# GLOBAL ATLANTIC ASSURANCE LIMITED

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

**Financial statements**

**As of and for the years ended December 31, 2023 and 2022**

# Index to Financial Statements

Deloitte.

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## INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Global Atlantic Assurance Limited

### Opinion

We have audited the financial statements of Global Atlantic Assurance Limited (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income (loss), comprehensive income (loss), equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte & Touche LLP

*April 26, 2024*

# GLOBAL ATLANTIC ASSURANCE LIMITED

## Balance sheets

| ($ in millions, except share data) | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Assets** | | | | |
| **Investments:** | | | | |
| Fixed maturity securities, available-for-sale, at fair value (amortized cost: $6,152 and $7,089, respectively) | $ | 5,076 | $ | 5,718 |
| Fixed maturity securities, trading, at fair value (amortized cost: $2,231 and $2,273, respectively) | | 1,628 | | 1,571 |
| Fixed maturity securities, held-to-maturity, at amortized cost | | 6 | | 8 |
| Mortgage and other loan receivables | | 1,626 | | 1,716 |
| Derivative assets | | 56 | | — |
| **Total investments** | **$** | **8,392** | **$** | **9,013** |
| Cash and cash equivalents | | 405 | | 197 |
| Accrued investment income | | 81 | | 78 |
| Reinsurance recoverable | | 2,546 | | 2,365 |
| Insurance intangibles | | 42 | | 63 |
| Other assets | | 403 | | 390 |
| **Total assets** | **$** | **11,869** | **$** | **12,106** |
| **Liabilities** | | | | |
| Policyholder liabilities | | 9,051 | | 9,822 |
| Funds withheld payable at interest | | 1,988 | | 1,735 |
| Derivative Liabilities | | 13 | | 1,480 |
| Accrued expenses and other liabilities | | 6 | | 33 |
| Reinsurance liabilities | | 71 | | 51 |
| **Total liabilities** | **$** | **11,129** | **$** | **13,121** |
| **Shareholder's equity** | | | | |
| Common stock, $1 par value, 370,000 shares authorized, 370,000 shares issued and outstanding, respectively | $ | — | $ | — |
| Additional paid-in capital | | 1,779 | | 2,092 |
| Retained earnings | | 21 | | (1,751) |
| Accumulated other comprehensive income (loss) | | (1,060) | | (1,357) |
| **Total equity** | **$** | **740** | **$** | **(1,016)** |
| **Total liabilities and equity** | **$** | **11,869** | **$** | **12,106** |

*See accompanying notes to financial statements.*

## Statements of income (loss)

| ($ in millions) | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| **Revenues** | | |
| Premiums | $ 31 | $ 30 |
| Net investment income | 336 | 289 |
| Net investment gains (loss) | 1,637 | (1,953) |
| Other income | 2 | — |
| **Total revenues** | **$ 2,006** | **$ (1,634)** |
| **Benefits and expenses** | | |
| Policy benefits and claims (remeasurement (gain) loss on policy liabilities: $(1) and $(69), respectively.) | 195 | 143 |
| Amortization of policy acquisition costs | 21 | 84 |
| Insurance expenses | 11 | 8 |
| General, administrative and other expenses | 7 | 7 |
| **Total benefits and expenses** | **$ 234** | **$ 242** |
| **Net income (loss)** | **$ 1,772** | **$ (1,876)** |

*See accompanying notes to financial statements.*

## Statements of other comprehensive income (loss)

| ($ in millions) | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| **Net income (loss)** | $ 1,772 | $ (1,876) |
| **Other comprehensive income (loss):** | | |
| Unrealized gains (losses) on securities and other investments for the period | 220 | (1,377) |
| Less: reclassification adjustment for gains included in net income | (83) | (77) |
| **Unrealized gains (losses) on available-for-sale securities and other investments** | $ 303 | $ (1,300) |
| Unrealized gains on hedging instruments | (6) | — |
| **Other comprehensive income (loss)** | $ 297 | $ (1,300) |
| **Comprehensive income (loss)** | $ 2,069 | $ (3,176) |

*See accompanying notes to financial statements.*

## Statements of equity

| ($ in millions) | Common stock and Additional paid-in capital | Retained earnings | Accumulated other comprehensive (loss) income | Total shareholder's equity |
|---|---|---|---|---|
| **Balance as of December 31, 2021** | **$ 1,908** | **$ 125** | **$ (57)** | **$ 1,976** |
| Net loss | — | (1,876) | — | (1,876) |
| Other comprehensive loss | — | — | (1,300) | (1,300) |
| Capital contributions | 184 | — | — | 184 |
| **Balance as of December 31, 2022** | **$ 2,092** | **$ (1,751)** | **$ (1,357)** | **$ (1,016)** |
| Net income | — | 1,772 | — | 1,772 |
| Other comprehensive income | — | — | 297 | 297 |
| Capital distributions | (313) | — | — | (313) |
| **Balance as of December 31, 2023** | **$ 1,779** | **$ 21** | **$ (1,060)** | **$ 740** |

*See accompanying notes to financial statements.*

## GLOBAL ATLANTIC ASSURANCE LIMITED

# Statements of cash flows

| ($ in millions) | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Net income** | **$ 1,772** | **$ (1,876)** |
| **Adjustments to reconcile net income (loss) to net cash provided by operating activities:** | | |
| Changes in fair value of trading fixed maturity securities and mortgage loans | (100) | 649 |
| Net investment (gains) losses | (110) | (62) |
| Change in fair value of derivatives and other derivative-related activity | (1,417) | 1,369 |
| Net amortization and depreciation | (36) | 122 |
| Interest credited to policyholder account balances less policy fees | 108 | 24 |
| **Changes in operating assets and liabilities:** | | |
| Change in premiums, notes receivable and rein recoverable, net of rein premiums | 6 | 34 |
| Change in deferred acquisition costs | (1) | — |
| Change in accrued investment income | (4) | (2) |
| Change in policyholder liabilities and accruals, net | (150) | (5) |
| Other | 12 | (15) |
| **Net cash provided by operating activities** | **$ 80** | **$ 238** |
| **Cash flows from investing activities** | | |
| Proceeds from disposals of available-for-sale fixed maturities securities | $ 241 | $ 422 |
| Proceeds from maturities of available-for-sale fixed maturities securities | 162 | 414 |
| Proceeds from disposals of trading fixed maturities securities | 190 | 249 |
| Proceeds from maturities of trading fixed maturities securities | 5 | 7 |
| Proceeds from mortgages sold, matured or collected | 263 | 187 |
| Proceeds from disposals of other investments | 350 | 136 |
| Purchase of available-for-sale fixed maturities securities | (226) | (667) |
| Purchase of trading fixed maturities securities | (170) | (193) |
| Purchase of mortgages | (189) | (623) |
| Purchase of other investments | (185) | (335) |
| Other investing activities-net | (18) | 3 |
| **Net cash provided by (used in) investing activities** | **$ 423** | **$ (400)** |
| **Cash flows from financing activities** | | |
| Reinsurance transactions, net of cash provided (used) | $ 31 | $ 10 |
| Additions to contractholder deposit funds | 170 | 256 |
| Withdrawals from contractholder deposit funds | (183) | (264) |
| Capital contributions | — | 184 |
| Return of capital to parent | (313) | — |
| **Net cash (used in) provided by financing activities** | **(295)** | **186** |
| **Net change in cash and cash equivalents** | **208** | **24** |
| Cash, and cash equivalents, beginning of period | 197 | 173 |
| **Cash and cash equivalents, end of period** | **$ 405** | **$ 197** |

## Statements of cash flows

| | | Year ended | | |
|---|---|---|---|---|
| | | December 31, 2023 | | December 31, 2022 |
| *($ in millions)* | | | | |
| **Non-cash transactions** | | | | |
| Available-for-sale fixed maturity securities acquired through reinsurance agreements | $ | 60 | $ | 151 |
| Available-for-sale fixed maturity securities settled through funding agreements | | 762 | - | 805 |
| Policyholder liabilities and accruals settled through fund agreements | | 750 | - | 820 |
| Contractholder deposit funds acquired through reinsurance agreements | | 89 | | 163 |

# 1. Nature of business

**GLOBAL ATLANTIC ASSURANCE LIMITED**, or “GAAL” or “the Company”, is a licensed reinsurer and wholly-owned subsidiary of Global Atlantic Limited (Delaware), or “GALD”, a Delaware corporation, formerly Global Atlantic Financial Limited, or “GAFL”, a Bermuda company. GALD 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 E insurer. The Company has issued Funding Agreements (Guaranteed Investment Contracts, or “GIC”), Synthetic Guaranteed Investment Contracts, or “Synthetic GIC,” to an affiliated counterparty and assumed through reinsurance Whole Life (“WL”) and other assumed life insurance where mortality risk is retained by the ceding company, and mortality risk related to life blocks from non-affiliated counterparties.

## KKR initial 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, TGAFG, 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.

## KKR subsequent acquisition of remaining non-controlling interests in The Global Atlantic Financial Group

On January 2, 2024, subsequent to the end of the reporting period, KKR completed the merger previously announced on November 29, 2023, as contemplated by the Agreement and Plan Merger, (the “2023 Merger Agreement”) by and among KKR Magnolia Holdings LLC (“Magnolia Holdings”), an indirect subsidiary of KKR, Sweetbay Merger Sub LLC, a direct subsidiary of Magnolia Holdings (“Merger Sub”) and The Global Atlantic Financial Group (“TGAFG”), and together with its subsidiaries, (“Global Atlantic”), pursuant to which KKR acquired the remaining 34.8% of Global Atlantic that KKR did not already own. At the closing of the transaction (the “Closing”), Merger Sub merged with and into TGAFG, with TGAFG surviving the merger, resulting in Global Atlantic becoming a wholly owned subsidiary of KKR.

Following the merger, the Company’s parent was re-domesticated from Bermuda to Delaware, and changed its name to Global Atlantic Limited (Delaware).

## Significant Transaction

Between 2019 and 2022, the Company issued a series of Synthetic GICs to an affiliate Global Atlantic Re, in which the actual investment returns paid to Global Atlantic Re on the funds withheld portfolios is transferred to the Company. In exchange, the Company pays a fixed crediting rate to Global Atlantic Re. Effective December 31, 2023, the Company released $1.7 billion of derivative liabilities and recorded a net investment gain of $1.7 billion, upon termination of the Synthetic GIC program.

# 2. Basis of presentation and significant accounting policies

## Basis of presentation

Upon the initial 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 value of business acquired ("VOBA") as 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. No goodwill was recognized. In addition, the Company conformed its accounting policies and procedures to those of its new ultimate parent, KKR.

The accompanying 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 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 Company believes most significant estimates are those used in determining valuation of policyholder liabilities, valuation of derivatives, and valuation and impairment of investments.

The financial statements include the results of operations and financial position of the Company.

## 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 |
| Reinsurance | 8 |

## 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; 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 losses in the 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 2021 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 are reported in accumulated other comprehensive income in the balance sheets. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net investment losses in the 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 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 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 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 principal and interest due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

### *Trading fixed maturity securities*

The Company accounts for certain fixed maturity securities as trading at acquisition, based on intent or via the election of the fair value option. Trading securities are generally recorded on a trade-date basis and are carried at fair value, with realized and unrealized gains and losses reported in net investment-related gains (losses) in the statements of income. Interest income from these securities is reported in net investment income. Trading securities, which are primarily used to match asset and liability accounting, back funds withheld payable at interest where the investment performance is ceded to reinsurers under the terms of the respective reinsurance agreements.

### *Held-to-maturity fixed maturity securities*

The Company accounts for certain fixed maturity securities as held-to-maturity, or “HTM,” at acquisition, based on the intent and ability to hold those securities to maturity. HTM securities are carried at amortized cost. The amortized cost of HTM securities is adjusted for OTTI, 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 statements of income. Interest income from these securities is reported in net investment income in the statements of income.

### *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 statements of income or, for PCD mortgage and other loan receivables, by a gross-up recognition of the initial allowance in the 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 2021 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 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.

### Cash, and cash equivalents

Cash and cash equivalents in the 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.

### Derivative instruments

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter ("OTC") derivatives, or they may be listed and traded on an exchange ("exchange-traded"). The Company's derivative instruments are primarily used to hedge interest rate risk. Where certain criteria are met, some of these hedging arrangements may achieve hedge accounting.

Where certain qualifying criteria are met, some derivative instruments are designated as accounting hedges and are recognized at estimated fair value in derivative assets or derivative liabilities in the balance sheets. For derivative instruments designated as cash flow hedges, changes in fair value are initially recognized in accumulated other comprehensive income (loss) in the balance sheets and subsequently reclassified to the statements of income when the hedged item affects earnings, in the same line item where the hedged item is reported.

Derivative receivables and payables with a counterparty that are subject to an International Swaps and Derivatives Association Master Agreement ("ISDA") or other similar agreement that provides a legal right of setoff, are presented at their net amounts. Where the legal right of setoff exists, the Company also offsets the fair value of cash collateral received or posted under an ISDA, or other similar agreement with a counterparty, against the related derivative balances as appropriate.

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 that the purchaser retains ownership of the assets underlying the 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 similar to total return swaps. These derivatives are recognized in either derivative assets or derivative liabilities in the balance sheets and in net investment gains (losses) in the statements of income.

### 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 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 statements of income, and non-credit impairments are charged to accumulated other comprehensive income in the 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 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 loans that do not share similar risk characteristics, expected credit losses are measured individually. Loans subject to individual evaluation include those loans that are collateral dependent, where the borrower is experiencing financial difficulty. For these collateral dependent loans, expected credit losses are measured as the difference between the fair value of the collateral (less costs to sell, where the collateral is to be sold) and the amortized cost basis of the loan.

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.

For residential mortgage loans and consumer loans, the current expected credit losses are primarily estimated using a discounted cash flow model. The model considers loan-specific information as well as current, historical and forecasted data relevant to the respective loans, including home prices, interest rates and unemployment. Expected cash flows are projected for each loan and are discounted using the effective interest rate of the respective loan. Any shortfalls between the discounted cash flows and the amortized cost of each individual loan are aggregated to determine the total allowances on the residential mortgage loan and consumer loan portfolios. For certain residential mortgage loans secured by single-family rental properties, current expected credit losses are determined using a model consistent with that described above for commercial mortgage loans.

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 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.

### Deferral and amortization of certain revenues and expenses

#### *Deferrals*

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 balance sheets as the associated reserves.

Deferred revenue liability, or “DRL,” represents unearned premium on certain reinsurance contracts (e.g., Monthly Renewable Term). DRL is included in contractholder deposit funds and other policyholder liabilities in the balance sheets.

#### *Amortization*

VOBA and DRL are amortized straight line over the life of the contracts.

#### 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.

#### *Guaranteed investment contracts*

GICs are non-life contingent annuities which are accounted for as financial instruments. The issuer is contractually obligated to repay the principal and specified interest guaranteed to the purchaser. The liabilities are recorded in policyholder liabilities in the balance sheets.

#### *Traditional and universal life*

Contractholder deposit reserves for certain assumed blocks of life reinsurance policies where mortality risk is retained by the ceding company are accounted for as investment-type contracts. A net liability (consisting of benefit reserve less cost of reinsurance (COR) ) is establish at inception and amortized under the constant yield method.

#### *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 statements of income.

### Reinsurance

Consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance, funds withheld coinsurance, or automatic monthly renewable term 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 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. Generally, the Company amortizes cost of reinsurance based on policy count or effective yield method, retrospectively calculated based on actual and projected future cash flows. Cost of reinsurance assets and liabilities are reported in insurance intangibles and policy liabilities in the balance sheets, respectively. 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 statements of income. The Company’s 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 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 statements of cash flows.

### Recognition of insurance revenue and related benefits

Premiums related to life reinsurance contracts are recognized in premiums in the statements of income when due from the policyholders.

Amounts received as payment for investment-type contracts are reported as deposits to contractholder account balances and recorded in contractholder deposit funds and other policyholder liabilities in the balance sheets. Revenues from these contracts consist primarily of fees assessed against the contractholder account balance for mortality, policy administration, and surrender charges, and are reported in policy fees in the 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 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 COR for these contracts. Unearned revenue reserves are reported in contractholder deposit funds and other policyholder liabilities in the balance sheets and amortized into policy fees in the 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 statements of income.

### Other income

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

### Insurance expenses

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

### 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.

## Adoption of new accounting pronouncements

### Targeted improvements to the accounting for long-duration contracts

Global Atlantic Assurance Limited adopted new accounting guidance for insurance and reinsurance companies that issue long-duration contracts ("LDTI") as of January 1, 2022 on a full retrospective basis. The Company evaluated the impact of the adoption of this new standard on its financial statements, concluding there was no significant impact.

### 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 (vintage). For entities that have already adopted ASC 326 (addressing credit losses on financial instruments), the guidance was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this accounting standard effective January 1, 2023. Refer to Note 3 — "Investments – Loan modifications" for additional information.

## Future application of accounting standards

### Accounting for investments in tax credit structures

In March 2023, the FASB issued ASU 2023-02 "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." ("ASU 2023-02"). ASU 2023-02 intends to expand the population of investments in tax credit structures that may be eligible to apply the proportional amortization method ("PAM"), if certain criteria are met. The election to use the PAM can be made on a tax credit program-by-program basis. Under the new guidance, certain disclosures are required for investments in tax credit programs for which the PAM is elected. The guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The adoption is not expected to have a material impact on its financial statements

### Improvements to income tax disclosures

In December 2023, the FASB issued ASU 2023-09 "Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 intends to enhance the transparency and decision usefulness of income tax disclosures, requiring disaggregated information about an entity's effective tax rate reconciliation as well as income taxes paid. This is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements and disclosures.

# 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, 2023 | Cost or amortized cost | Allowance for credit losses[2] | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|---|
| *($ in millions)* | | | | | |
| **AFS fixed maturity securities portfolio by type:** | | | | | |
| U.S. government and agencies | $ 130 | $ — | $ 1 | $ (38) | $ 93 |
| U.S. state, municipal and political subdivisions | 275 | — | — | (48) | 227 |
| Corporate | 3,469 | — | 6 | (794) | 2,681 |
| RMBS | 776 | (20) | 1 | (82) | 675 |
| CMBS | 899 | (1) | — | (71) | 827 |
| CLOs | 140 | — | — | (1) | 139 |
| CBOs | 303 | — | — | (14) | 289 |
| All other structured securities[1] | 160 | (2) | — | (13) | 145 |
| **Total AFS fixed maturity securities** | **$ 6,152** | **$ (23)** | **$ 8** | **$ (1,061)** | **$ 5,076** |

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

(2) Represents the cumulative amount of credit impairments that have been recognized in the 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, 2022 | Cost or amortized cost | Allowance for credit losses(2) | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|---|
| *($ in millions)* | | | | | |
| **AFS fixed maturity securities portfolio by type:** | | | | | |
| U.S. government and agencies | $ 106 | $ — | $ — | $ (39) | $ 67 |
| U.S. state, municipal and political subdivisions | 312 | — | — | (65) | 247 |
| Corporate | 3,571 | — | 1 | (936) | 2,636 |
| RMBS | 1,150 | (15) | 3 | (132) | 1,006 |
| CMBS | 931 | (1) | — | (103) | 827 |
| CLOs | 247 | — | — | (15) | 232 |
| CBOs | 392 | — | — | (36) | 356 |
| Other Structured Securities[1] | 380 | (1) | 1 | (33) | 347 |
| **Total AFS fixed maturity securities** | **$ 7,089** | **$ (17)** | **$ 5** | **$ (1,359)** | **$ 5,718** |

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

(2) Represents the cumulative amount of credit impairments that have been recognized in the 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.

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, 2023 | Cost or amortized cost (net of allowance) | Fair value |
|---|---|---|
| *($ in millions)* | | |
| Due in one year or less | $ 35 | $ 35 |
| Due after one year through five years | 413 | 395 |
| Due after five years through ten years | 98 | 85 |
| Due after ten years | 3,328 | 2,487 |
| **Subtotal** | **3,874** | **3,002** |
| RMBS | 756 | 675 |
| CMBS | 898 | 827 |
| CLOs | 140 | 139 |
| CBOs | 303 | 288 |
| Other structured securities | 158 | 145 |
| **Total AFS fixed maturity securities** | **$ 6,129** | **$ 5,076** |

### 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:

| ($ in millions) | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Purchase price of PCD securities acquired during the current period | $ — | $ 5 |
| Allowance for credit losses at acquisition | — | — |
| Discount (premium) attributable to other factors | — | 1 |
| **Par value** | **$ —** | **$ 6** |

## 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, 2023 | 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 | $ — | $ — | $ 69 | $ (38) | $ 69 | $ (38) |
| U.S. state, municipal and political subdivisions | 6 | — | 220 | (48) | 226 | (48) |
| Corporate | 91 | (3) | 2,343 | (791) | 2,434 | (794) |
| RMBS | 108 | (6) | 518 | (76) | 626 | (82) |
| CMBS | 4 | — | 816 | (71) | 820 | (71) |
| CLOs | — | — | 100 | (1) | 100 | (1) |
| CBOs | — | — | 288 | (14) | 288 | (14) |
| Other structured securities | 2 | — | 133 | (13) | 135 | (13) |
| **Total AFS fixed maturity securities in a continuous loss position** | **$ 211** | **$ (9)** | **$ 4,487** | **$ (1,052)** | **$ 4,698** | **$ (1,061)** |

| As of December 31, 2022 | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| *($ in millions)* | | | | | | |
| **AFS fixed maturity securities portfolio by type:** | | | | | | |
| U.S. government and agencies | $ 52 | $ (33) | $ 15 | $ (6) | $ 67 | $ (39) |
| U.S. state, municipal and political subdivisions | 184 | (49) | 57 | (17) | 241 | (66) |
| Corporate | 695 | (133) | 1,816 | (803) | 2,511 | (936) |
| RMBS | 608 | (66) | 351 | (67) | 959 | (133) |
| CMBS | 561 | (53) | 266 | (50) | 827 | (103) |
| CLOs | 180 | (10) | 52 | (4) | 232 | (14) |
| CBOs | 167 | (16) | 190 | (20) | 357 | (36) |
| Other structured securities | 163 | (14) | 143 | (19) | 306 | (33) |
| **Total AFS fixed maturity securities in a continuous loss position** | **$ 2,610** | **$ (374)** | **$ 2,890** | **$ (986)** | **$ 5,500** | **$ (1,360)** |

Unrealized gains and losses are a result of 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 $73 million and $119 million as of December 31, 2023 and 2022, respectively.

The single largest unrealized loss on AFS fixed maturity securities was $14 million and $14 million as of December 31, 2023 and 2022, respectively. The Company had 1,223 and 1,495 securities in an unrealized loss position as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, AFS fixed maturity securities in an unrealized loss position for over 12 months consisted of 1,109 and 764 debt securities, respectively. These debt securities primarily relate to corporate, RMBS fixed maturity securities and CMBS 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.

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

| As of December 31, 2023 | Cost or amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| Corporate | $ 6 | $ — | $ — | $ 6 |
| **Total HTM fixed maturities securities** | **$ 6** | **$ —** | **$ —** | **$ 6** |

| As of December 31, 2022 | Cost or amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| Corporate | $ 8 | $ — | $ — | $ 8 |
| **Total HTM fixed maturities securities** | **$ 8** | **$ —** | **$ —** | **$ 8** |

As of December 31, 2023 and 2022, there were no non-credit OTTI losses reflected within the fair value of HTM fixed maturity securities.

### 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, 2023 | | |
|---|---|---|---|
| | Corporate | Structured | Total |
| *($ in millions)* | | | |
| **Balance, as of beginning of period(1)** | **$ —** | **$ (16)** | **$ (16)** |
| Initial impairments for credit losses recognized on securities not previously impaired | — | — | — |
| Initial credit loss allowance recognized on PCD securities | — | — | — |
| Accretion of initial credit loss allowance on PCD securities | — | — | — |
| Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired | — | 6 | 6 |
| Net additions / reductions for securities previously impaired | — | (13) | (13) |
| **Balance, as of end of period** | **$ —** | **$ (23)** | **$ (23)** |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Corporate | Structured | Total |
| *($ in millions)* | | | |
| **Balance, as of beginning of period(1)** | **$ —** | **$ (11)** | **$ (11)** |
| Initial impairments for credit losses recognized on securities not previously impaired | — | (12) | (12) |
| Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired | — | 5 | 5 |
| Net additions / reductions for securities previously impaired | — | 2 | 2 |
| **Balance, as of end of period** | **$ —** | **$ (16)** | **$ (16)** |

(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, | |
|---|---|---|
| | 2023 | 2022 |
| *($ in millions)* | | |
| Commercial mortgage loans | $ 1,105 | $ 1,076 |
| Residential mortgage loans | 536 | 652 |
| Other loan receivables[(1)] | 5 | 6 |
| **Total mortgage and other loan receivables** | **$ 1,646** | **$ 1,734** |
| Allowance for loan losses | (20) | (18) |
| **Total mortgage and other loan receivables, net of allowance for loan losses** | **$ 1,626** | **$ 1,716** |

(1) As of December 31, 2023 and 2022, other loan receivables consisted primarily of renewable energy development loans of $5 million and $6 million.

The maturity distribution for residential and commercial mortgage loans is as follows as of December 31, 2023:

| Years | Residential | Commercial | Total mortgage loans |
|---|---|---|---|
| *($ in millions)* | | | |
| 2024 | $ 10 | $ 125 | $ 135 |
| 2025 | 4 | 145 | 149 |
| 2026 | 26 | 330 | 356 |
| 2027 | 1 | 124 | 125 |
| 2028 | 1 | 26 | 27 |
| 2029 and thereafter | 494 | 355 | 849 |
| **Total** | **$ 536** | **$ 1,105** | **$ 1,641** |

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, 2023 | | As of December 31, 2022 | |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| Pacific | $ 360 | 22 % | $ 384 | 22 % |
| West South Central | 127 | 8 % | 126 | 7 % |
| South Atlantic | 486 | 30 % | 500 | 29 % |
| Middle Atlantic | 276 | 17 % | 94 | 5 % |
| East North Central | 74 | 5 % | 280 | 16 % |
| Mountain | 211 | 13 % | 237 | 14 % |
| New England | 79 | 5 % | 77 | 4 % |
| East South Central | 15 | 1 % | 18 | 1 % |
| West North Central | 13 | 1 % | 12 | 1 % |
| Other regions | — | — | — | — % |
| **Total by geographic region** | **$ 1,641** | **100 %** | **$ 1,728** | **100 %** |

| **Mortgage loans - carrying value by property type** | As of December 31, 2023 | | As of December 31, 2022 | |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| Residential | $ 536 | 33 % | $ 652 | 38 % |
| Office building | 190 | 12 % | 222 | 13 % |
| Apartment | 751 | 46 % | 688 | 40 % |
| Warehouse | 14 | 1 % | — | — % |
| Industrial | 115 | 7 % | 93 | 5 % |
| Retail | 2 | — % | 10 | 1 % |
| Other property types | 33 | 2 % | 63 | 4 % |
| **Total by property type** | **$ 1,641** | **100 %** | **$ 1,728** | **100 %** |

## Allowance for loan losses

Changes in the allowance for loan losses are summarized below:

| | Year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Commercial mortgage loans | Residential mortgage loans | Consumer and other loan receivables | Total |
| *($ in millions)* | | | | |
| **Balance, at beginning of period** | **$ 9** | **9** | **—** | **$ 18** |
| Net provision (release) | 4 | (2) | — | 2 |
| **Balance, as of end of period** | **$ 13** | **7** | **—** | **$ 20** |

| | Year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Commercial mortgage loans | Residential mortgage loans | Consumer and other loan receivables | Total |
| *($ in millions)* | | | | |
| **Balance, at beginning of period** | **$ —** | **$ 8** | **$ —** | **$ 8** |
| Net provision (release) | 9 | 1 | — | 10 |
| **Balance, as of end of period** | **$ 9** | **$ 9** | **$ —** | **$ 18** |

## Credit quality indicators

### *Mortgage and loan receivable performance status*

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

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| Performance status | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Total |
| *($ in millions)* | | | | | | | |
| **Commercial mortgage loans** | | | | | | | |
| Current | $ 55 | $ 338 | $ 630 | $ — | $ 79 | $ 3 | $ 1,105 |
| 30 to 59 days past due | — | — | — | — | — | — | — |
| 60 to 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |
| **Total commercial mortgage loans** | **$ 55** | **$ 338** | **$ 630** | **$ —** | **$ 79** | **$ 3** | **$ 1,105** |
| **Residential mortgage loans** | | | | | | | |
| Current | $ 28 | $ 100 | $ 175 | $ 1 | $ 2 | $ 191 | $ 497 |
| 30 to 59 days past due | 1 | 1 | 2 | — | — | 10 | 14 |
| 60 to 89 days past due | — | — | — | — | — | 4 | 4 |
| Over 90 days past due | — | 2 | 4 | 2 | — | 13 | 21 |
| **Total residential mortgage loans** | **$ 29** | **$ 103** | **$ 181** | **$ 3** | **$ 2** | **$ 218** | **$ 536** |
| **Consumer and other loan receivables** | | | | | | | |
| Current | — | — | — | — | — | 5 | 5 |
| 30 to 59 days past due | — | — | — | — | — | — | — |
| 60 to 89 days past due | — | — | — | — | — | — | — |
| Over 90 days past due | — | — | — | — | — | — | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total consumer and other loan receivables** | — | — | — | — | — | 5 | 5 |
| **Total mortgage and other loan receivables** | $ 84 | $ 441 | $ 811 | $ 3 | $ 81 | $ 226 | $ 1,646 |

As of December 31, 2023 and 2022 the Company had $21 million and $24 million, respectively, of 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, 2023 and 2022 there were $21 million and $24 million, respectively, of mortgage loans that were non-income producing.

As of December 31, 2023 and 2022, the Company had no other loan receivables that were delinquent by more than 120 days or in default.

### 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, 2023 and 2022:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Loan-to-value** | **Carrying value** | **commercial mortgage loans** | **Carrying value** | **commercial mortgage loans** |
| *($ in millions, except percentages)* | | | | |
| 70% and less | $ 959 | 87 % | $ 879 | 81 % |
| 71% - 90% | 146 | 13 % | 189 | 18 % |
| Over 90% | — | — % | 8 | 1 % |
| **Total commercial mortgage loans** | **$ 1,105** | **100 %** | **$ 1,076** | **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 60% and 63% as of December 31, 2023 and 2022, respectively.

### Loan modification

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan.

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For both residential mortgage loans and consumer loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve deferral of missed payments to the end of the loan term, interest rate relief, or maturity extensions.

The table below presents the carrying value of loans to borrowers experiencing financial difficulty, for which modifications have been granted during the year ended December 31, 2023.

| Year ended December 31, 2023 by loan type | Deferral of Amounts Due | Interest Rate Relief | Maturity Extension | Combination(1) | Total | Percentage of total carrying value outstanding |
|---|---|---|---|---|---|---|
| ***($ in millions)*** | | | | | | |
| Residential mortgage loans | — | — | 4 | — | 4 | 1 % |
| **Total(2)** | **$ —** | **$ —** | **$ 4** | **$ —** | **$ 4** | |

(1) Includes modifications involving deferral of amounts due, interest rate relief and/or maturity extension.

(2) Loans may have been modified more than once during the year; in this circumstance, the loan is only included once in this table. In addition, certain loans that were modified in prior quarters have since been repaid in full.

The table below presents the performance status of the loans modified during the year ended December 31, 2023.

| Performance status as of December 31, 2023 by loan type | Current | 30-59 days past due | 60-89 days past due | 90 days or more past due or in process of foreclosure | Total |
|---|---|---|---|---|---|
| ***($ in millions)*** | | | | | |
| Residential mortgage loans | 2 | — | — | 2 | 4 |
| **Total** | **$ 2** | **$ —** | **$ —** | **$ 2** | **$ 4** |

## Other

As of December 31, 2023 and 2022, the Company had exposure to eight and zero issuers that exceeded 10% of equity, respectively. The value of the intercompany loan to an affilate Global Atlantic (Fin) Company was $184 million and $334 million as of  December 31, 2023 and 2022, respectively. The value of the intercompany loan to an affilate Commonwealth Annuity and Life Insurance Company was $180 million and $0 million as of  December 31, 2023 and 2022, respectively.

The intercompany loans are included in other assets in the balance sheet.

## Net investment income

Net investment income is comprised primarily of interest income, including amortization of premiums and accretion of discounts, based on yields which change due to expectations in projected cash flows, The components of net investment income were as follows:

| | Year ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| *($ in millions)* | | |
| Fixed maturity securities - interest and other income | $ 352 | $ 336 |
| Mortgage and other loan receivables | 83 | 63 |
| Income ceded to funds withheld payable at interest | (93) | (80) |
| Short-term and other investment income | 29 | 5 |
| **Gross investment income[1]** | **$ 371** | **$ 324** |
| Less investment expenses: | | |
| Investment management and administration | **$ 35** | **$ 35** |
| **Net investment income** | **$ 336** | **$ 289** |

## Net investment gains (losses)

Net investment gains (losses) were as follows:

| | Year ended | |
|---|---|---|
| ($ in millions) | December 31, 2023 | December 31, 2022 |
| Realized gains (losses) on available-for-sale fixed maturity debt securities | (74) | (68) |
| Credit loss allowances on AFS securities | (12) | (10) |
| Allowance for loan losses | (3) | (10) |
| Other-than-temporary impairments | (3) | — |
| Trading fixed maturity securities | 88 | (682) |
| Net gains (losses) on derivative instruments | 1,630 | (1,215) |
| Funds withheld at interest ceded | 11 | 31 |
| Other realized gains (losses) | — | 1 |
| **Net investment gains (losses)** | **$ 1,637** | **$ (1,953)** |

## 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:

| | Year ended | |
|---|---|---|
| ($ in millions) | December 31, 2023 | December 31, 2022 |
| **AFS fixed maturity securities:** | | |
| Proceeds from voluntary sales | 176 | 415 |
| Gross gains | 3 | 1 |
| Gross losses | (74) | (69) |

# 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. In addition, the Company issues Synthetic GICs which are reported as derivative instruments on the balance sheets, and valued as total return swaps.

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 payable at interest in the balance sheets.

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

| As of December 31, 2023 | Notional value | | Derivative assets | | Derivative liabilities | |
|---|---|---|---|---|---|---|
| *($ in millions)* | | | | | | |
| Derivative contracts | | | | | | |
| Interest rate swaps | $ | 360 | | | $ | 13 |
| Total return swaps | $ | — | $ | 56 | $ | — |
| **Fair value included within total assets** | | | **$** | **56** | | |
| Embedded derivative – funds withheld at interest | | | | | $ | (642) |
| **Fair value included within total liabilities** | | | | | **$** | **(629)** |

| As of December 31, 2022 | Notional value | | Derivative assets | | Derivative liabilities | |
|---|---|---|---|---|---|---|
| *($ in millions)* | | | | | | |
| Derivative contracts | | | | | | |
| **Fair value included within total assets** | | | **$** | **—** | | |
| Interest rate swaps | $ | 213 | | | $ | 3 |
| Total return swaps | $ | 14,671 | | | $ | 1,478 |
| Embedded derivative – funds withheld at interest | | | | | $ | (736) |
| **Fair value included within total liabilities** | | | | | **$** | **745** |

The Company has designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in cash flow hedges. Regression analysis is used to assess the effectiveness of these hedges. As of December 31, 2023 and 2022, there was a cumulative (loss) gain of $(11) million and $(1) million on the bond forwards recorded in accumulated other comprehensive loss, respectively. Amounts deferred in accumulated other comprehensive loss are reclassified to net investment income following the qualifying purchases of AFS securities, as an adjustment to the yield earned over the life of the purchased securities, using the effective interest method. The Company estimates that the amount of gains/losses in accumulated other comprehensive (loss) income to be reclassified into net income in the next 12 months will not be material.

The amounts of derivative gains and losses recognized for year ended December 31, 2023 and 2022, respectively, are reported in the statements of income as follows:

| Derivative contracts not designated as hedges | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| **($ in millions)** | | | | |
| **Other investment gains (losses)** | | | | |
| Interest rate swaps | $ | (9) | $ | (3) |
| Total return swaps | $ | 1,733 | $ | (1,896) |
| Embedded derivative – funds withheld at interest | | (94) | | 681 |
| **Total included in net other investment gains (losses)** | **$** | **1,630** | **$** | **(1,218)** |

## 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, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| **Assets:** | | | | |
| **AFS fixed maturity securities:** | | | | |
| U.S. government and agencies | $ 51 | $ 42 | $ — | $ 93 |
| U.S. state, municipal and political subdivisions | — | 227 | — | 227 |
| Corporate | — | 2,506 | 175 | 2,681 |
| Structured securities | — | 1,991 | 84 | 2,075 |
| **Total AFS fixed maturity securities** | **$ 51** | **$ 4,766** | **$ 259** | **$ 5,076** |
| **Trading fixed maturity securities:** | | | | |
| U.S. government and agencies | $ — | $ 42 | $ — | $ 42 |
| U.S. state, municipal and political subdivisions | — | 5 | — | 5 |
| Corporate | 1 | 1,347 | 117 | 1,465 |
| Structured securities | — | 112 | 4 | 116 |
| **Total trading fixed maturity securities** | **$ 1** | **$ 1,506** | **$ 121** | **$ 1,628** |
| **Total assets at fair value** | **$ 52** | **$ 6,272** | **$ 380** | **$ 6,704** |
| **Liabilities:** | | | | |
| Total return swaps | $ — | $ — | $ — | $ — |
| Interest rate swaps | — | 13 | — | 13 |
| Funds withheld payable at interest | — | — | (642) | (642) |
| **Total liabilities at fair value** | **$ —** | **$ 13** | **$ (642)** | **$ (629)** |

| As of December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| **Assets:** | | | | |
| **AFS fixed maturity securities:** | | | | |
| U.S. government and agency securities | $ 27 | $ 40 | $ — | $ 67 |
| U.S. state, municipal and political subdivisions | — | 246 | — | 246 |
| Corporate | — | 2,457 | 179 | 2,636 |
| Structured securities | — | 2,658 | 111 | 2,769 |
| **Total AFS fixed maturity securities** | **27** | **5,401** | **290** | **5,718** |
| **Trading fixed maturity securities:** | | | | |
| U.S. government and agencies | $ — | $ 40 | $ — | $ 40 |
| U.S. state, municipal and political subdivisions | — | 9 | — | 9 |
| Corporate | — | 1,255 | 118 | 1,373 |
| Structured securities | — | 118 | 31 | 149 |
| **Total trading fixed maturity securities** | **$ —** | **$ 1,422** | **$ 149** | **$ 1,571** |
| **Total assets at fair value** | **$ 27** | **$ 6,823** | **$ 439** | **$ 7,289** |
| **Liabilities:** | | | | |
| Total return swaps | $ — | $ — | $ 1,478 | $ 1,478 |
| Interest rate swaps | — | 3 | — | 3 |
| Funds withheld payable at interest | — | — | (736) | (736) |
| **Total liabilities at fair value** | **$ —** | **$ 3** | **$ 742** | **$ 745** |

## 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,Secured Overnight Financing Rate, or "SOFR" 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.

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

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.

## 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, 2023 and 2022:

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| Level 3 assets (1) | 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 fixed maturity securities | 292 | Discounted cash flows - discount spread | 1.75% - 4.01.% (WA 3.83%) | Decrease |
| Structured securities | 88 | Discounted cash flows - discount spread | 3.31% - 4.33% (WA 3.32%) | Decrease |
| | | Discounted cash flows - constant prepayment rate | 5.00% - 15.00% (WA 15.0%) | Increase/ Decrease |
| | | Discounted cash flows - constant default rate | 1.00% - 2.50% (WA 1.02%) | Decrease |
| | | Discounted cash flows - loss severity | 100% - 100% (WA 100%) | Decrease |

(1) The funds withheld receivable and payable at interest have been excluded from the above table. The funds withheld receivable and payable at interest are created through funds withheld contracts. A majority of the the assets supporting these receivables and payables were held in trusts and are part of the respective counterparty's balance sheet. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements on the Company's consolidated balance sheets.

| | As of December 31, 2022 | | | |
|---|---|---|---|---|
| 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 fixed maturity securities | 281 | Discounted cash flows - discount spread | 2.14% - 4.57% (WA 3.91%) | Decrease |
| Structured securities | 9 | Discounted cash flows - discount spread | 3.13% - 4.57% (WA 3.18%) | Decrease |
| | | Discounted cash flows - constant prepayment rate | 5.00% - 15.00% (WA 15.0%) | Increase/ Decrease |
| | | Discounted cash flows - constant default rate | 1.00% - 2.50% (WA 1.08%) | Decrease |
| | | Discounted cash flows - loss severity | 100% - 100% (WA 100%) | Decrease |

(1) The funds withheld receivable and payable at interest have been excluded from the above table. The funds withheld receivable and payable at interest are created through funds withheld contracts. A majority of the the assets supporting these receivables and payables were held in trusts and are part of the

respective counterparty's balance sheet. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements on the Company's consolidated balance sheets.

| As of December 31, 2022 | | | | |
|---|---|---|---|---|
| **Level 3 liabilities** | **Level 3 liabilities ($ 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** |
| Total return swap | 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 |

(1) The funds withheld receivable and payable at interest have been excluded from the above table. The funds withheld receivable and payable at interest are created through funds withheld contracts. A majority of the the assets supporting these receivables and payables were held in trusts and are part of the respective counterparty's balance sheet. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements on the Company's consolidated balance sheets.

### 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, 2023 and 2022, 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, 2023 and 2022:

| Year ended December 31, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Net realized and unrealized gains /losses included in | | | | | Total unrealized gains / losses included in | |
| ($ in millions) | Beginning Balance | Income | OCI | Net settlements/ purchases | Transfers into / (out) of Level 3 | Ending balance | Income(1) | OCI(1) |
| **Assets:** | | | | | | | | |
| **AFS fixed maturity securities:** | | | | | | | | |
| Corporate fixed maturity securities | 179 | — | (4) | — | — | 175 | — | (3) |
| Structured securities | 111 | — | 16 | (7) | (36) | 84 | — | 15 |
| **Total AFS fixed maturity securities** | **290** | **—** | **12** | **(7)** | **(36)** | **259** | **—** | **12** |
| Trading fixed maturity securities: | | | | | | | | |
| Corporate fixed maturity securities | 118 | — | (4) | 3 | — | 117 | (4) | — |
| Structured securities | 31 | — | (1) | (26) | — | 4 | 5 | — |
| **Total trading fixed maturity securities** | **149** | **—** | **(5)** | **(23)** | **—** | **121** | **1** | **—** |
| Mortgage and other loan receivables | — | — | — | — | — | — | | |
| **Total assets** | **$ 439** | **$ —** | **$ 7** | **$ (30)** | **$ (36)** | **$ 380** | **$ —** | **$ —** |
| **Liabilities:** | | | | | | | | |
| Total Return Swaps | 1,480 | (1,480) | — | — | — | — | — | — |
| Funds withheld payable at interest | (736) | 94 | — | — | — | (642) | — | — |
| **Total liabilities** | **$ 746** | **$ (1,386)** | **$ —** | **$ —** | **$ —** | **$ (642)** | **$ —** | **$ —** |

| Year ended December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| | | 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:** | | | | | | |
| **AFS fixed maturity securities:** | | | | | | |
| Corporate fixed maturity securities | 212 | — | (23) | (10) | — | 179 |
| Structured securities | 166 | — | (14) | (45) | 4 | 111 |
| **Total AFS fixed maturity securities** | **378** | **—** | **(37)** | **(55)** | **4** | **290** |
| Trading fixed maturity securities: | | | | | | |
| Corporate fixed maturity securities | 41 | — | (11) | 88 | — | 118 |
| Structured securities | 36 | — | (6) | 1 | — | 31 |
| **Total trading fixed maturity securities** | **77** | **—** | **(17)** | **89** | **—** | **149** |
| Mortgage and other loan receivables | — | — | — | — | — | — |
| Total return swap | 555 | (555) | — | — | — | — |

| Year ended December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| | | 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 |
| **Total assets** | **$ 1,010** | **$ (555)** | **$ (54)** | **$ 34** | **$ 4** | **$ 439** |
| **Liabilities:** | | | | | | |
| Interest rate swaps | $ — | $ 1 | $ 1 | — | — | 2 |
| Total return swaps | — | 1,480 | — | — | — | 1,480 |
| Funds withheld payable at interest | (54) | (682) | — | — | — | (736) |
| **Total liabilities** | **$ (54)** | **$ 799** | **$ 1** | **$ —** | **$ —** | **$ 746** |

| Year ended December 31, 2023<br>($ in millions) | Purchases | Sales | Settlements | Net settlements / purchases |
|---|---|---|---|---|
| **Assets:** | | | | |
| **AFS fixed maturity securities:** | | | | |
| U.S. government and agencies | $ — | $ — | $ — | $ — |
| Corporate fixed maturity securities | 8 | — | (8) | — |
| Structured securities | 2 | — | (9) | (7) |
| **Total AFS fixed maturity securities** | **$ 10** | **—** | **$ (17)** | **$ (7)** |
| Corporate fixed maturity securities | 7 | — | (4) | 3 |
| Structured securities | 4 | (30) | — | (26) |
| **Total Trading fixed maturity securities:** | **$ 11** | **(30)** | **$ (4)** | **$ (23)** |
| Mortgage and other loan receivables | — | — | — | — |
| Total return swap | — | — | — | — |
| **Total assets** | **$ 21** | **$ —** | **$ (21)** | **$ (30)** |

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| Year ended December 31, 2022<br>($ in millions) | Purchases | Settlements | Net settlements / purchases |
|---|---|---|---|
| **Assets:** | | | |
| **AFS fixed maturity securities:** | | | |
| U.S. government and agencies | $ — | $ — | $ — |
| Corporate fixed maturity securities | 111 | (121) | (10) |
| Structured securities | 1 | (46) | (45) |
| **Total AFS fixed maturity securities** | **$ 112** | **$ (167)** | **$ (55)** |
| Corporate fixed maturity securities | 98 | (10) | 88 |
| Structured securities | 1 | — | 1 |
| **Total Trading fixed maturity securities:** | **$ 99** | **$ (10)** | **$ 89** |
| Mortgage and other loan receivables | — | — | — |
| Total return swap | — | — | — |
| **Total assets** | **$ 211** | **$ (177)** | **$ 34** |

# 6. Insurance intangibles

## Value of business acquired

The following tables reflect the value of business acquired, or "VOBA" asset roll-forward for the Guaranteed investment contracts for the year ended December 31, 2023 and 2022:

| | Year ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| ($ in millions) | | |
| **Balance, as of beginning of period** | **$ 63** | **$ 147** |
| Amortized to expense during the period[1] | (21) | (28) |
| Adjustment for VOBA Write-off[2] | — | (56) |
| **Balance, as of end of period** | **$ 42** | **$ 63** |

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

Estimated future amortization of VOBA as of December 31, 2023 is as follows:

| Years | VOBA |
|---|---|
| ($ in millions) | |
| 2024 | $ 14 |
| 2025 | 12 |
| 2026 | 8 |
| 2027 | 5 |
| 2028 | 3 |
| 2029 and thereafter | — |
| **Total** | **$ 42** |

# 7. Policy liabilities

## Future policy benefits, contractholder deposit funds and other policy liabilities

The following reflects the reconciliation of the components of policyholder liabilities to the total balance reported in the balance sheets as of December 31, 2023 and 2022:

| ($ in millions) | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Policyholders' account balances[1] | $ 5,150 | $ 5,053 |
| Guaranteed investment contract | 3,899 | 4,769 |
| Other policy-related liabilities[2] | 2 | — |
| **Total policyholder liabilities** | **$ 9,051** | **$ 9,822** |

(1) Policyholders' account balances includes certain reinsured life policies where mortality risk is retained by the ceding company

(2) Other policy-related liabilities as of December 31, 2023 and 2022 primarily consists of cost of reinsurance liabilities ($2 million and $— million, respectively.) associated with Monthly Renewable Term reinsured

## Policyholders' account balances

The following reflects the policyholders' account balances roll-forward for the year ended December 31, 2023 and 2022, and the policyholders' account balances, weighted average interest rates, net amount at risk, and cash surrender value (all net of any applicable reinsurance) as of those dates:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| ***($ in millions)*** | **Fixed rate annuities** | **Interest sensitive life** | **Total** |
| **Balance as of the beginning of the period** | **$ 154** | **$ 4,899** | **$ 5,053** |
| Issuances and premiums received | 167 | 93 | 260 |
| Benefit payments, surrenders, and withdrawals | (2) | (197) | (199) |
| Interest[1] | 7 | 100 | 107 |
| Other activity[2] | (6) | (65) | (71) |
| **Balance as of the end of the period** | **320** | **4,830** | **5,150** |
| Less: reinsurance recoverable | (106) | (2,442) | (2,548) |
| **Balance as of the end of the period, net of reinsurance recoverable** | **$ 214** | **$ 2,388** | **$ 2,602** |
| Weighted average interest rate | 4.88 % | 2.00 % | 2.11 % |
| Net amount at risk, gross of reinsurance | — | — | — |
| Cash surrender value[3] | 218 | 1,777 | 1,995 |

(1) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values.

(2) "Other activity" includes policy charges, fees and commissions, transfers, assumption changes, fair value changes and the impact of hedge fair value adjustments.

(3) Cash surrender values are reported net of any applicable surrender charges, net of reinsurance.

| ($ in millions) | Year ended December 31, 2022 Fixed rate annuities | Interest sensitive life | Total |
|---|---|---|---|
| **Balance as of the beginning of the period** | **$ —** | **$ 4,780** | **$ 4,780** |
| Issuances and premiums received | 153 | 263 | 416 |
| Benefit payments, surrenders, and withdrawals | — | (159) | (159) |
| Interest(1) | 1 | 95 | 96 |
| Other activity(2) | — | (80) | (80) |
| **Balance as of the end of the period** | **154** | **4,899** | **5,053** |
| Less: reinsurance recoverable | — | (2,368) | (2,368) |
| **Balance as of the end of the period, net of reinsurance** | **$ 154** | **$ 2,531** | **$ 2,685** |
| | | | |
| Weighted average interest rate | 4.50 % | 2.00 % | 2.08 % |
| Net amount at risk, gross of reinsurance | — | — | — |
| Cash surrender value(3) | 141 | 1,727 | 1,869 |

(1) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values.

(2) "Other activity" includes policy charges, fees and commissions, transfers, assumption changes, fair value changes and the impact of hedge fair value adjustments.

(3) Cash surrender values are reported net of any applicable surrender charges, net of reinsurance.

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums:

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Account values with adjustable crediting rates subject to guaranteed minimums: | | | | | |
| Range of guaranteed minimum crediting rates: | At guaranteed minimum | 1 - 49 bps above guaranteed minimum | 50 - 99 bps above guaranteed minimum | 100 - 150 bps above guaranteed minimum | Greater than 150 bps above guaranteed minimum | Total |
| | ($ in millions, except for percentages) | | | | | |
| Less than 1.00% | $ 363 | $ — | $ — | $ — | $ — | $ 363 |
| 1.00% - 1.99% | — | — | — | — | — | — |
| 2.00% - 2.99% | — | — | 37 | — | 180 | 217 |
| 3.00% - 4.00% | — | — | — | — | — | — |
| Greater than 4.00% | — | — | — | — | — | — |
| **Total** | **$ 363** | **$ —** | **$ 37** | **$ —** | **$ 180** | **$ 580** |
| Percentage of total | 63 % | — % | 6 % | — % | 31 % | 100 % |

| Range of guaranteed minimum crediting rates: | At guaranteed minimum | 1 - 49 bps above guaranteed minimum | 50 - 99 bps above guaranteed minimum | 100 - 150 bps above guaranteed minimum | Greater than 150 bps above guaranteed minimum | Total |
|---|---|---|---|---|---|---|
| | As of December 31, 2022 — Account values with adjustable crediting rates subject to guaranteed minimums: | | | | | |
| | ($ in millions, except for percentages) | | | | | |
| Less than 1.00% | $ 141 | $ — | $ — | $ — | $ — | $ 141 |
| 1.00% - 1.99% | — | — | — | — | — | — |
| 2.00% - 2.99% | — | — | — | — | — | — |
| 3.00% - 4.00% | — | — | — | — | — | — |
| Greater than 4.00% | — | — | — | — | — | — |
| **Total** | **$ 141** | **$ —** | **$ —** | **$ —** | **$ —** | **$ 141** |
| Percentage of total | 100 % | — % | — % | — % | — % | 100 % |

# 8. Reinsurance

The Company maintains reinsurance treaties with third parties whereby the Company assumes whole life and universal life on a coinsurance basis, and universal life, on a Monthly Renewal Term, or “MRT,” reinsurance basis.

Effective August 24, 2023, the Company entered into a reinsurance agreement with a third party whereby it assumed a series of 3-year and 5-year fixed rate endowment policies for a combined total of $166 million .

Effective March 31, 2022, the Company entered into a coinsurance agreement with a third party whereby it assumed approximately $163 million of universal life policies. Mortality risk was not transferred and as a result, the contract is accounted for using deposit accounting.

Effective May 30, 2022 and September 20, 2022, the Company entered into 2 coinsurance agreements with a third party whereby it assumed a combined $153 million of 3-year fixed rate endowment policies. Mortality risk was not transferred and as a result, the contract is accounted for using deposit accounting.

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

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| *($ in millions)* | | |
| **Policy liabilities:** | | |
| Assumed | 5,152 | 5,055 |
| **Total policy liabilities(1)** | **$ 5,152** | **$ 5,055** |
| Ceded(2) | (2,546) | (2,365) |
| **Net policy liabilities** | **$ 2,606** | **$ 2,690** |

(1) Total policy liabilities excludes the GICs contract issued to Global Atlantic Re in the amount of $3,899 million and $4,767 million as of December 31,2023 and 2022, respectively

(2) Reported within reinsurance recoverable in the 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, 2023 | | |
|---|---|---|---|
| A.M. Best Rating(1) | Reinsurance recoverable and funds withheld receivable at interest(2) | Credit enhancements(3) | Net reinsurance credit exposure(5) |
| *($ in millions)* | | | |
| A | 1 | — | 1 |
| Not rated or private rating(4) | 2,553 | 1,988 | 565 |
| **Total** | **$ 2,554** | **$ 1,988** | **$ 566** |

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

(2) At amortized cost, excluding any associated embedded derivative assets and liabilities

(3) Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

(4) Includes $2.6 billion associated with cessions to certain co-investment vehicles (the "sponsored reinsurance sidecar vehicles") that participate in qualifying reinsurance transactions sourced by the Company.

(5) Includes credit loss allowance of $8.2 million as of December 31, 2023, held against reinsurance recoverable.

| | As of December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| A.M. Best Rating[1] | Reinsurance recoverable and funds withheld receivable at interest[2] | | Credit enhancements[3] | | Net reinsurance credit exposure[5] | |
| ($ in millions) | | | | | | |
| Not rated or private rating [4] | | 2,372 | | 1,735 | | 637 |
| **Total** | **$** | **2,372** | **$** | **1,735** | **$** | **637** |

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

(2) At amortized cost, excluding any associated embedded derivative assets and liabilities

(3) Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

(4) Includes $2.4 billion associated with cessions to Ivy Re Limited, a Bermuda insurance company, and a subsidiary of Ivy Co-Invest Vehicle LLC, an unaffiliated co-investment vehicle that participates in qualifying reinsurance transactions sourced by the Company.

(5) Includes credit loss allowance of $7.3 million as of December 31, 2022, held against reinsurance recoverable.

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

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| ($ in millions) | | | | |
| **Premiums:** | | | | |
| Assumed | $ | 37 | $ | 36 |
| Ceded | | (6) | | (6) |
| **Net premiums** | **$** | **31** | **$** | **30** |

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| ($ in millions) | | | | |
| **Policy benefits and claims:** | | | | |
| Assumed | | 137 | | 122 |
| Ceded | | (58) | | (50) |
| **Net policy benefits and claims[1]** | **$** | **79** | **$** | **72** |

(1) Net policy benefits and claims excludes the GICs contract issued to Global Atlantic Re in the amount of $116 million and $71 million as of December 31,2023 and 2022, respectively

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $2.6 billion of collateral on behalf of our reinsurers as of December 31, 2023. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of December 31, 2023, these trusts were required to hold, and held in excess of, $5.3 billion of assets to support reserves of $5.2 billion.

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

Other assets consist of the following:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| *($ in millions)* | | | | |
| Premiums and other account receivables | | 4 | $ | 4 |
| Miscellaneous assets[1] | | 364 | | 334 |
| Investments in process of settlement | | 35 | | 52 |
| **Total other assets** | **$** | **403** | **$** | **390** |

(1) Includes related party notes receivable of $364 million and $334 million as of December 31, 2023 and 2022.

Accrued expenses and other liabilities consist of the following:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *($ in millions)* | | | | |
| Accrued employee related expenses and Other | | 6 | | 7 |
| Investments in process of settlement | | — | | 25 |
| Miscellaneous accrued expenses and liabilities | | — | | 1 |
| **Total accrued expenses and other liabilities** | **$** | **6** | **$** | **33** |

Other Income consists of the following:

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| *($ in millions)* | | | | |
| Reinsurance fee income | | 2 | | — |
| **Total other income** | **$** | **2** | **$** | **—** |

Insurance expenses consist of the following:

| | Year ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| *($ in millions)* | | | | |
| Commission expense | | 6 | | 4 |
| Reinsurance expense allowance | | 5 | | 4 |
| **Total insurance expenses** | **$** | **11** | **$** | **8** |

General, administrative and other expenses expenses consist of the following:

| | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| *($ in millions)* | | |
| Employee-related expenses | $ 10 | $ 11 |
| Administrative and professional services | 3 | 2 |
| Miscellaneous operating expenses | (6) | (6) |
| **Total general, administrative and other expenses** | **$ 7** | **$ 7** |

## 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, 2023.

In 2023, the Company returned capital amounting to $313 million to its parent. In 2022, the Company received capital contributions from its parent of $184 million.

## 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, 2023 and 2022 were as follows:

| Components of accumulated other comprehensive income (loss) | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| *($ in millions)* | | |
| **Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:** | | |
| Net unrealized investment gains (losses) | (83) | (77) |
| **Net unrealized investment (losses) gains, reclassified** | **$ (83)** | **$ (77)** |

## 12. Income taxes

As a Bermuda-based company, the Company is not subject to U.S. federal income taxes.

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.

On December 27, 2023, Bermuda enacted the Corporate Income Tax Act 2023 (the "CIT"). The CIT introduces a 15% corporate income tax rate, effective for tax years beginning on or after January 1, 2025. Section 9(2)(b) of Part 3 of the CIT excludes an entity from the scope of the corporate income tax that is less than 80% owned by any ultimate parent entity. As December 31, 2023, Global Atlantic was less than 80% owned by KKR. For this reason, the Company has not accrued any deferred tax expense or benefit relating to the CIT as of December 31, 2023.

## 13. Dividend restrictions and statutory information

### Bermuda

The Bermuda Insurance Act limits the ability of the Company 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, the Company must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda, at least seven days prior to payment of any dividend which would exceed 25% of the Company'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, the Company 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 the Company 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 Company has failed to meet its minimum solvency margin on the last day of any financial year, the Company will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. The Company is 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, 2023, as a Class E insurer, the Company has a minimum solvency margin of approximately $143 million. The Company has met its minimum solvency margin and minimum liquidity ratio and exceeded its enhanced capital requirements at December 31, 2023.

### 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 report the GIC as a reinsurance contract 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.

The Company's statutory net (loss) and income was $(144) million and $124 million for the years ended December 31, 2023 and 2022, respectively. See below for the company's statutory capital and surplus as of December 31, 2023 and 2022.

## 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, 2023 | As of December 31, 2022 |
|---|---|---|
| Enhanced capital requirement (unaudited) | 235 | 720 |
| Available statutory economic capital and surplus (unaudited) | 1,411 | 2,427 |
| Statutory capital and surplus | 740 | 901 |

The Bermuda Insurance Act also requires the Company to maintain certain measures of solvency and liquidity. The Bermuda statutory financial statements form the basis for assessing the Company's 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 Company's enhanced capital requirement.

## 14. Related party transactions

The Company has investment management service agreements with KKR. KKR provides investment management services across the Company. The Company recorded expenses for these agreements of $22 million and $21 million for the year ended December 31, 2023 and 2022, respectively.

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. The Company recorded expenses of $16 million and $17 million for year ended December 31, 2023 and 2022, respectively. The Company had $3 million and $4 million payable as of December 31, 2023 and 2022.

On April 2, 2018, the Company issued a series of GICs to Global Atlantic Re, for a combined principal amount of $5 billion in exchange the Company pays a guaranteed rate of return to Global Atlantic Re. Pursuant to the issuance of the GICs, the assets received by the Company were deposited in a trust, for the benefit of Global Atlantic Re. Subsequent to the initial GIC issuance, certain GICs have rolled over or matured. During 2022, full or partial maturities were completed and one GIC was extended at the existing terms. On October 1, 2022, three additional GICs were restructured and the Company determined that one of the restructured GICs was an extinguishment of contract. During 2023, one of the restructured GICs fully matured.

The Company recorded interest expense of $136 million and $148 million for years ended December 31, 2023 and 2022, respectively. The carrying value of the GICs, including accrued interest of $278 million was $3.9 billion as of December 31, 2023. The carrying value of the GICs, including accrued interest of $374 million was $4.8 billion as of December 31, 2022.

On November 3, 2023, the Company's affiliate Commonwealth Annuity and Life Insurance Company entered into a $100 million loan with the Company. The loan had an original maturity date of January 31 2024 which was extended to June 28, 2024 and an original annual interest rate of 5.23% which was adjusted to 4.66%

On June 22, 2023, the Company's affiliate Commonwealth Annuity and Life Insurance Company entered into a $80 million loan with the Company. The loan had an orignal maturity date of July 6 2023 which was extended to June 28, 2024 and an original annual interest rate of 4.36% which was adjusted to 4.66%

On December 27, 2022, Global Atlantic (Fin) Company entered into a $184 million loan with the Company. The loan has a maturity date of December 31, 2027 and annual interest rate of 4.21%

On September 30, 2022, Global Atlantic (Fin) Company entered into a $150 million loan with the Company. The loan had a maturity date of September 30, 2025 and annual interest rate of 3.03%. On December 29, 2023 the loan was repaid in full, with interest.

The Company issued a series of Synthetic GICs to Global Atlantic Re, in which the actual investment returns paid to Global Atlantic Re on the funds withheld portfolios is transferred to the Company. In exchange, the Company pays a fixed crediting rate to Global Atlantic Re. During the course of 2023 all Synthetic GICs were unwound in accordance with the termination provisions in these contracts. As at December 31, 2023 all GIC unwinds had been executed.

For the years ended December 31, 2023 and 2022, the Company recorded derivative income of $1.7 billion and derivative expense of $1.9 billion, respectively, and had $56 million derivative receivable and $1.5 billion derivative payable as of December 31, 2023 and 2022, respectively. December 31, 2023 reflects the impact of the termination where the Company released $1.7 billion of derivative liabilities and recorded a net investment gain of $1.7 billion.

# 15. Commitments and contingencies

## Commitments

The Company has commitments to purchase or fund investments of $136 million and $142 million as of December 31, 2023 and 2022. 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.For those commitments that represent a contractual obligation to extend credit, the Company has recorded a liability of $1 million and $1 million for current expected credit losses as of December 31, 2023 and 2022.

### Legal matters

The Company is involved from time to time in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. 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. Subsequent events

The Company evaluated all events and transactions through April 24, 2024, the date the accompanying financial statements were available to be issued, that would merit recognition or disclosures in the financial statements, and and the transactions identified are disclosed below.

On January 2, 2024, KKR acquired all of the remaining minority equity interests of Global Atlantic that KKR did not already own. At the closing of the transaction (the “Closing”), Global Atlantic became a wholly-owned subsidiary of KKR.

On January 3rd, 2024 the Company returned $150m of capital to it’s parent.