GLOBAL ATLANTIC RE LIMITED

(A WHOLLY-OWNED SUBSIDIARY OF GLOBAL ATLANTIC FINANCIAL LIMITED)

Consolidated Financial statements

December 31, 2022 (Successor), and 2021 (Successor)

Index to Consolidated Financial Statements

	Page
Report of independent registered public accounting firm	3
Consolidated Financial statements	
Consolidated balance sheets as of December 31, 2022 (Successor) and December 31, 2021 (Successor)	5
Consolidated statements of income for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor)	6
Consolidated statements of comprehensive income (loss) for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor)	7
Consolidated statements of equity for the period from December 31, 2020 (Predecessor) to December 31, 2022 (Successor)	8
Consolidated statements of cash flows for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor)	9
Notes to the consolidated financial statements	
1. Nature of business	11
2. Basis of presentation and significant accounting policies	12
3. Investments	27
4. Derivative instruments	37
5. Fair value disclosure of financial instruments	38
6. Insurance intangibles, unearned revenue reserves and unearned front-end loads	46
7. Policy liabilities	49
8. Reinsurance	54
9. Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses	57
10. Shareholders' equity	58
11. Accumulated other comprehensive income (loss)	59
12. Income taxes	59
13. Dividend restrictions and statutory information	62
14. Related party transactions	63
15. Commitments and contingencies	66
16. Acquisition	67
17. Subsequent events	70

Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
41st Floor
New York, NY 10112-0015
USA

Tel:+1 212 492 4000
Fax:+1 212 489 1687
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Global Atlantic Re Limited

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Global Atlantic Re Limited (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 (Successor) and 2021 (Successor), and the related consolidated statements of consolidated income, comprehensive (loss) income, equity, and cash flows for the year ended December 31, 2022 (Successor) and for the eleven months ended December 31, 2021 (Successor), and the one month ended January 31, 2021 (Predecessor), 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 (Successor) and 2021 (Successor), and the results of its operations and its cash flows for the year ended December 31, 2022 (Successor), and for the eleven months ended December 31, 2021 (Successor), and the one month ended January 31, 2021 (Predecessor), in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

April 25, 2023

Consolidated Balance Sheets

($ in millions, except share data)	December 31, 2022 Audited	December 31, 2021 Audited
	Successor	*Successor*
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $4,421 and $3,585, respectively)	$ 3,848	$ 3,532
Mortgage and other loan receivables	720	354
Derivative assets	1,478	—
Funds withheld receivable at interest	36,716	35,609
Guaranteed investment contracts	4,393	5,297
Other investments	210	184
Total investments	**$ 47,365**	**$ 44,976**
Cash and cash equivalents	252	48
Accrued investment income	421	357
Reinsurance recoverable	4,254	1,212
Deferred policy acquisition costs	495	272
Value of business acquired	339	368
Other assets	1,136	945
Total assets	**$ 54,262**	**$ 48,178**
Liabilities		
Policy liabilities:		
Future policy benefits	$ 7,089	$ 6,180
Contractholder deposit funds and other policy liabilities	41,643	38,618
Total policyholder liabilities	**$ 48,732**	**$ 44,798**
Funds withheld payable at interest	4,028	1,272
Derivative liabilities	—	555
Other liabilities	59	70
Reinsurance liabilities	89	53
Total liabilities	**$ 52,908**	**$ 46,749**
Equity		
Common stock, $1 par value, 370,000 shares authorized, 370,000 shares issued and outstanding, respectively	$ —	$ —
Additional paid-in capital	796	646
Retained earnings	791	812
Accumulated other comprehensive income (loss)	(233)	(29)
Total equity	**$ 1,354**	**$ 1,429**
Total liabilities and equity	**$ 54,262**	**$ 48,178**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of income

($ in millions, except per share data)	Year ended December 31, 2022 Audited	Eleven months ended December 31, 2021 Audited	One month ended January 31, 2021 Audited
	Successor	*Successor*	*Predecessor*
Revenues			
Premiums	$ 386	$ 5,304	$ 2
Policy fees	325	299	26
Net investment income	1,171	957	89
Net investment gains (loss)	(645)	664	108
Other income	33	33	3
Total revenues	**$ 1,270**	**$ 7,257**	**$ 228**
Benefits and expenses			
Policy benefits and claims	1,019	6,139	49
Amortization of policy acquisition costs	(22)	(23)	66
Insurance expenses	271	151	14
General, administrative and other expenses	26	29	3
Total benefits and expenses	**$ 1,294**	**$ 6,296**	**$ 132**
Income before provision for income taxes	**$ (24)**	**$ 962**	**$ 96**
Income tax expense (benefit)	(3)	150	21
Net income	**$ (21)**	**$ 812**	**$ 75**

See accompanying notes to consolidated financial statements.

Consolidated statements of comprehensive (loss) income

($ in millions)	Year Ended December 31, 2022	Eleven months ended December 31, 2021	Year ended January 31, 2021
	Successor	*Successor*	*Predecessor*
Net income	$ (21)	$ 812	$ 75
Other comprehensive income (loss), before tax:			
Unrealized gains (losses) on securities and other investments for the period	(528)	(47)	(14)
Less: reclassification adjustment for gains included in net income	(13)	(15)	—
Unrealized gains (losses) on available-for-sale securities and other investments	**(515)**	**(33)**	**(15)**
Net effect of unrealized (losses) gains on policyholder balances	262	4	7
Other comprehensive income (loss), before tax	**(253)**	**(29)**	**(8)**
Income tax benefit (expense) related to other comprehensive income (loss)	49	6	2
Other comprehensive income (loss), net of tax	**$ (204)**	**$ (23)**	**$ (6)**
Comprehensive income (loss)	**$ (225)**	**$ 788**	**$ 69**

See accompanying notes to consolidated financial statements.

Consolidated statements of equity

($ in millions)	Common stock & Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholder's equity
Balance as of December 31, 2020, Predecessor	**$ 290**	**$ 1,056**	**$ 82**	**$ 1,428**
Net income	—	76	—	76
Other comprehensive loss	—	—	(5)	(5)
Balance as of January 31, 2021, Predecessor	**$ 290**	**$ 1,132**	**$ 77**	**$ 1,499**
Balance as of February 1, 2021, Successor	**$ 596**	**$ —**	**$ —**	**$ 596**
Net income	—	812	—	812
Other comprehensive income	—	—	(29)	(29)
Capital contributions	50	—	—	50
Balance as of December 31, 2021, Successor	**$ 646**	**$ 812**	**$ (29)**	**$ 1,429**
Net income (loss)	—	(21)	—	(21)
Other comprehensive income (loss)	—	—	(204)	(204)
Capital contributions	150	—	—	150
Balance as of December 31, 2022, Successor	**$ 796**	**$ 791**	**$ (233)**	**$ 1,354**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

($ in millions)	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended January 31, 2021
	Successor	*Successor*	*Predecessor*
Cash flows from operating activities			
Net income	**$ (21)**	**$ 812**	**$ 75**
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in fair value of equity fixed maturity securities and other investments	(85)	(35)	—
Net investment (gains) losses	221	(369)	5
Income from equity method investments	58	11	9
Change in fair value of derivatives and other derivative-related activity	367	(9)	(137)
Net amortization and depreciation	132	(25)	63
Interest credited to policyholder account balances less policy fees	399	527	58
Deferred income tax (benefit) expense	(113)	(21)	24
Reinsurance transactions and acquisitions, net of cash provided (used)	—	—	—
Change in premiums, notes receivable and rein recoverable, net of rein premiums	657	64	(84)
Change in deferred acquisition costs	(137)	(256)	(14)
Change in value of business acquired	—	—	—
Change in accrued investment income	(63)	(65)	(15)
Change in policyholder liabilities and accruals, net	(359)	(360)	3
Other	(26)	123	(6)
Net cash provided by (used in) operating activities	**$ 1,030**	**$ 397**	**$ (19)**
Cash flows from investing activities			
Proceeds from disposals of available-for-sale fixed maturity securities	82	309	—
Proceeds from maturities of available-for-sale fixed maturities securities	183	239	17
Proceeds from disposals of equity securities	—	244	—
Proceeds from mortgages sold, matured or collected	7	28	—
Proceeds from disposal of other investments	(18)	702	1
Purchase of available-for-sale fixed maturity securities	(351)	(906)	(35)
Purchase of trading fixed maturity securities	1	—	—
Purchase of equity securities	—	(245)	—
Purchase of mortgages	(377)	(324)	—
Purchase of other investments	(134)	(655)	(4)
Other investing activities-net	10	1	(1)
Net cash used in investing activities	**$ (597)**	**$ (607)**	**$ (22)**
Cash flows from financing activities			
Reinsurance transactions, net of cash provided (used)	(2)	(7)	—
Additions to contractholder deposit funds	4,959	4,103	331

Consolidated statements of cash flows

($ in millions)	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended January 31, 2021
	Successor	*Successor*	*Predecessor*
Withdrawals from contractholder deposit funds	(5,336)	(3,952)	(304)
Capital contributions	150	50	—
Dividends paid	—	—	—
Net cash provided by financing activities	**$ (229)**	**$ 194**	**$ 27**
Net change in cash, and cash equivalents	**204**	**(16)**	**(14)**
Cash, and cash equivalents beginning of period	48	64	78
Cash, and cash equivalents, end of period	**$ 252**	**$ 48**	**$ 64**
Supplemental cash flow information			
Income taxes paid	133	80	—
Non-cash transactions			
Available-for-sale fixed maturity securities settled through fund agreements	805	—	—
Policyholder liabilities and accruals acquired through reinsurance - Future policy benefits	1,250	5,114	—
Contractholder deposit funds acquired through reinsurance agreements	$ 3,372	$ 6,005	$ —

1. Nature of business and basis of presentation

GLOBAL ATLANTIC RE LIMITED, or “Global Atlantic Re” or “the Company”, we, our, or us, is a licensed reinsurer and wholly-owned subsidiary of Global Atlantic Financial Limited, or “GAFL”, a Bermuda company. GAFL is an indirect wholly-owned subsidiary of The Global Atlantic Financial Group LLC, or “TGAFG”, a Bermuda company. Under Bermuda’s Insurance Act of 1978, as amended, the Company is registered as a Class C and Class 3A insurer. Under its registration as a Class C insurer, the Company assumes through reinsurance universal life, or “UL,” variable universal life, or “VUL,” preneed life, fixed annuity, or “FA,” fixed-indexed annuities, or “FIA,” variable annuity, or “VA,”and payout and immediate annuity, or “payout annuity” business from affiliated and non-affiliated counterparties. Under its registration as a Class 3A insurer, the Company also assumes risks related to mortgage insurance.

Global Atlantic Re made an election under Internal Revenue Code, or “IRC,” Section 953(d) for 2018 to be treated as a U.S. domestic insurance company and filed Form 1120 L for the tax years ended December 31, 2021 and 2020.

KKR acquisition of Global Atlantic Financial Group Limited

On February 1, 2021, KKR & Co. Inc., or together with its subsidiaries, “KKR,” completed the acquisition of the Company’s ultimate parent, GAFG, by Magnolia Parent LLC (“Magnolia”), a KKR subsidiary, as contemplated by the Agreement and Plan of Merger, dated July 7, 2020 (as amended, the “Merger Agreement”), by and among GAFG, Global Atlantic Financial Life Limited, or “GAFLL,” Magnolia, Magnolia Merger Sub Limited (“Merger Sub”), LAMC LP, and Goldman Sachs & Co. LLC, solely in its capacity as the equity representative, referred to here-in as the “KKR Acquisition.” The total purchase price for the transaction was $4.7 billion. See Note 16—“Acquisition” for additional information.

Coronavirus Disease 2019 and related matters

The novel strain of coronavirus ("COVID-19") has caused, and continues to cause in certain cases, severe disruptions to the U.S. and global economies. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on the U.S. and global economies, contributing to significant volatility in the financial markets, resulting in increased volatility in currencies, interest rates, and equity prices. Shutdowns in some locations are causing furloughs and layoffs in the labor market. Although a number of vaccines for COVID-19 have been developed and are in the process of being deployed in certain countries, including the United States, the timing for widespread vaccination and immunity is uncertain, and these vaccines may be less effective against new mutated strains of the virus that have started to spread globally.

Given the ongoing nature of the pandemic, at this time Global Atlantic Re cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on its business, financial performance and operating results. Global Atlantic Re believes COVID-19's adverse impact on its business, financial performance and operating results will be significantly driven by a number of factors that it is unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. economy; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability and distribution of treatments and vaccines for COVID-19; and the negative impact on Global Atlantic Re’s policyholders, vendors and other business partners that may indirectly adversely affect Global Atlantic Re.

Bermuda, U.S Federal, state, and local governments and governmental agencies have taken several actions attempting to cushion the economic fallout. In the U.S, it includes the Coronavirus Aid, Relief, and Economic Security Act, or "CARES Act," signed into law at the end of March 2020. Please refer to Note 2—"Significant accounting policies and practices" to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

2. Basis of presentation and significant accounting policies

Basis of presentation

Upon the acquisition, the Company established a new accounting basis, applying push-down accounting to reflect the Company's assets and liabilities at fair value as of the acquisition date, and recognizing goodwill for any excess of the purchase price over the fair value of net assets assumed by Magnolia in the acquisition. In addition, the Company conformed its accounting policies and procedures to those of its new ultimate parent, KKR.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or "U.S. GAAP." The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities as of the date of the consolidated financial statements, and the amounts of revenues and expenses recognized during the reporting period. Amounts based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty, particularly related to the future performance of the underlying business. Actual experience could materially differ from these estimates and assumptions.

The most significant estimates are those used in determining valuation of policyholder liabilities, valuation of embedded derivatives, valuation and impairment of investments, amortization of deferred revenues and expenses, and income taxes.

The consolidated financial statements include the results of operations and financial position of the Company and all other entities in which the Company has a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

Significant accounting policies

The following are the Company's significant accounting policies with references to notes providing additional information on such policies:

Accounting policy	Note
Investments	3, 4, and 5
Investment impairment	3 and 5
Derivative instruments	4, 5, and 7
Policy liabilities	5 and 7
Deferred policy acquisition costs	6
Value of business acquired	6
Unearned revenue reserves and unearned front-end loads	6
Reinsurance	8
Income taxes	12

Investments

In the normal course of business, the Company enters into transactions involving various types of investments.

Investments include the following: U.S. government and agency obligations; commercial mortgage-backed securities, or “CMBS,” residential mortgage-backed securities, or “RMBS,” collateralized loan obligations, or “CLOs,” and all other structured securities (consisting primarily of asset-backed securities, or “ABS,” and collateralized bond obligations, or “CBOs,”) or together, “structured securities;” corporate bonds; state and political subdivision obligations; foreign government obligations; equity securities; mortgage and other loan receivables; policy loans; and other non-derivative investments.

Available-for-sale fixed maturity securities

The Company primarily accounts for its fixed maturity securities (including bonds, structured securities and redeemable preferred stock) as available-for-sale ("AFS"). AFS fixed maturity securities are generally recorded on a trade-date basis and are carried at fair value. Impairment associated with AFS fixed maturity securities is recognized as an allowance for credit losses. The allowance for credit losses is established either by a charge to net investment-related losses in the consolidated statements of income, for securities identified as credit impaired after purchase, or by a gross-up recognition of an initial allowance for purchased credit deteriorated ("PCD") securities.

PCD securities are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. The Company considers an AFS fixed maturity security to be PCD if there are indicators of a credit loss at the acquisition date or, in the case of structured securities, if there is a significant difference between contractual cash flows and expected cash flows at acquisition. PCD securities also include those AFS fixed maturity securities previously held by the Company that were similarly assessed at the time of the GA acquisition. The initial amortized cost for a PCD security equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a discounted cash flow method based on the best estimate of the present value of cash flows expected to be collected. After purchase, the accounting for a PCD security is consistent with that applied to all other securities.

Unrealized gains and losses on AFS fixed maturity securities, net of tax and insurance intangible amortization, are reported in accumulated other comprehensive income (“AOCI”) in the consolidated balance sheets. Realized investment gains and losses are recognized on a first-in first-out (“FIFO”) basis and are reported in net investment-related losses in the consolidated statements of income. The amortized cost of fixed maturity securities is adjusted for impairment charge-offs, amortization of premiums and accretion of discounts. Such amortization and accretion is calculated using the effective yield method and included in net investment income in the consolidated statements of income.

For structured securities, the Company recognizes interest income using a constant effective yield based on estimated cash flows generated from internal models utilizing interest rate, default and prepayment assumptions. Effective yields for structured securities that are not of high credit quality are recalculated and adjusted prospectively based on changes in expected undiscounted future cash flows, after consideration of any appropriate recognition or release of an allowance for credit losses. For structured securities that are of high credit quality, effective yields are recalculated based on payments received and updated prepayment expectations, and amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. Prepayment fees are recorded when earned in net investment income in the consolidated statements of income.

The Company generally suspends accrual of interest for securities that are more than 90 days past due and reverses any related accrued interest to net investment income in the consolidated statements of income. When a security is in non-accrual status, coupon payments are recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the security. A security is returned to accrual status when the Company determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

Mortgage and other loan receivables

The Company purchases participations in mortgage and other loan receivables, and these loans are carried at cost, less the allowance for credit losses and as adjusted for amortization/accretion of premiums/discounts. The allowance for credit losses is established either by a charge to net investment losses in the consolidated statements of income or, for PCD mortgage and other loan receivables, by a gross-up recognition of the initial allowance in the consolidated balance sheets.

PCD mortgage and other loan receivables are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. PCD mortgage and other loan receivables also include those mortgage and other loan receivables previously held by the Company that were similarly assessed at the time of the KKR Acquisition. The initial amortized cost for a PCD mortgage or other loan receivable equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a method consistent with that used for other similar loans. See further discussion of allowance methods below. After purchase, the accounting for a PCD mortgage or other loan receivable is consistent with that applied to all other mortgage and other loan receivables.

Loan premiums or discounts are amortized or accreted using the effective yield method. Interest income is accrued on the principal balance of each loan based on its contractual interest rate. The accrual of interest is generally suspended when the collection of interest is no longer probable or the collection of any portion of principal is doubtful. The Company generally suspends accrual of interest for loans that are more than 90 days past due and reverses any related accrued interest to net investment income in the consolidated statements of income. When a loan is in non-accrual status, coupon payments are generally recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the loan. A loan is returned to accrual status when the Company determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

Policy loans

Policy loans are loans policyholders take out against their life insurance policies. Each policy loan is fully collateralized by the cash surrender value of the policyholder's life insurance policy. Policy loans are carried at unpaid principal balances. Interest income on such loans is recognized as earned using the contractually agreed upon interest rate and reflected in net investment income in the consolidated statements of income. Generally, interest is capitalized on the associated policy's anniversary date.

Funds withheld receivable at interest

Funds withheld at interest represents a receivable for amounts contractually withheld by the ceding company in accordance with modified coinsurance and funds withheld coinsurance agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld by the ceding company and held in trust to support the reinsurer's obligations under the reinsurance agreement.. As the reinsurer, we are subject to the investment performance of these assets. Although we do not hold the underlying investments in the funds withheld at interest, in each instance the ceding company has hired a manager

to manage the withheld assets in accordance with our investment guidelines and allocation decisions. In the event of a ceding company's insolvency, we would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to us is mitigated by our ability to offset amounts we owe the ceding company for claims or allowances against amounts owed to us from the ceding company.

Funds withheld receivable at interest include the following: AFS fixed maturity securities, mortgage and other loan receivables, policy loans, other investments and derivative instruments.

Guaranteed investment contracts

The Company purchased a series of funding agreements (Guaranteed Investment Contracts, or "GIC"). The GICs have different terms, including amounts, maturity dates, fixed or floating coupon payments, cash pay interest or compounded interest, and priority to assets in the trust upon an acceleration event. The GICs are carried at unpaid principal in the consolidated balance sheets. Interest earned on the GICs are included in net investment income in the consolidated statements of income and accrued interest is reported in accrued investment income in the consolidated balance sheets.

Other investments

Other investments in the consolidated balance sheets include the Company's investments in investment partnerships, for which the Company does not have voting control or power to direct activities. These investments are accounted for using the equity method of accounting unless the Company's interest is so minor that it has virtually no influence over partnership operating or financial policies. The equity method of accounting requires that the investments be initially recorded at cost and the carrying amount of the investment subsequently be adjusted to recognize the Company's share of the earnings and losses of the investee. Where there is a difference between the cost of the investment and the Company's proportionate share of the equity method investee's net assets, this basis difference is accreted to net investment income over the life of the underlying assets. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three month lag due to the timing of the receipt of related financial statements.

The income from the Company's equity method investments is included in net investment income in the consolidated statements of income. In limited circumstances, the Company elects to apply the fair value option to investment partnerships, which are carried at fair value with unrealized gains and losses reported in net investment gains (losses) in the consolidated statements of income. The contributions to and distributions from investment partnerships are classified as investing activities within the consolidated statements of cash flows.

Included in other investments are the Company's investments in renewable energy partnerships and limited liability corporations, or "LLCs." Respective investments are consolidated when the Company has control, or are accounted for using the equity method of accounting when the Company has the ability to exercise significant influence but not control. These investments involve tiered capital structures that facilitate a waterfall of returns and allocations to ensure the efficient use of tax credits. A conventional income statement oriented approach to the equity method of accounting, or to the recognition of non-controlling interests (when the Company is consolidating the investment), based on ownership percentages does not accurately reflect the proper allocation of income and cash flows for these investments. Instead, the Company uses the hypothetical liquidation at book value method, or "HLBV," which is a balance sheet oriented approach to the equity method of accounting and to the recognition of non-controlling interests that allocates income and cash flows based on changes to each investor's claim to net assets assuming a liquidation of the investee as of each reporting date, including an assessment of the likelihood of liquidation in determining the contractual provisions to utilize when applying the HLBV method.

Derivative instruments

The Company's synthetic GICs are accounted for as derivatives. A synthetic GIC is a contract that simulates the performance of a traditional GIC through the use of financial instruments. A key difference between a synthetic GIC and a traditional GIC is the purchaser transfers ownership of the underlying assets to the issuer in a traditional GIC but not with a synthetic GIC. The fair values of derivatives that are synthetic GICs are primarily based on the fair value of the underlying investments. The fair values of these securities are determined using quoted market prices in active markets or other observable inputs to pricing. Synthetic GICs function similarly to total return swaps. These derivatives are recognized in either derivative assets or derivative liabilities in the consolidated balance sheets and in net investment gains (losses) in the consolidated statements of income

Cash, and cash equivalents

Cash and cash equivalents in the consolidated balance sheets generally include short-term highly liquid investments with a maturity of three months or less from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Investment impairment

Available-for-sale fixed maturity securities

One of the significant estimates related to AFS securities is the evaluation of those investments for credit losses. The evaluation of investments for credit losses is a quantitative and qualitative quarterly process that is subject to risks and uncertainties and involves significant estimates and judgments by management. Changes in the estimates and judgments used in such analysis can have a significant impact on the consolidated statements of income. Considerations relevant to the evaluation of credit losses may include the severity of any loss position,as well as changes in market interest rates, changes in business climate, management changes, litigation, government actions, and other similar factors that may impact an issuer's ability to meet current and future principal and interest obligations. Indicators of credit impairment may also include changes in credit ratings, the frequency of late payments, pricing levels and deterioration in any, or a combination of, key financial ratios, financial statements, revenue forecasts and cash flow projections.

For AFS fixed maturity securities in an unrealized loss position, the Company first considers the intent to sell a security, or whether it is more-likely-than-not that it will be required to sell the security, before the recovery of its amortized cost. If the Company intends to sell an AFS fixed maturity security with an unrealized loss or it is more-likely-than-not that it will be required to sell an AFS fixed maturity security with an unrealized loss before recovery of its amortized cost basis, the amortized cost is written down to fair value and a corresponding charge is recognized to net investment losses.

For AFS fixed maturity securities in an unrealized loss position that the Company does not intend to sell, and will not be required to sell, the Company bifurcates the impairment into two components: credit impairment and non-credit impairment. Credit impairments are measured as the difference between the security's cost or amortized cost and its estimated recoverable value, which is the present value of its expected future cash flows discounted at the current effective interest rate. The estimated recoverable value is subject to a floor equal to the fair value of the security. The remaining difference between the security's fair value and the recoverable value, if any, is the non-credit impairment. Credit impairments are recognized in the allowance for credit losses on AFS fixed maturity securities, which is established via a charge to net investment losses in the consolidated statements of income, and non-credit impairments are charged to accumulated other comprehensive income in the consolidated balance sheets.

In determining the estimated recoverable value, the review of expected future cash flows for structured securities includes assumptions about key systemic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgments about the future performance of the underlying collateral. For corporate and government bonds the recoverable value is determined using cash flow estimates that consider facts and circumstances relevant to the security and the issuer, including overall financial strength and secondary sources of repayment as well as pending restructuring or disposition of assets. Where information for such cash flow estimates is limited or deemed not reliable, fair value is considered the best estimate of the recoverable value.

In periods subsequent to the initial recognition of an allowance for credit losses on a fixed maturity security, whether for a PCD security or a security impaired since purchase, the Company continues to monitor credit loss expectations. Deterioration in the estimated recoverable value of a credit impaired security is recognized as an addition to the allowance for credit losses, as limited by the amount by which the security's fair value is less than amortized cost. Improvements in the estimated recoverable value of a credit impaired security or improvements in the fair value of a credit impaired security that limit the amount of the allowance result in reductions in the allowance for credit losses, which are recognized as a credit to net investment gains in the consolidated statements of income.

Amounts are charged off against the allowance for credit losses when deemed uncollectible or when the Company determines that it intends to sell, or more likely than not will be required to sell, the security. Charge-offs are reflected as a decrease in the allowance and a direct write down in the amortized cost of the security. If the Company recovers all or a portion of an amount previously written off on a credit impaired security, the recovery is recognized as a realized investment gain.

Mortgage and other loan receivables

The Company updates its estimate of the expected credit losses on its investments in mortgage and other loan receivables each quarter. For loans that share similar risk characteristics, expected credit losses are measured on a pool basis.

For commercial mortgage loans, the current expected credit losses are estimated using a model that evaluates the probability that each loan will default and estimates the amount of loss given the occurrence of such a default over the life of each loan in the portfolio. The model incorporates historical and current data on the relevant property market and projects potential future paths for each loan's collateral, considering both the net income to be generated by the collateral real estate and its market value. The model considers how macroeconomic forecasts (such as gross domestic product, unemployment, and interest rates) influence commercial real estate market factors (including vacancy rates, rental and income growth rates, property value changes), and in turn how commercial real estate market conditions, in combination with loan specific information (including debt service coverage and loan to value), drive commercial mortgage loan credit risk.

With regard to the use of forecasts in the determination of the Company's current expected credit losses, the reversion of forecasts to historical data is based on reversion dynamics that depend on the specific variable and its interaction with the other parameters of the respective model; however, the forecasts generally tend to revert to a long-term equilibrium trend within two to three years from the forecast start date.

For the investment in other loan receivables, a variety of methodologies are used to estimate the respective current expected credit losses. These methodologies consider the terms specific to each loan, including the value of any collateral, and evaluate the risk of loss over the life of these loans.

The Company also assesses and measures an allowance for credit losses arising from off-balance sheet commitments, including loan commitments, that are not unconditionally cancellable by the Company. This allowance for credit losses for off-balance sheet commitments is determined using methods consistent with those used for the associated mortgage and other loan receivable class, as described above, and is recognized in other liabilities in the consolidated balance sheets, since there is no funded asset for the committed amount.

When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance. If the Company recovers all or a portion of an amount previously written off on a credit impaired loan, the recovery is recognized as a realized investment gain.

Other investments

The determination of the amount of allowances and impairments on other classes of investments also requires significant judgment and is based upon a periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such assessments are revised as conditions change and new information becomes available.

Impairment of investments subject to the equity method of accounting is assessed whenever events or circumstances suggest that the carrying amount may not be recoverable. An impairment charge is recognized in earnings for a decline in value that is determined to be other than temporary, and is measured as the difference between the carrying amount and the fair value of the equity method investment as of the balance sheet date.

Deferral and amortization of certain revenues and expenses

Deferrals

Deferred policy acquisition costs, or “DAC,” in the balance sheets consist of commissions and other costs that are directly related to the successful acquisition of new or renewal life insurance or annuity contracts. Deferred sales inducements, or “DSI,” are generated by annuities that offer enhanced crediting rates or bonus payments to policyholders and is included in other assets in the consolidated balance sheets.

Value of business acquired ("VOBA") represents the difference between the carrying value of the purchased in-force insurance contract liabilities at the time of the business combination and the estimated fair value of insurance and reinsurance contracts. VOBA can be either positive or negative. Positive VOBA is recorded in insurance intangibles. Negative VOBA is recorded in the same financial statement line in the consolidated balance sheets as the associated reserves.

Revenues from certain universal life insurance products are deferred to future periods and an unearned revenue reserve, or “URR,” liability is established. The amount deferred is equal to the excess of the revenue collected over an estimate of the ultimate future level of these revenues and included in contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets.

Deferred revenue liability, or “DRL,” represents the gross premium less the net premium on limited pay contracts (i.e., payout annuities.) DRL is included in contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets.

For certain preneed contracts, the gross premium is in excess of the benefit reserve plus additional insurance liability. An unearned front-end load, or “UFEL,” is established to defer the recognition of this front-end load. UFEL is included in contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets.

Amortization

For interest-sensitive products (fixed-indexed annuities and variable annuities, most universal life including preneed contracts, and variable universal life), DAC and DSI assets are generally amortized in proportion to actual historical gross profits and estimated future gross profits over the estimated lives of the contracts. The amount of gross profit consists principally of investment returns (including hedge gains and losses) in excess of the amounts credited to policyholders, asset-based and other policy fees, and surrender charges reduced by death and other excess benefits and expenses. Numerous factors including mortality, benefit utilization, surrender activity, premium persistency, and the economic environment influence the level and timing of gross profits.

Estimated gross profits are updated each reporting period with actual gross profits as part of the amortization process for the interest-sensitive policies. When actual gross profits are higher in the period than had been previously estimated, more amortization is recognized than planned. When actual gross profits are lower than had been previously estimated, less amortization is recognized than planned. These relationships hold provided that future estimates of gross profits remain unchanged, which may not always be true.

VOBA is generally amortized on a constant level basis using policy count over the estimated lives of the contracts.

When a different basis of amortization is determined to be more representative of the economics, such as when negative estimated gross profits or margins occur, an alternative basis of amortization may be selected for DAC and VOBA.

DRL is amortized on a straight-line basis for whole life and term life insurance policies. For annuities, universal life and indexed universal life policies, DRL is amortized in proportion to the pattern of policyholder death benefits in-force. For payout annuities, DRL is recognized in income in a constant relationship with the amount of expected future payments.

URR is amortized consistent with the amortization of DAC on similar products. UFEL is amortized consistent with the method used in the amortization of DAC for preneed contracts.

The key assumptions used in the calculation of the amortization of DAC, VOBA and DSI are periodically updated as part of the assumptions review process, which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made. The following are types of changes to future assumptions that would generally result in a negative unlocking (i.e., an acceleration of amortization resulting in a reduction to net income): lower equity returns, lower investment returns, higher operating expenses, higher mortality, and unfavorable lapses.

The carrying amounts of DAC, DSI, URR and UFEL are adjusted for the effects of realized and unrealized gains and losses on debt and equity securities classified as AFS and certain derivatives.

Policy liabilities

Policy liabilities, or collectively, “reserves,” are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. Interest accrues on these reserves and on future premiums, which may also be available to pay for future obligations. The Company establishes reserves to pay future policyholder benefits, claims, and certain expenses for its life policies and annuity contracts.

Reserves are estimates based on models that include many actuarial assumptions and projections. These assumptions and projections, which are inherently uncertain, involve significant judgment, including assumptions as to the levels and/or timing of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), mortality, longevity, and persistency.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policyholder benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. The Company cannot, however, determine with precision the amount or the timing of actual policyholder benefit payments. If actual experience is better than or equal to the assumptions, then reserves would be adequate to provide for future policyholder benefits and expenses. If experience is worse than the assumptions, additional reserves may be required to meet future policy and contract obligations. This would result in a charge to the Company’s net income during the period in which excess policyholder benefits are paid or an increase in reserves occurs.

For a majority of the Company’s in-force policies, including its universal life policies and most annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents the Company’s obligation to repay to the policyholder the amounts held on deposit. However, there are several significant blocks of business where additional policyholder reserves are explicitly calculated, including variable annuities, fixed-indexed annuities, universal life with secondary guarantees, indexed universal life and preneed policies.

Fixed-rate and fixed-indexed annuities

Contractholder deposits fund reserves for fixed-indexed annuities earning a fixed rate of interest and certain other fixed-rate annuity products are computed under a retrospective deposit method and represent policyholder account balances before applicable surrender charges. For certain fixed-rate annuity products, an additional reserve was established for above market interest rate guarantees upon acquisition. These reserves are amortized on a straight-line basis over the remaining guaranteed interest rate period.

Certain of the Company’s fixed-indexed annuity products enable the policyholder to allocate contract value between a fixed crediting rate and strategies which reflect the change in the value of an index, such as the S&P 500 Index or other indices. These products are accounted for as investment-type contracts. The liability for these products consists of a combination of the underlying account value and an embedded derivative value. The liability for the underlying account value is primarily based on policy guarantees and its initial value is the difference between the premium payment and the fair value of the embedded derivative. Thereafter, the account value liability is determined in a manner consistent with the accounting for a deposit liability under the “constant yield method.” All future host balances are determined as: (1) the initial host balance; (2) plus interest; (3) less applicable policyholder benefits. The interest rate used in the prior roll forward is re-determined on each valuation date, per the constant yield method. The embedded derivative component’s fair value is based on an estimate of the policyholders’ expected participation in future increases in the relevant index. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity,

benefit utilization and the level and limits on contract participation in any future increases in the respective index option. The account value liability and embedded derivative are recorded in policy liabilities in the consolidated balance sheets, with changes in value of the liabilities recorded in policy benefits and claims in the consolidated statements of income.

Contractholder deposit funds reserves for certain assumed blocks of fixed-indexed and fixed-rate annuity products are accounted for as investment-type contracts. A net liability (consisting of the benefit reserve plus deferred revenue liability less DAC) is established at inception and amortized under the constant yield method.

Guaranteed benefits

Certain fixed-rate and fixed-indexed annuity contracts provide the contractholder with guaranteed minimum death benefits ("GMDB") and/or guaranteed minimum withdrawal benefits ("GMWB"). The associated reserves for these benefits are calculated by estimating the present value of total expected (excess) benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract, or the “benefit ratio,” and multiplying this ratio by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on the reserves. The liabilities are included in policy liabilities in the consolidated balance sheets. The change in the reserve is included in policy benefits and claims in the consolidated statements of income.

Variable annuities

Variable annuity contracts assumed by the Company provide the contractholder with GMDB and/or GMWB. The liabilities for these benefits are included in policy liabilities in the consolidated balance sheets. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of income.

The Company assumes variable annuity contracts with GMDB features. The Company elected the fair value option to measure the liability for certain of these variable annuity contracts. Fair value is calculated as the present value of the estimated death benefits less the present value of the GMDB fees, using 1,000 risk neutral scenarios. The Company discounts the cash flows using the U.S. Treasury rates plus an adjustment for own company credit risk.

The Company also assumes variable annuity contracts with a GMWB. The GMWB feature represents an embedded derivative. The embedded derivative is required to be bifurcated and measured at fair value. This liability is calculated as the present value of the excess GMWB claims less the present value of GMWB fees, using 1,000 risk neutral scenarios. The Company discounts the cash flows using U.S. Treasury rates plus an adjustment for own company credit risk. .

Payout annuities

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities and structured settlements. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as financial instruments. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and interest assumptions. Any gross premiums received in excess of the net premium is the DRL and is recognized in income in a constant relationship with the amount of expected future payments. These liabilities are recorded in policy liabilities in the consolidated balance sheets.

Also included under payout annuities are liabilities for disability income benefits which pertain primarily to disability income policies that are already in claim payout status. Liabilities for disability income benefits are calculated as the present value of future disability payments and estimated future expenses using expected mortality and costs, and interest assumptions. The liabilities are included in policy liabilities in the consolidated balance sheets.

Universal life policies

For universal life policies, the base benefit reserves are deemed to be equal to the policyholder account value.

Variable universal life policies

Certain assumed variable universal life policies include several forms of secondary guarantees. The Company holds additional liabilities for its secondary guarantees as discussed above.

Preneed policies

The Company's preneed life insurance contracts are accounted for as universal life-type contracts which require that the retrospective deposit method be used. That accounting method establishes a liability for policyholder benefits in an amount determined by the account or contract balance that accrues to the benefit of the policyholder. This account value is deemed to be equal to the contract's statutory cash surrender value. The majority of the Company's preneed insurance contracts feature death benefits with a discretionary death benefit growth rate. The Company has the discretion to adjust these rates up or down. The Company has established an additional reserve for expected future discretionary benefits which is reflected as contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets. The Company has also issued preneed insurance contracts with crediting rates tied to inflation as measured by the Consumer Price Index.

Outstanding claims

Outstanding claims include amounts payable relating to in course of settlement and incurred but not reported claim liabilities. In course of settlement claim liabilities are established for policies when the Company is notified of the death of the policyholder but the claim has not been paid as of the reporting date. Incurred but not reported claim liabilities are determined using studies of past experience and are estimated using actuarial assumptions of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amounts initially recognized, which are reflected in net income in the period in which they are determined. Changes in policyholder and contract claims are recorded in policy benefits and claims in the consolidated statements of income.

Reinsurance

Consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance, modified coinsurance or funds withheld coinsurance basis. Reinsurance accounting is applied for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer mortality or morbidity risks, and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements are accounted for using deposit accounting.

With respect to ceded reinsurance, the Company values reinsurance recoverables on reported claims at the time the underlying claim is recognized in accordance with contract terms. For future policyholder

benefits, the Company estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the consolidated balance sheets. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Cost of reinsurance assets and liabilities are reported in insurance intangibles and policy liabilities in the consolidated balance sheets, respectively and includes certain variable incentive compensation directly related to reinsurance contract acquisition. Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for expected credit losses, via a charge to policy benefits and claims in the consolidated statements of income. The Company's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement.

For funds withheld and modified coinsurance agreements, the Company has the right to receive or obligation to pay the total return on assets supporting the funds withheld receivable at interest or funds withheld payable at interest. This indirectly exposes the Company to the credit risk of the underlying assets. As a result, funds withheld coinsurance and modified coinsurance agreements are viewed as total return swaps and treated as embedded derivatives. Embedded derivatives are required to be separated from the host contracts and measured at fair value with changes in fair value recognized in net income. Generally, the embedded derivative is measured as the difference between the fair value of the underlying assets and the carrying value of the host contract at the consolidated balance sheet date. The fair value of the embedded derivative is included in the funds withheld receivable at interest or the funds withheld payable at interest on the balance sheets. Changes in the fair value of the embedded derivative are reported in operating activities on the consolidated statements of cash flows.

Leases

The Company enters into lease contracts, the most significant being leases of office space for its operations. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rate.

Loss contingencies

A loss contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies include regulatory judgments, claims, assessments, guarantees, pending or threatened litigation, recourse reserves, fines, penalties and environmental remediation costs. Amounts related to loss contingencies are accrued and recorded in accrued expenses and other liabilities in the balance sheets if it is probable that a loss has been incurred and the amount can be reasonably estimated, based on the Company's best estimate of the ultimate outcome.

See Note 15 —"Commitments and contingencies" for additional information about loss contingencies.

Recognition of insurance revenue and related benefits

Premiums related to whole life and term life insurance contracts and payout contracts with life contingencies are recognized in premiums in the consolidated statements of income when due from the contractholders.

Amounts received as payment for universal life and investment-type contracts are reported as deposits to contractholder account balances and recorded in contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets. Amounts received as payment for the Company's fixed fund variable annuities are reported as a component of contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets. Revenues from these contracts consist primarily of fees assessed against the contractholder account balance for mortality, policy administration, separate account administration and surrender charges, and are reported in policy fees in the consolidated statements of income. Additionally, the Company earns investment income from the investment of contract deposits in the Company's general account portfolio, which is reported in net investment income in the consolidated statements of income.

Fees assessed that represent compensation to the Company for benefits to be provided in future periods and certain other fees are established as a unearned revenue reserve liability and amortized into revenue over the expected life of the related contracts in proportion to estimated gross profits in a manner consistent with DAC for these contracts. Unearned revenue reserves are reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets and amortized into policy fees in the consolidated statements of income. Benefits and expenses for these products include claims in excess of related account balances, expenses for contract administration and interest credited to contractholder account balances in the consolidated statements of income.

Other income

Other income is primarily comprised of administration, management fees and distribution fees.

See Note 9 —"Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses" for additional information about other income.

Insurance expenses

Insurance expenses are primarily comprised of commissions expense, premium taxes and other expenses related to insurance products and reinsurance transactions.

See Note 9 —"Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses" for additional information about insurance expenses.

General and administrative expenses

General and administrative expenses are primarily comprised of employee compensation and benefit expenses, administrative and professional services and other operating expenses.

See Note 9 —"Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses" for additional information about general and administrative expenses.

Income taxes

The Company is not subject to Bermuda income or capital gains tax under current Bermuda law. In the event that there is a change in current law such that taxes on income or capital gains are imposed, the Company would be exempt from such taxes until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966.

Additionally, the Company made an election under IRC, Section 953(d) for 2018 to be treated as a U.S. domestic insurance company effective January 1, 2018. Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of assets and liabilities. Such temporary differences are primarily due to the tax basis of reserves, DAC, unrealized investment gains/losses, reinsurance balances, embedded derivatives and net operating loss, or “NOL,” carryforwards. Changes in deferred income tax assets and liabilities associated with components of other comprehensive (loss) income are recorded directly to accumulated other comprehensive income (loss) in the consolidated balance sheets.

The Company evaluates the likelihood of realizing the benefit of deferred tax assets and may record a valuation allowance if, based on all available evidence, the Company determines that it is more-likely-than-not that some portion of the tax benefit will not be realized. The Company adjusts the valuation allowance if, based on its evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more-likely-than-not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

The Company records the effect of changes in tax laws or rates at the date of enactment. In the U.S., the enactment date is considered to be the date that the President signs the legislation. The total effect of a tax law or rate change on the deferred tax balance is recorded as a component of tax expense related to continuing operations for the period in which the law is enacted.

Such tax changes can create disproportionate tax effects, or stranded amounts in other comprehensive income, or “OCI,” for AFS debt securities. The Company’s accounting policy for clearing disproportionate tax effects relating to AFS debt securities is the aggregate portfolio approach. Under the aggregate portfolio approach, the disproportionate tax effect remains intact as long as the investment portfolio remains.

The Company reports interest expense related to income tax matters in income tax expense (benefit), and income tax penalties in general and administrative expenses in the consolidated statements of income.

The tax benefit from investment tax credits generated are recognized under the flow through method, with 50% tax basis adjustment as prescribed under Accounting Standards Codification 740.

Adoption of new accounting pronouncements

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and related regulatory actions

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits net operating loss ("NOL") carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes.

The provisions of the CARES Act, as amended by the Consolidated Appropriations Act, also permit financial institutions to suspend requirements under U.S. GAAP for loan modifications that otherwise would be categorized as troubled debt restructurings ("TDRs") if (1) the borrower was not more than 30 days past due as of December 31, 2019, and (2) the modifications are related to arrangements that defer or delay the payment of principal or interest, or change the interest rate on the loan, provided the modifications are made between March 1, 2020 and the earlier of 60 days after the end of the national emergency related to the COVID-19 pandemic or January 1, 2022. The Company applied this guidance before the permitted suspension period expired on January 1, 2022 to loan forbearance requests that meet the requirements. The application of this guidance did not have a material impact on the financial statements.

See Note 3 —"Investments," for additional information on loan modifications.

Simplifying the accounting for income taxes

On December 18, 2019, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2019-12, which modifies ASC 740 to simplify the accounting for income taxes. This guidance eliminates the exceptions to the incremental approach, to accounting for basis differences when there are changes in ownership of foreign investments, and to interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of tax guidance related to franchise taxes, transactions with government entities, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The guidance is effective for public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2020, including interim period within those fiscal years. The Company adopted the standard effective January 1, 2021. The adoption of this new guidance did not have a significant impact on the financial statements.

Reference rate reform

In March 2020, the FASB issued new guidance to ease the accounting implications of the transition away from the London Interbank Offering Rate, or "LIBOR," and other reference rates, which were discontinued in 2021 (other than for U.S. dollar LIBORs, which [have been excluded] until June 30, 2023, except for one-week and two-month tenors). The new guidance offers a variety of optional expedients and exceptions related to accounting for contract modifications and hedging relationships. These expedients and exceptions apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. As amended, the new guidance is effective for contract modifications made and hedging relationships existing or entered into from January 1, 2020 through December 31, 2024. In the first quarter 2022, the Company elected to adopt the new guidance and, for the modifications that have occurred to date, the adoption of the guidance has not had a material impact on the Company's consolidated financial statements.

Future application of accounting standards

Targeted improvements to the accounting for long-duration contracts

In August 2018, the FASB issued new guidance for insurance and reinsurance companies that issue long-duration contracts such as life insurance and annuities.The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner.The primary changes include:

(1) *more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate for the discounting of future cash flows* - The assumptions used to calculate the liability for future policy benefits on traditional and limited-payment contracts are required to be reviewed and updated at least annually. Cash flow assumptions are required to be reviewed at least annually with the impact recognized in net income. Discount rate assumptions are prescribed as the current upper-medium grade (low credit risk) fixed income instrument yield with the impact from the discount rate recognized in other comprehensive income (OCI).

(2) *standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts* - The new guidance creates a new category of benefits referred to as market risk benefits, which are contracts or contract features that provide both protection to the policyholder from capital market risk and expose the insurer to other-than-nominal capital market risk. Market risk benefits are required to be measured at fair value with the change in fair value recognized in net income, except for changes in the entity's non-performance risk, which is recognized in OCI.

(3) *simplification of the amortization of deferred acquisition costs* - Deferred acquisition costs (DAC) and other actuarial balances for life and annuity contracts are required to be amortized on a constant basis over the term of the related contracts.

(4) *enhanced disclosures* - Additional disclosures are required including disaggregated roll-forwards of significant insurance liabilities as well as disclosures about significant inputs, judgments, assumptions and methods used in measurement.

The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. For changes related to the liability for future policy benefits and deferred acquisition costs, the new guidance requires adoption using a modified retrospective approach upon transition with an option to elect a retrospective approach. For changes related to market risk benefits, the new guidance requires a retrospective approach.

On January 1, 2023, the Company early adopted this guidance using the retrospective approach with a transition date of February 1, 2021, the date of KKR's acquisition of Global Atlantic, for the liability for future policy benefits, deferred acquisition costs and market risk benefits. The magnitude of the transition impact will primarily be driven by market interest rates, which generally have increased over the retrospective adoption period.

The new guidance will increase volatility in our consolidated financial statements primarily because certain policy liabilities will be remeasured each quarter, either at fair value or using current market discount rates, with changes recorded in either net income or other comprehensive income. In addition, the new guidance will have a significant impact on the Company's systems, processes, and controls.

Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued new guidance regarding the modification of receivables, which affects their recognition and measurement. The guidance eliminates the concept of troubled debt restructurings and instead requires all modifications to be analyzed to determine whether they result in a new receivable or a continuation of an existing receivable. The guidance also makes related updates to the measurement of expected credit losses for receivables. The new guidance requires additional disclosures for receivable modifications involving borrowers experiencing financial difficulty as well as disclosure of loan charge-offs by origination year or vintage. For entities that have already adopted ASC 326 (addressing credit losses on financial instruments), the guidance is effective for fiscal years beginning after December 15, 2022, including interim period within those fiscal years. Early adoption is permitted. The adoption of this accounting standard update is not expected to have a significant impact on the Company’s consolidated financial statements.

3. Investments

Fixed maturity securities

The cost or amortized cost and fair value for AFS fixed maturity securities were as follows:

As of December 31, 2022 (Successor)	Cost or amortized cost	Allowance for credit losses[2]	Gross unrealized		Fair value
			gains	losses	
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 45	$ —	$ —	$ (5)	$ 40
U.S. state, municipal and political subdivisions	$ 135	$ —	$ —	$ (31)	$ 104
Corporate	$ 2,324	$ —	$ 1	$ (347)	$ 1,978
RMBS	$ 470	$ (8)	$ —	$ (64)	$ 398
CMBS	$ 757	$ (3)	$ —	$ (72)	$ 682
CLOs	$ 458	$ —	$ —	$ (28)	$ 430
CBOs	$ 88	$ —	$ —	$ (6)	$ 82
All other structured securities[1]	$ 144	$ —	$ —	$ (10)	$ 134
Total AFS fixed maturity securities	**$ 4,421**	**$ (11)**	**$ 1**	**$ (563)**	**$ 3,848**

(1) Includes primarily asset-backed securities, or "ABS."

(2) Represents the cumulative amount of credit impairments that have been recognized in the consolidated statements of income (as net investment (losses) gains) or that were recognized as a gross-up of the purchase price of PCD securities. Amount excludes unrealized losses related to non-credit impairment.

As of December 31, 2021 (Successor)	Cost or amortized cost	Allowance for credit losses[2]	Gross unrealized		Fair value
			gains	losses	
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 46	$ —	$ —	$ (1)	$ 44
U.S. state, municipal and political subdivisions	$ 129	$ —	$ 1	$ (1)	$ 129
Corporate	$ 1,811	$ —	$ 3	$ (41)	$ 1,773
RMBS	$ 477	$ (5)	$ 5	$ (8)	$ 468
CMBS	$ 621	$ —	$ 1	$ (4)	$ 618
CLOs	$ 299	$ —	$ —	$ —	$ 299
CBOs	$ 60	$ —	$ —	$ —	$ 60
Other Structured Securities[1]	$ 142	$ —	$ —	$ (1)	$ 141
Total AFS fixed maturity securities	**$ 3,585**	**$ (5)**	**$ 10**	**$ (56)**	**$ 3,532**

(1) Includes primary ABS

Actual maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, or the Company may have the right to put or sell the obligations back to the issuers.

The maturity distribution for AFS fixed maturity securities is as follows:

As of December 31, 2022 (Successor)	Cost or amortized cost	Fair value
($ in millions)		
Due in one year or less	$ 15	$ 15
Due after one year through five years	1,411	1,309
Due after five years through ten years	341	280
Due after ten years	738	518
Subtotal[(1)]	2,504	2,122
RMBS	462	398
CMBS	755	682
CLOs	458	430
CBOs	88	82
All other structured securities	144	134
Total AFS fixed maturity securities	**$ 4,410**	**$ 3,848**

Purchased credit deteriorated fixed maturity securities

Certain securities purchased by the Company were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These securities are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD securities is below:

	December 31, 2022	December 31, 2021
($ in millions)	*Successor*	*Successor*
Purchase price of PCD securities acquired during the current period	$ 18	$ 150
Allowance for credit losses at acquisition	—	9
Discount (premium) attributable to other factors	1	26
Par value	**$ 19**	**$ 185**

Securities in a continuous unrealized loss position

The following tables provide information about the Company's AFS fixed maturity securities that have been continuously in an unrealized loss position:

As of December 31, 2022 (Successor)	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ —	$ —	$ 40	$ (5)	$ 40	$ (5)
U.S. state, municipal and political subdivisions	46	(10)	54	(20)	100	(30)
Corporate	285	(38)	1,551	(310)	1,836	(348)
RMBS	190	(27)	193	(38)	383	(65)
CMBS	538	(46)	136	(26)	674	(72)
CLOs	344	(21)	86	(8)	429	(29)
CBOs	62	(5)	14	—	76	(5)
All other structured securities	51	(2)	64	(8)	115	(10)
Total AFS fixed maturity securities in a continuous loss position	**$ 1,516**	**$ (149)**	**$ 2,138**	**$ (415)**	**$ 3,653**	**$ (564)**

As of December 31, 2021 (Successor)	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 44	$ (1)	$ —	$ —	$ 44	$ (1)
U.S. state, municipal and political subdivisions	$ 72	$ (1)	$ —	$ —	$ 72	$ (1)
Corporate	1,607	(41)	—	—	1,607	(41)
RMBS	272	(8)	—	—	272	(8)
CMBS	162	(4)	—	—	162	(4)
CLOs	78	—	—	—	78	—
All other structured securities	111	(1)	—	—	111	(1)
Total AFS fixed maturity securities in a continuous loss position	**$ 2,346**	**$ (56)**	**$ —**	**$ —**	**$ 2,346**	**$ (56)**

Unrealized gains and losses can be created by changing interest rates or several other factors, including changing credit spreads. The Company had gross unrealized losses on below investment grade AFS fixed maturity securities of $64 million and $4 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively. The single largest unrealized loss on AFS fixed maturity securities was $8 million and $1 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively. The Company had 646 and 348 securities in an unrealized loss position as of December 31, 2022 (Successor) and 2021 (Successor), respectively.

As of December 31, 2022 (Successor) and 2021 (Successor), AFS fixed maturity securities in an unrealized loss position for over 12 months consisted of 385 and 0 debt securities, respectively. These debt securities primarily relate to CLO, corporate and RMBS fixed maturity securities, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in earnings on these debt securities since the Company neither

intends to sell the securities nor does it believe that it is more-likely-than-not that it will be required to sell these securities before recovery of their cost or amortized cost basis. For securities with significant declines in value, individual security level analysis was performed utilizing underlying collateral default expectations, market data and industry analyst reports.

Allowance for credit losses on fixed maturity securities

The table below presents a roll-forward of the allowance for credit losses recognized for fixed maturity securities held by the Company:

	Year ended December 31, 2022 (Successor)			Eleven months ended December 31, 2021 (Successor)		
	Corporate	Structured	Total	Corporate	Structured	Total
($ in millions)						
Balance, as of beginning of period[1]	$ —	$ (6)	$ (6)	$ —	$ (9)	$ (9)
Initial impairments for credit losses recognized on securities not previously impaired	—	(5)	(5)	—	(2)	(2)
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	—	—	—	1	1
Net additions / reductions for securities previously impaired	—	(1)	(1)	—	4	4
Balance, as of end of period	**$ —**	**$ (12)**	**$ (12)**	**$ —**	**$ (6)**	**$ (6)**

(1) Includes securities designated as purchased credit deteriorated as of the time of the KKR Acquisition.

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

	As of December 31,	
	2022	2021
($ in millions)	*Successor*	*Successor*
Commercial mortgage loans	$ 689	$ 352
Residential mortgage loans	12	2
Other loan receivables[1]	25	—
Total mortgage and other loan receivables	**$ 726**	**$ 354**
Allowance for loan losses	(6)	—
Total mortgage and other loan receivables, net of allowance for loan losses	**$ 720**	**$ 354**

(1) As of December 31, 2022, other loan receivables consisted of middle market loans of $25 million.

The maturity distribution for residential and commercial mortgage loans is as follows as of December 31, 2022 (Successor):

Years	Residential	Commercial	Total mortgage loans
($ in millions)			
2022	—	—	—
2023	4	88	92
2024	—	71	71
2025	—	192	192
2026	—	237	237
2027 and thereafter	7	102	109
Total	**$ 11**	**$ 690**	**$ 701**

Actual maturities could differ from contractual maturities, because borrowers may have the right to prepay (with or without prepayment penalties) and loans may be refinanced.

The Company diversifies its mortgage loan portfolio by both geographic region and property type to reduce concentration risk. The following tables present the Company's mortgage loans by geographic region and property type:

Mortgage loans - carrying value by geographic region	As of December 31,			
	2022		2021	
($ in millions)	*Successor*		*Successor*	
Pacific	$ 132	19 %	$ 79	22 %
West South Central	29	4 %	—	— %
South Atlantic	230	33 %	70	20 %
Middle Atlantic	78	11 %	77	22 %
East North Central	—	— %	—	— %
Mountain	140	20 %	85	24 %
New England	92	13 %	43	12 %
Total by geographic region	**$ 701**	**100 %**	**$ 354**	**100 %**

Mortgage loans - carrying value by property type	As of December 31,			
	2022		2021	
($ in millions)	*Successor*		*Successor*	
Residential	$ 12	2 %	$ 2	1 %
Office building	177	25 %	128	36 %
Apartment	444	63 %	224	63 %
Industrial	42	6 %	—	— %
Other property types	$ 26	4 %	$ —	— %
Total by property type	**$ 701**	**100 %**	**$ 354**	**100 %**

As of December 31, 2022 (Successor) and 2021 (Successor) the Company had no mortgage loans that were 90 days or more past due or in the process of foreclosure. The Company ceases accrual of interest on loans that are more than 90 days past due, and recognizes income as cash is received. As of December 31, 2022 (Successor) and 2021 (Successor), the Company had no mortgage loans that were non-income producing.

As of December 31, 2022 (Successor), 0% of residential loans have been granted forbearance due to COVID-19. This forbearance, which generally involves a 3-month period in which payments are not required (though must subsequently be made up), is not considered to result in troubled debt restructurings for the year end December 31, 2022 (Successor). Interest continues to accrue on loans in temporary forbearance. Please refer to Note 2—“Basis of presentation and significant accounting policies” to our financial statements for additional information on regulations impacting the Company under the CARES Act.

As of December 31, 2022 (Successor) and 2021 (Successor), the Company had no other loan receivables that were delinquent by more than 120 days or in default.

Purchased credit deteriorated loans

Certain residential mortgage loans purchased by the Company were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These loans are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD loans is below:

	December 31, 2021
($ in millions)	*Successor*
Purchase price of PCD loans acquired during the current period	$ 31
Allowance for credit losses at acquisition	—
Discount (premium) attributable to other factors	—
Par value	**$ 31**

Credit quality indicators

Mortgage and loan receivable performance status

The following table represents our portfolio of commercial mortgage loan receivables by origination year and performance status:

	As of December 31, 2022 (Successor)							
Performance status	2022	2021	2020	2019	2018	2017	Prior	Total
($ in millions)								
Commercial mortgage loans								
Current	$ 321	$ 336	$ —	$ 32	$ —	$ —	$ —	$ 689
30 to 59 days past due	—	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—	—
Total commercial mortgage loans	**$ 321**	**$ 336**	**$ —**	**$ 32**	**$ —**	**$ —**	**$ —**	**$ 689**
Residential mortgage loans								
Current	$ 4	$ 7	$ —	$ —	$ —	$ —	$ —	$ 11
30 to 59 days past due	—	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—	—
Total residential mortgage loans	**$ 4**	**$ 7**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 11**

Loan-to-value ratio on mortgage loans

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the Company's loan-to-value ratios for its commercial mortgage loans as of December 31, 2022 (Successor) and 2021 (Successor):

	December 31, 2022 (Successor)		December 31, 2021 (Successor)	
Loan-to-value	Carrying value	Percentage of commercial mortgage loans	Carrying value	Percentage of commercial mortgage loans
($ in millions, except percentages)				
70% and less	$ 605	88 %	$ 268	76 %
71% - 90%	84	12 %	84	24 %
Total commercial mortgage loans	**$ 689**	**100 %**	**$ 352**	**100 %**

Changing economic conditions affect the Company's valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that the Company performs for monitored loans and may contribute to the establishment of (or increase or decrease in) a commercial mortgage loan valuation allowance for losses. In addition, the Company continuously monitors its commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events, or have deteriorating credit.

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 82% as of December 31, 2022 (Successor).

Other investments

Other investments consist of the following:

	As of December 31,	
	2022	2021
($ in millions)	*Successor*	*Successor*
Investments in renewable energy	$ 59	$ 124
Other investment partnerships	148	59
FHLB, common stock and other investments	2	—
Policy loans	1	1
Total other investments	**$ 210**	**$ 184**

The total amount of other investments accounted for using the equity method of accounting was $80 million and $148 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $2 million and $4 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively.

In addition, the Company has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was $129 million and $34 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively.

Other

The value of the intercompany loan to Global Atlantic (Fin) Company was $575 million and $575 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively. The intercompany loan is included in other assets in the consolidated balance sheet.

Net investment income

Net investment income is comprised primarily of interest income on funds withheld receivable at interest.

The components of net investment income were as follows:

	Year Ended	Eleven months ended	One month ended
	December 31, 2022	December 31, 2021	January 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Fixed maturity securities - interest and other income	$ 124	$ 80	$ 9
Mortgage and other loan receivables	24	5	1
Income from funds withheld at interest	1,026	783	75
GIC Interest Income	63	100	13
Investments in renewable energy	(62)	(11)	(9)
Short-term and other investment income	12	9	—
Gross investment income	**$ 1,187**	**$ 966**	**$ 89**
Less: investment expenses	16	9	—
Net investment income	**$ 1,171**	**$ 957**	**$ 89**

Net investment gains

Net investment gains were as follows:

($ in millions)	Year Ended December 31, 2022 *Successor*	Eleven months ended December 31, 2021 *Successor*	One month ended January 31, 2021 *Predecessor*
AFS fixed maturity securities	$ (6)	$ (16)	$ —
Allowance losses for AFS fixed maturity securities	(6)	3	—
Derivative gains (losses)	(662)	178	108
Funds withheld at interest	(50)	7	—
Other investments	85	492	—
Allowance for credit losses	(6)	—	—
Net realized investment gains (losses)	**$ (645)**	**$ 664**	**$ 108**

Proceeds and gross gains and losses from voluntary sales

The proceeds from voluntary sales and the gross gains and losses on those sales of AFS fixed maturity securities were as follows:

($ in millions)	Year Ended December 31, 2022 *Successor*	Eleven months ended December 31, 2021 *Successor*	One month ended January 31, 2021 *Predecessor*
AFS fixed maturity securities:			
Proceeds from voluntary sales	$ 82	$ 309	—
Gross gains	—	—	—
Gross losses	(6)	(9)	—

4. Derivative instruments

From time to time, the Company may enter into hedges designed to limit the volatility associated with changes in the value of general account assets or changes to net investment income as a result of interest rate or credit spread movements, while also taking into consideration economic impacts.

The Company also has embedded derivatives related to reinsurance contracts that are accounted for on a modified coinsurance and funds withheld basis. An embedded derivative exists because the arrangement exposes the reinsurer to third-party credit risk. These embedded derivatives are included in funds withheld receivable at interest and funds withheld payable at interest in the consolidated balance sheets

The fair value and notional value of the derivative assets and liabilities were as follows:

As of December 31, 2022 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Derivative contracts			
Total return swaps	$ 14,671	$ 1,478	
Funds withheld receivable embedded derivatives - affiliated		(1,690)	
Funds withheld receivable embedded derivatives - non - affiliated		(45)	
Fair value included within total assets		(257)	
Funds withheld payable embedded derivatives - non - affiliated			(131)
Embedded derivative - annuity products			660
Fair value included within total liabilities			529

As of December 31, 2021 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Derivative contracts			
Total return swaps	$ 15,103	$ —	$ 555
Funds withheld receivable embedded derivatives - affiliated		852	—
Funds withheld receivable embedded derivatives - non - affiliated		(1)	11
Fair value included within total assets		851	
Embedded derivative - annuity products			808
Fair value included within total liabilities			1,374

The amounts of derivative gains and losses recognized for years ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) , respectively, are reported in the consolidated statements of income as follows:

Derivative contracts not designated as hedges	Year Ended	Eleven months ended	One month ended
	December 31, 2022	December 31, 2021	January 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Total return swaps	$ 1,896	$ (121)	$ 60
Embedded derivatives	(2,559)	299	47
Total included in net other investment gains (losses)	**$ (663)**	**$ 178**	**$ 107**

5. Fair value disclosure of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (the exit price). The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices of similar instruments and quoted prices or recent prices in less active markets.

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy prioritizes inputs to the valuation

techniques used to measure fair value, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement of the financial instrument. The three levels of the fair value hierarchy are described below:

Basis of fair value measurement

Level 1: Unadjusted quoted prices in active markets to which the Company had access as of the measurement date for identical, unrestricted assets and liabilities.

Level 2: Inputs to valuation techniques are observable either directly or indirectly through quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3: Model-derived where one or more inputs to the valuation techniques are significant and unobservable.

The measurement of Level 3 financial instrument fair values uses unobservable inputs that are based on management judgment and the internal determination of assumptions that market participants would use in valuing them. Valuation subjectivity increases when markets are less liquid due to the lack of more transparent market-based inputs, which may increase the potential that estimated fair values are not reflective of the price at which an actual transaction would occur.

The following tables represent the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis:

As of December 31, 2022 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 40	$ —	$ —	$ 40
U.S. state, municipal and political subdivisions	—	105	—	105
Corporate	—	1,951	27	1,978
Structured securities	—	1,611	114	1,725
Total AFS fixed maturity securities	**40**	**3,667**	**141**	**3,848**
Derivative asset - total return swaps	—	—	1,478	1,478
Embedded derivative - Funds withheld	—	229	(1,964)	(1,735)
Other investments	—	—	148	148
Total assets at fair value	**$ 40**	**$ 3,896**	**$ (197)**	**$ 3,739**
Liabilities:				
Policyholder liabilities	—	—	395	395
Embedded derivative - Funds withheld	—	—	(131)	(131)
Derivative liabilities - total return swaps	—	—	—	—
Embedded derivative – annuity products	—	—	661	661
Total liabilities at fair value	**$ —**	**$ —**	**$ 925**	**$ 925**

As of December 31, 2021 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agency securities	$ 44	$ —	$ —	$ 44
U.S. state, municipal and political subdivisions	—	128	—	128
Corporate	—	1,729	44	1,773
Structured securities	—	1,503	84	1,587
Total AFS fixed maturity securities	**44**	**3,360**	**128**	**3,532**
Embedded derivative - funds withheld	—	407	444	851
Other investments	—	—	34	34
Total assets at fair value	**$ 44**	**$ 3,767**	**$ 606**	**$ 4,417**
Liabilities:				
Policyholder liabilities	—	—	519	519
Embedded derivative - funds withheld	—	—	11	11
Derivative liabilities - total return swaps	—	—	555	555
Embedded derivative – annuity products	—	—	808	808
Total liabilities at fair value	**$ —**	**$ —**	**$ 1,893**	**$ 1,893**

Fair value techniques and inputs

The following is a description of the valuation techniques and inputs used for instruments carried at fair value. The observability of the inputs used in the valuation determines the appropriate level in the fair value hierarchy for the respective asset or liability.

Investments

Investments in U.S. Treasury, government and agency securities, foreign government securities, short-term money market securities and mutual funds held in separate accounts are valued using quoted market prices for identical unrestricted instruments in active markets. Investments such as fixed maturity securities for which quoted market prices from active markets are not available are priced using observable inputs, which can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources. Other investments having one or more significant valuation inputs that are not observable are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of investment.

Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales.

Derivative instruments

Derivative instruments such as exchange-traded futures and options are valued at their quoted market price. Most of the over the counter derivative instruments used by the Company are those for which all significant valuation inputs are corroborated by market evidence. These derivative instruments are principally valued using an income approach. The Company calculates the fair value of derivative assets by discounting future cash flows at a rate that incorporates counterparty credit spreads and the fair value of derivative liabilities by discounting future cash flows at a rate that incorporates the Company's own credit spreads. When appropriate, valuations are adjusted for various factors such as liquidity, bid/ offer spreads and credit considerations. Such adjustments are generally based on available market evidence.

Valuations for non-option based interest rate derivatives are based on present value techniques, which utilize significant inputs that may include the swap yield curve, London Interbank Offered Rate, or "LIBOR," basis curves and repurchase rates. Valuations for option based interest rate derivatives are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and interest rate volatility.

Prices for foreign currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally observable. The valuation of other derivative instruments including credit derivatives and equity market derivatives have significant unobservable inputs, such as equity volatility inputs for options that are very long dated, and are principally valued using an income approach.

Derivatives that are Synthetic GICs are primarily based on the fair value of the underlying investments. The fair value of these securities are determined using quoted market prices in active markets or other observable inputs to pricing.

Funds withheld at interest, reinsurance assets and insurance liabilities

The funds withheld receivable at interest carried at fair value is primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. A portion of the funds withheld receivable at interest carried at fair value represents embedded derivatives and is valued using present value techniques that consider inputs including contractholder persistency and contract duration or the unrealized gain (losses) on the funds withheld assets.

Policyholder liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the riskiness of those cash flows and also consider policyholder behavior (lapse rates, surrender rates and mortality). The funds withheld payable at interest carried at fair value represents embedded derivatives and is valued based on the change in the fair value of the assets supporting the payable. Other embedded derivative liabilities are related to our fixed-indexed annuity and variable annuity products, which contain equity-indexed features. We calculate the embedded derivative liabilities as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. We calculate nonperformance risk using a blend of observable peer holding company credit spreads, adjusted to reflect the claims paying ability of our insurance entities, as well as an adjustment to reflect the priority of policyholder claims. See details in the table below.

Fair value of assets and liabilities

Significant unobservable inputs

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities, and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset and liability. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset or liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets and liabilities as of December 31, 2022 (Successor) and 2021 (Successor):

As of December 31, 2022 (Successor)				
Level 3 assets	**Level 3 assets ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Corporate	$23	Discounted cash flows - discount spread	3.08% to 3.78% (WA 3.31%)	Decrease
Derivative asset-total return swaps	$1,478	Discounted cash flows - discount spread	0.00% - 14.86%; WA 3.4%	Decrease
		Discounted cash flows - constant prepayment rate	25.00% - 25.00%; WA 25.%	Increase/ Decrease
		Discounted cash flows - constant default rate	3.10% - 3.10%; WA 3.1%	Decrease
		Discounted cash flows - loss severity	46.17% for first lien, 90.33% for second lien	Decrease
Funds withheld receivable at interest	(1,964)	Discounted cash flow – duration/weighted average life	0 to 20.3 (WA 8.49)	Increase
		Discounted cash flow – contractholder persistency	3.6-16.7% (WA 7.09%)	Increase

As of December 31, 2021 (Successor)				
Level 3 assets	**Level 3 assets ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Corporate	$28	Discounted cash flows - discount spread	2.20% to 2.39% (WA 2.26%)	Decrease
Other investments	34	Discounted cash flows- discount yield	8% to 8% (WA 8%)	Decrease
Funds withheld receivable at interest	444	Discounted cash flow – duration/weighted average life	0 to 23.2 years (WA 5.99 years)	Increase
		Discounted cash flow – contractholder persistency	3.3-17.1% (WA 6.03%)	Increase

As of December 31, 2022 (Successor)				
Level 3 liabilities	**Level 3 liabilities ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Policyholder liabilities	$395	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.	Risk margin rate is 0.65% to 1.94%	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate is 3.60% to 6.83%	Decrease
			Mortality rate is 3.61% to 9.14%	Increase
Embedded derivative - funds withheld	(131)	Discounted cash flow - duration/ weighted average life	0 to 17.37 (WA 8.56)	Decrease
		Discounted cash flow - contractholder persistency	3.6-16.7% (WA 7.09%)	Decrease
Embedded derivative - annuity products	661	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.49%; Variable annuity: 2.50% to 32.84%; WA of 4.28%	Decrease
			Surrender rate:Fixed-indexed annuity WA 10.81%; Institutional FIA WA 28.2%; Variable annuity: 3.45% to 41.68%	Decrease
			Mortality rate: Fixed-indexed annuity WA 2.12%; Institutional FIA WA 2.18%; Variable annuity: 1.46% to 7.55%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.99%; Institutional FIA WA 1.92%; Variable annuity: n/a	Increase

As of December 31, 2021 (Successor)				
Level 3 liabilities	**Level 3 liabilities ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Policyholder liabilities	$519	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.	Risk margin rate: 0.37% to 1.25%	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate: 3.1% to 7.09%	Decrease
			Mortality rate: 3.73% to 8.34%	Increase

As of December 31, 2021 (Successor)				
Level 3 liabilities	**Level 3 liabilities ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Derivative liability-total return swaps	$555	Discounted cash flows - discount spread	0.00% - 70.77%; WA 2.53%	Decrease
		Discounted cash flows - constant prepayment rate	25.00% - 25.00%; WA 25.%	Increase/ Decrease
		Discounted cash flows - constant default rate	3.10% - 3.10%; WA 3.1%	Decrease
		Discounted cash flows - loss severity	46.17% for first lien, 90.33% for second lien	Decrease
Embedded derivative - funds withheld	$11	Discounted cash flow - duration/ weighted average life	0 to 20.3 years (WA 9.87 years)	Decrease
		Discounted cash flow - contractholder persistency	3.3-17.1% (WA 6.03%)	Decrease
Embedded derivative – annuity products	$808	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.69%; Variable annuity: 2.3% to 33.23%; WA of 4.23%	Decrease
			Surrender rate:Fixed-indexed annuity WA 10.13%;Variable annuity: 3.86% to 41.56%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.97%; Variable annuity: 1.36% to 7.44%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.61%; Institutional FIA WA 2.28%; Variable annuity: n/a	Increase

Transfers between levels

Overall, transfers into and out of Level 3 are attributable to a change in the observability of inputs. Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively. The tables reflect gains and losses for the full year for all assets and liabilities categorized as Level 3 for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) :

Year ended December 31, 2022 (Successor)						
		Net realized and unrealized gains / losses included in				
($ in millions)	Beginning Balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance
Assets:						
Corporate fixed maturity securities	44	—	(5)	(12)		27
Structured securities	84	—	(11)	42	—	115
Other investments	34	(1)	86	9	—	128
Derivative asset - total return swap	—	1,478	—	—	—	1,478
Embedded derivative - funds withheld	851	(2,586)	—	—	—	(1,735)
Total assets	**$ 1,013**	**$ (1,109)**	**$ 70**	**$ 39**	**$ —**	**$ 13**
Liabilities:						
Policyholder liabilities	519	(125)	—	—	—	395
Derivative liabilities - total return swap	555	(555)	—	—	—	—
Embedded derivative - funds withheld	11	(142)	—	—	—	(131)
Embedded derivative – annuity products	808	(132)	—	(15)	—	661
Total liabilities	**$ 1,893**	**$ (954)**	**$ —**	**$ (15)**	**$ —**	**$ 924**

Eleven Months months ended December 31, 2021 (Successor)						
		Net realized and unrealized gains / losses included in				
($ in millions)	Beginning Balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance
Assets:						
Corporate fixed maturity securities	20	—	1	23	—	44
Structured securities	—	—	—	50	34	84
Other investments	52	486	—	(504)	—	34
Embedded derivative - funds withheld	—	851	—	—	—	851
Total assets	**$ 72**	**$ 1,337**	**$ 1**	**$ (431)**	**$ 34**	**$ 1,013**
Liabilities:						
Policyholder liabilities	638	(119)	—	—	—	519
Derivative liabilities - total return swap	508	47	—	—	—	555
Embedded derivative - funds withheld	—	11	—	—	—	11
Embedded derivative – annuity products	551	(12)	—	269	—	808
Total liabilities	**$ 1,697**	**$ (73)**	**$ —**	**$ 269**	**$ —**	**$ 1,893**

One month ended January 31, 2021 (Predecessor)						
		Net realized and unrealized gains / losses included in				
($ in millions)	Beginning Balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance
Assets:						
Structured securities	$ 20	$ —	$ —	$ —	$ —	$ 20
Other invested assets	—	—	—	—	—	—
Embedded derivative - funds withheld	—	—	—	—	—	—
Total assets	**$ 20**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 20**
Liabilities:						
Derivative liabilities - total return swap	$ 569	$ (61)	$ —	$ —	$ —	$ 508
Embedded derivative - funds withheld	104	(102)	—	—	—	2
Embedded derivative – annuity products	829	(13)	—	(11)	—	805
Total liabilities	**$ 1,502**	**$ (176)**	**$ —**	**$ (11)**	**$ —**	**$ 1,315**

Year ended December 31, 2022 (Successor ($ in millions)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
Assets:					
Corporate fixed maturity securities	$ 13	$ —	$ —	$ (25)	$ (12)
Structured securities	—	—	—	42	42
Other invested assets	9	—	—	—	9
Total assets	**$ 22**	**$ —**	**$ —**	**$ 17**	**$ 39**
Liabilities:					
Embedded derivative – annuity products	—	—	—	(15)	(15)
Total liabilities	**$ —**	**$ —**	**$ —**	**$ (15)**	**$ (15)**

Eleven Months months ended December 31, 2021 (Successor) ($ in millions)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
Assets:					
Corporate fixed maturity securities	$ 24	$ —	$ —	$ (1)	$ 23
Structured securities	42	—	—	8	50
Other invested assets	25	—	(529)	—	(504)
Total assets	**$ 91**	**$ —**	**$ (529)**	**$ 7**	**$ (431)**
Liabilities:					
Embedded derivative – annuity products	—	—	—	269	269
Total liabilities	**$ —**	**$ —**	**$ —**	**$ 269**	**$ 269**

One month ended December 31, 2021 (Predecessor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
Structured securities	$ —	$ —	$ —	$ —	$ —
Other invested assets	—	—	—	—	—
Total assets	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Liabilities:					
Derivative liabilities - total return swap	$ —	$ —	$ —	$ —	$ —
Embedded derivative – annuity products	—	—	—	(11)	(11)
Total liabilities	**$ —**	**$ —**	**$ —**	**$ (11)**	**$ (11)**

6. Insurance intangibles, unearned revenue reserves and unearned front-end loads

The following reflects the changes to the DAC asset:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended January 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Balance, as of beginning of period	**$ 272**	**$ —**	**$ 1,068**
Acquisition/Reinsurance	—	130	—
Deferrals	137	179	14
Amortized to expense during the year[(1)]	(90)	(40)	(66)
Adjustment for unrealized investment (gains) losses during the year	176	3	8
Balance, as of end of year	**$ 495**	**$ 272**	**$ 1,024**

(1) These amounts are shown within amortization of policy acquisition costs in the consolidated statements of income.

The following reflects the changes to the VOBA asset:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021
($ in millions)	*Successor*	*Successor*
Balance, as of beginning of year	**$ 368**	**$ 397**
Amortized to expense during the year[(1)]	(87)	(29)
Adjustment for VOBA Write-off[(2)]	$ 58	$ —
Balance, as of end of year	**$ 339**	**$ 368**

1. These amounts are shown within amortization of policy acquisition costs in the consolidated statements of income.
2. Write-off of VOBA due to restructuring of GIC H which management determined an extinguishment. Refer to Note 14 - Related party transactions for additional information.

The following reflects the changes to the negative VOBA liability:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021
($ in millions)	*Successor*	*Successor*
Balance, as of beginning of year	**$ 520**	**$ 612**
Amortized to expense during the year[1]	(141)	(92)
Balance, as of end of year	**$ 379**	**$ 520**

1. These amounts are shown within amortization of policy acquisition costs in the consolidated statements of income

Estimated future amortization of VOBA and Negative VOBA as of December 31, 2022 (Successor) is as follows:

Years	VOBA	Negative VOBA	Total, net
($ in millions)			
2023	26	(71)	(45)
2024	24	(54)	(30)
2025	22	(44)	(22)
2026	22	(34)	(12)
2027	19	(26)	(7)
2028 and thereafter	226	(150)	76
Total	**339**	**(379)**	**(40)**

The following reflects the changes to the DSI asset:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Balance, as of beginning of period	**$ —**	**$ —**	**$ 2**
Amortized to expense during the year[1]	—	—	—
Balance, as of end of year	**$ —**	**$ —**	**$ 2**

(1) These amounts are shown within policy benefits and claims in the consolidated statements of income.

The following reflects the changes to the UFEL :

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Balance, as of beginning of period	**$ 19**	**$ —**	**$ 40**
Deferrals	31	26	2
Amortized to expense during the year[1]	(11)	(4)	
Adjustment for unrealized investment (gains) losses during the year	(39)	(3)	1
Balance, as of end of year	**$ —**	**$ 19**	**$ 43**

(1) These amounts are shown within policy fees in the consolidated statements of income.

The following reflects the changes to the DRL :

($ in millions)	Year Ended December 31, 2022 Successor	Eleven months ended December 31, 2021 Successor	One month ended December 31, 2021 Predecessor
Balance, as of beginning of period	**$ 7**	**$ —**	**$ 189**
Block acquisition/reinsurance	—	7	—
Deferrals	—	1	
Amortized to expense during the year(1)	(1)	(1)	(3)
Balance, as of end of year	**$ 6**	**$ 7**	**$ 186**

(1) These amounts are shown within policy benefits and claims in the consolidated statements of income.

7. Policy liabilities

Future policy benefits, contractholder deposit funds and other policy liabilities

Future policy benefits and contractholder deposit funds and other policy liabilities by product were as follows as of December 31, 2022 (Successor) and 2021 (Successor):

	2022		2021	
	Future policy benefits	Contractholder deposit funds and other policy liabilities	Future policy benefits	Contractholder deposit funds and other policy liabilities
($ in millions)	Successor		Successor	
Fixed-rate annuity	$ 6,975	$ 20,937	$ 6,169	$ 20,939
Fixed-indexed annuity	—	12,307	—	11,443
Variable annuity	103	4,577	—	2,369
Other Life		2,512	—	2,560
Preneed	11	1,310	11	1,307
Total	**$ 7,089**	**$ 41,643**	**$ 6,180**	**$ 38,618**

Guaranteed benefits

Guaranteed minimum death benefits

Certain variable annuity and fixed-indexed annuity contracts contain GMDB features that provide a guarantee that the benefit received at death will be no less than a prescribed minimum amount, even if the account balance is reduced to zero. This amount is based on either the net deposits paid into the contract, the net deposits accumulated at a specified rate, the highest historical account value on a contract anniversary, or sometimes a combination of these values. If the GMDB is higher than the current account value at the time of death, the Company pays a benefit equal to the difference.

The following table shows the balance of the GMDB reserves reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. The GMDB exposure includes reinsurance assumed.

	Year Ended	Eleven months ended	One month ended
	December 31,	December 31,	December 31,
	2022	2021	2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Balance, as of beginning of year	$ 31	$ 36	$ 167
Expense incurred	46	14	4
Claims paid	(28)	(15)	(2)
Reinsurance premium paid	(18)	(13)	(2)
Claims ceded to reinsurers	16	9	1
Balance, as of end of year	**$ 47**	**$ 31**	**$ 168**

The reserve is calculated by estimating the present value of total expected excess benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract, or the "benefit ratio," multiplied by the cumulative assessments as of the reporting date, less cumulative benefit payments, plus interest.

The GMDB reserve methodology varies by block. For the legacy variable annuity block, a fair value election of the entire contract was made at February 1, 2021 as part of the KKR acquisition of Global Atlantic. The fair value is calculated using 1,000 risk neutral scenarios and discounted using U.S. Treasury rates plus an adjustment for own company credit risk. For the non-legacy variable annuity block, a Gross Premium Valuation (GPV) approach is used. The GPV is based on the present value of excess GMDB claims less the present value of a portion of the GMDB rider fees. Both the excess claims and rider fees are computed over 1,000 real world scenarios, and an average across all scenarios is calculated.

The following information relates to the reserving methodology and assumptions for GMDB as of December 31, 2022 (Successor) and 2021 (Successor):

- The GPV uses stochastic scenarios consistent with the American Academy of Actuaries VM21 paths. Equity volatility is also consistent with the VM21 paths, with lower volatility modelled for the volatility controlled funds (as determined by a third-party proprietary model);

- The projection of equity index returns for the legacy Fair Value variable annuity blocks are determined by a third-party proprietary model. Equity volatilities are also determined by the same third-party proprietary model;

- The mortality assumptions are factors of an industry standard mortality table based on company experience varying by age and gender, with 20 years of mortality improvements; and,

- The partial withdrawal rate assumption varies by tax-qualified status and attained age. For the year ended December 31, 2022 (Successor) and eleven months ended December 31, 2021 (Successor), total projected partial withdrawals were from 3.0% to 7.7% and from 3.0% to 8.1%, respectively.

The following table presents the account value, net amount at risk and average attained age of underlying variable annuity contractholders for guarantees in the event of death as of December 31, 2022 (Successor) and 2021 (Successor). The net amount at risk is the death benefit coverage in-force or the amount that the Company would have to pay if all variable annuity contractholders had died as of the specified date, and represents the excess of the guaranteed benefit over the account value.

($ in millions, except for contractholders information)	December 31, 2022 *Successor*	December 31, 2021 *Successor*
Net deposits paid		
Account value	$ 3,317	$ 4,361
Net amount at risk	$ 253	$ 90
Average attained age of contractholders	69	69
Ratchet (highest historical account value at specified anniversary dates)		
Account value	$ 576	$ 513
Net amount at risk	$ 41	$ 16
Average attained age of contractholders	71	72
Roll-up (net deposits accumulated at a specified rate)		
Account value	$ —	$ 11
Net amount at risk	$ —	$ 2
Average attained age of contractholders	—	84
Higher of ratchet or roll-up		
Account value	$ 1,241	$ 1,670
Net amount at risk	$ 481	$ 278
Average attained age of contractholders	77	77
Total of guaranteed benefits categorized above		
Account value	$ 5,057	$ 6,555
Net amount at risk	$ 775	$ 386
Average attained age of contractholders (weighted by account value)	71	71
Number of contractholders	71,944	77,059

Guaranteed minimum withdrawal benefits

Certain fixed-indexed annuity contracts are issued with a guaranteed minimum withdrawal feature. GMWB are an optional benefit where a contractholder is entitled to withdraw up to a specified amount of their benefit base each year.

The feature provides annuity policyholders with a minimum guaranteed stream of income for life, once the option is elected. The annual income amount is based on an annual withdrawal percentage multiplied by the contractual benefit base. The benefit base is defined in the contract and is generally the initial premium, reduced by any partial withdrawals, increased by a contractually defined percentage. Benefit payments are first deducted from the contractual account value. Excess guaranteed benefits are defined as the benefits paid once the underlying account value has reached zero.

The ultimate cost of these benefits will depend on the level of market returns and the level of contractual guarantees, as well as policyholder behavior, including surrenders, withdrawals and benefit utilization. For fixed-indexed annuity products, costs also include certain non-guaranteed terms that impact the ultimate cost, such as caps on crediting rates that can, at the Company’s discretion, reset annually.

Reserves for the fixed indexed annuity GMWB are calculated by estimating the present value of total expected (excess) benefit payments over the life of the contract divided by the present value of total

expected assessments over the life of the contract, or the "benefit ratio", and multiplying this ratio by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on reserves.

Reserves for the variable annuity GMWB are valued as an embedded derivative. The reserve is calculated as the present value of the excess GMWB claims (withdrawals when account value has been exhausted) less the present value of GMWB fees, using 1,000 risk neutral scenarios. Cash flows are discounted using U.S. Treasury rates plus an adjustment for own company credit risk..

The following table shows the balance of the GMWB reserves reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets:

	Year Ended	Eleven months ended	One month ended
	December 31,	December 31,	December 31,
	2022	2021	2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Balance, as of beginning of year	$ 460	$ 393	$ 383
Expense incurred	81	67	12
Balance, as of end of year	**$ 541**	**$ 460**	**$ 395**

The following table presents the account value, net amount at risk and number of contractholders for annuity contracts with guaranteed withdrawal benefits as of December 31, 2022 (Successor) and 2021 (Successor):

	December 31,	December 31,
	2022	2021
($ in millions, except for contractholders information)	*Successor*	*Successor*
Account value	$ 5,651	$ 6,241
Net amount at risk	$ 2,615	$ 1,871
Number of contractholders	80,559	80,955

Contractholder deposit funds with embedded derivatives

The following table shows the balances of the account value and embedded derivatives reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets:

	December 31,	December 31,
	2022	2021
($ in millions)	*Successor*	*Successor*
Account value	$ 12,396	$ 8,658
Embedded derivatives	$ 661	$ 808

The following paragraphs describe the products presented within the above table along with the underlying methodology used to calculate the embedded derivatives.

The Company's fixed-indexed annuity and variable annuity products contain equity-indexed features which are considered embedded derivatives and required to be measured at fair value. The fair value of the embedded derivative is calculated as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate, for fixed-index annuity and indexed universal life products, and the present value of future projected benefits in excess of the future allocated assessments for variable annuity products. In addition, the fair value of the embedded derivative is reduced to reflect the risk of nonperformance on the Company's obligation, referred to as nonperformance risk. Changes in interest rates, future index credits, nonperformance risk, projected withdrawal and surrender activity, and mortality can have a significant impact on the value of the embedded derivative.

Fixed-indexed annuities

Fixed-indexed annuity contracts allow the policyholder to elect a fixed interest rate return or a market indexed strategy where interest credited is based on the performance of an index, such as S&P 500 or other indices. The equity market strategy is an embedded derivative, similar to a call option. The fair value of the embedded derivative is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, future equity option costs, volatility, interest rates and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The embedded derivative cash flows are discounted using a risk free interest rate increased by a non-performance risk spread tied to the Company's own credit rating.

Variable annuities with guaranteed minimum withdrawal benefits

The Company has issued variable annuity contracts with a GMWB feature. The GMWB feature provides annuity contractholders with a guaranteed stream of payments for life, once income is activated. The annual income amount is based on a percentage multiplied by the contractual benefit base. The benefit base is defined in the contract and may incorporate various combinations of ratchet and roll-up features. Benefit payments are first deducted from the account value. Excess guaranteed benefits are defined as all GMWB paid once the underlying account value has reached zero. The GMWB is considered an embedded derivative and measured at fair value.

The fair value calculation for the embedded derivative includes the following considerations:

- The reserve is based on projections run under a large number of stochastic scenarios;
- All underlying scenarios are generated using risk neutral assumptions;
- The mean of the projected returns is based on a risk free rate;
- Volatilities are based on market implied volatilities; and,
- The discount rate for this fair value calculation equals the risk free rate plus a spread consistent with the Company's risk of non-performance on its obligations, which is referred to as its own credit risk.

Preneed reserves

Preneed life insurance pays a death benefit that helps cover funeral costs according to a prearranged funeral agreement. A liability for preneed policyholder benefits is established in an amount determined by the account or contract balance that accrues to the benefit of the policyholder. Reserves on preneed business are based on cash surrender values of issued policies. An additional insurance liability is established as of each reporting date where the total liability is equal to the present value of projected future benefits and maintenance expenses, including discretionary death benefits to be credited to policies using current period discretionary death benefit crediting rates under current assumptions. We have the discretion to adjust these death benefit crediting rates up or down. The Company has also issued preneed insurance contracts with crediting rates tied to inflation as measured by the Consumer Price Index or other indices. For these contracts, future death benefit growth is based on the expected yield curve on the swaps hedging the reserves.

These crediting rates utilize the following assumptions:

- *Credited interest rate:* Based on the non-forfeiture rates of 3.0% to 5.5%.
- *Mortality:* Based on the Company's experience.
- *Death benefit inflation:* Based on the discretionary death benefit inflation rates in effect at the current reporting date. To mitigate the risk that a policy will not keep pace with increases in funeral prices or remain competitive, the Company has the discretion to increase or decrease the death benefit. Such increases or decreases are considered on a quarterly basis and vary by plan.
- *Maintenance expenses:* Based on the Company's experience and expressed as a cost per paid-up policy and a cost per premium-paying policy.

The earned interest rate used to calculate estimated gross profits is based on the asset yield.

8. Reinsurance

The Company maintains a number of reinsurance treaties whereby the Company assumes fixed annuity, fixed indexed annuity, variable annuity, payout annuity, universal life, variable universal life and term life insurance policies on a coinsurance, modified coinsurance and funds withheld basis. The Company also maintains other reinsurance treaties including the cession of certain fixed annuity, variable annuity and payout annuity products..

Effective March 31, 2021, the Company entered into a master reinsurance agreement whereby it assumed approximately $6.3 billion of fixed annuity, universal life, pension risk transfer, and disability life reserves on funds withheld basis from its affiliate Commonwealth Annuity and Life Insurance Company or "CWA" .

Effective July 1, 2021, the Company entered into amendments to such master reinsurance agreement whereby it assumed (i) approximately $1.7 billion of fixed-rate annuities, fixed-indexed annuities, and payout-annuity reserves and (ii) approximately $1.9 billion of fixed-rate annuities reserves, in each case on a funds withheld basis from CWA.

Effective April 30, 2022, the Company entered into amendments to such master reinsurance agreement whereby it assumed approximately $822 million of in-force annuities reserves on a funds withheld and modified coinsurance basis from CWA.

Effective October 1, 2022, the Company entered into a master reinsurance agreement whereby it assumed approximately $2.6 billion of variable annuities on funds withheld and modified coinsurance basis from its affiliate First Allmerica Financial Life Insurance Company or "FAFLIC" . Effective October 1, 2022, the Company entered into a modified coinsurance retrocession Agreement with a third party whereby it assumed approximately $1.9 billion of variable annuity reserves.

The effects of all reinsurance agreements on the consolidated balance sheets were as follows:

	As of December 31,	
	2022	2021
($ in millions)	*Successor*	*Successor*
Policy liabilities:		
Assumed – affiliated	48,112	44,133
Assumed – non-affiliated	620	665
Total policy liabilities	**48,732**	**44,798**
Ceded[(1)]	(3,886)	(1,144)
Net policy liabilities	**$ 44,846**	**$ 43,654**

(1) Reported within reinsurance recoverable in the consolidated balance sheets.

A key credit quality indicator is a counterparty's A.M. Best financial strength rating. A.M. Best financial strength ratings are an independent opinion of a reinsurer's ability to meet ongoing obligations to policyholders. The Company mitigates counterparty credit risk by requiring collateral and credit enhancements in various forms including engaging in funds withheld at interest and modified coinsurance transactions. The following shows the amortized cost basis of the Company's reinsurance recoverable and funds withheld receivable at interest by credit quality indicator and any associated credit enhancements the Company has obtained to mitigate counterparty credit risk:

	As of December 31, 2022 (Successor)		
A.M. Best Rating[(a)]	**Reinsurance recoverable and funds withheld receivable at interest[(b)]**	**Credit enhancements[(c)]**	**Net reinsurance credit exposure**
($ in millions)			
A	585	—	585
A-	1,104	1,134	—
Not rated or private rating[(d)]	2,783	2,894	—
Total	**$ 4,472**	**$ 4,028**	**$ 585**

a. Ratings are periodically updated (at least annually) as A.M. Best issues new ratings.

b. At amortized cost, excluding any associated embedded derivative assets and liabilities

c. Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

d. Includes $2.8 billion associated with cessions to Ivy Re II Limited, wholly owned subsidiaries of Ivy Co-Invest Vehicle II LLC, an unaffiliated co-investment vehicle that participate in qualifying reinsurance transactions sourced by the Company.

A.M. Best Rating[a]	As of December 31, 2021 (Successor) Reinsurance recoverable and funds withheld receivable at interest[b]	Credit enhancements[c]	Net reinsurance credit exposure
($ in millions)			
A	678	—	678
A-	1,144	1,273	—
Total	**$ 1,822**	**$ 1,273**	**$ 678**

a. Ratings are periodically updated (at least annually) as A.M. Best issues new ratings.

b. At amortized cost, excluding any associated embedded derivative assets and liabilities

c. Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

As of December 31, 2022 (Successor) and 2021 (Successor), the Company had $36.7 billion and $35.6 billion of funds withheld receivable at interest, respectively, with four counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were primarily held in trusts.

The effects of reinsurance on the consolidated statements of income were as follows:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Premiums:			
Assumed - affiliated	1,322	5,304	2
Ceded – non-affiliated	(936)	—	—
Net premiums	**$ 386**	**$ 5,304**	**$ 2**

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Policy fees:			
Assumed – affiliated	336	299	26
Ceded – non-affiliated	(11)	—	—
Net policy fees	**$ 325**	**$ 299**	**$ 26**

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Policy benefits and claims:			
Assumed – affiliated	2,023	6,157	50
Assumed – non-affiliated	9	4	3
Ceded – non-affiliated	(1,013)	(22)	(4)
Net policy benefits and claims	**$ 1,019**	**$ 6,139**	**$ 49**

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $4.1 billion and $1.3 billion of collateral on behalf of our reinsurers as of December 31, 2022 (Successor) and 2021 (Successor), respectively. As of December 31, 2022(Successor) and 2021 (Successor), reinsurers held collateral of $60 million and $49 million, respectively, on behalf of the Company. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in trusts for the benefit of the counterparty. As of December 31, 2022 (Successor), these trusts were required to hold, and held in excess of, $36 million of assets to support reserves of $0 million. As of December 31, 2021 (Successor), these trusts were required to hold, and held in excess of, $46 million of assets to support reserves of $7 million.

9. Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses

Other assets consist of the following:

	December 31, 2022	December 31, 2021
($ in millions)	*Successor*	*Successor*
Miscellaneous assets[(1)]	$ 626	$ 596
Deferred Income Tax asset	510	348
Right-to-use lease asset	—	1
Total other assets	**$ 1,136**	**$ 945**

(1) Includes related party notes receivable of $575 million and $575 million as of December 31, 2022 and 2021 , respectively.

Accrued expenses and other liabilities of the following:

	As of December 31,	
	2022	2021
($ in millions)	*Successor*	*Successor*
Current income tax liability	40	64
Miscellaneous accrued expenses and other liabilities	19	6
Total accrued expenses and other liabilities	**$ 59**	**$ 70**

Other income consists of the following:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Miscellaneous income	$ 11	$ 12	$ 1
Administrative, marketing and distribution fees	3	5	1
Reinsurance expense allowance	18	16	1
Total other income	**$ 32**	**$ 33**	**$ 3**

Insurance expenses consist of the following:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Other insurance expenses	$ 202	$ 66	$ 10
Commission expense	60	44	4
Premium taxes	6	4	—
Reinsurance expense allowance	3	3	—
Total insurance expenses	**$ 271**	**$ 117**	**$ 14**

General and administrative expenses consist of the following:

	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Employee-related expenses	$ 22	$ 21	$ 2
Administrative and professional services	3	8	1
Miscellaneous operating expenses	1	—	—
Total general, administrative, and other expenses	**$ 26**	**$ 29**	**$ 3**

10. Shareholders' equity

The maximum number of the Company shares authorized for issuance is 370,000 common shares at par value of $1 per share.

The Company's capital structure included 370,000 common shares outstanding, with a par value of $1 and did not have any dividends payable as of December 31, 2022 (Successor).

For the year ended December 31, 2022 (Successor) and eleven months ended December 31, 2021 (Successor), the Company has received in capital contributions from its parent $150 million and $50 million, respectively.

11. Accumulated other comprehensive income (loss)

Information regarding amounts reclassified out of each component of accumulated other comprehensive income (loss) for year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) were as follows:

Components of accumulated other comprehensive income (loss)	Year Ended December 31, 2022	Eleven months ended December 31, 2021	One month ended December 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:			
Net unrealized investment-related gains (losses), before income tax	(13)	(15)	—
Income tax expense (benefit)	(3)	(3)	—
Net unrealized investment gains (losses), net of income tax, reclassified	**$ (10)**	**$ (12)**	**$ —**

12. Income taxes

Provision for income taxes

The Company made an election under Internal Revenue Code, or “IRC,” Section 953(d) for 2018 to be treated as a U.S. domestic insurance company and will be filing Form 1120 L for the tax years ended December 31, 2022 (Successor), 2021 (Successor), 2020 (Predecessor) and onward.

The Company is not subject to Bermuda income or capital gains tax under current Bermuda law. In the event that there is a change in current law such that taxes on income or capital gains are imposed, the Company would be exempt from such taxes until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966.

The Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. The completion of tax examinations may result in changes to the amounts recognized in the Company’s financial statements.

Provision for income taxes

The table below presents the components of the expense (benefit) for taxes attributable to continuing operations:

($ in millions)	Year Ended December 31, 2022 Successor	Eleven months ended December 31, 2021 Successor	One month ended December 31, 2021 Predecessor
Current income tax expense			
Federal	$ 110	$ 182	$ (3)
Total current income tax expense	**110**	**182**	**(3)**
Deferred income tax benefit			
Federal	(113)	(32)	24
Total deferred income tax benefit	**(113)**	**(32)**	**24**
Total income tax expense (benefit)	**$ (3)**	**$ 150**	**$ 21**

A reconciliation of the differences between the provision for income taxes and the expected tax provision computed at weighted statutory rates is as follows:

($ in millions)	Year Ended December 31, 2022 Successor	Eleven months ended December 31, 2021 Successor	One month ended December 31, 2021 Predecessor
Expected income tax expense at statutory tax rate	**$ (5)**	**$ 202**	**$ 20**
Addition (reduction) in income tax resulting from:			
Intercompany reinsurance through funds withheld trusts	—	(3)	—
Investment tax credits	—	(47)	—
Other	2	(2)	1
Total income tax expense (benefit)	**$ (3)**	**$ 150**	**$ 21**

Deferred income taxes

Deferred income taxes reflect the net effects of temporary differences between financial reporting and tax basis of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more-likely-than-not will be realized.

The table below presents the significant components of deferred tax assets and liabilities:

($ in millions)	December 31, 2022 Successor	December 31, 2021 Successor
Deferred tax assets:		
Insurance reserves	$ 515	$ 520
Deferred revenue liabilities	10	8
Investments, including derivatives	139	—
Valuation allowance	(4)	—
Total deferred tax assets	**660**	**528**
Deferred tax liabilities:		
VOBA	(66)	(46)
Deferred policy acquisition costs	(41)	(30)
Loss reserve adjustment (transition rule)	(24)	(32)
Investments, including derivatives	—	(53)
Other	(20)	(19)
Total deferred tax liabilities	**(151)**	**(180)**
Total deferred tax (liability)/asset, net	**$ 510**	**$ 348**

Tax attributes

In 2022, changes in market conditions, including rapidly rising interest rates, impacted the unrealized tax gains and losses in the available for sale securities portfolios of the Company, resulting in deferred tax assets related to net unrealized tax capital losses for which the carryforward period has not yet begun. As such, when assessing recoverability, management considered the Company's ability and intent to hold the underlying securities to recovery. Based on all available evidence, management concluded that a valuation allowance should be established on a portion of the deferred tax assets related to unrealized tax capital losses that are not more-likely-than-not to be realized, which represents the portion of the portfolio the Company estimates it would not be able to hold to recovery. For the year ended December 31, 2022, the Company established $4.2 million of valuation allowance associated with the unrealized tax capital losses in the available for sale securities portfolio. The valuation allowance establishment was allocated to other comprehensive income.

Unrecognized tax benefits

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more-likely-than-not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will impact the Company's financial condition, results of operations or cash flows. As of December 31, 2022 (Successor) and 2021 (Successor), the Company did not record a liability related to accounting for uncertainty in income taxes.

Status of open tax years

The Company filed a U.S Federal Income Tax return as of December 31, 2021 and 2020. The December 31, 2021 and 2020 tax returns are subject to examination. The company has not filed a U.S Federal Income Tax return as of December 31, 2022

CARES Act

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. Please refer to Note 2—"Basis of presentation and significant accounting policies" to our financial statements for additional information on regulations impacting the Company sprouting from the CARES Act. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company did not record a rate differential benefit for the tax year ended December 31, 2021 under the CARES Act.

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act (the "IRA") was signed into law. In general, the provisions of the IRA will be effective beginning with the fiscal year 2023, with certain exceptions. The IRA includes a new 15% corporate minimum tax as well as a 1% excise tax on corporate stock repurchases completed after December 31, 2022. As required under the authoritative guidance of ASC 740, Income Taxes, we reviewed the impact on income taxes due to the change in legislation and concluded there was no impact to the financial statements as of December 31, 2022. Global Atlantic Re Limited is in the process of evaluating the potential future impacts of the IRA, and the Company will continue to review and monitor the issuance of additional guidance from the Treasury.

13. Dividend restrictions and statutory information

The Bermuda Insurance Act limits the ability of our Bermuda insurance subsidiaries to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the Bermuda Monetary Authority, or the "BMA," prior to a reduction of 15% or more of an insurer's total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the respective Bermuda insurance subsidiary, at least seven days prior to payment of any dividend which would exceed 25% of an insurer's total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that, in the opinion of those swearing, the declaration of such dividend has not caused the insurer to fail to meet its relevant margins (a "Bermuda Dividend Affidavit"). Accordingly, our Bermuda insurance subsidiaries may distribute up to (1) 100% of statutory surplus plus (2) an amount less than 15% of statutory capital, upon providing the BMA with a Bermuda Dividend Affidavit and meeting applicable solvency requirements, without BMA approval.

With respect to margin and solvency requirements, the Bermuda Insurance Act prohibits our Bermuda insurance subsidiaries from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or payment of such dividends would cause such a breach. If the insurer has failed to meet its minimum solvency margin on the last day of any financial year, such insurer will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. Our Bermuda insurance subsidiaries are also prohibited from declaring or paying a dividend where it has failed to comply with its enhanced capital requirement, until such noncompliance is rectified. At December 31, 2022, as a Class C and Class 3A insurer, the Company has a minimum solvency margin of approximately $693 million. The Company has met its minimum solvency margin and minimum liquidity ratio and exceeded its enhanced capital requirements at December 31, 2022.

Statutory financial information

The Bermuda Insurance Act requires the Company to prepare and file statutory financial statements with the BMA in accordance with BMA prescribed or permitted practices that may differ from U.S. GAAP.

Bermuda statutory balance sheet placement differs from U.S GAAP primarily due to Bermuda Insurance Account Rules that permits the Company to measure the policyholder Liabilities net of Reinsurance Recoverable and due to a modification that permits the Company to reports the GIC as a reinsurance contracts rather than traditional GIC.

Bermuda statutory surplus differs from U.S. GAAP primarily due to a modification that permits the Company to not measure the embedded derivative included within certain funds withheld coinsurance agreements at fair value and a modification that permits the Company to report the Synthetic GIC consistently with a GIC rather than as a derivative. Additionally, for certain reinsurance products the modifications can influence the timing of the amortization of policy acquisition expenses.

The Company's statutory net income was $288 million for year ended December 31, 2022 (Successor), $573 million for the eleven months ended December 31, 2021 (Successor) and $(22) million for one month ended January 31, 2021 (Predecessor), respectively. See below for the company's statutory capital and surplus as of December 31, 2022 (Successor). and December 31, 2021 (Successor).

Capital requirements

In Bermuda, the Company is subject to the Bermuda Solvency Capital Requirements, or "BSCR," administered by the BMA. In prior years, no regulatory action was taken if an insurer's statutory capital and surplus was equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement. The regulatory target capital represents the target capital level from the applicable year's BSCR calculation. The Company was compliant with this requirement.:

($ in millions)	As of December 31, 2022 Successor	As of December 31, 2021 Successor
Enhanced capital requirement (unaudited)	898	795
Available statutory economic capital and surplus (unaudited)	1,981	2,041
Statutory capital and surplus	1,310	1,190

The Bermuda Insurance Act also requires our Bermuda insurance subsidiaries to maintain certain measures of solvency and liquidity. The Bermuda statutory financial statements form the basis for assessing our Bermuda insurance subsidiaries' liquidity, minimum solvency margin and class of registration. These financial statements in turn form the basis for the preparation of the insurer's economic balance sheet. Economic balance sheet is a principles-based valuation approach to determine an insurer's capital adequacy and is used as the basis for determination of the Bermuda insurance subsidiary's enhanced capital requirement.

14. Related party transactions

Upon the close of the acquisition of the Company's ultimate parent GAFG by KKR, the Company re-evaluated the parties that would be considered related or affiliated entities under the Company's policies subsequent to February 1, 2021. Based on the aforementioned re-evaluation, the Company determined that certain parties that had previously been considered related or affiliated were now considered non-affiliated entities given the sale of their equity interests in GAFG. Upon the close of the sale, Goldman Sachs, Pine Brook Capital Partners II (Cayman) AV, L.P., Safra Galileo Global Fund Ltd, and Centaurus Capital LP, or "Centaurus," are no longer considered affiliated or related parties. In addition, upon the close of the transaction, KKR and its affiliated entities are now considered related parties.

The Company has investment management agreements with KKR. KKR provides investment management services across the Company. The Company recorded expenses for these agreements of $11 million and $6 million for the years ended December 31, 2022 (Successor) and December 31, 2021 (Successor), respectively.

Effective April 2, 2018, the Company purchased a series of GICs from GAAL, for a combined principal amount of $5 billion in exchange for a guaranteed rate of return. Pursuant to the purchase of the GICs, the assets received by GAAL were deposited in a trust, for the benefit of the Company.The GICs are structured in various layers with various maturity dates and market interest rates.On October 1, 2019, one GIC was renewed with an additional principal amount of $150 million. On September 1, 2020, The GICs were restructured with new interest rates and the stated maturities were extended between 0-4 years. On April 1, 2021, another GIC was renewed and subsequently matured on January 3, 2022. The next maturing GIC completed partial maturities on April 4, 2022 of $120 million and October 4, 2022 of $300 million with the remaining $676 million outstanding balance extended at the existing terms. On October 1, 2022, three additional GIC were restructured to allow for partial maturities, accelerating expected cash flows. The Company has determined one of the restructured GIC is an extinguishment of contract.

For year ended December 31, 2022 (Successor), the eleven months ended December 31, 2022 (Successor), one month ended January 31, 2021 (Predecessor), the company recorded interest income of, $148 million, $134 million and $13 million, respectively. The carrying value of the GICs, including accrued interest of $374 million was $4.8 billion as of December 31, 2022 (Successor). The carrying value of the GICs, including accrued interest of $335 million was $5.6 billion as of December 31, 2021 (Successor).

On November 15, 2018, Global Atlantic (Fin) Company entered into a $285 million promissory note with the Company, with a maturity date of November 15, 2020 and an annual interest rate of 2.68%.On June 28, 2019, Global Atlantic (Fin) Company repaid $125 million of the loan. On November 13, 2020, the remaining $160 million outstanding principal amount on the loan was paid back in full, with interest.

December 20, 2019, Global Atlantic (Fin) Company entered into a $100 million loan with the Company, with a maturity date of November 15, 2020 and an annual interest rate of 1.60%. Global Atlantic (Fin) Company pays semi-annual interest to the Company on May 15 and November 15. On November 13, 2020, the loan was paid back in full, with interest.

On December 30, 2019, Accordia Life Insurance Company entered into a $17 million loan with the Company. The loan was to mature on January 27, 2020 and had an annual interest rate of 1.60%. On January 10, 2020 (Predecessor) the loan was paid back in full, with interest.

On November 13, 2020, Global Atlantic (Fin) Company entered into a $200 million loan with the Company, with a maturity date of November 13, 2023 and an annual interest rate of 1.93%. Global Atlantic (Fin) Company pays semi-annual interest to the Company on May 15 and November 15.

On December 29, 2020, Global Atlantic (Fin) Company entered into a $100 million loan with the Company. The loan has a maturity date of June 30, 2021 and an annual interest rate of 0.15%. On June 30, 2021, the loan was extended to mature on July 30, 2021. On July 06, 2021, the loan was paid back in full, along with accrued and unpaid interest.

On June 14, 2021, the Company entered into a $70 million loan with GAAL. The loan has a maturity date of July 30, 2021 and annual interest rate of 0.13%. On July 30, 2021, the Company repaid the maturing $70 million loan along with accrued and unpaid interest.

On December 10, 2021, Global Atlantic (Fin) Company entered into a $375 million loan with the Company, with a maturity date of March 10, 2025 and an annual interest rate of 1.26%.

During years ended December 31, 2022 (Successor) and 2021, the Company had agreements with certain affiliates under GAFG. These affiliates agreed to provide personnel, management services, administrative support, the use of facilities, and such other services as the parties may agree from time to time. For year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), the Company recorded expenses of $26 million, $28 million, and $2 million, respectively, and had $5 million and $5 million payable December 31, 2022 (Successor) and 2021 (Successor).

The Company has agreements with affiliated parties to receive and pay certain fee income and expenses related to policyholder administration for assumed blocks of business. For year ended December 31, 2022 (Successor), the eleven months ended December 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), the Company recorded policy reinsurance administration fee expenses of $177 million, $147 million and $13 million, respectively, and had $45 million and $38 million payable as of December 31, 2022 (Successor) and 2021 (Successor).

The Company executed a series of Synthetic GICs with GAAL, to transfer the actual return on the funds withheld portfolios to GAAL in exchange for a fixed crediting rate.

The Company had a derivative receivable from GAAL as of December 31, 2022 (Successor) and a derivative payable to GAAL as of December 31, 2021 (Successor) as follows:

	December 31, 2022	December 31, 2021
($ in millions)	*Successor*	*Successor*
Prior to 2022	(1,465)	391
Effective 2022	(12)	164
Total derivative liability (assets)	**$ (1,477)**	**$ 555**

The Company recorded derivative income (expense) as follows:

	Year ended December 31, 2022	Eleven months ended December 31, 2021	One month ended January 31, 2021
($ in millions)	*Successor*	*Successor*	*Predecessor*
Prior to 2022	1,887	68	60
Effective 2022	9	(189)	—
Total derivative income (expense)	**$ 1,896**	**$ (121)**	**$ 60**

See Note 8 —“Reinsurance” for additional information.

In addition to the foregoing related party investments, the Company also invested in funds managed by a related party as of December 31, 2020 (Predecessor), as follows:

		As of December 31, 2020 (Predecessor)		
Type	Balance sheet classification	Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
Goldman Sachs money market funds†	Cash and cash equivalents	$ 4	$ —	$ 4
Total related party investments		**$ 4**	**$ —**	**$ 4**

15. Commitments and contingencies

Commitments

The Company is party to a third-party professional services agreement regarding the management of aspects of the Company's reinsurance portfolio. The Company leases office space for its operations.

The Company enters into lease contracts, the most significant being leases of office space for its operations. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rates, of 1.8%. As of December 31, 2022 (Successor), the Company has a right-to-use asset of $1 million (net of $0 million in deferred rent and lease incentives) and a corresponding lease liability of $1 million. As of December 31, 2021 (Successor), the Company has a right-to-use asset of $1 million (net of $— million in deferred rent and lease incentives) and a corresponding lease liability of $1 million.

The Company has commitments to purchase or fund investments of $53 million and $4 million as of December 31, 2022 (Successor) and 2021 (Successor), respectively. These commitments include those related to investments in limited partnerships. The commitment periods vary, with most extending for the next 3 years, but some extend longer. Some of these investment commitments may be subject to conditions that must be met prior to funding.

Contingencies

Guarantees

The Company is subject to financial guarantees in conjunction with reinsurance transaction entered into by Global Atlantic Assurance Limited (GAAL), an affiliated party, on July 12, 2021 (Successor).The Company provided a guarantee to pay the reinsurance recapture fee in the event GAAL's Risk Based Capital drops below 100% company Action Level. The maximum exposure under the agreement was $3.1 billion as of December 31, 2022 (Successor). The carrying value of the financial guarantee was $0 million as of December 31, 2022 (Successor), inclusive of the allowance for credit losses of $0 million. Management's periodic evaluation and assessment of the allowance for credit losses adequacy is based on known and inherent risks, current and forecasted economic conditions, loss events, and other relevant factors.

Legal matters

The Company is involved in litigation and regulatory actions in the ordinary course of business. Litigation, including class actions, or regulatory actions could result in the payment of substantial settlements, increase costs, require changes to operations, divert management attention, cause reputational harm or make it more challenging to attract and retain customers, employees and agents at the Company. Given the inherent difficulty of predicting the outcome of the Company's litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, the Company cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

16. Acquisition

On February 1, 2021, KKR completed the acquisition of the Company's ultimate parent GAFG by TGAFG (formerly, Magnolia Parent LLC), a KKR subsidiary, as contemplated by the Merger Agreement. The total purchase price for the transaction was $4.7 billion. The purchase price was financed by means of an equity contribution from the Company's parent of $3.0 billion, with remainder being contributed by the $0.8 billion of rollover equity interests and $0.9 billion of new equity.

At the closing of the transaction, or the "Closing," Merger Sub (a direct wholly-owned subsidiary of TGAFG) merged with and into GAFG, or the "GA Merger," with GAFG continuing as the surviving entity and as a direct wholly-owned subsidiary of Magnolia, and immediately thereafter, GAFLL merged with and into GAFG, or the "Life Merger" and, together with the GA Merger, the "Mergers."

In connection with the Closing, Magnolia Parent LLC changed its name to The Global Atlantic Financial Group LLC and became the new holding company of GAFG and its subsidiaries' business. Also in connection with the Closing, certain previous shareholders of GAFG and GAFLL elected to participate in an equity roll-over to become shareholders of TGAFG, and new co-investors agreed to fund in cash a portion of the purchase price to become shareholders of TGAFG. Following these roll-overs, co-investments, and certain post-closing adjustments, KKR owns 61.5% of TGAFG. In addition, the aforementioned equity contribution and syndication process was used to generate $250 million of additional equity capital to fund Global Atlantic's business needs.

The aggregate merger consideration was allocated among each of GAFG's and GAFLL's outstanding ordinary shares, incentive shares and equity awards in accordance with their terms. Under the terms of the Merger Agreement and in accordance with the applicable plan documentation, unvested GAFG restricted share awards converted into the right to receive a number of TGAFG book value units having the same value as the GAFG restricted share award immediately prior to the closing.

At the acquisition date, TGAFG made a decision to elect push down accounting in accordance with Accounting Standard Codification (ASC) 805, *Business Combinations*. Push down accounting is an accounting election available to entities that are acquired, whereby the acquired company can use the acquirer's new basis in the preparation of the acquiree's separate financial statements.

TGAFG assigned all goodwill under purchase accounting to Global Atlantic (Fin) Company (Finco).Therefore, the Company recorded $0 value as Goodwill.

The table below details the allocation of consideration transferred to the fair value identifiable assets and liabilities acquired:

		February 1, 2021
($ in millions)		
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$	62
Investments		9,054
Funds withheld receivable at interest		24,227
Accrued investment income		293
Reinsurance recoverable		1,235
Insurance intangibles		397
Other assets[(1)]		368
Policy liabilities		(33,235)
Funds withheld payable at interest		(1,301)
Accrued expenses and other liabilities		(504)
Total identifiable net assets		**596**
Goodwill attributable to Global Atlantic Re		—
Total consideration transferred	**$**	**596**

(1) Includes $253 million of deferred tax assets recognized from the step-up in basis under purchase accounting.

The gross carrying value and weighted average estimated useful lives of value of business acquired pushed down to the Company consist of the following:

As of February 1, 2021		Gross carrying value	Weighted average useful life
		($ in millions)	*(in years)*
Value of business acquired	$	397	28.6
Negative value of business acquired, included in policy liabilities		611	22.2

The Company performed a valuation of the acquired investments, policy liabilities, VOBA, other identifiable intangibles, and funds withheld at interest payables and receivables. The following is a summary of significant inputs to the valuation:

Investments

The Company’s investment portfolio primarily consists of fixed maturity, mortgage and other loan receivables, and investments in real assets, such as renewable energy assets. All of the assets included within the investment portfolio were measured and reported at their acquisition date fair value. As a result, the cost basis of each respective investment was reset to equal fair value.

The Company's fair value measurement for fixed maturity was based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include a third-party pricing service, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.

The mortgage and other loan receivables fair value was established using a discounted cash flows method at interest rates appropriate for the credit rating of the borrower, tenor of the loan, maturity and future income, including uncertainty of cash flows. This yield-based approach is determined internally based on publicly available market data and indices sourced from a third-party vendor. The credit ratings

for mortgages in good standing are based on property type, location, market conditions, occupancy, debt service coverage, loan-to-value, quality of tenancy, borrower and payment record.

Investments in real assets fair value was established using valuations provided by independent third-party appraisers' valuations. Such valuations were determined by determining using the estimated future cash flows discounted to present value at a risk-adjusted discount rate and, for solar, an assessment of fair value using market multiples of comparable companies. The valuation of specific assets within the solar, rail and aviation portfolios relied upon income, market and cost-based approaches based on the nature of the specific assets.

Policy liabilities

Policy liabilities were remeasured based on generally accepted actuarial methods and reported at their acquisition date fair value. Assumptions for future mortality, persistency, policyholder behavior, expenses, investment return and other actuarial factors are based on an evaluation of the Company's recent experience, industry experience, and anticipated future trends. These assumptions are intended to be representative of market assumptions used by buyers and sellers in similar transactions. The approach employed to develop the projection assumptions is described below:

- Discount rates used to calculate fair value ranged from 11% to 15%, depending on product;
- Mortality and persistency assumptions are based on both Company and general industry experience;
- Expenses were projected reflecting the Company's unit expenses with an allocation of a portion of overhead expenses to in-force business;
- Future investment income reflects a runoff of the existing asset portfolios and reinvestment strategies based on the Company's assumptions for asset yield, quality, and maturity. The projections are based forward interest rates implied by the Treasury yield curve. Credited rates reflect the Company's target spreads;
- Separate account and index account growth rates are based on long-term return expectations for different fund types and on the underlying mix of funds; and
- Statutory reserves underlying the appraisal reflect the Company's current reserving methodologies.

Value of business acquired

VOBA represents the estimated fair value of future net cash flows from in-force life insurance contracts acquired at the acquisition date.

Funds withheld at interest receivables and payables

Funds withheld at interest receivables and payables were remeasured at fair value based on the fair value of assets held in the underlying portfolios supporting those receivables or payables.

17. Subsequent event

The Company evaluated all events and transactions through April 25, 2023, the date the accompanying financial statements were available to be issued, that would merit recognition or disclosures in the financial statements, and determined there were none.