 31, 2022		As of December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 445	$ 437	$ 341	$ 341
Over one year through five years	2,535	2,347	3,082	3,068
Over five years through ten years	4,438	3,732	5,248	5,241
Over ten years	8,209	6,140	8,125	8,151
Subtotal	15,627	12,656	16,796	16,801
Mortgage-backed, CLOs and ABS	3,205	2,860	4,368	4,348
Total fixed maturities, AFS	**$ 18,832**	**$ 15,516**	**$ 21,164**	**$ 21,149**

Estimated maturities may differ from contractual maturities due to call or prepayment provisions. Due to the potential for variability in payment speeds (i.e., prepayments or extensions), mortgage-backed and asset-backed securities are not categorized by contractual maturity.

3. Investments (continued)

Unrealized Losses on Fixed Maturities, AFS

The following tables present the Company's unrealized loss aging for fixed maturities, AFS by length of time that the securities were in a continuous unrealized loss position:

As of December 31, 2022

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 96	$ (5)	$ 162	$ (17)	$ 258	$ (22)
CLOs	644	(27)	11	—	655	(27)
CMBS	819	(102)	682	(109)	1,501	(211)
Corporate	6,659	(1,544)	3,412	(782)	10,071	(2,326)
Foreign government/government agencies	185	(41)	128	(21)	313	(62)
Municipal	859	(219)	180	(50)	1,039	(269)
RMBS	123	(20)	293	(66)	416	(86)
U.S. Treasuries	996	(303)	63	(13)	1,059	(316)
Total fixed maturities, AFS in an unrealized loss position	**$ 10,381**	**$ (2,261)**	**$ 4,931**	**$ (1,058)**	**$ 15,312**	**$ (3,319)**

As of December 31, 2021

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 252	$ (2)	$ —	$ —	$ 252	$ (2)
CLOs	751	(1)	—	—	751	(1)
CMBS	961	(14)	—	—	961	(14)
Corporate	5,788	(73)	—	—	5,788	(73)
Foreign government/government agencies	173	(4)	—	—	173	(4)
Municipal	337	(6)	—	—	337	(6)
RMBS	537	(7)	—	—	537	(7)
U.S. Treasuries	217	(1)	—	—	217	(1)
Total fixed maturities, AFS in an unrealized loss position	**$ 9,016**	**$ (108)**	**$ —**	**$ —**	**$ 9,016**	**$ (108)**

As of December 31, 2022, fixed maturities, AFS in an unrealized loss position consisted of 4,434 instruments, and were primarily depressed due to higher interest rates and/or wider credit spreads since the purchase and/or application of pushdown accounting dates. As of December 31, 2022, 57% of these fixed maturities were depressed less than 20% of cost or amortized cost. The increase in unrealized losses for the year ended December 31, 2022, was primarily attributable to higher interest rates and wider credit spreads.

Most of the fixed maturities depressed for twelve months or more relate to the corporate sector which were primarily depressed because current rates are higher and/or market spreads are wider than at the respective purchase and/or application of pushdown accounting dates. The Company neither has an intention to sell nor does it expect to be required to sell the fixed maturities outlined in the preceding discussion. The decision to record credit losses on fixed maturities, AFS in the form of an ACL requires us to make qualitative and quantitative estimates of expected future cash flows. Actual cash flows could deviate significantly from our expectations resulting in realized losses in future periods.

3. Investments (continued)

Mortgage Loans

ACL on Mortgage Loans

The Company reviews mortgage loans on a quarterly basis to estimate the ACL, with changes in the ACL recorded in net realized capital gains (losses). Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. The Company utilizes a third-party forecasting model to estimate lifetime expected credit losses at a loan level under multiple economic scenarios. The scenarios use macroeconomic data provided by an internationally recognized economics firm that generates forecasts of varying economic factors such as GDP growth, unemployment and interest rates. The economic scenarios are projected over 10 years. The first two years to four years of the 10-year period assume a specific modeled economic scenario (including moderate upside, moderate recession and severe recession scenarios) and then revert to historical long-term assumptions over the remaining period. Using these economic scenarios, the forecasting model projects property-specific operating income and capitalization rates used to estimate the value of a future operating income stream. The operating income and the property valuations derived from capitalization rates are compared to loan payment and principal amounts to create debt-service coverage ratios ("DSCRs") and LTVs over the forecast period. The Company's process also considers qualitative factors. The model overlays historical data about mortgage loan performance based on DSCRs and LTVs and projects the probability of default, amount of loss given a default and resulting expected loss through maturity for each loan under each economic scenario. Economic scenarios are probability-weighted based on a statistical analysis of the forecasted economic factors and qualitative analysis. The Company records the change in the ACL on mortgage loans based on the weighted-average expected credit losses across the selected economic scenarios. When a borrower is experiencing financial difficulty, including when foreclosure is probable, the Company measures an ACL on individual mortgage loans. The ACL is established for any shortfall between the amortized cost of the loan and the fair value of the collateral less costs to sell. Estimates of collectibility from an individual borrower require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, cash flow projections may change based upon new information about the borrower's ability to pay and/or the value of underlying collateral such as changes in projected property value estimates. As of December 31, 2022 and 2021, the Company did not have any mortgage loans for which an ACL was established on an individual basis.

There were no mortgage loans held-for-sale as of December 31, 2022 and 2021. In addition, as of December 31, 2022 and 2021, the Company had no mortgage loans that have had extensions or restructurings other than what is allowable under the original terms of the contract.

The following table presents a rollforward of the ACL for the mortgage loan portfolio:

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Beginning balance, as of January 1	**$ 12**	**$ —**
Cumulative effect of pushdown accounting	—	12
Adjusted beginning balance ACL	**12**	**12**
Current period provision (release)	3	—
Ending balance, as of December 31	**$ 15**	**$ 12**

The increase in the allowance for the year ended December 31, 2022 was primarily attributable to the deteriorating economic conditions and the potential impact on real estate property valuations and, to a lesser extent, net additions of new loans. The allowance for the period of July 1, 2021 to December 31, 2021 was the result of the Sixth Street Acquisition.

LTV and DSCR on Mortgage Loans

The weighted-average LTV ratio of the Company’s mortgage loan portfolio was 62% as of December 31, 2022, while the weighted-average LTV ratio at origination of these loans was 53%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan with property values based on appraisals updated no less than annually. Factors considered in estimating property values include, among other things, actual and expected property cash flows, geographic market data and the ratio of the property's net operating income to its value. DSCR compares a property’s net operating income to the borrower’s principal and interest payments and are updated no less than annually through reviews of underlying properties.

3. Investments (continued)

The following represents the LTV ratio and DSCR of the mortgage loan portfolio, by origination year:

As of December 31, 2022

	2022		2021		2020		2019		2018		2017 & Prior		Total	
Loan-to-Value	**Amortized Cost**	**Avg. DSCR [2]**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost [1]**	**Avg. DSCR [2]**
Greater than 80%	$ 54	—x	$ —	—x	$ —	—x	$ —	—x	$ —	—x	$ 41	2.09x	$ 95	2.09x
65% - 80%	10	2.02x	21	2.51x	14	2.79x	27	2.08x	116	1.28x	60	1.77x	248	1.71x
Less than 65%	461	2.47x	379	2.76x	166	2.65x	220	2.92x	181	2.14x	785	2.74x	2,192	2.67x
Total mortgage loans	**$ 525**	**2.45x**	**$ 400**	**2.74x**	**$ 180**	**2.66x**	**$ 247**	**2.83x**	**$ 297**	**1.80x**	**$ 886**	**2.64x**	**$ 2,535**	**2.55x**

As of December 31, 2021

	2021		2020		2019		2018		2017		2016 & Prior		Total	
Loan-to-Value	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost**	**Avg. DSCR**	**Amortized Cost [1]**	**Avg. DSCR**
65% - 80%	$ 7	2.37x	$ 18	2.62x	$ 25	1.55x	$ 43	1.00x	$ 41	1.94x	$ 37	1.23x	$ 171	1.60x
Less than 65%	378	2.68x	160	2.43x	234	2.89x	270	2.00x	235	2.27x	695	2.54x	1,972	2.50x
Total mortgage loans	**$ 385**	**2.68x**	**$ 178**	**2.45x**	**$ 259**	**2.76x**	**$ 313**	**1.86x**	**$ 276**	**2.22x**	**$ 732**	**2.47x**	**$ 2,143**	**2.42x**

[1] As of December 31, 2022 and 2021, the amortized cost of mortgage loans excludes ACL of $15 and $12, respectively.
[2] Ratios exclude certain single family residential mortgage loans.

Mortgage Loans by Region and Type

The following table presents the amortized cost and percentage of total for the mortgage loan portfolio, by geographic location:

	As of December 31, 2022		As of December 31, 2021	
	Amortized Cost [1]	**Percent of Total**	**Amortized Cost [1]**	**Percent of Total**
East North Central	$ 74	2.9 %	$ 78	3.6 %
East South Central	32	1.3 %	20	0.9 %
Middle Atlantic	194	7.7 %	152	7.1 %
Mountain	185	7.3 %	142	6.6 %
New England	82	3.2 %	87	4.1 %
Pacific	535	21.1 %	559	26.1 %
South Atlantic	694	27.4 %	627	29.3 %
West South Central	180	7.1 %	184	8.6 %
Other [2]	559	22.0 %	294	13.7 %
Total mortgage loans	**$ 2,535**	**100 %**	**$ 2,143**	**100 %**

[1] As of December 31, 2022 and 2021, the amortized cost of mortgage loans excludes ACL of $15 and $12, respectively.
[2] Primarily represents loans collateralized by multiple properties in various regions.

3. Investments (continued)

The following table presents the mortgage loan portfolio, by property type:

	As of December 31, 2022		As of December 31, 2021	
	Amortized Cost [1]	Percent of Total	Amortized Cost [1]	Percent of Total
Commercial				
Industrial	$ 787	31.0 %	$ 711	33.2 %
Multifamily	669	26.4 %	590	27.5 %
Office	383	15.1 %	423	19.7 %
Retail	443	17.5 %	403	18.8 %
Single Family	253	10.0 %	16	0.8 %
Total mortgage loans	**$ 2,535**	**100 %**	**$ 2,143**	**100 %**

[1] As of December 31, 2022 and 2021, the amortized cost of mortgage loans excludes ACL of $15 and $12, respectively.

Past-Due Mortgage Loans

Mortgage loans are considered past due if a payment of principal or interest is not received according to the contractual terms of the loan agreement, which typically includes a grace period. As of December 31, 2022 and 2021, the Company held no mortgage loans considered past due.

Purchased Financial Assets with Credit Deterioration

Purchased financial assets with credit deterioration ("PCD") are purchased financial assets with a “more-than-insignificant” amount of credit deterioration since origination. PCD assets are assessed only at initial acquisition date and for any investments identified, the Company records an allowance at acquisition with a corresponding increase to the amortized cost basis. As of December 31, 2022 and 2021, the Company held no PCD fixed maturities, AFS or mortgage loans.

Variable Interest Entities

The Company is engaged with various special purpose entities and other entities that are deemed to be variable interest entities ("VIE") primarily as an investor through normal investment activities.

A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIE to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company’s assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE on the Company’s Consolidated Financial Statements. As of December 31, 2022 and 2021, the Company did not hold any investment in a VIE for which it was the primary beneficiary.

Non-Consolidated VIEs

The Company, through normal investment activities, makes passive investments in LPs and other alternative investments. For these non-consolidated VIEs, the Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments. The Company’s maximum exposure to loss as of December 31, 2022 and 2021 is limited to the total carrying value of $1.3 billion and $1.1 billion, respectively, which are included in LPs and other alternative investments on the Company's Consolidated Balance Sheets. As of December 31, 2022 and 2021, the Company had outstanding commitments totaling $410 and $419, respectively, whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management.

In addition, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are included in ABS, CLOs, CMBS, and RMBS and are reported in fixed maturities, AFS on the Company’s Consolidated Balance Sheets. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company’s investment in comparison to the principal amount of the structured securities issued by the VIE, the Company’s inability to direct the activities that most significantly impact the economic

3. Investments (continued)

performance of the VIE, and, where applicable, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

Repurchase Agreements and Other Collateral Transactions

The Company enters into securities financing transactions as a way to earn additional income or manage liquidity, primarily through repurchase agreements.

Repurchase Agreements

From time to time, the Company enters into repurchase agreements to manage liquidity or to earn incremental income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. The maturity of these transactions is generally of ninety days or less. Repurchase agreements include master netting provisions that provide both parties the right to offset claims and apply securities held by them with respect to their obligations in the event of a default. Although the Company has the contractual right to offset claims, the Company's current positions do not meet the specific conditions for net presentation.

Under repurchase agreements, the Company transfers collateral of U.S. government and government agency securities and receives cash. For repurchase agreements, the Company obtains cash in an amount equal to at least 95% of the fair value of the securities transferred. The agreements require additional collateral to be transferred under specified conditions and provide the counterparty the right to sell or re-pledge the securities transferred. The cash received from the repurchase program is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Consolidated Balance Sheets. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturities, AFS with the obligation to repurchase those securities recorded in other liabilities on the Company's Consolidated Balance Sheets.

From time to time, the Company enters into reverse repurchase agreements where the Company purchases securities and simultaneously agrees to resell the same or substantially the same securities. The maturity of these transactions is generally within one year. The agreements require additional collateral to be transferred to the Company under specified conditions and the Company has the right to sell or re-pledge the securities received. The Company accounts for reverse repurchase agreements as collateralized financing. The receivable for reverse repurchase agreements is included within short-term investments on the Company's Consolidated Balance Sheets.

The following table presents the fair value and collateral pledged for repurchase and reverse repurchase agreements:

	As of December 31, 2022	As of December 31, 2021
Repurchase agreements:		
Gross amount of recognized liabilities for repurchase agreements	$ 564	$ 663
Gross amount of collateral pledged related to repurchase agreements [1]	577	679
Gross amount of recognized receivables for reverse repurchase agreements [2]	7	44

[1] Collateral pledged is included within fixed maturities, AFS and short-term investments on the Company's Consolidated Balance Sheets.
[2] Collateral received is included within short-term investments on the Company's Consolidated Balance Sheets.

Other Collateral Transactions

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of December 31, 2022 and 2021, the fair value of securities on deposit was $20 and $26, respectively.

For disclosure of collateral in support of derivative transactions, refer to the Derivative Collateral Arrangements section of Note 4 - Derivatives.

Equity Method Investments

The majority of the Company's investments in LPs and other alternative investments, including hedge funds, mortgage and real estate funds, and private equity and other funds, are accounted for under the equity method of accounting. The Company recognized total equity method income of $168 and $259 for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, respectively. Equity method income is reported in net investment income. The Company's maximum exposure to loss as of December 31, 2022 is limited to the total carrying value of $1.3 billion. In

3. Investments (continued)

addition, the Company has outstanding commitments totaling approximately $410, to fund LPs and other alternative investments as of December 31, 2022.

The Company's investments in LPs are generally of a passive nature in that the Company does not take an active role in the management of the LPs. For the year ended December 31, 2022, aggregate investment income (losses) from LPs and other alternative investments exceeded 10% of the Company's pre-tax consolidated net income. Accordingly, the Company is disclosing aggregated summarized financial data for the Company's LPs. This aggregated summarized financial data does not represent the Company's proportionate share of the investment's assets or earnings. Aggregate total assets of the LPs in which the Company invested totaled $172.7 billion and $171.1 billion as of December 31, 2022 and 2021, respectively. Aggregate total liabilities of the LPs in which the Company invested totaled $28.6 billion and $30.8 billion as of December 31, 2022 and 2021, respectively. Aggregate net investment income (loss) of the LPs in which the Company invested totaled $1.9 billion and $2.0 billion for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, respectively. Aggregate net income excluding net investment income of the LPs in which the Company invested totaled $4.7 billion and $31.4 billion for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, respectively. As of, and for the year ended December 31, 2022, the aggregated summarized financial data reflects the latest available financial information.

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk. The Company evaluated its investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's equity. As of December 31, 2022, we are providing the top 25 investment concentrations, other than the U.S. government and certain U.S. government agencies and commercial mortgage loans, due to the size of our investment portfolio in comparison to our equity as of December 31, 2021, when the Company did not have any credit concentration risk of a single issuer greater than 10% of the Company's equity.

Top 25 Investment Holdings by Issuer	Market Value
Pacific Investment Management LLC	$ 347
Madison Capital Funding	195
Harbourvest	131
Bank of America	121
Twin Brook Capital Partners	104
Oracle Corporation	95
Whitehorse Liquidity Partners	91
Mitsubishi UFJ Financial Group	90
Citigroup	88
Mizuho Financial Group	87
J.P. Morgan & Co.	85
International Business Machines Corporation	84
Boeing Company	82
Goldman Sachs Group, Inc.	75
Wells Fargo & Company	74
Sumitomo Mitsui Financial Group	73
UnitedHealth Group Inc.	70
Walt Disney Company	70
Strategic Partners VIII L.P.	69
T-Mobile US, Inc	69
Deutsche Telekom International Finance B.V.	66
Amgen Inc.	65
Gridiron Capital Fund III LP	65
ING Group	63
Strategic Partners Touchdown Holdings L.P.	62

4. Derivatives

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate risk or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company’s investment policies. The Company also may enter into and has previously issued financial instruments and products that either are accounted for as freestanding derivatives, such as certain reinsurance contracts, or as embedded derivative instruments, such as certain GMWB riders included with certain VA products.

Strategies that Qualify for Hedge Accounting

Some of the Company's derivatives satisfy hedge accounting requirements as outlined in Note 1 - Basis of Presentation and Significant Accounting Policies of these financial statements. Typically, these hedging instruments include interest rate swaps and, to a lesser extent, foreign currency swaps where the terms or expected cash flows of the hedged item closely match the terms of the swap. The interest rate swaps are typically used to manage interest rate duration of certain fixed maturity securities or liability contracts. As a result of pushdown accounting, derivative instruments that previously qualified for hedge accounting were de-designated and recorded at fair value through adjustments to additional paid-in capital at the acquisition date. The hedge strategies by hedge accounting designation include:

Cash Flow Hedges

Interest rate swaps are predominantly used to manage portfolio duration and better match cash receipts from assets with cash disbursements required to fund liabilities. These derivatives primarily convert interest receipts on floating-rate fixed maturity securities to fixed rates. Foreign currency swaps are used to convert foreign currency-denominated cash flows related to certain investment receipts and liability payments to U.S. dollars in order to reduce cash flow fluctuations due to changes in currency rates.

Non-Qualifying Strategies

Derivative relationships that do not qualify for hedge accounting (“non-qualifying strategies”) primarily include the hedge program for the Company's VA products, as well as the hedging and replication strategies that utilize credit default swaps. In addition, hedges of interest rate, foreign currency and equity risk of certain fixed maturities, equities and liabilities do not qualify for hedge accounting.

The non-qualifying strategies include:

Interest Rate Swaps, Swaptions and Futures

The Company uses interest rate swaps, swaptions and futures to manage interest rate duration between assets and liabilities in certain investment portfolios. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap. As of December 31, 2022 and 2021, the notional amount of interest rate swaps in offsetting relationships was $276 and $506, respectively.

Foreign Currency Swaps and Forwards

The Company enters into foreign currency swaps to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars. The Company also enters into foreign currency forwards to hedge non-U.S. dollar denominated cash.

Credit Contracts

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in the value of fixed maturity securities. Credit default swaps are also used to assume credit risk related to an individual entity or referenced index as a part of replication transactions. These contracts require the Company to pay or receive a periodic fee in exchange for compensation from the counterparty or the Company should the referenced security issuers experience a credit event, as defined in the contract. In addition, the Company enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

4. Derivatives (continued)

Equity Index Swaps and Options

The Company enters into equity index options to hedge the impact of a decline in the equity markets on the investment portfolio.

Macro Hedge Program

The Company utilizes equity swaps, options and futures as well as interest rate swaps to provide protection against the statutory tail scenario risk to the Company's statutory surplus arising from higher GMDB claims as well as lower VA fee revenue.

GMWB Derivatives, net

The Company formerly offered and assumes certain VA products with GMWB riders. The GMWB product is a bifurcated embedded derivative (“GMWB product derivatives”) that has a notional value equal to the GRB. The Company uses reinsurance contracts to transfer a portion of its risk of loss due to GMWB. The reinsurance contracts covering GMWB (“GMWB reinsurance contracts”) are accounted for as freestanding derivatives with a notional amount equal to the GRB reinsured.

FIA Embedded Derivative

The Company has assumed through reinsurance certain FIA products with index-based crediting that constitutes an embedded derivative. The cedant hedges this risk and provides the benefits of this hedging as part of the reinsurance settlements.

Ceded Modified Coinsurance Reinsurance Contracts

As of December 31, 2022 and 2021, the Company had approximately $645 and $775, respectively, of invested assets supporting other policyholder funds and benefits payable reinsured under a modified coinsurance arrangement in connection with the sale of the Individual Life business, which was structured as a reinsurance transaction. The assets are primarily held in trust accounts established by the Company. The Company pays or receives cash quarterly to settle the operating results of the reinsured business, including the investment results. As a result of this modified coinsurance arrangement, the Company has an embedded derivative that transfers to the reinsurer certain unrealized changes in fair value of investments subject to interest rate and credit risk. The notional amount of the embedded derivative reinsurance contracts are the invested assets which are carried at fair value and support the reinsured reserves. A funds withheld liability is recorded for funds contractually withheld by the Company under funds withheld modified coinsurance arrangements in which the Company is the cedant.

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities based upon the net of the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. Derivatives in the Company’s separate accounts, where the associated gains and losses accrue directly to policyholders are not included in the table below. The Company’s derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company’s derivative activity. Notional amounts are not necessarily reflective of credit risk. The following tables exclude investments that contain an embedded credit derivative for which the Company has elected the FVO.

4. Derivatives (continued)

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Hedge Designation/ Derivative Type	**Dec 31, 2022**	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2021**
Cash flow hedges								
Interest rate swaps	$ 250	$ 100	$ —	$ —	$ —	$ —	$ —	$ —
Total cash flow hedges	**250**	**100**	**—**	**—**	**—**	**—**	**—**	**—**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	1,363	3,074	(1)	(7)	3	19	(4)	(26)
Foreign exchange contracts								
Foreign currency swaps and forwards	161	161	15	9	16	10	(1)	(1)
Credit contracts								
Credit derivatives that assume credit risk	500	100	4	2	4	2	—	—
Variable annuity hedge program								
GMWB product derivatives [1]	6,308	7,086	131	80	131	100	—	(20)
GMWB reinsurance contracts	1,397	1,555	(43)	(8)	—	—	(43)	(8)
Macro hedge program	22,823	22,991	211	(213)	506	145	(295)	(358)
Fixed indexed annuities								
FIA product derivative [1] [2]	—	—	(385)	(655)	—	—	(385)	(655)
Other								
Modified coinsurance reinsurance contracts [2]	—	—	129	15	129	15	—	—
Total non-qualifying strategies	**32,552**	**34,967**	**61**	**(777)**	**789**	**291**	**(728)**	**(1,068)**
Total cash flow hedges and non-qualifying strategies	**$ 32,802**	**$ 35,067**	**$ 61**	**$ (777)**	**$ 789**	**$ 291**	**$ (728)**	**$ (1,068)**
Balance Sheet Location								
Fixed maturities, AFS	$ 56	$ 56	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	11,998	8,163	195	43	237	91	(42)	(48)
Other liabilities	13,043	18,206	34	(252)	292	85	(258)	(337)
Reinsurance recoverables	1,397	1,556	86	7	129	15	(43)	(8)
Other policyholder funds and benefits payable	6,308	7,086	(254)	(575)	131	100	(385)	(675)
Total derivatives	**$ 32,802**	**$ 35,067**	**$ 61**	**$ (777)**	**$ 789**	**$ 291**	**$ (728)**	**$ (1,068)**

[1] These derivatives are embedded within liabilities and are not held for risk management purposes.
[2] For certain assumed and ceded reinsurance agreements the notional value is not indicative of the volume of activity. Refer to Note 5 - Reinsurance for additional information regarding the activity which generated the value of the embedded derivative.

Offsetting of Derivative Assets/Liabilities

The following tables present the gross fair value amounts, the amounts offset, and net position of derivative instruments eligible for offset on the Company's Consolidated Balance Sheets. Amounts offset include fair value amounts, income accruals and related cash collateral receivables and payables associated with derivative instruments that are traded under a common master netting agreement, as described in the preceding discussion. Also included in the tables are financial collateral receivables and payables, which are contractually permitted to be offset upon an event of default, although are disallowed for offsetting under U.S. GAAP.

4. Derivatives (continued)

Offsetting Derivative Assets and Liabilities

	(i)	(ii)	(iii) = (i) - (ii)		(iv)	(v) = (iii) - (iv)
			Net Amounts Presented on the Statement of Financial Position		Collateral Disallowed for Offset on the Statement of Financial Position	
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset on the Statement of Financial Position	Derivative Assets [1] (Liabilities) [2]	Accrued Interest and Cash Collateral (Received) [3] Pledged [2]	Financial Collateral (Received) Pledged [4]	Net Amount
As of December 31, 2022						
Other investments	$ 529	$ 446	$ 195	$ (112)	$ 68	$ 15
Other liabilities	(300)	(195)	34	(139)	(103)	(2)
As of December 31, 2021						
Other investments	$ 176	$ 162	$ 43	$ (29)	$ 5	$ 9
Other liabilities	(385)	(134)	(252)	1	(251)	—

[1] Included in other invested assets on the Company's Consolidated Balance Sheets.
[2] Included in other liabilities on the Company's Consolidated Balance Sheets and is limited to the net derivative payable associated with each counterparty.
[3] Included in other investments on the Company's Consolidated Balance Sheets and is limited to the net derivative receivable associated with each counterparty.
[4] Excludes collateral associated with exchange-traded derivative instruments.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

Derivatives in Cash Flow Hedging Relationships

Pre-Tax Gain (Loss) Recognized in OCI

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Interest rate swaps	$ (35)	$ —
Foreign currency swaps	—	—
Total	**$ (35)**	**$ —**

Gain (Loss) Reclassified from AOCI into Income

	For the Year Ended December 31, 2022		For the Period of July 1, 2021 to December 31, 2021	
	Net Realized Capital Gain (Loss)	Net Investment Income	Net Realized Capital Gain (Loss)	Net Investment Income
Interest rate swaps	—	(1)	—	—
Foreign currency swaps	—	—	—	—
Total	**$ —**	**$ (1)**	**$ —**	**$ —**
Total amounts presented in the Consolidated Statements of Operations	**$ (676)**	**$ 917**	**$ (20)**	**$ 498**

As of December 31, 2022, the before tax deferred net losses on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months were $8. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to net investment income over the term of the investment cash flows.

4. Derivatives (continued)

For all periods presented, the Company had no net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

Non-qualifying Strategies

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

Non-qualifying Strategies
Gain (Loss) Recognized within Net Realized Capital Gains (Losses)

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Variable annuity hedge program		
GMWB product derivatives	$ 88	$ 29
GMWB reinsurance contracts	(56)	4
Variable annuity macro hedge program	(1)	(100)
Total variable annuity hedge program	31	(67)
Fixed Indexed Annuity		
FIA product derivatives	270	—
FIA hedging program	(247)	—
Total fixed indexed annuity	23	—
Foreign exchange contracts		
Foreign currency swaps and forwards	7	5
Other non-qualifying derivatives		
Interest rate contracts		
Interest rate swaps, swaptions, and futures	(306)	21
Credit contracts		
Credit derivatives that assume credit risk	3	1
Other		
Modified coinsurance reinsurance contracts	114	15
Total other non-qualifying derivatives	(189)	37
Total	**$ (128)**	**$ (25)**

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity or referenced index in order to synthetically replicate investment transactions that are permissible under the Company's investment policies. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and baskets, which include standard diversified portfolios of corporate and CMBS issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and may be divided into tranches that possess different credit ratings.

4. Derivatives (continued)

As of December 31, 2022

Credit Derivative Type by Derivative Risk Exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Underlying Referenced Credit Obligation(s) [1] Average Credit Rating	Offsetting Notional Amount	Offsetting Fair Value
Basket credit default swaps [3]							
Investment grade risk exposure	$ 500	$ 4	5 years	Corporate Credit	BBB+	$ —	$ —
Total	**$ 500**	**$ 4**				**$ —**	**$ —**

As of December 31, 2021

Credit Derivative Type by Derivative Risk Exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Underlying Referenced Credit Obligation(s) [1] Average Credit Rating	Offsetting Notional Amount	Offsetting Fair Value
Basket credit default swaps [3]							
Investment grade risk exposure	$ 100	$ 2	5 years	Corporate Credit	BBB+	$ —	$ —
Total	**$ 100**	**$ 2**				**$ —**	**$ —**

[1] *The average credit ratings are based on availability and are generally the midpoint of the available ratings among Moody's, S&P, and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.*
[2] *Notional amount is equal to the maximum potential future loss amount. These derivatives are governed by agreements and applicable law which include collateral posting requirements. There is no additional specific collateral related to these contracts or recourse provisions included in the contracts to offset losses.*
[3] *Comprised of swaps of standard market indices of diversified portfolios of corporate and CMBS issuers referenced through credit default swaps. These swaps are subsequently valued based upon the observable standard market index.*

Derivative Collateral Arrangements

The Company enters into various collateral arrangements in connection with its derivative instruments, which require both the pledging and accepting of collateral. As of December 31, 2022 and 2021, the Company pledged cash collateral with a fair value of $5 and $2, respectively, associated with derivative instruments. The collateral receivable has been recorded in other assets or other liabilities on the Company's Consolidated Balance Sheets, as determined by the Company's election to offset on the balance sheet. As of December 31, 2022 and 2021, the Company also pledged securities collateral associated with derivative instruments with a fair value of $106 and $270, respectively, which have been included in fixed maturities, AFS on the Consolidated Balance Sheets. The counterparties have the right to sell or re-pledge these securities. In addition, as of December 31, 2022 and 2021, the Company has pledged initial margin of cash related to OTC-cleared and exchange traded derivatives with a fair value of $15 and $4, respectively, which is recorded in other investments or other assets on the Company's Consolidated Balance Sheets. As of December 31, 2022 and 2021, the Company has pledged initial margin of securities related to OTC-cleared and exchange traded derivatives with a fair value of $187 and $172, respectively, which are included within fixed maturities, AFS on the Company's Consolidated Balance Sheets.

As of December 31, 2022 and 2021, the Company accepted cash collateral associated with derivative instruments of $262 and $30, respectively, which was invested and recorded on the Consolidated Balance Sheets in fixed maturities, AFS and short-term investments with corresponding amounts recorded in other investments or other liabilities as determined by the Company's election to offset on the balance sheet. The Company also accepted securities collateral as of December 31, 2022 and 2021 with a fair value of $79 and $5, respectively, which the Company has the right to sell or repledge. As of December 31, 2022 and 2021, the Company had not repledged securities and did not sell any securities. The non-cash collateral accepted was held in separate custodial accounts and was not included on the Company's Consolidated Balance Sheets.

5. Reinsurance

As part of the Company's growth strategy, the Company assumes reinsurance from unaffiliated insurers to provide our counterparties with risk management solutions. In addition, the Company cedes reinsurance to unaffiliated insurers to enable the Company to manage capital and risk exposure. The Company's historical reinsurance cessions provided a level of risk mitigation desired by prior ownership. The Company's current reinsurance assumptions provide strategic business growth opportunities. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly monitors the financial condition and ratings of its reinsurers and structures agreements to provide collateral funds where necessary.

Assumed Reinsurance

Guardian

On November 1, 2022, the Company entered into a reinsurance agreement with The Guardian Insurance & Annuity Company, Inc. (“Guardian”) to reinsure $7.1 billion in VA reserves, primarily comprised of contracts with living withdrawal benefit and death benefit riders. The Company assumed 100% of $439 in general account reserves on a coinsurance basis and assumed 100% of $6.7 billion in separate account reserves on a modified coinsurance basis. The Company acquired general account assets to support the assumed reserves and received $121 in cash from Guardian upon closing, primarily relating to a ceding commission of $65 and cash settlements. As part of this transaction, the Company entered into an administration services agreement for the reinsured block and will ultimately administer the reinsured block within two years following the close of the transaction.

The following table summarizes the impacts of the transaction:

Liabilities assumed	$	439
Less: ceding commission received		(65)
Less: other assets received		(464)
Net gain on reinsurance	**$**	**(90)**
URR [1]		90

[1] Included in other policyholder funds and benefits payable on the Consolidated Balance Sheets.

Allianz

On December 30, 2021, the Company entered into a reinsurance agreement with Allianz Life Insurance Company of North America ("Allianz") to assume $8.0 billion of FIA reserves. The Company assumed 100% of one block ($5.0 billion of FIA reserves) and 5% of another block ($3.0 billion of FIA reserves) from Allianz on a coinsurance basis and the Company acquired general account assets to support these assumed reserves. Certain of the FIAs included living withdrawal benefits. The Company paid $693 to Allianz upon closing, primarily relating to a ceding commission of $866, offset by cash settlements. The Company will participate in an aggregated hedging pool administered by Allianz, whereby the Company will pay Allianz a fee in order to participate in the pool and will receive an index credit payout based on the level of participation in the pool. Allianz will continue to service and administer the policies reinsured under the agreement as the direct insurer of the business.

The following table summarizes the impacts of the transaction:

Liabilities assumed	$	7,958
Ceding commission paid		866
Less: assets received		(8,849)
Net gain on reinsurance	**$**	**(25)**
URR [1]		25

[1] Included in other policyholder funds and benefits payable on the Consolidated Balance Sheets.

As part of the Allianz reinsurance transaction, the Company maintains a coinsurance trust for the benefit of Allianz. As of December 31, 2022, there were $6.2 billion of fixed income securities, $199 of short-term investments and $130 of cash in the coinsurance trust. As of December 31, 2021 there were $8.0 billion of fixed income securities, $335 of short-term investments and $17 of cash in the coinsurance trust.

5. Reinsurance (continued)

Other Assumed Reinsurance

On July 29, 2022, the Company executed a flow reinsurance agreement with Allianz. Under the terms of the transaction, the Company assumed certain FIA contracts issued by Allianz after August 2, 2022 on a coinsurance basis. Allianz will continue to service and administer the policies reinsured under the agreement as the direct insurer of the business.

On September 17, 2021, the Company executed a flow reinsurance transaction with Lincoln National Corporation's ("Lincoln") insurance subsidiary, The Lincoln National Life Insurance Company. The Company coinsured a living benefit rider on variable annuity contracts issued by Lincoln between April 1, 2021 and June 30, 2022 up to a maximum of $1.5 billion of reinsured deposits. In June 2022, the Company entered into an extension of the agreement through June 30, 2023, at a lower quota share for contracts issued subsequent to June 30, 2022. Lincoln will continue to service and administer the policies as direct insurer of the business.

Ceded Reinsurance

Reinsurance recoverables include balances due from reinsurance companies and are presented net of ACL. The ACL represents an estimate of expected credit losses over the lifetime of the contracts that reflect management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' inability to pay. Reinsurance recoverables include an estimate of the amount of policyholder benefits that may be ceded under the terms of the reinsurance agreements. Amounts recoverable from reinsurers are estimated in a manner consistent with assumptions used for the underlying policy benefits. Accordingly, the Company's estimate of reinsurance recoverables is subject to similar risks and uncertainties as the estimate of the gross reserve for future policy benefits.

Reinsurance Recoverables, net

	As of December 31, 2022	As of December 31, 2021
Reserve for future policy benefits and other policyholder funds and benefits payable		
Sold businesses (MassMutual and Prudential)	$ 20,174	$ 19,850
Commonwealth Annuity and Life Insurance Company ("Commonwealth")	8,001	8,718
Other reinsurers	1,017	1,187
Gross reinsurance recoverables	**29,192**	**29,755**
Less: ACL	27	37
Reinsurance recoverables, net	**$ 29,165**	**$ 29,718**

As of December 31, 2022, the Company had reinsurance recoverables from Commonwealth, Massachusetts Mutual Life Insurance Company ("MassMutual") and Prudential Financial, Inc. ("Prudential") of $8.0 billion, $6.7 billion and $13.5 billion, respectively. As of December 31, 2022, the Company had reinsurance recoverables from Commonwealth, MassMutual, and Prudential of $8.7 billion, $6.8 billion, and $13.1 billion, respectively. The Company's obligations to its direct policyholders that have been reinsured to Commonwealth, MassMutual and Prudential are primarily secured by invested assets held in trust.

Allowance for Credit Losses

For the year ended December 31, 2022, the ACL decreased by $10 to $27. The Company closely monitors the financial condition, ratings and current market information of all its counterparty reinsurers and records an ACL considering the credit quality of the reinsurer, the invested assets in trust, and the period over which the recoverable balances are expected to be collected. Counterparty risk is assessed on a pooled basis in cases of shared risk characteristics, and separately for individual reinsurers when it is more relevant. The Company evaluates historical events, current conditions, and reasonable and supportable forecasts in developing its ACL estimate. Where its contracts permit, the Company secures future claim obligations with various forms of collateral, including irrevocable letters of credit, secured trusts and funds held accounts. The ACL is estimated using a probability of default and loss given default model applied to the amount of reinsurance recoverables, net of collateral, exposed to loss. The probability of default factor is assigned based on each reinsurer's credit rating. The Company reassesses and updates credit ratings on a quarterly basis. The probability of default factors encompass historical industry defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. The loss given default factors are based on a study of historical recovery rates for general creditors of corporations through multiple economic cycles.

5. Reinsurance (continued)

Insurance Revenues

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Gross earned premiums, fee income and other	$ 2,240	$ 1,173
Reinsurance assumed	210	69
Reinsurance ceded	(1,529)	(801)
Net earned premiums, fee income and other	**$ 921**	**$ 441**

Insurance recoveries on ceded reinsurance agreements, which reduce death and other benefits, were $1,648 and $782 for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021, respectively. In addition, the Company has reinsured a portion of the risk associated with U.S. variable annuities and the associated GMDB and GMWB risks.

6. Value of Business Acquired

Changes in the VOBA Balance

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Balance, beginning of period	**$ 555**	**$ —**
VOBA acquired [1]	—	565
Amortization - VOBA	(53)	(17)
Amortization - unlock benefit (charge), pre-tax	(41)	4
Adjustments to unrealized gains on fixed maturities, AFS and other	79	3
Balance, end of period	**$ 540**	**$ 555**

[1] For additional information regarding the VOBA acquired as part of the Sixth Street Acquisition, see Note 1 - Basis of Presentation and Significant Accounting Policies.

Expected Amortization of VOBA as of December 31, 2022

2023	$ 13
2024	8
2025	8
2026	27
2027	29

Changes in the DAC Asset

	For the Year Ended December 31, 2022
Balance, beginning of period	**$ —**
Additions	22
Balance, end of period	**$ 22**

7. Goodwill and Other Intangible Assets

Goodwill

	As of December 31, 2022	As of December 31, 2021
Balance, beginning of period	**$ 97**	**$ —**
Acquisitions [1]	—	97
Balance, end of period	**$ 97**	**$ 97**

[1] The acquisition of goodwill was related to the Sixth Street Acquisition. For more information, see Note 1 - Basis of Presentation and Significant Accounting Policies.

Other Intangible Assets

	As of December 31, 2022			As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizing internally developed software	$ 41	$ (9)	$ 32	$ 41	$ (3)	$ 38
Indefinite-lived state insurance licenses	26	—	26	26	—	26
Total other intangible assets	**$ 67**	**$ (9)**	**$ 58**	**$ 67**	**$ (3)**	**$ 64**

Expected Pre-Tax Amortization Expense as of December 31, 2022

2023	$ 6
2024	6
2025	6
2026	6
2027	6

8. Reserves for Future Policy Benefits and Separate Account Liabilities

Changes in Reserves for Future Policy Benefits

	Universal Life-Type Contracts				
	VA GMDB/ GMWB [1]	FIA Guarantees and Other [2]	Universal Life Secondary Guarantees	Traditional Annuity and Other Contracts [3]	Total Future Policy Benefits
Liability balance as of January 1, 2022	**$ 340**	**$ 604**	**$ 4,605**	**$ 16,149**	**$ 21,698**
Incurred [4]	136	(25)	835	340	1,286
Paid	(106)	(84)	(66)	(801)	(1,057)
Change in unrealized investment gains and losses	—	(495)	—	—	(495)
Liability balance, as of December 31, 2022	**$ 370**	**$ —**	**$ 5,374**	**$ 15,688**	**$ 21,432**
Reinsurance recoverable asset as of January 1, 2022	**$ 175**	**$ —**	**$ 4,605**	**$ 5,422**	**$ 10,202**
Incurred [4]	73	—	835	1	909
Paid	(77)	—	(66)	(267)	(410)
Reinsurance recoverable asset, as of December 31, 2022	**$ 171**	**$ —**	**$ 5,374**	**$ 5,156**	**$ 10,701**

Changes in Reserves for Future Policy Benefits

	Universal Life-Type Contracts				
	VA GMDB/ GMWB [1]	FIA Guarantees and Other [2]	Universal Life Secondary Guarantees	Traditional Annuity and Other Contracts [3]	Total Future Policy Benefits
Liability balance as of July 1, 2021	**$ 346**	**$ —**	**$ 4,394**	**$ 16,382**	**$ 21,122**
Incurred [4]	38	604	240	253	1,135
Paid	(44)	—	(29)	(486)	(559)
Liability balance as of December 31, 2021	**$ 340**	**$ 604**	**$ 4,605**	**$ 16,149**	**$ 21,698**
Reinsurance recoverable asset as of July 1, 2021	**$ 184**	**$ —**	**$ 4,394**	**$ 5,422**	**$ 10,000**
Incurred [4]	28	—	240	133	401
Paid	(37)	—	(29)	(133)	(199)
Reinsurance recoverable asset as of December 31, 2021	**$ 175**	**$ —**	**$ 4,605**	**$ 5,422**	**$ 10,202**

[1] These liability balances include all GMDB benefits, plus the life-contingent portion of GMWB benefits in excess of the return of the GRB. GMWB benefits up to the GRB are embedded derivatives held at fair value and are excluded from these balances.

[2] These liability balances include additional liabilities for expected annuitizations on two-tiered FIA's and GLWB''s, as part of the Allianz reinsurance agreement entered into on December 30, 2021.

[3] Represents life-contingent reserves for which the Company is subject to insurance and investment risk.

[4] Includes the portion of assessments established as additions to reserves, changes in estimates affecting the reserves and the amounts recoverable under modified coinsurance reinsurance agreements.

8. Reserves for Future Policy Benefits and Separate Account Liabilities (continued)

Account Value of GMDB/GMWB by Type as of December 31, 2022

	Account Value ("AV") [9]	Net amount at Risk ("NAR") [10]	Retained Net Amount at Risk ("RNAR") [10]	Weighted Average Attained Age of Annuitant
MAV [1]				
MAV only	$ 9,984	$ 2,257	$ 600	74
With 5% rollup [2]	1,478	295	229	73
With earnings protection benefit rider ("EPB") [3]	2,414	513	109	75
With 5% rollup & EPB	336	83	42	76
Total MAV	14,212	3,148	980	
Asset protection benefit ("APB") [4]	6,165	851	562	73
Lifetime income benefit ("LIB") – death benefit [5]	258	4	4	76
Reset (5-7 years) [6]	2,122	96	95	72
Return of premium ("ROP") /other [7]	10,097	105	78	71
Variable annuity without GMDB [8]	2,611	—	—	73
Subtotal variable annuity [11]	**$ 35,465**	**$ 4,204**	**$ 1,719**	**73**
Less: general account value	2,983			
Subtotal separate account liabilities with GMDB	**32,482**			
Separate account liabilities - other	62,393			
Less:				
Separate account assets assumed under modified coinsurance [12]	6,613			
Separate account base contract assets not reinsured [12]	1,007			
Total separate account liabilities	**$ 87,255**			

[1] MAV GMDB is the greatest of current AV, net premiums paid and the highest AV on any anniversary before age 80 years (adjusted for withdrawals).
[2] Rollup GMDB is the greatest of the MAV, current AV, net premium paid and premiums (adjusted for withdrawals) accumulated at generally 5% simple interest up to the earlier of age 80 years or 100% of adjusted premiums.
[3] EPB GMDB is the greatest of the MAV, current AV, or contract value plus a percentage of the contract's growth. The contract's growth is AV less premiums net of withdrawals, subject to a cap of 200% of premiums net withdrawals.
[4] APB GMDB is the greater of current AV or MAV, not to exceed current AV plus 25% times the greater of net premiums and MAV (each adjusted for premiums in the past 12 months).
[5] LIB GMDB is the greatest of current AV; net premiums paid; or, for certain contracts, a benefit amount generally based on market performance that ratchets over time.
[6] Reset GMDB is the greatest of current AV, net premiums paid and the most recent five to seven year anniversary AV before age 80 years (adjusted for withdrawals).
[7] ROP GMDB is the greater of current AV and net premiums paid.
[8] Includes account value for contracts that had a GMDB at issue but no longer have a GMDB due to certain elections made by policyholders or their beneficiaries.
[9] AV includes the contract holder's investment in the separate account and the general account.
[10] NAR is defined as the guaranteed minimum death benefit in excess of the current AV. RNAR represents NAR reduced for reinsurance. NAR and RNAR are highly sensitive to equity market movements and increase when equity markets decline.
[11] Some VA contracts with GMDB also have a life-contingent GMWB that may provide for benefits in excess of the return of the GRB. *Such contracts included in this amount have $8.6 billion of total account value and weighted average attained age of 72 years. There is no NAR or retained NAR related to these contracts.*
[12] Adjustment to remove AV for separate accounts that are not reflected on the Consolidated Balance Sheets, as they were assumed on a modified coinsurance basis and/or the Company has only reinsured certain associated GMDB and GMWB riders on a coinsurance basis.

8. Reserves for Future Policy Benefits and Separate Account Liabilities (continued)

Account Balance Breakdown of Variable Separate Account Investments for Contracts with Guarantees

Asset Type	As of December 31, 2022	As of December 31, 2021
Equity securities (including mutual funds)	$ 24,548	$ 33,240
Cash and cash equivalents [1]	1,321	1,362
Total [2]	**$ 25,869**	**$ 34,602**

[1] Represents an allocation of the portfolio holdings.
[2] Includes $2.6 billion and $3.0 billion of account value as of December 31, 2022 and 2021, respectively, for contracts that had a GMDB at issue but no longer have a GMDB due to certain elections made by policyholders or their beneficiaries.

As of December 31, 2022 and 2021, approximately 18% and 17%, respectively, of the equity securities (including mutual funds), in the preceding table were funds invested in fixed income securities and approximately 82% and 83%, respectively, were funds invested in equity securities.

For further information on guaranteed living benefits that are accounted for at fair value, such as GMWB, see Note 2 - Fair Value Measurements.

9. Debt

Collateralized Advances

The Company is a member of the Federal Home Loan Bank of Boston (“FHLBB”). Membership allows the Company access to collateralized advances, which may be used to support various spread-based business and enhance liquidity management. FHLBB membership requires the Company to own member stock and advances require the purchase of activity stock. The amount of advances that can be taken are dependent on the asset types pledged to secure the advances. The Connecticut Department of Insurance ("CTDOI") will permit the Company to pledge up to approximately $922 in qualifying assets to secure FHLBB advances for 2023. The pledge limit is recalculated annually based on statutory admitted assets and capital and surplus. The Company would need to seek the prior approval of the CTDOI in order to exceed these limits. As of December 31, 2022, the Company had no advances outstanding under the FHLBB facility.

10. Income Taxes

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

The Company, has elected to be treated as a U.S. domestic insurance company for U.S. federal tax purposes under Section 953(d) of the U.S. Internal Revenue Code and is therefore subject to income taxation in the U.S.

The expected tax provision computed on pre-tax income at the weighted-average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Statutory tax rates of 0% and 21% have been used for Bermuda and the U.S., respectively, for the year ended December 31, 2022.

Provision for Income Taxes

Income Tax Expense (Benefit)	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Current - U.S. Federal	$ 51	$ 31
Deferred - U.S. Federal	(132)	36
Total income tax expense (benefit)	**$ (81)**	**$ 67**

Deferred tax represents the tax consequences of differences between the financial reporting and tax basis of assets and liabilities. Significant temporary differences are caused by VOBA and reserves, net unrealized losses on investments, tax basis deferred policy acquisition costs, deferred reinsurance gain, and the foreign tax credit carryover, offset by investment related items.

The statute of limitations is closed through the 2018 tax year with the exception of net operating loss ("NOL") carryforwards utilized in open tax years. Management believes that an adequate provision has been made on the consolidated financial statements for any potential adjustments that may result from tax examinations and other tax-related matters for all open tax years. As of December 31, 2022 and 2021, the Company had no reserves for uncertain tax positions. As of December 31, 2022 and 2021, there were no unrecognized tax benefits that if recognized would affect the effective tax rate and that had a reasonable possibility of significantly increasing or decreasing within the next 12 months.

The Company recognized no interest expense for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021. The Company had no interest payable as of December 31, 2022 and 2021. The Company does not believe it would be subject to any penalties in any open tax years and, therefore, has not recorded any accrual for penalties.

The Company believes it is more likely than not that all deferred tax assets will be fully realized. In assessing the need for a valuation allowance, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of debt securities with market value losses until recovery, making investments which have specific tax characteristics and business considerations such as asset-liability matching.

Net deferred income taxes include the future tax benefits associated with the NOL carryover and foreign tax credit carryover as follows:

Net Operating Loss Carryover

As of December 31, 2022 and 2021, the net deferred tax asset included the expected tax benefit related to NOLs of $3 and $117, respectively that were generated in 2018 and subsequent years. The losses do not expire, but their utilization in any carryforward year is limited to 80% of taxable income in that year. The loss carryforwards are also subject to Internal Revenue Code Section 382, which may limit the amount that can be utilized in any carryforward year.

Given the Company's expected future earnings, the Company believes sufficient taxable income will be generated in the future to utilize its NOL carryover. Although the Company believes there will be sufficient future taxable income to fully recover the remainder of the loss carryover, the Company's estimate of the likely realization may change over time.

Foreign Tax Credit Carryover

As of December 31, 2022 and 2021, the net deferred tax asset included the expected tax benefit attributable to foreign tax credit carryovers of $16 and $16, respectively.

10. Income Taxes (continued)

Corporate Alternative Minimum Tax ("CAMT")

The Inflation Reduction Act of 2022 introduced a 15% CAMT effective in 2023. Generally, the CAMT imposes a minimum tax on the adjusted financial statement income ("AFSI") of certain corporations with average annual AFSI over a three-year period in excess of $1 billion. While the Company does not anticipate being subject to the CAMT in 2023, it could be subject to the CAMT in future years.

11. Commitments and Contingencies

Contingencies Relating to Corporate Litigation and Regulatory Matters

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

Litigation

The Company is involved in claims litigation arising in the ordinary course of business with respect to life and annuity contracts. The Company accounts for such activity through the establishment of reserves for future policy benefits. Management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of the Company.

The Company is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. Such actions have alleged, for example, bad faith in the handling of insurance claims and improper sales practices in connection with the sale of insurance and investment products. Some of these actions also seek punitive damages. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows in particular quarterly or annual periods.

Unfunded Commitments

As of December 31, 2022, the Company had outstanding commitments totaling $974, of which $410 was committed to fund LPs and other alternative investments, which may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. Additionally, $323 of the outstanding commitments are primarily related to various funding obligations associated with private debt. The remaining outstanding commitments of $241 are related to mortgage loans. Of the $974, $29 are related to mortgage loan commitments which the Company can cancel unconditionally.

Guaranty Fund and Other Insurance-Related Assessments

In all states, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund. In most states, in the event of the insolvency of an insurer writing any such class of insurance in the state, members of the funds are assessed to pay certain claims of the insolvent insurer. A particular state’s fund assesses its members based on their respective written premiums in the state for the classes of insurance in which the insolvent insurer was engaged. Assessments are generally limited for any year to one or two percent of premiums written per year depending on the state.

Liabilities for guaranty funds and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the Company to pay an imposed or probable assessment has occurred. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities on the Consolidated Balance Sheets. As of December 31, 2022 and 2021, the liability balance was $4 and $4, respectively. As of December 31, 2022 and 2021 amounts related to premium tax offsets of $1 and $1, respectively, were included in other assets on the Consolidated Balance Sheets.

Derivative Commitments

Certain of the Company’s derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies or RBC tests, of the individual legal entity that entered into the derivative agreement. If the legal entity’s financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity’s ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of December 31, 2022 was $110. Of this, the legal entities have posted collateral of $111 in the normal course of business. In addition, the Company did not post any collateral associated with a customized GMWB derivative. This could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that is posted, when required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

12. Transactions with Affiliates

Parent Company Transactions

An Intercompany Services and Cost Allocation Agreement ("Reimbursement Agreement") exists between the Company and TLI for TLI's employees. Effective July 1, 2021, the Reimbursement Agreement was modified to reflect a cost-plus reimbursement model. The Reimbursement Agreement does not have a material impact on the Company's operations.

Refer to Note 13 - Statutory Results for contributions, dividends, and returns of capital to and from the Company's parents and subsidiaries.

Intercompany Liquidity Agreements

During the year ended December 31, 2022, the Company and its subsidiaries entered into several short-term affiliated Intercompany Liquidity Agreements, permitting the Company and its subsidiaries to borrow from and loan to their affiliates.

On October 17, 2022, an affiliate borrowed $100 under the Intercompany Liquidity Agreements, with a maturity date of October 16, 2023, and an accrued interest rate of 3.40% per annum.

On July 13, 2022, TLI borrowed $26 from the Company, with a maturity date of July 12, 2023, and an accrued interest rate of 4.04% per annum.

As of December 31, 2022 these amounts were recorded in short-term investments on the Consolidated Balance Sheets.

Sixth Street

The Company has entered into the following arrangements with Sixth Street:

- ***Investment Management Services & Other Agreements***
    - The Company has investment management service agreements with a Sixth Street affiliate. As of December 31, 2022, 0.5% ($126) of the Company's general account assets were managed by Sixth Street. The Company also has an asset and liability management and hedging services agreement with a different Sixth Street affiliate.
    - Expenses recorded for the above agreements were not material to the Company for the year ended December 31, 2022, and the period of July 1, 2021 to December 31, 2021.
- ***Investments***

  For the year ended December 31, 2022, the Company made certain investments totaling $12 that are issued and controlled by Sixth Street affiliates. The Company was not determined to be the primary beneficiary for these investments. As of December 31, 2022 outstanding commitments for these investments were $49. The Company did not have any affiliated investments as of December 31, 2021.

13. Statutory Results

Bermuda

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

1. ***GAAP Financial Statements***

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

2. ***Statutory Financial Statements***

   The SFS start with the GAAP financial statements and are adjusted for Prudential Filters which include i) non-admitting goodwill, intangible, and other assets that cannot be monetized (but noting that DAC remains an admitted asset); ii) inclusion of certain assets and liabilities not otherwise recorded under GAAP, for example guarantees the insurer has given that do not relate to the insurer’s own insurance contracts; and iii) any adjustments due to permitted practices.

3. ***Economic Balance Sheet***

   The EBS is a balance sheet where assets are recorded at fair value and policyholder insurance reserves are based on technical provisions comprised of a best estimate liability, plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under both approaches, the best estimate of policyholder liability cash flows are used. The discount rate under the standard approach is prescribed by the BMA and updated periodically. Under the scenario approach, the discount rate is based on the yield on eligible assets (generally fixed income-like assets) owned by the insurer, including reinvestment projections, as determined under the worst result of a baseline scenario and eight stressed scenarios. The statutory economic capital surplus in the EBS must meet a minimum required capital amount prescribed as the Enhanced Capital Requirement (“ECR”).

For the year ended December 31, 2022, TR Re received permission from the BMA to modify the SFS to record investments at amortized cost instead of fair value as the basis for certain investments. The effect of the permitted practice to the statutory financial statements was a $2,058 change to capital and surplus, and a $(90) change to statutory net income for the year ended December 31, 2022.

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

To enable the BMA to better assess the quality of the insurer’s capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a 3-tiered capital system. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. The capital supporting the Company’s ECR must be at least 50% Tier 1 capital. Additionally, no more than 50% of the Company’s ECR can be made up for Tier 2 capital and no more than 17.65% of the aggregate amount of the Company’s Tier 1 and Tier 2 capital can be classified as Tier 3 provided that the Tier 2 and Tier 3 capital do not exceed the amount of Tier 1 capital. As of December 31, 2022 and 2021 all of TR Re's eligible capital used to meet the ECR was Tier 1 Capital.

While not specifically referred to in the Bermuda Insurance Act, Target Capital Level (“TCL”) is also an important threshold for statutory capital and surplus. TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. TCL serves as an early warning tool for the BMA. If TR Re fails to maintain statutory economic capital and surplus at least equal to the TCL, such failure will likely result in increased regulatory oversight by the BMA.

13. Statutory Results (continued)

The following table shows TR Re's estimated SFS and EBS capital and surplus and net income (loss):

	For the Year Ended December 31, 2022		For the Period of July 1, 2021 to December 31, 2021	
	SFS	EBS	SFS	EBS
Actual capital and surplus	$ 1,871	$ 3,407	$ 2,086	$ 2,801
Net income (loss)	$ (177)	N/A	$ 343	N/A

As of December 31, 2022 and 2021, TR Re had statutory and economic capital in excess of the MMS, ECR and TCL.

As of December 31, 2022 and 2021, TR Re's value of in-force VA business as recorded on the EBS was $1,227 and $1,073, respectively.

Dividends

Under the Bermuda Insurance Act, insurers are prohibited from paying a dividend in an amount exceeding 25% of the prior year's total statutory capital and surplus, unless at least two members of the board of directors and its principal representative in Bermuda sign and submit an affidavit to the BMA attesting that a dividend in excess of this amount would not cause the insurer to fail to meet its relevant margins. In certain instances, insurers would also be required to provide prior notice to the BMA in advance of the payment of dividends. In accordance with the Bermuda Insurance Act, insurers are permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of total statutory capital, subject to TR Re meeting MMS and ECR requirements. Distributions in excess of this amount require the approval of the BMA. The maximum distribution TR Re was permitted to remit to its parent without the need for prior approval is $380 and $606 as of December 31, 2022 and 2021.

TR Re did not declare any dividends for the year ended December 31, 2022 and the period of July 1, 2021 to December 31, 2021.

U.S. Operations

The Company and its domestic insurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable state insurance department which vary materially from U.S. GAAP. Prescribed statutory accounting practices include publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. The differences between statutory financial statements and financial statements prepared in accordance with U.S. GAAP vary between domestic and foreign jurisdictions. The principal differences are that statutory financial statements do not reflect deferred policy acquisition and value of business acquired costs and limit deferred income taxes, predominately use interest rate and mortality assumptions prescribed by the NAIC for life benefit reserves, generally carry bonds at amortized cost and present reinsurance assets and liabilities net of reinsurance. For reporting purposes, statutory capital and surplus is referred to collectively as "statutory capital".

Statutory Net Income (Loss)

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Combined statutory net income (loss)	$ 441	$ (426)

Statutory Capital

	As of December 31, 2022	As of December 31, 2021
Statutory capital [1]	$ 2,738	$ 2,153

[1] The Company relies upon a prescribed practice allowed by Connecticut state laws that allow the Company to receive a reinsurance reserve credit for reinsurance treaties that provide for a limited right of unilateral cancellation by the reinsurer. The benefit from this prescribed practice was approximately $40 and $29 as of December 31, 2022 and 2021, respectively.

Statutory accounting practices do not consolidate the net income (loss) of subsidiaries that report under U.S. GAAP. The combined statutory net income (loss) above represents the total statutory net income (loss) of the Company and its other insurance subsidiaries. Statutory accounting principles require that ceding commissions paid on reinsurance transactions be expensed in the period incurred, affecting statutory net loss, where U.S. GAAP allows for the deferral of these amounts. In addition, as described in Note 1 - Basis of Presentation and Significant Accounting Policies, in 2021 the Company paid a $500 dividend associated with the Sixth Street Acquisition. Both items affected statutory capital.

13. Statutory Results (continued)

Regulatory Capital Requirements

The Company's U.S. insurance companies' states of domicile impose RBC requirements. The requirements provide a means of measuring the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations based on its size and risk profile. Regulatory compliance is determined by a ratio of a company's total adjusted capital (“TAC”) to its authorized control level RBC (“ACL RBC”). Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences (“Company Action Level”) is two times the ACL RBC. The adequacy of a company's capital is determined by the ratio of a company's TAC to its Company Action Level, known as the "RBC ratio". The Company and all of its operating insurance subsidiaries had RBC ratios in excess of the minimum levels required by the applicable insurance regulations. The RBC ratios for the Company and its principal life insurance operating subsidiaries were all in excess of 300% of their Company Action Levels as of December 31, 2022 and 2021, respectively. The reporting of RBC ratios is not intended for the purpose of ranking any insurance company, or for use in connection with any marketing, advertising or promotional activities.

Dividends

As a condition to the Sixth Street Acquisition, the CTDOI requires any dividends from the Company, for a two-year period following the acquisition, be approved by the state insurance commissioner. Subsequent to this approval condition, dividends to the Company from its insurance subsidiaries and dividends from the Company to its parent are restricted by insurance regulation. The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer’s policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a domiciled insurer exceeds the insurer’s earned surplus or certain other thresholds as calculated under applicable state insurance law, the dividend requires the prior approval of the domestic regulator. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiary, regulatory capital requirements and liquidity requirements of the individual operating company.

The Company's domestic insurance subsidiaries paid no dividends from the time of the Sixth Street Acquisition through December 31, 2022. There were no outstanding dividends declared as of December 31, 2022.

Other Capital Contributions

Pursuant to the reorganization discussed in Note 1 - Basis of Presentation and Significant Accounting Policies, on December 30, 2021 the Company received $1,883 from its parent, TLI, to affect the transfer of ownership of TL.

14. Changes in and Reclassifications From Accumulated Other Comprehensive Income (Loss)

Changes in AOCI, Net of Tax

For the Year Ended December 31, 2022

	Net Unrealized Loss On Fixed Maturities, AFS	Net Loss On Cash Flow Hedging Instruments	AOCI
Beginning balance	**$ (11)**	**$ —**	**$ (11)**
OCI before reclassifications	(3,148)	(34)	(3,182)
Amounts reclassified from AOCI	415	—	415
OCI, before tax	(2,733)	(34)	(2,767)
Income tax benefit (expense)	574	7	581
OCI, net of tax	(2,159)	(27)	(2,186)
Ending balance	**$ (2,170)**	**$ (27)**	**$ (2,197)**

For the Period of July 1, 2021 to December 31, 2021

	Net Unrealized Loss On Fixed Maturities, AFS	Net Loss On Cash Flow Hedging Instruments	AOCI
Beginning balance	**$ —**	**$ —**	**$ —**
OCI before reclassifications	(16)	—	(16)
Amounts reclassified from AOCI	2	—	2
OCI, before tax	(14)	—	(14)
Income tax benefit (expense)	3	—	3
OCI, net of tax	(11)	—	(11)
Ending balance	**$ (11)**	**$ —**	**$ (11)**

Reclassification from AOCI

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021	Affected Line Item on the Consolidated Statements of Operations
Net Unrealized Loss On Fixed Maturities, AFS			
Available-for-sale securities	$ (415)	$ (2)	Net realized capital losses
	(415)	**(2)**	**Income (loss) before income taxes**
	(87)	—	Income tax expense (benefit)
Total amounts reclassified from AOCI	**$ (328)**	**$ (2)**	**Net income (loss)**

15. Revenue from Contracts with Customers

The Company follows the FASB's updated guidance for recognizing revenue from contracts with customers which excludes insurance contracts and financial instruments. Revenue subject to the guidance is recognized when, or as, goods or services are transferred to customers in an amount that reflects the consideration that an entity is expected to receive in exchange for those goods or services.

Revenues from Contracts with Customers

	For the Year Ended December 31, 2022	For the Period of July 1, 2021 to December 31, 2021
Administration and distribution services fees	$ 76	$ 45

The Company earns revenues from these contracts primarily for administrative and distribution services fees from offering certain fund families as investment options in its VA products. Fees are primarily based on the average daily net asset values of the funds and are recorded in the period in which the services are provided and collected monthly. Fluctuations in domestic and international markets and related investment performance, volume and mix of sales and redemptions of the funds, and other changes to the composition of assets under management are all factors that ultimately have a direct effect on fee income earned.

16. Subsequent Event

The Company has evaluated subsequent events through June 13, 2023, the date the consolidated financial statements were issued.

On January 27, 2023, pursuant to the Intercompany Liquidity Agreements discussed in Note 12 -Transactions with Affiliates, TLI borrowed $60 from the Company, with a maturity date of January 26, 2024, and an accrued interest rate of 4.50% per annum.