

Talcott Life Re, Ltd.

Independent Auditor's Report

Financial Statements

As of December 31, 2022 and 2021

For the Years Ended December 31, 2022 and 2021 (from Incorporation)

TALCOTT LIFE RE, LTD.
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Talcott Life Re, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of operations, comprehensive income(loss), changes in stockholder's equity, and cash flows, for the year and period then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the 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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte Ltd.

April 28, 2023

TALCOTT LIFE RE, LTD.
Balance Sheets

	As of	
	December 31, 2022	December 31, 2021
<i>(In millions, except for share data)</i>		
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost of \$547 and \$338, respectively)	\$ 523	\$ 338
Funds withheld at interest (portion at fair value: \$(1,969) and \$312, respectively)	9,304	12,854
Short-term investments (related party: \$128 and \$0, respectively)	185	—
Total investments	10,012	13,192
Cash and cash equivalents	71	13
Reinsurance receivable	—	19
Deferred acquisition costs ("DAC")	643	717
Other assets	8	—
Total assets	10,734	13,941
Liabilities		
Reserve for future policy benefits	\$ 2	\$ 570
Other policyholder funds and benefits payable (portion at fair value: \$870 and \$1,552, respectively)	11,061	12,091
Other liabilities	162	82
Total liabilities	11,225	12,743
Stockholder's Equity		
Common stock - par value \$1 per share; authorized, issued and outstanding: 260,000 shares	—	—
Additional paid-in capital	1,206	1,206
Accumulated other comprehensive loss, net of tax	(24)	—
Retained deficit	(1,673)	(8)
Total stockholder's equity	(491)	1,198
Total liabilities and stockholder's equity	\$ 10,734	\$ 13,941

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Operations

<i>(In millions)</i>	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Revenues		
Policy charges and fee income	\$ 57	\$ —
Premiums	2	—
Net investment income	329	—
Net realized capital gains (losses)	(2,211)	5
Total revenues	(1,823)	5
Benefits, losses and expenses		
Benefits and losses	(295)	—
Amortization of DAC	74	—
Insurance operating costs and other expenses	63	13
Total benefits, losses and expenses	(158)	13
Net loss	\$ (1,665)	\$ (8)

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Comprehensive Loss

<i>(In millions)</i>	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Net loss	\$ (1,665)	\$ (8)
Other comprehensive loss:		
Changes in net unrealized loss on securities	(24)	—
Other comprehensive loss, net of tax	(24)	—
Comprehensive loss	\$ (1,689)	\$ (8)

See Notes to Financial Statements.

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

For the Year Ended December 31, 2022

<i>(In millions, except share data)</i>	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total Stockholder's Equity
Balance, beginning of period	\$ —	\$ 1,206	\$ —	\$ (8)	\$ 1,198
Net loss	—	—	—	(1,665)	(1,665)
Total other comprehensive loss	—	—	(24)	—	(24)
Balance, end of period	\$ —	\$ 1,206	\$ (24)	\$ (1,673)	\$ (491)

For the Period of Incorporation to December 31, 2021

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

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Cash Flows

<i>(In millions)</i>	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Operating Activities		
Net loss	\$ (1,665)	\$ (8)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Net realized capital (gains) losses	2,211	(5)
Amortization of DAC	74	—
Depreciation and amortization	(1)	—
Other non-cash income adjustments related to funds withheld and modified coinsurance agreements:		
Policy charges and fee income	(57)	—
Premiums	(2)	—
Net investment income	(326)	—
Insurance operating costs and other expenses	47	—
Benefits and losses	(295)	—
Change in operating assets and liabilities:		
Accrued investment income	(1)	—
Cash profit settlements on funds withheld and modified coinsurance agreements	46	—
Net change in other assets and other liabilities	6	1
Net payments for reinsurance transactions	—	(843)
Net cash provided by (used for) operating activities	37	(855)
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	410	—
Payments for the purchase of:		
Fixed maturities, available-for-sale	(204)	(338)
Net payments for short-term investments	(185)	—
Net provided by (used for) investing activities	21	(338)
Financing Activities		
Capital contribution from parent	—	1,206
Net cash provided by financing activities	—	1,206
Net increase in cash	58	13
Cash — beginning of period	13	—
Cash — end of period	\$ 71	\$ 13
Supplemental Disclosure of Non-cash Activity:		
Deposits on investment-type policies and contracts through reinsurance agreements	\$ 21	\$ 12,083
Withdrawals on investment-type policies and contracts through reinsurance agreements	572	—
Investments received from settlements on reinsurance agreements	430	—

See Notes to Financial Statements.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS
(Dollar amounts in millions, unless otherwise stated)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the 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. TLR's financial statements and footnote disclosures are presented as of December 31, 2022 and 2021, and for the years ended December 31, 2022 and 2021 (from August 23, 2021, "Incorporation").

Use of Estimates

Our principal estimates impact:

- Fair value of investment assets;
- Impairment of investments and allowance for credit losses ("ACL");
- Derivatives valuation, including embedded derivatives;
- Deferred acquisition costs;
- Reserve for future policy benefits

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 Financial Statements.

Significant Accounting Policies

The Company's significant accounting policies are as follows:

Investments

Fixed Maturities

The Company's investments in fixed maturities are bonds. Most of these investments are classified as available-for-sale ("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").

Short-Term Investments

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

Funds Withheld at Interest

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

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

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

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

Credit Losses

An ACL is recognized as an estimate of credit losses expected over the life of financial instruments such as 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 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 are recorded in net investment income when earned;
- A portion of the change in funds withheld at interest, as a result of the change in the risk-free rate on the host contract.

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;
- Derivative contracts (including the embedded derivative within the funds withheld at interest) that do not qualify, or are not designated, as a hedge for accounting purposes;
- Impairments and changes in the ACL on fixed maturities, AFS, are recognized as net realized capital losses in accordance with the Company's impairment and ACL policies as discussed in Note 3 - Investments.

Derivative Instruments

Embedded Derivatives

The Company purchases investments, and has previously 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 Balance Sheets, is carried at fair value with changes in fair value reported in net realized capital gains and losses.

Cash

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

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

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

Reinsurance

The Company assumes from unaffiliated insurers to provide our counterparties with risk management solutions. 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.

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. Assets and liabilities assumed are presented on a gross basis on the Balance Sheets.

Deferred Acquisition Costs

For fixed annuity products, these costs are being amortized in proportion to actual and expected gross profits. Actual and expected gross profits include i) the excess of net investment income earned over the interest credited or the cost of providing index credits to the policyholders, or the "investment spread"; ii) product charges and fees iii) policy administration charges and other assumed reinsurance costs; iv) the change in rider reserves; v) the change in fair value of derivatives and embedded derivatives on annuity products; vi) Realized investment gains (losses) which includes realized and unrealized gains on funds withheld assets which are marked-to-market through net income due to the funds withheld embedded derivative. Estimates of the expected gross profits and margins are based on assumptions related to policyholder behavior, including lapses and rider utilization, mortality, yields on investments supporting the liabilities, future interest credited amounts (which include index credit amounts on fixed indexed annuity products), and other policy and reinsurance changes as applicable. Current period amortization is adjusted retrospectively through an unlocking process when estimates of actual and expected gross profits (including the impact of net realized gains (losses) on investments) to be realized from a group of products are revised. During 2022 actual gross profits were negative primarily due to unrealized losses on assets within the funds withheld accounts. As a result, during 2022 we amortized DAC on a constant level basis.

Reserve 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 Balance Sheets. Changes in insurance reserves are included within benefits and losses in the Statement of Operations. The company records insurance reserves for Fixed Indexed Annuities.

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 3 - 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.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

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

Future Adoption of New Accounting Standards

Targeted Improvements to the Accounting for Long Duration Contracts

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12") 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 ("LFPB"), by requiring annual or more frequent updates of insurance assumptions and modifying 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 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.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

2. Fair Value Measurements (continued)

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

- Level 1 Fair values based primarily on unadjusted quoted prices for identical assets, or liabilities, in active markets that the Company has the ability to access at the measurement date.
- Level 2 Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.
- Level 3 Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

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

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 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")	\$ 66	\$ —	\$ 66	\$ —
Commercial mortgage-backed securities ("CMBS")	49	—	49	—
Corporate	398	—	398	—
Foreign government/government agencies	1	—	1	—
Residential mortgage-backed securities ("RMBS")	9	—	9	—
Total fixed maturities, AFS	523	—	523	—
Funds withheld at interest - FIA option hedge	100	—	—	100
Funds withheld at interest - embedded derivative	(2,069)	—	—	(2,069)
Short-term investments	185	—	57	128
Total assets accounted for at fair value on a recurring basis	\$ (1,261)	\$ —	\$ 580	\$ (1,841)
(Liabilities) Accounted for at Fair Value on a Recurring Basis				
FIA product derivative	\$ (870)	\$ —	\$ —	\$ (870)
Total (liabilities) accounted for at fair value on a recurring basis	\$ (870)	\$ —	\$ —	\$ (870)

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

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				
U.S. Treasuries	\$ 338	\$ 152	\$ 186	\$ —
Total fixed maturities, AFS	338	152	186	—
Funds withheld at interest - FIA option hedge	307	—	—	307
Funds withheld at interest - embedded derivative	5	—	5	—
Total assets accounted for at fair value on a recurring basis	\$ 650	\$ 152	\$ 191	\$ 307
(Liabilities) Accounted for at Fair Value on a Recurring Basis				
FIA product derivative	\$ (1,552)	\$ —	\$ —	\$ (1,552)
Total (liabilities) accounted for at fair value on a recurring basis	\$ (1,552)	\$ —	\$ —	\$ (1,552)

Fixed Maturities

Valuation Techniques

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

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-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 our policy is to classify these as Level 3.
- Internal matrix pricing is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer's sector, financial strength, and term to maturity, using an independent public security index, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the significant inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

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

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

2. Fair Value Measurements (continued)

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.

Valuation Inputs Used in Levels 2 and 3 Measurements for Securities

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
Fixed Maturity Investments	
Structured securities (includes ABS, CLOs, CMBS and RMBS)	
<ul style="list-style-type: none"> • 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 <p>Other inputs for ABS, CLOs, and RMBS:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve <p>Other inputs for less liquid securities or those that trade less actively, including subprime RMBS:</p> <ul style="list-style-type: none"> • Estimated cash flows • Credit spreads, which include illiquidity premium • Constant prepayment rates • Constant default rates • Loss severity
Corporate	
<ul style="list-style-type: none"> • Benchmark yields and spreads • Reported trades, bids, offers of the same or similar securities • Issuer spreads and credit default swap curves <p>Other inputs for investment grade privately placed securities that utilize internal matrix pricing:</p> <ul style="list-style-type: none"> • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature 	<ul style="list-style-type: none"> • Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve <p>Other inputs for below investment grade privately placed securities and private bank loans:</p> <ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Credit spreads beyond observable curve • Interest rates beyond observable curve
Short-term Investments	
<ul style="list-style-type: none"> • Benchmark yields and spreads • Reported trades, bids, offers • Issuer spreads and credit default swap curves • Material event notices and new issue money market rates 	<ul style="list-style-type: none"> • Independent broker quotes

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

2. Fair Value Measurements (continued)

FIA Embedded Derivatives

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

Fair values for FIA embedded 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.

Valuation Inputs

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

Best Estimate Benefits

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

Credit Standing Adjustment

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

Margins

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

Valuation Inputs Used in Level 3 Measurements for FIA Embedded Derivatives

Level 3 - Primary Unobservable Inputs

- Market implied equity volatility assumptions
- Credit standing adjustment assumptions
- Option budgets

Assumptions about policyholder behavior, including:

- Withdrawal utilization
- Withdrawal rates
- Lapse rates
- Reset elections

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

2. Fair Value Measurements (continued)

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	0.5%	2.2%	1.7%	Decrease
Lapse rates [3]	1%	25%	3.7%	Decrease
Option budget	0.5%	3.6%	1.5%	Increase
Credit standing adjustment [5]	—%	0.1%	0.1%	Decrease

Significant Unobservable Inputs for Level 3 FIA Embedded Derivative				
As of December 31, 2021				
	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal rates [2]	—%	2%	2%	Decrease
Lapse rates [4]	1%	34%	3%	Decrease
Option budgets [4]	1%	4%	2%	Increase
Credit standing adjustment	0.01%	0.08%	0.05%	Decrease

[1] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.

[2] Range represents assumed annual percentage of allowable amount withdrawn.

[3] Range represents assumed annual percentages of policyholders electing a full surrender.

[4] Range represents assumed annual budget for index options.

[5] Range represents Company credit spreads, adjusted for market recoverability.

The following tables present a reconciliation of the beginning and ending balances for fair value measurements, for which the Company used significant unobservable inputs (Level 3):

Fair Value Rollforwards for Financial Instruments Classified as Level 3

	Fair Value as of December 31, 2021	Total Realized/ Unrealized Gains (Losses)		Purchases	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Fair Value as of December 31, 2022
		Included in Net Income	Included in OCI						
Assets									
FIA hedging program	307	(332)	—	173	(48)	—	—	—	100
Funds withheld at interest - embedded derivative	—	(2,074)	—	—	—	—	5	—	(2,069)
Short-term investments	—	—	—	153	(25)	—	—	—	128
Total assets	\$ 307	\$ (2,406)	\$ —	\$ 326	\$ (73)	\$ —	\$ 5	\$ —	\$ (1,841)
Liabilities									
FIA embedded derivative	(1,552)	647	—	—	35	—	—	—	(870)
Total liabilities	\$ (1,552)	\$ 647	\$ —	\$ —	\$ 35	\$ —	\$ —	\$ —	\$ (870)

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

2. Fair Value Measurements (continued)

Fair Value Rollforwards for Financial Instruments Classified as Level 3

Fair Value Measurements for Financial Instruments Classified as Level 3										
	Total Realized/ Unrealized Gains (Losses)									
	Fair Value as of Incorporation	Included in Net Income	Included in OCI	Purchases [1]	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Fair Value as of December 31, 2021	
Assets										
Funds withheld at interest- option value	—	—	—	307	—	—	—	—	307	
Total assets	\$ —	\$ —	\$ —	\$ 307	\$ —	\$ —	\$ —	\$ —	\$ 307	
Liabilities										
FIA embedded derivative	—	—	—	(1,552)	—	—	—	—	(1,552)	
Total liabilities	\$ —	\$ —	\$ —	(1,552)	\$ —	\$ —	\$ —	\$ —	(1,552)	

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

Financial Assets and Liabilities Not Carried at Fair Value

	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount [1]	Fair Value
		December 31, 2022		December 31, 2021	
Assets					
Funds withheld at interest [1]	Level 2	\$ 11,274	\$ 11,274	\$ 12,542	\$ 12,542

[1] Represents the host contract which is equal to the book value of the value of the underlying investments that support the funds withheld account.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

3. Investments

Net investment income by asset class consists of the following:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Fixed maturities [1]	\$ 13	\$ —
Funds withheld- host accretion [2]	326	—
Investment expense	(10)	—
Total net investment income	\$ 329	\$ —

[1] Includes net investment income on short-term investments

[2] Represents a portion of the change in funds withheld at interest, due to the change in the risk-free rate on the host contract on modified coinsurance funds withheld reinsurance arrangements.

Net realized capital gains (losses) consists of the following:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Gross losses on sales	\$ (15)	\$ —
Embedded derivative	(2,203)	5
Other, net	7	—
Net realized capital gains (losses)	\$ (2,211)	\$ 5

Sales of Fixed Maturities, AFS

The following table presents the sales proceeds and associated gross realized gains and losses from fixed maturities, AFS

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Fixed maturities, AFS		
Sale proceeds	\$ 494	\$ —
Gross gains	—	—
Gross losses	(15)	—

Sales of fixed maturities, AFS for the year ended December 31, 2022 were primarily a result of tactical changes to the portfolio driven by changing market conditions, in addition to duration and liquidity management.

Accrued Interest Receivable on Fixed Maturities, AFS

As of December 31, 2022 and 2021, the Company reported accrued interest receivable related to fixed maturities, AFS of \$7 and \$0 respectively. These amounts are recorded in other assets on the Balance Sheets and are not included in the carrying value of the fixed maturities. 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 is accrued unless it is past due over 90 days or management deems the interest uncollectible.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

3. Investments (continued)

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.

No ACL was recorded for fixed maturities, AFS as of December 31, 2022 and 2021.

Fixed Maturities, AFS

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

	December 31, 2022				December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
ABS	\$ 67	\$ —	\$ (1)	\$ 66	\$ —	\$ —	\$ —	\$ —
CMBS	52	—	(3)	49	—	—	—	—
Corporate	417	3	(22)	398	—	—	—	—
Foreign government/government agencies	1	—	—	1	—	—	—	—
RMBS	10	—	(1)	9	—	—	—	—
U.S. Treasuries	\$ —	\$ —	\$ —	\$ —	338	—	—	338
Total fixed maturities, AFS	\$ 547	\$ 3	\$ (27)	\$ 523	\$ 338	\$ —	\$ —	\$ 338

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

3. Investments (continued)

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

Fixed Maturities, AFS by Contractual Maturity Year

Contractual Maturity	As of December 31, 2022		As of December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$ —	\$ —	\$ —	\$ —
Over one year through five years	24	23	338	338
Over five years through ten years	31	31	—	—
Over ten years	363	345	—	—
Subtotal	418	399	338	338
Mortgage-backed and asset-backed securities	129	124	—	—
Total fixed maturities, AFS	\$ 547	\$ 523	\$ 338	\$ 338

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.

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	\$ 67	\$ (1)	\$ —	\$ —	\$ 67	\$ (1)
CMBS	49	(3)	—	—	49	(3)
Corporate	291	(22)	—	—	291	(22)
RMBS	9	(1)	—	—	9	(1)
Total fixed maturities, AFS in an unrealized loss position	\$ 416	\$ (27)	\$ —	\$ —	\$ 416	\$ (27)

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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CMBS	—	—	—	—	—	—
Corporate	—	—	—	—	—	—
Foreign govt./govt. agencies	—	—	—	—	—	—
RMBS	—	—	—	—	—	—
Total fixed maturities, AFS in an unrealized loss position	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

As of December 31, 2022, fixed maturities, AFS in an unrealized loss position consisted of 156 instruments, and were primarily depressed due to higher interest rates and/or wider credit spreads since the purchase dates. As of December 31, 2022, 100% 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.

There are no fixed maturities depressed for twelve months or more. 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.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

3. Investments (continued)

Funds Withheld at Interest

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

Funds Withheld at Interest					
	December 31, 2022		December 31, 2021		
	Carrying Value	Percent of Total	Carrying Value	Percent of Total	
Fixed maturity securities					
ABS	\$ 156	2 %	\$ 113	1 %	
CMBS	21	— %	1,645	13 %	
U.S. corporate	4,887	53 %	7,931	62 %	
Foreign corporate	62	1 %	556	4 %	
Foreign government/government agencies	214	2 %	231	2 %	
Municipal	670	7 %	997	8 %	
U.S. Treasuries	124	1 %	50	— %	
Equity securities	33	— %	27	— %	
Mortgage loans	1,596	17 %	833	7 %	
Option value	100	1 %	307	2 %	
Cash and cash equivalents	1,382	15 %	62	1 %	
Other assets/(liabilities)	59	1 %	102	1 %	
Total funds withheld at interest	\$ 9,304	100 %	\$ 12,854	100 %	

Approximately 99% and 98.6% of the fixed maturity securities within the funds withheld at interest are investment grade by the National Association of Insurance Commissioners ("NAIC") designation as of December 31, 2022 and 2021, respectively.

Concentration of Credit Risk

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

The Company had no investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's stockholders' equity, other than the U.S. government and certain U.S. government agencies as of December 31, 2022 or 2021.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

4. Derivatives

Derivative Instruments

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.

Funds Withheld at Interest

As of December 31, 2022, the Company had \$9 billion of receivables for investments, net of any payables and receivables, contractually withheld by a ceding company. The Company records funds withheld at interest equal to the fair value of the underlying assets. The funds withheld at interest is recorded as the total of the host contract, which we have assessed as the book value of assets, and the embedded derivative, which we have assessed as the net unrealized gain (losses) on the underlying assets.

Hedge Designation/Derivative Type	Net Derivatives				Asset Derivatives		Liability Derivatives		
	Notional Amount		Fair Value		Fair Value		Fair Value		
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	
Non-qualifying strategies									
<i>Fixed indexed annuities</i>									
FIA product derivative [1] [2]	\$ —	\$ —	\$ (870)	\$ (1,552)	\$ —	\$ —	\$ (870)	\$ (1,552)	
<i>Other</i>									
Funds withheld at interest embedded derivative [2]	—	—	100	307	100	307	—	—	
Funds withheld at interest [2]	—	—	(2,069)	5	(2,069)	5	—	—	
Total non-qualifying strategies	\$ —	\$ —	\$ (2,839)	\$ (1,240)	\$ (1,969)	\$ 312	\$ (870)	\$ (1,552)	
Balance Sheet Location									
Funds withheld at interest	\$ —	\$ —	\$ (1,969)	\$ 312	\$ (1,969)	\$ 312	\$ —	\$ —	
Other policyholder funds and benefits payable	—	—	(870)	(1,552)	—	—	(870)	(1,552)	
Total derivatives	\$ —	\$ —	\$ (2,839)	\$ (1,240)	\$ (1,969)	\$ 312	\$ (870)	\$ (1,552)	

[1] These derivatives are embedded within liabilities and are not held for risk management purposes.

[2] 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.

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 Year Ended December 31, 2021 (from Incorporation)
<i>Fixed Index Annuity</i>		
FIA product derivative	\$ 682	\$ —
<i>Other non-qualifying derivatives</i>		
Funds withheld at interest embedded derivative	(2,885)	5
Total	\$ (2,203)	\$ 5

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

5. Reinsurance

As part of the Company's growth strategy, the Company assumes from unaffiliated insurers to provide our counterparties with risk management solutions.

On December 30, 2021 the Company entered into reinsurance agreements with Allianz Life Insurance Company of North America ("Allianz") and Resolution Re, Ltd. ("Resolution Re") to assume \$12.7 billion of reserves from Resolution Re on a modified coinsurance basis. Certain of the FIAs included living withdrawal benefits. The Company paid \$864 to Allianz upon closing. 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:

Reinsurance executed on December 30, 2021		
Liabilities assumed	\$	12,741
Ceding commission paid		864
Less: assets received		(12,888)
DAC	\$	717

6. Deferred Acquisition Costs

Changes in the DAC Asset

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021 (from Incorporation)
Balance, beginning of period	\$ 717	\$ —
Additions	—	717
Amortization [1]	(74)	—
Balance, end of period	\$ 643	\$ 717

[1] There was no DAC amortization for the year ended 2021 (from Incorporation) due to the closing date of the Allianz reinsurance agreement, which occurred on December 30, 2021.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

7. Reserves for Future Policy Benefits

Changes in Reserves for Future Policy Benefits

	FIA Guarantees and Other [1]	Traditional Annuity and Other Contracts [2]	Total Future Policy Benefits
Liability balance, as of December 31, 2021	\$ 570	\$ —	\$ 570
Incurred	(560)	2	(558)
Paid	(10)	—	(10)
Liability balance as of December 31, 2022	\$ —	\$ 2	\$ 2

[1] 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.

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

8. Commitments and Contingencies

Contingencies Relating to Corporate Litigation and Regulatory Matters

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

Litigation

The Company may be involved in claims litigation arising in the ordinary course of business with respect to life and annuity contracts. The Company accounts for such activity through the establishment of reserves for future policy benefits. The Company is not involved in any litigation as of December 31, 2022 and through the date the financial statements were issued.

9. Transactions with Affiliates

During 2022 the Company entered into Intercompany Liquidity Agreements with various affiliates, permitting the Company to borrow up to \$1.2 billion and lend up to \$500.

As of December 31, 2022, the Company had loans to affiliates outstanding of \$128 with maturity of less than one year, classified as short-term investments on the Company's Balance Sheets.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

10. Statutory Results

Bermuda

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

GAAP Financial Statements

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

Statutory Financial Statements

The SFS start with the GAAP financial statements and are adjusted for Prudential Filters which include i) non-admitting goodwill, intangible, and other assets that cannot be monetized (but noting that DAC remains an admitted asset); 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.

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, TLR 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 following represents the effect of the permitted practice to the statutory financial statements:

	For the Year Ended December 31, 2022	
Change to capital and surplus due to permitted practice	\$	1,600
Change to statutory net income due to permitted practice	\$	1,575

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 TLR'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 TLR 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.

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

10. Statutory Results (continued)

The following table shows the Company's estimated SFS and EBS capital and surplus and net loss:

	For the Year Ended December 31, 2022		For the Year Ended December 31, 2021 (from Incorporation)	
	SFS	EBS	SFS	EBS
Actual capital and surplus	\$ 1,108	\$ 676	\$ 1,198	\$ 1,297
Net loss	\$ (90)	N/A	\$ (8)	N/A

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

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 the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act, and further subject to TLR meeting its MMS and ECR, the company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of total statutory capital. Distributions in excess of this amount require the approval of the BMA. As of December 31, 2022 and 2021, the maximum distribution the Company was permitted to pay without prior approval of the BMA was \$83 and \$173, respectively.

The Company did not declare any dividends for the years ended December 31, 2022 and 2021 (from Incorporation).

TALCOTT LIFE RE, LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

11. Income Taxes

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

TLR is resident in the United Kingdom ("U.K.") for U.K. tax purposes and is subject to U.K. corporation tax due to being centrally managed and controlled in the U.K. TLR is not, however, expected to be liable for material U.K. corporation tax because most of its income will be attributable to its permanent establishment in Bermuda and exempt from U.K. corporation tax in accordance with a foreign branch exemption election (18A Corporation Tax Act 2009). For the years ended December 31, 2022 and 2021 (from incorporation), there was no income tax expense incurred due to tax losses.

12. Subsequent Events

The Company has evaluated subsequent events through April 28, 2023, the date the financial statements were issued.

As described in Note 5, on December 30, 2021, TLR entered into a reinsurance arrangement with Resolution Re and Allianz whereby Allianz ceded to Resolution Re and Resolution Re retroceded to TLR approximately \$12 billion of FIA liabilities on a modified coinsurance basis. In the first quarter of 2023, TLR, Resolution Re and Allianz entered into a novation transaction effective January 1, 2023 whereby the retrocession arrangement was terminated and Allianz ceded the same liabilities directly to TLR on a modified coinsurance basis, upon substantially the same terms and conditions as the prior reinsurance to Resolution Re and retrocession to TLR. In connection with the novation, TLR made a one-time payment of \$60 to Resolution Re pursuant to the terms of the retrocession agreement which was previously accrued for and would have otherwise been payable over the next four years.