Athene Co-Invest Reinsurance Affiliate 1B Ltd.

Financial Statements
Years ended December 31, 2023 and December 31, 2022

Athene Co-Invest Reinsurance Affiliate 1B Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Athene Co-Invest Reinsurance Affiliate 1B Ltd.

Opinion

We have audited the financial statements of Athene Co-Invest Reinsurance Affiliate 1B Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, stockholders' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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In performing an audit in accordance with GAAS, we:

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

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

Deloitte Ltd.

April 19, 2024

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Balance Sheets

	December 31,	
(In thousands)	2023	2022
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2023 – $242,871 and 2022 – $327,669; allowance for credit losses: 2023 – $0 and 2022 – $0)	$ 210,946	$ 269,403
Mortgage loans, at fair value	2,833	2,599
Derivative assets	10,766	13,515
Total investments	224,545	285,517
Cash and cash equivalents	83,845	194,520
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2023 – $41,147 and 2022 – $41,599)	37,450	34,568
Investment funds (portion at fair value: 2023 – $735 and 2022 – $767)	735	767
Funds withheld at interest (portion at fair value: 2023 – $(2,753,138) and 2022 – $(3,514,198))	35,748,364	29,022,664
Accrued investment income (related party: 2023 – $433 and 2022 – $433)	3,460	3,556
Deferred acquisition costs and deferred sales inducements	181,141	203,973
Other assets (related party: 2023 – $264,174 and 2022 – $76,927; portion at fair value: 2023 – $261 and 2022 – $37,727)	740,471	250,425
Total assets	$ 37,020,011	$ 29,995,990
Liabilities and Equity (Deficit)		
Liabilities		
Interest sensitive contract liabilities (related party: 2023 – $9,701,140 and 2022 – $9,286,869; portion at fair value: 2023 – $234,739 and 2022 – $207,904)	$ 9,701,140	$ 9,286,869
Future policy benefits (related party: 2023 – $25,441,213 and 2022 – $19,783,455)	25,441,213	19,783,455
Market risk benefits (related party: 2023 – $18,062 and 2022 – $9,191)	18,062	9,191
Intercompany notes payable	991,982	389,100
Derivative liabilities	131	—
Payables for collateral on derivatives	10,540	14,100
Other liabilities (related party: 2023 – $2,001,834 and 2022 – $1,257,993; portion at fair value: 2023 – $1,982,836 and 2022 – $989,756)	2,027,672	1,259,408
Total liabilities	38,190,740	30,742,123
Commitments and Contingencies (Note 14)		
Equity (Deficit)		
Common shares - par value $1.00 per share; authorized: 2023 and 2022 - 250,000 shares; issued and outstanding: 2023 and 2022 - 250,000 shares	250	250
Additional paid-in capital	(407,565)	(407,565)
Retained earnings (accumulated deficit)	(2,793,647)	(3,037,818)
Accumulated other comprehensive income (related party: 2023 – $2,514,433 and 2022 – $3,376,959)	2,030,233	2,699,000
Total shareholders' equity (deficit)	(1,170,729)	(746,133)
Total liabilities and equity	$ 37,020,011	$ 29,995,990

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Income (Loss)

(In thousands)	Years ended December 31, 2023	2022
Revenues		
Premiums (related party: 2023 - $5,924,470 and 2022 - $8,661,632)	$ 5,924,470	$ 8,661,632
Product charges (related party: 2023 - $14,483 and 2022 - $5,581)	14,483	5,581
Net investment income (related party investment income: 2023 – $1,437,896 and 2022 – $1,067,824) ;and related party investment expense: 2023 – $41,729 and 2022 – $22,190)	1,414,725	1,060,530
Investment related gains (losses) (related party: 2023 - $1,247,823 and 2022 - $(3,681,716))	694,894	(3,430,090)
Other revenues (losses) (related party: 2023 - $(313,670) and 2022 - $96,547)	(313,670)	96,547
Total revenues	7,734,902	6,394,200
Benefits and expenses		
Interest sensitive contract benefits (related party: 2023 - $478,282 and 2022 - $155,414)	478,282	155,414
Future policy and other policy benefits (related party: 2023 – $6,851,849 and 2022 – $9,204,767) ;and remeasurement (gains) losses: 2023 – $165,531 and 2022 – $(4,469))	6,851,849	9,204,767
Market risk benefits remeasurement (gains) losses (related party: 2023 - $5,764 and 2022 - $(1,662))	5,764	(1,662)
Amortization of deferred acquisition costs and deferred sales inducements	22,910	8,343
Interest expense (related party: 2023 - $42,223 and 2022 - $11,776)	55,422	16,097
Policy and other operating expenses (related party: 2023 - $64,964 and 2022 - $129,781)	65,658	130,534
Change in fair value of investment contracts held at fair value (related party: 2023 - $100,347 and 2022 - $724,001)	100,347	724,001
Total benefits and expenses	7,580,232	10,237,494
Income (loss) before income taxes	154,670	(3,843,294)
Income tax benefit	(89,501)	(805,476)
Net income (loss)	$ 244,171	$ (3,037,818)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Comprehensive Income (Loss)

	Years ended December 31,	
(In thousands)	2023	2022
Net income (loss)	$ 244,171	$ (3,037,818)
Other comprehensive income (loss), before tax		
Unrealized investment gains (losses) on available-for-sale securities	27,086	(59,675)
Unrealized gains (losses) on hedging instruments	(1,343)	1,580
Remeasurement gains (losses) on future policy benefits related to discount rate	(868,339)	3,475,017
Remeasurement losses on market risk benefits related to credit risk	(3,944)	(466)
Other comprehensive income (loss), before tax	(846,540)	3,416,456
Income tax expense (benefit) related to other comprehensive loss	(177,773)	717,456
Other comprehensive income (loss)	(668,767)	2,699,000
Comprehensive loss	$ (424,596)	$ (338,818)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Equity

(In thousands)	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total shareholder's equity (deficit)
Balance at January 1, 2022	$ 250	$ (406,539)	$ —	$ —	$ (406,289)
Net loss	—	—	(3,037,818)	—	(3,037,818)
Other comprehensive income	—	—	—	2,699,000	2,699,000
Distribution to parent	—	(1,026)	—	—	(1,026)
Balance at December 31, 2022	250	(407,565)	(3,037,818)	2,699,000	(746,133)
Net income	—	—	244,171	—	244,171
Other comprehensive loss	—	—	—	(668,767)	(668,767)
Balance at December 31, 2023	$ 250	$ (407,565)	$ (2,793,647)	$ 2,030,233	$ (1,170,729)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Cash Flows

(In thousands)	Years ended December 31, 2023	2022
Cash flows from operating activities		
Net income (loss)	$ 244,171	$ (3,037,818)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of deferred acquisition costs and deferred sales inducements	22,910	8,343
Net amortization of net investment premiums, discounts and other (related party: 2023 - $440 and 2022 - $703)	688	703
Net investment income (related party: 2023 – $48 and 2022 – $0)	48	—
Net recognized (gains) losses on investments and derivatives (related party: 2023 - $(3) and 2022 - $2,159)	280	3,027
Policy acquisition costs deferred	(290)	(206,433)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2023 - $0 and 2022 - $8)	96	(1,583)
Interest sensitive contract liabilities (related party: 2023 - $289,725 and 2022 - $(370,596))	289,725	(370,596)
Future policy benefits and market risk benefits (related party: 2023 - $(1,093,280) and 2022 - $(790,828))	(1,093,280)	(790,828)
Funds withheld assets and liabilities (related party: 2023 - $(410,500) and 2022 - $4,279,475)	(410,500)	4,279,475
Other assets and liabilities	733,116	(19,725)
Net cash used in operating activities	$ (213,036)	$ (135,435)
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2023 - $114,401 and 2022 - $356,766)	$ 182,136	$ 399,811
Trading securities (related party: 2023 - $41,181 and 2022 - $272,832)	41,181	272,832
Mortgage loans (related party: 2023 - $0 and 2022 - $154,717)	—	154,717
Investment funds (related party: 2023 - $0 and 2022 - $187,588)	—	232,276
Derivative instruments and other invested assets (related party: 2023 - $0 and 2022 - $29,925)	—	29,925
Purchases of:		
Available-for-sale securities (related party: 2023 - $(114,387) and 2022 - $(280,320))	(114,387)	(281,396)
Trading securities (related party: 2023 - $(41,181) and 2022 - $(274,199))	(41,181)	(274,199)
Mortgage loans (related party: 2023 – $0 and 2022 – $0)	(318)	(710)
Investment funds (related party: 2023 - $(15) and 2022 - $(77,195))	(15)	(77,195)
Other investing activities, net	(395)	70
Net cash provided by investing activities	$ 67,021	$ 456,131
Cash flows from financing activities		
Repayment of intercompany notes payable	—	(266,112)
Net change in cash collateral posted for derivative transactions and securities to repurchase	(3,560)	7,330
Proceeds from intercompany notes payable	38,900	—
Net cash (used in) provided by financing activities	35,340	(258,782)
Net increase (decrease) in cash and cash equivalents	(110,675)	61,914
Cash and cash equivalents at beginning of year	194,520	132,606
Cash and cash equivalents at end of year	$ 83,845	$ 194,520
Supplementary information		
Cash (received) paid for taxes	$ (1,720)	$ (7,280)
Cash paid for interest	22,951	11,022
Non-cash transactions		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2023 - $9,335 and 2022 - $2,925,475)	9,335	2,925,475
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2023 - $184,830 and 2022 - $383,030)	184,830	383,030
Investments received from settlements on related party reinsurance agreements	302,813	20,454
Increase in invested assets and other assets and liabilities relating to reinsurance	286,853	122,638

(Concluded)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Notes to Financial Statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B, we, our, us or the Company), a Bermuda exempted company incorporated on November 9, 2018, is 100% owned by Athene Co-Invest Reinsurance Affiliate L.P. (ACRA LP), a Delaware limited partnership. Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A) owns 99% of the economic interest and 100% of the voting power in ACRA LP. ACRA 1A is 100% owned by Athene Co-Invest Reinsurance Affiliate Holding Ltd. (ACRA HoldCo). Prior to December 31, 2021, ACRA 1A was 36.55% owned by Athene Life Re Ltd. (ALRe), and 63.45% owned by the Apollo/Athene Dedicated Investment Program (ADIP). On December 31, 2021, Athene Asset L.P. (AALP) and ADIP entered into a certain contribution and exchange agreement whereby all the issued and outstanding shares of ACRA 1A were contributed to ACRA HoldCo in exchange for an equal number of shares in ACRA HoldCo. ACRA HoldCo is 36.55% owned by AALP and 63.45% owned by ADIP. The shares held by ADIP are non-voting and all of the shares held by AALP represent 100% of the voting power in ACRA HoldCo.

ACRA 1B reinsures business from various subsidiaries of Athene Holding Ltd. (AHL). See *7. Reinsurance* for more information.

ACRA 1B was registered as a Class C long-term insurer on July 30, 2019 under the Insurance Act 1978, as amended (Insurance Act) and is engaged in the business of reinsurance of retirement savings products, primarily fixed indexed annuities, pension group annuities, and funding agreements business from Athene Annuity Re Ltd (AARe).

Basis of Presentation - We have prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions. Our principal estimates impact:

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- liability for investment contracts held at fair value;
- financial instruments held at fair value;
- future policy benefit reserves;
- market risk benefit assets and liabilities; and
- valuation allowances on deferred tax assets.

Additional details around these principal estimates and assumptions are discussed in the significant accounting policies that follow and the related footnote disclosures.

Merger - On January 1, 2022, AHL completed the merger with Apollo Global Management, Inc (AGM, together with its subsidiaries other than us or our subsidiaries, Apollo) and is now a direct subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by US GAAP. See *Note 3 – Business Combination* for further information on the merger.

Long-duration targeted improvements (LDTI) – Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2018-12, *Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. All provisions of the update were applied using a retrospective transition approach, with a transition date of January 1, 2022, the date of the merger with AGM. Our financial statements for the years ended December 31, 2023 and 2022 incorporate all targeted improvements required by the standard. See *–Adopted Accounting Pronouncements* below and *Note 2 – Adoption of Accounting Pronouncement* for further details.

Summary of Significant Accounting Policies

Investments

Fixed Maturity Securities – Fixed maturity securities includes bonds, collateralized loan obligations (CLO) and asset-backed securities (ABS). We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 6 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

AFS Securities - AFS securities are held at fair value on the balance sheets, with unrealized gains and losses, exclusive of allowances for expected credit losses, generally reflected in accumulated other comprehensive income (loss) (AOCI) on the balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the Statements of Income (Loss).

Trading Securities - We elected the fair value option for certain fixed maturity securities. These fixed maturity securities are classified as trading, with changes to fair value included in investment related gains (losses) on the statements of income (loss). Although the securities are classified as trading, the trading activity related to these investments is primarily focused on asset and liability matching activities and is not intended to be an income strategy based on active trading. As such, the activity related to these investments on the statements of cash flows is classified as investing activities.

We generally record security transactions on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the balance sheets. Bank loans, private placements and investment funds are recorded on settlement date basis.

Mortgage Loans - *W*e elect the fair value option on our mortgage loan portfolio. Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest, or the loan is 90 days past due unless guaranteed by US government-sponsored agencies. Interest income and prepayment fees are reported in net investment income on the statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the statements of income (loss).

Investment Funds - We invest in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (investment funds). For investment funds in which we do not hold a controlling financial interest, and therefore are not required to consolidate, we typically account for these investments using the equity method, where the cost is recorded as an investment in the fund, or we have elected the fair value option. Adjustments to the carrying amount reflect our pro rata ownership percentage of the operating results as indicated by NAV in the investment fund financial statements, which can be on a lag of up to three months when investee information is not received in a timely manner.

We record our proportionate share of investment fund income within net investment income on the statements of income (loss). Contributions paid or distributions received by us are recorded directly to the investment fund balance as an increase to carrying value or as a return of capital, respectively.

Funds Withheld at Interest - Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with modified coinsurance (modco) reinsurance agreements in which we are the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. The underlying agreements contain embedded derivatives as discussed below.

Other Investments - Other investments includes, but is not limited to, term loans collateralized by mortgages on residential real estate and other uncollateralized loans. We elect the fair value option on these loans.

Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest or the loan is 90 days past due. We recorded amortization of premiums and discounts using the effective interest method and contractual cash flows on the underlying loan. Interest income, amortization of premiums and discounts, and prepayment and other fees are included in net investment income on the statements of income (loss). Changes in fair value are included in investment related gains (losses) on the statements of income (loss).

Investment Income - We recognize investment income as it accrues or is legally due, net of investment management and custody fees. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Investment income on equity securities represents dividend income and preferred coupon interest. Realized gains and losses on sales of investments are included in investment related gains (losses) on the statements of income (loss). Realized gains and losses on investments sold are determined based on a first-in first-out method.

Credit Losses - *Assets Held at Amortized Cost and Off-Balance Sheet Credit Exposures* – We establish an allowance for expected credit losses at the time of purchase for assets held at amortized cost, which primarily historically included our residential mortgage loan portfolios, but also includes certain other loans and reinsurance assets. The allowance for expected credit losses represents the portion of the asset's amortized cost basis that we do not expect to collect due to credit losses over the asset's contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions or macroeconomic forecasts. We use a quantitative probability of default and loss given default methodology to develop our estimate of expected credit loss. We develop the estimate on a collective basis factoring in the risk characteristics of the assets in the portfolio. If an asset does not share similar risk characteristics with other assets, the asset is individually assessed.

Allowance estimates are highly dependent on expectations of future economic conditions and macroeconomic forecasts, which involve significant judgment and subjectivity. We use quantitative modeling to develop the allowance for expected credit losses. Key inputs into the model include data pertaining to the characteristics of the assets, historical losses and current market conditions. Additionally, the model incorporates management’s expectations around future economic conditions and macroeconomic forecasts over a reasonable and supportable forecast period, after which the model reverts to historical averages. These inputs, the reasonable and supportable forecast period, and reversion to historical average technique are subject to a formal governance and review process by management. Additionally, management considers qualitative adjustments to the model output to the extent that any relevant information regarding the collectability of the asset is available and not already considered in the quantitative model. If we determine that a financial asset has become collateral dependent, which we determine to be the point at which foreclosure is probable, the allowance is measured as the difference between amortized cost and the fair value of the collateral, less any expected costs to sell.

The initial allowance for invested assets held at amortized cost are recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss). The provision for credit losses for reinsurance assets held at amortized cost is recorded through policy and other operating expenses on the statements of income (loss).

We limit accrued interest income on loans to 90 days of interest. Once a loan becomes 90 days past due, the loan is put on non-accrual status and any accrued interest is written off. Once a loan is on non-accrual status, we first apply any payments received to the principal of the loan, and once the principal is repaid, we include amounts received in net investment income. We have elected to present accrued interest receivable separately in accrued investment income on the balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance given our policy to write off such balances in a timely manner. Any write-off of accrued interest is recorded through a reversal of net investment income on the statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss).

We also have certain off-balance sheet credit exposures for which we establish a liability for expected credit losses. These exposures primarily relate to commitments to fund residential mortgage loans that are not unconditionally cancellable. The methodology for estimating the liability for these credit exposures is consistent with that described above, with the additional consideration pertaining to the probability of funding. At the time the commitment expires or is funded, the liability is reversed and an allowance for expected credit losses is established, as applicable. The liability for off-balance sheet credit exposures is included in other liabilities on the balance sheets. The establishment of the initial liability and all subsequent changes are recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss).

Credit Losses - Available-for-Sale Securities - We evaluate AFS securities with a fair value that has declined below amortized cost to determine how the decline in fair value should be recognized. If we determine, based on the facts and circumstances related to the specific security, that we intend to sell a security or it is more likely than not that we would be required to sell a security before the recovery of its amortized cost, any existing allowance for expected credit losses is reversed and the amortized cost of the security is written down to fair value. If neither of these conditions exist, we evaluate whether the decline in fair value has resulted from a credit loss or other factors.

For non-structured AFS securities, we qualitatively consider relevant facts and circumstances in evaluating whether a decline below fair value is credit-related. Relevant facts and circumstances include but are not limited to: (1) the extent to which the fair value is less than amortized cost; (2) changes in agency credit ratings, (3) adverse conditions related to the security's industry or geographical area, (4) failure to make scheduled payments, and (5) other known changes in the financial condition of the issuer or quality of any underlying collateral or credit enhancements. For structured AFS securities meeting the definition of beneficial interests, the qualitative assessment is bypassed, and any securities having experienced a decline in fair value below amortized cost move directly to a quantitative analysis.

If upon completion of this analysis it is determined that a potential credit loss exists, an allowance for expected credit losses is established equal to the amount by which the present value of expected cash flows is less than amortized cost, limited by the amount by which fair value is less than amortized cost. A non-structured security's cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using security-specific facts and circumstances including timing, security interests and loss severity. A structured security's cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity, prepayments and structural support, including subordination and guarantees. The expected cash flows are discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete a structured security. For securities with a contractual interest rate that varies based on changes in an independent factor, such as an index or rate, the effective interest rate is calculated based on the factor as it changes over the life of the security. Inherently under the discounted cash flow model, both the timing and amount of expected cash flows affect the measurement of the allowance for expected credit losses.

The allowance for expected credit losses is remeasured each period for the passage of time, any change in expected cash flows, and changes in the fair value of the security. All impairments, whether intent or requirement to sell or credit-related, are recorded through a charge to the provision for credit losses within investment related gains (losses) on the statements of income (loss). All changes in the allowance for expected credit losses are recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss).

We have elected to present accrued interest receivable separately in accrued investment income on the balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance for expected credit losses, as we have a policy to write off such balances in a timely manner, when they become 90 days past due. Any write-off of accrued interest is recorded through a reversal of net investment income on the statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss).

Derivative Instruments - We invest in derivatives to hedge the risks experienced in our ongoing operations, such as equity, interest rate and cash flow risks, or for other risk management purposes, which primarily involve managing liability risks associated with our indexed annuity products and reinsurance agreements. Derivatives are financial instruments with values that are derived from interest rates, foreign exchange rates, financial indices or other combinations of an underlying and notional. Derivative assets and liabilities are carried at fair value on the balance sheets. We elect to present any derivatives subject to master netting provisions as a gross asset or liability and gross of collateral. Disclosures regarding balance sheet presentation of derivatives subject to master netting agreements are discussed in *Note 5 – Derivative Instruments*. We may designate derivatives as cash flow, fair value or net investment hedges.

Hedge Documentation and Hedge Effectiveness - To qualify for hedge accounting, at the inception of the hedging relationship, we formally document our designation of the hedge as a cash flow, fair value or net investment hedge and our risk management objective and strategy for undertaking the hedging transaction. In this documentation, we identify how the hedging instrument is expected to hedge the designated risks related to the hedged item and the method that will be used to retrospectively and prospectively assess the hedge effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the hedge accounting relationship.

For a cash flow hedge, all changes in the fair value of the hedging derivative are reported within AOCI and the related gains or losses on the derivative are reclassified into the statements of income (loss) when the cash flows of the hedged item affect earnings.

For a fair value hedge, changes in the fair value of the hedging derivative and changes in the fair value of the hedged item related to the designated risk being hedged are reported on the statements of income (loss) according to the nature of the risk being hedged. Additionally, changes in the fair value of amounts excluded from the assessment of effectiveness are recorded in AOCI and amortized into income over the life of the hedge accounting relationship.

For a net investment hedge, changes in the fair value of the hedging derivative are reported within AOCI to offset the translation adjustments for subsidiaries with functional currencies other than US dollar.

We discontinue hedge accounting prospectively when: (1) we determine the derivative is no longer highly effective in offsetting changes in the estimated cash flows or fair value of a hedged item; (2) the derivative expires, is sold, terminated, or exercised; or (3) the derivative is de-designated as a hedging instrument. When hedge accounting is discontinued, the derivative continues to be carried on the balance sheets at fair value, with changes in fair value recognized in investment related gains (losses) on the statements of income (loss).

For a derivative not designated as a hedge, changes in the derivative’s fair value and any income received or paid on derivatives at the settlement date are included in investment related gains (losses) on the statements of income (loss).

Embedded Derivatives - We reinsure products, primarily fixed indexed annuity products, or purchase investments that contain embedded derivatives. If we determine the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as the entire contract is carried at fair value with all related gains and losses recognized in investment related gains (losses) on the statements of income (loss). Embedded derivatives are carried on the balance sheets at fair value in the same line item as the host contract.

Fixed indexed annuity contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives represents the present value of cash flows attributable to the indexed strategies. The embedded derivative cash flows are based on assumptions for future policy growth, which include assumptions for expected index credits on the next policy anniversary date, future equity option costs, volatility, interest rates and policyholder behavior assumptions including lapses and the use of benefit riders.The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial account value less the initial fair value of the embedded derivative and accreted over the policy’s life. Changes in the fair value of embedded derivatives associated with fixed indexed annuities are included in interest sensitive contract benefits on the statements of income (loss).

Additionally, reinsurance agreements written on a modco basis contain embedded derivatives. We have determined that the right to receive or obligation to pay the total return on the assets supporting the funds withheld at interest, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on modco agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest on the balance sheets for assumed agreements. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the statements of income (loss). Assumed earnings from funds withheld at interest and changes in the fair value of embedded derivatives are reported in operating activities on the statements of cash flows. Contributions to and withdrawals from funds withheld at interest are reported in operating activities on the statements of cash flows.

Variable Interest Entities - An entity that does not have sufficient equity to finance its activities without additional financial support, or in which the equity investors, as a group, do not have the characteristics typically afforded to common shareholders is a Variable Interest Entity (VIE). The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and may require significant judgment. Our investment funds typically qualify as VIEs and are evaluated for consolidation under the VIE model.

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE’s economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE’s capital structure, contractual terms, nature of the VIE’s operations and purpose and our relative exposure to the related risks of the VIE.

Since affiliates of AGM, a related party, are the decision makers in certain of the investment funds, we and a member of our related party group may together have the characteristics of the primary beneficiary of an investment fund. In this situation, we have concluded we are not under common control, as defined by US GAAP, with the related party, and therefore we do not consolidate because the related party, whom is the decision maker, holds a significant indirect financial interest in the investee through its ownership interest in us. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

For entities that we do not consolidate but can exercise significant influence over the entities' operating and financing decisions, we record our investment under the equity method. If we do not consolidate and do not have significant influence, generally on investment funds in which we own a less than 3% interest, we elect the fair value option.

Reinsurance - We assume insurance and investment contracts under modco reinsurance agreements. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. We generally have the right of offset on reinsurance contracts, but have elected to present reinsurance settlement amounts due to and from us on a gross basis.

Assets and liabilities assumed under modco are presented gross on the balance sheets. For investment contracts, the change in assumed reserves are presented net in interest sensitive contract benefits on the statements of income (loss). For insurance contracts, the change in the assumed reserves and benefits are presented net in future policy and other policy benefits on the statements of income (loss), any changes related to the discount rate are presented net in other comprehensive income (loss) (OCI) on the statements of comprehensive income (loss). For market risk benefits, the change in the assumed reserves are presented net in market risk benefits remeasurement (gains) losses on the statements of income (loss), except for changes related to instrument-specific credit risk on assumed contracts which are presented net in OCI on the statements of comprehensive income (loss).

For the reinsurance of existing in-force blocks that transfer significant insurance risk, the difference between the assets received or paid and the liabilities assumed or ceded represents the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is amortized on a basis consistent with the methodologies and assumptions used to amortize deferred acquisition costs (DAC) and deferred sales inducements (DSI), or on a consistent basis with deferred profit liability dependent upon the nature of the underlying contract.

ModCo - For business assumed on a modco basis, a funds withheld segregated portfolio, comprised of invested assets and other assets is maintained by the ceding entity, which is sufficient to support the current balance of statutory reserves. The fair value of the funds withheld is recorded as a funds withheld asset and any excess or shortfall in relation to statutory reserves is settled periodically.

Cash and Cash Equivalents - Cash and cash equivalents include deposits and short-term highly liquid investments with an original maturity of less than 90 days 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.

Investments in Related Parties - Investments in related parties and associated earnings, other comprehensive income and cash flows are separately identified on the financial statements and accounted for consistently with the policies described above for each category of investment. Investments in related parties are primarily comprised of investments over which Apollo can exercise significant influence.

Deferred Acquisition Costs and Deferred Sales Inducements

Deferred Acquisition Costs and Deferred Sales Inducements - Costs related directly to the successful acquisition of new, or renewal of insurance or investment contracts are deferred. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs and deferred sales inducements on the balance sheets. These costs are not capitalized until they are incurred.

Deferred costs related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds are grouped into cohorts based on issue year and contract type and amortized on a constant level basis over the expected term of the related contracts. The cohorts and assumptions used for the amortization of deferred costs are consistent with those used in estimating the related liabilities for these contracts. The constant level basis generally is the initial premium or deposit and is projected based on assumptions related to policyholder behavior, including lapses and mortality, over the expected term of the contracts. Each reporting period, we replace expected experience with actual experience to determine the related amortization expense. Changes to projected experience are recognized in amortization expense prospectively over the remaining contract term. Amortization of DAC and DSI is included in amortization of deferred acquisition costs, deferred sales inducements and value of business acquired on the statements of income (loss).

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of the policyholder funds are amortized using the effective interest method. The effective interest method amortizes the deferred costs by discounting the future liability cash flows at a break-even rate. The break-even rate is solved for such that the present value of future liability cash flows is equal to the net liability at the inception of the contract. The deferred costs represent the difference between the net and gross liability and the change relates to amortization for the period.

Value of Business Acquired -We establish VOBA through application of pushdown accounting. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative and is amortized in relation to respective policyholder liabilities. Significant assumptions that impact VOBA amortization are consistent with those that impact the measurement of policyholder liabilities. We perform periodic tests to determine if positive VOBA remains recoverable. If we determine that positive VOBA is not recoverable, we would record a cumulative charge to the current period. Any negative VOBA is recorded to the same financial statement line on the balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs and deferred sales inducements balance sheets.

See *Note 8 – Deferred Acquisition Costs & Deferred Sales inducements* for further discussion.

Liability for Investment Contracts Held at Fair Value - For liabilities for investment contracts, we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. An actuarial appraisal method is based on the value of projected profits (net of required capital) using market-based assumptions. The significant unobservable inputs used in the actuarial appraisal method are the valuation rate, cost of capital rate, required capital percentage and return on net invested assets. Liability for investment contracts held at fair value are included in other liabilities on the balance sheets.

Financial Instruments Held at Fair Value - We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The significant unobservable inputs used in the fair value measurement of the financial instrument are valuation rate for the fixed funding agreement portfolio, credited rate for floating rate funding agreement portfolio and book yield on fixed income portion of funding agreement portfolio. Financial instruments held at fair value are recorded in other assets on the balance sheets. The change in fair value of financial instruments held at fair value is recorded in investment related gains (losses) on the statements of income (loss).

Interest Sensitive Contract Liabilities - Investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase, funding agreements and immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies). We carry liabilities for traditional deferred annuities, indexed annuities and funding agreements at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion. Certain of our contracts are offered with additional contract features that meet the definition of a market risk benefit. See *–Market Risk Benefits* below for further information.

Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the statements of income (loss).

Future Policy Benefits -We issue contracts classified as long-duration, which includes deferred and immediate annuities with life contingencies (which includes pension group annuities with life contingencies).

Liabilities for nonparticipating long-duration contracts are established as the estimated present value of benefits we expect to pay to or on behalf of the policyholder and related expenses less the present value of the net premiums to be collected, referred to as the net premium ratio. The contracts are grouped into cohorts based on issue year and contract type, with an exception for pension group annuities, which are generally assessed at the group annuity contract level. Contracts with different issuance years are not combined.

Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to discount rate, expenses, longevity, mortality, morbidity, persistency and other policyholder behavior. We base certain key assumptions, such as longevity, mortality and morbidity, on industry standard data adjusted to align with actual company experience, if needed. We have elected to use expense assumptions that are locked in at issuance for each cohort. All other cash flow assumptions are established at contract issuance and reviewed annually or more frequently if actual experience suggests a revision is necessary. The effects of changes in cash flow assumptions impacting the net premium ratio are recorded as remeasurement changes in the period in which they are made. As cash flow assumptions are reviewed at least annually, there is no provision for adverse deviation included within the liability.

Actual experience is recognized in the period in which the experience arises. Actual experience is then incorporated into the net premium ratio for all products and cohorts on a quarterly basis. When the net premium ratio is revised, whether to incorporate actual experience each reporting period or for the review of cash flow assumptions, the liability is recalculated as of the beginning of the period, discounted at the original contract issuance discount rate, and compared with the carrying amount of the liability as of the same date to determine the current period change. The current period change in the liability is recognized as a remeasurement gain or loss.

To the extent the present value of future benefits and expenses exceeds the present value of gross premiums, we will cap the net premium ratio at 100% by increasing the corresponding liability and recognizing an immediate loss through the statements of income (loss). The liability is never recorded at an amount less than zero for the cohort.

The liability for nonparticipating long-duration contracts is discounted using an upper-medium grade fixed income instrument yield aligned to the characteristics of the liability, including the duration and currency of the underlying cash flows. In determining reference portfolio of instruments, we have used a single A equivalent level rate and maximized the use of observable data to the extent possible for the duration of our liabilities. The discount rate is required to be updated at the end of each reporting period for the remeasurement of the liability but is locked-in for each cohort for the purpose of interest accretion expense.

Changes in the value of the liability for nonparticipating long-duration contracts due to changes in the discount rate are recognized as a component of OCI on the statements of comprehensive income (loss). Changes in the liability for the remeasurement gains or losses and all other changes in the liability are recorded in future policy and other policy benefits on the statements of income (loss).

Market Risk Benefits - Represent contracts or contract features that both provide protection to the contract holder from, and expose the insurance entity to, other-than-nominal capital market risk. Our deferred annuity contracts contain GLWB and GMDB riders that meet the criteria for, and are classified as, market risk benefits.

Market risk benefits are measured at fair value at the contract level and may be recorded as a liability or an asset, which are included in market risk benefits or other assets, respectively, on the balance sheets. Multiple market risk benefits on a contract are treated as a single, compound market risk benefit. At contract inception, we assess the fees and assessments that are collectible from the policyholder and allocate them to the extent they are attributable to the market risk benefit. These attributed fees are used in the valuation of the market risk benefits and are never negative or exceed total explicit fees collectible from the policyholder. If the fees are sufficient to cover the projected benefits, a non-option based valuation model is used. If the fees are insufficient to cover the projected benefits, an option-based valuation model is used to compute the market risk benefit liability at contract inception, with an equal and offsetting adjustment recognized in interest sensitive contract liabilities.

Changes in fair value of market risk benefits are recorded in market risk benefits remeasurement (gains) losses on the statements of income (loss), excluding portions attributed to changes in instrument-specific credit risk, which are recorded in OCI on the statements of comprehensive income (loss).

Upon annuitization of the contract or the extinguishment of the account balance, the market risk benefit, related annuity contract and unamortized deferred costs are derecognized, including amounts within AOCI. A payout annuity is then established for GLWBs.

Foreign Currency - Gains or losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in net income. The impacts of any non-US dollar denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *Note 4 –Derivative Instruments* above.

Recognition of Revenues and Related Expenses - Revenues for investment contracts, including surrender and market value adjustments, costs of insurance, policy administration, GMDB and GLWB, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the statements of income (loss).

Premiums for long-duration contracts, including products with fixed and guaranteed premiums and benefits, are recognized as revenue when due from policyholders. When premiums are due over a significantly shorter period than the period over which benefits are provided, a deferred profit liability is established equal to the excess of the gross premium over the net premium. The deferred profit liability is recognized in future policy benefits on the balance sheets and amortized into income in relation to either applicable policyholder liabilities for immediate annuities with life contingencies (which includes pension group annuities) or insurance in-force for whole life products through future policy and other policy benefits on the statements of income (loss).

When the net premium ratio for the corresponding future policy benefit is updated for actual experience and changes to projected cash flow assumptions, the deferred profit liability is retrospectively recalculated from the contract issuance date through the beginning of the current reporting period. The revised deferred profit liability is compared to the beginning of the period carrying amount to determine the change to be recognized as a remeasurement gain or loss within future policy and other policy benefits on the statements of income (loss). Unlike the related future policy benefit, the deferred profit liability will not be remeasured for changes in discount rates each reporting period. Negative VOBA balances associated with payout contracts involving life contingencies, including pension group annuities, are accounted for in a manner similar to the deferred profit liability.

Income Taxes - We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Such temporary differences are primarily due to the tax basis of reserves, DAC, unrealized investment gains/losses, reinsurance related differences, embedded derivatives and net operating loss carry forwards. Changes in deferred income tax assets and liabilities associated with components of OCI are recorded directly to OCI. We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

Bermuda enacted a corporate income tax ("CIT") on December 27, 2023. Under US GAAP Accounting Standard Codification ("ASC") 740, the effects of new tax legislation must be recognized as a component of income tax expense in the period in which the law is enacted. Beginning in 2025, the Company will be included in the Bermuda Constituent Entity Group return of Athene Annuity Re, Ltd. ("AARe"). Opening deferred taxes were allocated to the Company under the "benefits-for-loss" method. Under this method, the Company is assumed to file a separate return with the taxing authority, thereby reporting its opening tax benefit or expense as if it was a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company when those tax attributes are realized (or realizable) by the consolidated return group, even if the Company would not otherwise have realized the attributes on a stand-alone basis.

ACRA 1B is treated as a domestic corporation for US federal income tax purposes pursuant to Section 953(d) of the Internal Revenue Code.

See *Note 11 – Income Taxes*.

Recently Issued Accounting Pronouncements

Income Taxes—Improvements to Income Tax Disclosures (ASU 2023-09)

The amendments in this update revise certain disclosures on income taxes including rate reconciliation, income taxes paid, and certain amendments on disaggregation by federal, state and foreign taxes. The guidance is effective for us for annual periods beginning in 2025. Early adoption is permitted. We are currently evaluating the impact of this guidance on our financial statements.

Adopted Accounting Pronouncements

Insurance – Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2020-11, ASU 2019-09, ASU 2018-12)

These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.
- The update simplifies the amortization of DAC and other balances amortized in proportion to premiums, gross profits or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.
- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are GLWB and GMDB riders attached to our annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We adopted LDTI as of January 1, 2023 and, for all provisions of the update, applied a retrospective transition approach using a transition date of January 1, 2022, the date of our merger with AGM. At the merger date, VOBA balances were established as the difference between the fair value of the liabilities and the reserves established as of this date. Upon transition to LDTI, the liability for future policy benefits and contractual features that meet the criteria for market risk benefits were adjusted to conform to LDTI, with an offsetting adjustment made to positive or negative VOBA. No adjustments were recorded to AOCI or retained earnings (accumulated deficit) as of the transition date. *2. Adoption of Accounting Pronouncement* for the effects of LDTI adoption on our 2022 financial statements.

Reference Rate Reform (Topic 848) (ASU 2022-06, ASU 2021-01, ASU 2020-04)

We adopted ASU 2020-04 and ASU 2021-01 and elected to apply certain of the practical expedients related to contract modifications, hedge accounting relationships, and derivative modifications pertaining to discounting, margining, or contract price alignment. The main purpose of the practical expedients is to ease the administrative burden of accounting for contracts impacted by reference rate reform, and these elections did not have, and are not expected to have, a material impact on the financial statements. ASU 2022-06 amended and deferred the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which we will no longer be permitted to apply the expedients provided in Topic 848. We will continue to evaluate the impact of reference rate reform on contract modifications and hedging relationships.

2. Adoption of Accounting Pronouncement

The schedule following provide the transition disclosures and effect of our LDTI adoption on the 2022 financial statements. See *Note 9 – Long-duration Contracts* for further disclosures.

The following table summarizes future policy benefits and changes to the liability:

(In millions)	Payout annuities	Reconciling items[1]	Total
Balance as of January 1, 2022	$ 13,582,500	$ 1,809,776	$ 15,392,276
Change in discount rate assumptions	1,004,013	—	1,004,013
Adjustment for offsetting balance in negative VOBA[2]	—	(1,004,013)	(1,004,013)
Adjusted balance as of January 1, 2022	$ 14,586,513	$ 805,763	$ 15,392,276

[1] *Reconciling items primarily relate to negative VOBA associated with our liability for future policy benefits.*

Adjustments to the deferred profit liability were not required as these balances were set to zero on the merger date. Since the liability for future policy benefits was measured at fair value on the merger date, there were no instances upon transition in which net premiums exceeded gross premiums which would have required an immediate loss to be recognized in net income.

3. Business Combination

At the closing of the AHL merger with AGM on January 1, 2022, each issued and outstanding AHL Class A common share (other than shares held by Apollo, the Apollo Operating Group (AOG) or the respective direct or indirect wholly owned subsidiaries of AHL or AOG) was converted automatically into 1.149 shares of AGM common shares and any cash paid in lieu of fractional AGM common shares. In connection with the merger, AGM issued to AHL Class A common shareholders 158.2 million AGM common shares in exchange for 137.6 million AHL Class A common shares that were issued and outstanding as of the acquisition date, exclusive of the 54.6 million shares previously held by Apollo immediately before the acquisition date.

The consideration was calculated based on historical AGM's December 31, 2021 closing share price multiplied by the AGM common shares issued in the share exchange, as well as the fair value of stock-based compensation awards replaced, fair value of warrants converted to AGM common shares and other equity consideration, and effective settlement of pre-existing relationships and other consideration.

Pushdown accounting

As part of pushdown accounting, the goodwill recorded was allocated based on net identifiable assets of the Company. Due to negative net identifiable assets, there was no goodwill recognized at January 1, 2022.

Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the merger. Furthermore, no goodwill was pushed down to ACRA 1B because ACRA 1B will cede out merger synergies to ACRA 1A.

The following represents the calculation of goodwill and fair value amounts recognized:

(In thousands)	**Fair value and goodwill calculation**
Purchase Price	$ (406,354)
Total ACRA 1B equity (deficit)	**(406,354)**
Assets	
Investments	20,540,118
Cash and cash equivalents	132,606
Investment in related parties	415,074
Accrued investment income	1,973
Estimated fair value of total assets acquired by AGM	21,089,771
Liabilities	
Interest sensitive contract liabilities	5,298,664
Future policy benefits	15,392,276
Derivative liabilities	185
Payables for collateral on derivatives and securities to repurchase	6,770
Related Party Notes Payable	655,212
Other liabilities	143,018
Estimated fair value of total liabilities assumed by AGM	21,496,125
Identifiable net assets	(406,354)
Estimated fair value of net assets acquired, excluding goodwill	(406,354)
Goodwill attributable to ACRA 1B	—

Included within the above are final amounts for (1) interest sensitive contract liabilities, (2) future policy benefits, and (3) other assets and other liabilities for the portion of our net assets AGM acquired relating to other identifiable intangible assets and deferred taxes, based on the availability of data as of the date the financial statements were available to be issued.

4. Investments

AFS Securities -The following table represents the amortized cost, gross unrealized gains and losses and fair value of our AFS investments by asset type:

	December 31, 2023		
(In thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
AFS securities			
Corporate	$ 80,504	$ (21,993)	$ 58,511
CLO	114,777	(2,655)	112,122
ABS	47,590	(7,277)	40,313
Total AFS securities	242,871	(31,925)	210,946
AFS securities – related parties			
Corporate	41,147	(3,697)	37,450
Total AFS securities – related parties	41,147	(3,697)	37,450
Total AFS securities including related parties	$ 284,018	$ (35,622)	$ 248,396

	December 31, 2022		
(In thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
AFS securities			
Corporate	$ 147,455	$ (38,875)	$ 108,580
CLO	131,537	(9,091)	122,446
ABS	48,677	(10,300)	38,377
Total AFS securities	327,669	(58,266)	269,403
AFS securities – related parties			
Corporate	41,599	(7,031)	34,568
Total AFS securities – related parties	41,599	(7,031)	34,568
Total AFS securities including related parties	$ 369,268	$ (65,297)	$ 303,971

The amortized cost and fair value of AFS securities, including related parties, are shown by contractual maturity below:

	December 31, 2023	
(In thousands)	Amortized Cost	Fair Value
AFS securities		
Due after one year through five years	$ 773	$ 713
Due after five years through ten years	42,458	32,466
Due after ten years	37,273	25,332
CLO and ABS	162,367	152,435
Total AFS securities	242,871	210,946
AFS securities – related parties		
Due after one year through five years	41,147	37,450
Total AFS securities – related parties	41,147	37,450
Total AFS securities including related parties	$ 284,018	$ 248,396

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Unrealized Losses on AFS Securities - The following summarizes the fair value and gross unrealized losses for AFS securities, including related parties, for which an allowance for credit losses has not been recorded, aggregated by asset type and length of time the fair value has remained below amortized cost:

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	$ 713	$ (60)	$ 57,798	$ (21,933)	$ 58,511	$ (21,993)
CLO	—	—	112,122	(2,655)	112,122	(2,655)
ABS	—	—	40,313	(7,277)	40,313	(7,277)
Total AFS securities	713	(60)	210,233	(31,865)	210,946	(31,925)
AFS securities – related parties						
Corporate	—	—	37,450	(3,697)	37,450	(3,697)
Total AFS securities – related parties	—	—	37,450	(3,697)	37,450	(3,697)
Total AFS securities including related parties	$ 713	$ (60)	$ 247,683	$ (35,562)	$ 248,396	$ (35,622)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	$ 108,580	$ (38,875)	$ —	$ —	$ 108,580	$ (38,875)
CLO	122,446	(9,091)	—	—	122,446	(9,091)
ABS	38,377	(10,300)	—	—	38,377	(10,300)
Total AFS securities	269,403	(58,266)	—	—	269,403	(58,266)
AFS securities – related parties						
Corporate	34,568	(7,031)	—	—	34,568	(7,031)
Total AFS securities – related parties	34,568	(7,031)	—	—	34,568	(7,031)
Total AFS securities including related parties	$ 303,971	$ (65,297)	$ —	$ —	$ 303,971	$ (65,297)

The following summarizes the number of AFS securities that were in an unrealized loss position, including related parties, for which an allowance for credit losses has not been recorded:

	December 31, 2023	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	22	21
AFS securities – related parties	1	1

The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since application of pushdown accounting or acquisition. We did not recognize the unrealized losses in income, unless as required for hedge accounting, as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

Allowance for Credit Losses - The following table summarizes the activity in the allowance for credit losses for AFS securities by asset type.

There was no allowance for credit losses recorded for the year ended December 31, 2023.

	Year ended December 31, 2022			
		Additions	Reductions	
(In thousands)	January 1, 2022	Initial credit losses	Additions (reductions) to previously impaired securities	Ending Balance
AFS securities				
CLO	$ —	$ 13	$ (13)	$ —
Total AFS securities	—	13	(13)	—
Total AFS securities including related parties	$ —	$ 13	$ (13)	$ —

Net Investment Income - Net investment income by asset class consists of the following:

	Year ended December 31,	
(In thousands)	2023	2022
AFS securities	$ 18,434	$ 19,743
Trading securities	641	977
Mortgage loans	225	668
Investment funds	(47)	809
Funds withheld at interest	1,433,672	1,056,842
Other	3,583	3,693
Investment revenue	1,456,508	1,082,732
Investment expenses	(41,783)	(22,202)
Net investment income	$ 1,414,725	$ 1,060,530

Investment Related Gains (Losses) - Investment related gains (losses) by asset class consists of the following:

	Year ended December 31,	
(In thousands)	2023	2022
AFS securities[1]		
Gross realized gains on investment activity	$ 6,155	$ 5,964
Gross realized losses on investment activity	(4,373)	(11,960)
Net realized investment gains (losses) on AFS securities	1,782	(5,996)
Net recognized investment losses on trading securities	(10)	(1,344)
Net recognized investment losses on mortgage loans	(100)	(263)
Derivative gains (losses)	1,282,657	(3,786,346)
Provision for credit losses	—	—
Other gains (losses)	(589,435)	363,859
Investment related gains (losses)	$ 694,894	$ (3,430,090)

[1] *Includes the effects of recognized gains or losses on AFS securities associated with designated hedges.*

Proceeds from sales of AFS securities were $181 million and $367 million for the years ended December 31, 2023 and 2022, respectively.

Mortgage Loans, including related party - Mortgage loans comprise of residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio. See *Note 6 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

	December 31,	
(In thousands)	2023	2022
Residential mortgage loans	$ 2,928	$ 2,621
Mark to fair value	(95)	(22)
Residential mortgage loans	2,833	2,599
Mortgage loans	$ 2,833	$ 2,599

Our residential mortgage loan portfolio includes first lien residential mortgage loans collateralized by properties in various geographic locations and is summarized by proportion of the portfolio in the following table:

	December 31,	
	2023	2022
International		
United Kingdom	100.0 %	100.0 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
Total residential mortgage loan percentage	100.0 %	100.0 %

Investment Funds - Our investment fund portfolio consists of funds that employ various strategies and include investments in origination platforms, equity, hybrid, yield and other funds. Our investment funds do not specify timing of distributions on the funds' underlying assets.

The following summarizes our investment funds, including related parties:

	December 31,			
	2023		2022	
(In thousands, except for percentages)	Carrying value	Percent of total	Carrying value	Percent of total
Investment funds – related parties				
Apollo and other fund investments				
Equity	$ 735	100.0 %	$ 767	100.0 %
Total investment funds – related parties	735	100.0 %	767	100.0 %
Total investment funds including related parties	$ 735		$ 767	

Non-Consolidated Securities and Investment Funds

Fixed maturity securities - We invest in securitization entities as a debt holder or an investor in the residual interest of the securitization vehicle. These entities are deemed VIEs due to insufficient equity within the structure and lack of control by the equity investors over the activities that significantly impact the economics of the entity. In general, we are a debt investor within these entities and, as such, hold a variable interest; however, due to the debt holders' lack of ability to control the decisions within the trust that significantly impact the entity, and the fact the debt holders are protected from losses due to the subordination of the equity tranche, the debt holders are not deemed the primary beneficiary. Securitization vehicles in which we hold the residual tranche are not consolidated because we do not unilaterally have substantive rights to remove the general partner, or when assessing related party interests, we are not under common control, as defined by US GAAP, with the related parties, nor are substantially all of the activities conducted on our behalf; therefore, we are not deemed the primary beneficiary. Debt investments and investments in the residual tranche of securitization entities are considered debt instruments and are held at fair value on the balance sheet and classified as AFS or trading.

Investment funds - Investment funds include non-fixed income, alternative investments in the form of limited partnerships or similar legal structures.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds and trading securities are limited to the carrying value plus unfunded commitments. AFS securities are limited to amortized cost plus unfunded commitments.

The following summarizes the carrying value and maximum loss exposure of these non-consolidated investments:

	December 31,			
	2023		2022	
(In thousands)	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment in related parties – investment funds	$ 735	$ 735	$ 767	$ 767
Investment in fixed maturity securities	152,435	162,367	160,823	180,261
Total non-consolidated investments	$ 153,170	$ 163,102	$ 161,590	$ 181,028

Funds Withheld at Interest - Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with modco and funds withheld reinsurance agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company.

The funds withheld at interest is comprised of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Interest accrues at a risk free rate on the host receivable and is recorded as net investment income in the statements of income (loss). The change in the embedded derivative in our reinsurance agreements, which is similar to a total return swap on the income generated by the underlying assets held by the ceding companies, is recorded in investment related gains (losses). Although we do not directly control the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Apollo Insurance Solutions Group LP (ISG) to manage the withheld assets in accordance with our investment guidelines.

The following summarizes the underlying investment composition of the funds withheld at interest, including related party:

	December 31,			
	2023		2022	
(In thousands, except for percentages)	Carrying Value	Percent of Total	Carrying Value[1]	Percent of Total
Fixed maturity securities				
U.S. government and agencies	$ 927,743	2.6 %	$ 60,906	0.2 %
U.S. state, municipal, and political subdivisions	220,717	0.6 %	133,755	0.5 %
Foreign governments	277,264	0.8 %	228,754	0.8 %
Corporate	14,940,335	41.8 %	11,778,387	40.6 %
CLOs	4,793,885	13.4 %	3,861,560	13.3 %
ABS	4,626,751	12.9 %	3,859,054	13.3 %
CMBS	1,166,798	3.3 %	684,903	2.4 %
RMBS	477,015	1.3 %	583,407	2.0 %
Equity securities	106,344	0.3 %	129,978	0.4 %
Mortgage loans	5,787,747	16.2 %	4,608,210	15.9 %
Investment funds	2,220,495	6.2 %	1,724,275	5.9 %
Derivative Assets	381,665	1.1 %	450,010	1.6 %
Short-term investments	65,640	0.2 %	82,876	0.3 %
Other investments	94,097	0.3 %	438,637	1.5 %
Cash and cash equivalents	293,589	0.8 %	1,011,564	3.5 %
Other assets and liabilities[1]	(631,721)	(1.8)%	(613,612)	(2.1)%
Total funds withheld at interest	$ 35,748,364	100 %	$ 29,022,664	100 %

[1] *Primarily consists of derivative liabilities*

5. Derivative Instruments

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* for a description of our accounting policies for derivatives and *Note 6 – Fair Value* for information about the fair value hierarchy for derivatives.

The following table presents the notional amount and fair value of derivative instruments:

	December 31,					
	2023			2022		
	Notional	Fair Value		Notional	Fair Value	
(In thousands)	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedges						
Foreign currency swaps	61,847	$ 7,942	$ —	61,847	$ 11,890	$ —
Total derivatives designated as hedges		7,942	—		11,890	—
Derivatives not designated as hedges						
Foreign currency swaps	23,775	2,824	98	21,025	1,593	—
Foreign currency forwards	1,235	—	33	3,379	32	—
Embedded derivatives						
Funds withheld including related parties		(2,753,138)	—		(3,514,198)	—
Interest sensitive contract liabilities		—	234,738		—	207,904
Total derivatives not designated as hedges		(2,750,314)	234,869		(3,512,573)	207,904
Total derivatives		$ (2,742,372)	$ 234,869		$ (3,500,683)	$ 207,904

Derivatives Designated as Hedges

Fair Value Hedges - We use foreign currency swaps contracts that are designated and accounted for as fair value hedges to hedge certain exposures to foreign currency risk.

The following represents the carrying amount and the cumulative fair value hedging adjustments included in the hedged assets or liabilities:

	December 31,			
	2023		2022	
(In thousands)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging losses	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging losses
AFS securities - Foreign currency swaps	$ 43,268	$ (3,033)	$ 39,046	$ (5,623)

[1]*The carrying amount disclosed for AFS securities is amortized cost.*

The following is a summary of the gains (losses) related to the derivatives and related hedged items in fair value hedge relationships:

(In thousands)	Derivatives	Hedged Items	Net
Year ended December 31, 2023			
Investment related gains (losses)			
Foreign currency swaps	$ (2,649)	$ 2,590	$ (59)
Year ended December 31, 2022			
Investment related gains (losses)			
Foreign currency swaps	$ 5,758	$ (5,623)	$ 135

The following is a summary of the gains (losses) excluded from the assessment of hedge effectiveness that were recognized in OCI:

	Years ended December 31,	
(In thousands)	2023	2022
Foreign currency swaps	$ (1,343)	$ 1,580

Derivatives Not Designated as Hedges

Foreign currency forwards - We use foreign currency forward contracts to hedge certain exposures to foreign currency risk. The price is agreed upon at the time of the contract and payment is made at a specified future date.

Foreign currency swaps – We use foreign currency swaps as fair value hedges for our exposures to changes in fair value attributable to changes in foreign currency rates on our foreign debt securities.

Embedded derivatives – We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on modco or funds withheld basis and indexed annuity products.

The following is a summary of the gains (losses) related to derivatives not designated as hedges:

	Years ended December 31,	
(In thousands)	2023	2022
Swaps	$ 1,647	$ (400)
Foreign currency forwards	(415)	163
Embedded derivatives on funds withheld	1,284,074	(3,791,868)
Amounts recognized in investment related gains (losses)	1,285,306	(3,792,105)
Embedded derivatives in indexed annuity products[1]	(37,742)	(18,560)
Total gains (losses) on derivatives not designated as hedges	$ 1,247,564	$ (3,810,665)

[1] *Included in interest sensitive contract benefits on the statements of income (loss).*

Credit Risk - We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty.

We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties. Where possible, we maintain collateral arrangements and use master netting agreements that provide for a single net payment from one counterparty to another at each due date and upon termination. We have also established counterparty exposure limits, where possible, in order to evaluate if there is sufficient collateral to support the net exposure.

Collateral arrangements typically require the posting of collateral in connection with its derivative instruments. Collateral agreements often contain posting thresholds, some of which may vary depending on the posting party's financial strength ratings. Additionally, a decrease in our financial strength rating to a specified level can result in settlement of the derivative position.

The estimated fair value of our net derivative and other financial assets and liabilities after the application of master netting agreements and collateral were as follows:

		Gross amounts not offset on the balance sheets				
(In thousands)	Gross amount recognized[1]	Financial instruments[2]	Collateral (received)/ pledged	Net amount	Off-balance sheet securities collateral[3]	Net amount after securities collateral
December 31, 2023						
Derivative assets	$ 10,766	$ (97)	$ (10,540)	$ 129	$ —	$ 129
Derivative liabilities	(131)	97	—	(34)	—	(34)
December 31, 2022						
Derivative assets	$ 13,515	$ —	$ (14,100)	$ (585)	$ —	$ (585)
Derivative liabilities	—	—	—	—	—	—

[1] *The gross amounts of recognized derivative assets and derivative liabilities are reported on the balance sheets. As of December 31, 2023 and 2022, amounts not subject to master netting or similar agreements were immaterial.*

[2] *Represents amounts offsetting derivative assets and derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets or gross derivative liabilities for presentation on the balance sheets.*

[3] *For non-cash collateral received, we do not recognize the collateral on our balance sheet unless the obligor (transferor) has defaulted under the terms of the secured contract and is no longer entitled to redeem the pledged asset. Amounts do not include any excess of collateral pledged or received.*

6. Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets,
- Observable inputs other than quoted market prices, and
- Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the instrument's fair value measurement.

We use a number of valuation sources to determine fair values. Valuation sources can include quoted market prices; third-party commercial pricing services; third-party brokers; industry-standard, vendor modeling software that uses market observable inputs; and other internal modeling techniques based on projected cash flows. We periodically review the assumptions and inputs of third-party commercial pricing services through internal valuation price variance reviews, comparisons to internal pricing models, back testing to recent trades, or monitoring trading volumes.

The following represents the hierarchy for our assets and liabilities measured at fair value on a recurring basis:

	December 31, 2023			
(In thousands)	Total	Level 1	Level 2	Level 3
Assets				
AFS securities				
Corporate	$ 58,511	$ —	$ 58,511	$ —
CLO	112,122	—	112,122	—
ABS	40,313	—	40,313	—
Total AFS securities	210,946	—	210,946	—
Mortgage loans	2,833	—	—	2,833
Derivative assets	10,766	—	10,766	—
Cash and cash equivalents	83,845	83,845	—	—
Investments in related parties				
AFS securities				
Corporate	37,450	—	37,450	—
Total AFS securities – related parties	37,450	—	37,450	—
Funds withheld at interest – embedded derivative	(2,753,138)	—	—	(2,753,138)
Other assets	261	—	—	261
Total assets measured at fair value	$ (2,407,037)	$ 83,845	$ 259,162	$ (2,750,044)
Liabilities				
Interest sensitive contract liabilities				
Embedded derivative	$ 234,738	$ —	$ —	$ 234,738
Market risk benefits	18,062	—	—	18,062
Derivative liabilities	131	—	131	—
Financial Instruments held at fair value – related parties	388,777	—	—	388,777
Liability for investment contracts held at fair value – related parties	1,594,059	—	—	1,594,059
Total liabilities measured at fair value	$ 2,235,767	$ —	$ 131	$ 2,235,636

	December 31, 2022			
(In thousands)	Total	Level 1	Level 2	Level 3
Assets				
AFS securities				
Corporate	$ 108,580	$ —	$ 108,580	$ —
CLO	122,446	—	122,446	—
ABS	38,377	—	38,377	—
Total AFS securities	269,403	—	269,403	—
Mortgage loans	2,599	—	—	2,599
Derivative assets	13,515	—	13,515	—
Cash and cash equivalents	194,520	194,520		—
Investments in related parties				
AFS securities				
Corporate	34,568	—	34,568	—
Total AFS securities – related parties	34,568	—	34,568	—
Funds withheld at interest – embedded derivative	(3,514,198)	—	—	(3,514,198)
Financial Instruments held at fair value – related parties	36,608	—	—	36,608
Other assets	1,119	—	—	1,119
Total assets measured at fair value	$ (2,961,866)	$ 194,520	$ 317,486	$ (3,473,872)
Liabilities				
Interest sensitive contract liabilities				
Embedded derivative	$ 207,904	$ —	$ —	$ 207,904
Market risk benefits	9,191	—	—	9,191
Liability for investment contracts held at fair value – related parties	989,756	—	—	989,756
Total liabilities measured at fair value	$ 1,206,851	$ —	$ —	$ 1,206,851

Fair Value Valuation Methods - We used the following valuation methods and assumptions to estimate fair value:

AFS securities - We obtain the fair value for most marketable securities without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes US and non-US corporate bonds, US agency and government guaranteed securities, CLO, ABS, CMBS and RMBS.

We also have fixed maturity securities priced based on indicative broker quotes or by employing market accepted valuation models. For certain fixed maturity securities, the valuation model uses significant unobservable inputs and are included in Level 3 in our fair value hierarchy. Significant unobservable inputs used include: discount rates, issue specific credit adjustments, material non-public financial information, estimation of future earnings and cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

We value privately placed fixed maturity securities based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. In some instances, we use a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security. We also consider additional factors such as net worth of the borrower, value of collateral, capital structure of the borrower, presence of guarantees and our evaluation of the borrower’s ability to compete in its relevant market. Privately placed fixed maturity securities are classified as Level 2 or 3.

Mortgage loans - We estimate fair value on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

Funds withheld at interest embedded derivative - We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld payable under modco and funds withheld reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 or 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

Derivatives - Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

Cash and cash equivalents - The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

Other assets and market risk benefits liability - Other assets at fair value consists of market risk benefit assets. See *Note 9 – Long-duration Contracts* for additional information on market risk benefits valuation methodology and additional fair value disclosures. The estimates are classified as Level 3.

Interest sensitive contract liabilities embedded derivative **-** Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

Liability for Investment Contracts Held at Fair Value - For liabilities for investment contracts we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions. Liability for Investment Contracts Held at Fair Value are classified as Level 3.

Financial Instrument Held at Fair Value - We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions. Financial Instruments held at fair value are classified as Level 3.

Fair Value Option - The following represents the gains (losses) recorded for instruments for which we have elected the fair value option, including related parties:

(In thousands)	Years ended December 31, 2023	2022
Change in fair value of investment contracts held at fair value	$ (414,185)	$ (627,538)
Change in fair value of financial instruments held at fair value	(424,479)	(85,003)
Trading securities	(10)	(1,344)
Mortgage loans	(85)	(264)
Total gains (losses)	$ (838,759)	$ (714,149)

Gains and losses on trading securities are recorded in investment related gains (losses) on the statements of income (loss). Change in fair value of investment contracts held at fair value is presented on the face of the statement of income (loss). The change in fair value of financial instruments held at fair value is recorded in investment related gains (losses) on the statements of income (loss).

The following summarizes information for fair value option mortgage loans:

(In thousands)	December 31, 2023	2022
Unpaid principal balance	$ 2,927	$ 2,621
Mark to fair value	(94)	(22)
Fair value	$ 2,833	$ 2,599

There were no fair value option mortgage loans 90 days or more past due as of December 31, 2023 or 2022.

There were no estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio for the years ended December 31, 2023 and 2022.

Level 3 Financial Instruments - The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers in and out of Level 3 are primarily based on changes in the availability of pricing sources, as described in the valuation methods above.

	Year ended December 31, 2023							
		Total realized and unrealized gains (losses)						
(In thousands)	Beginning balance	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets								
Mortgage loans	$ 2,599	$ (85)	$ —	$ 319	$ —	$ 2,833	$ —	$ —
Investments in related parties								
AFS securities								
ABS	—	172	—	(172)	—	—	—	—
Funds withheld at interest – embedded derivative	(3,514,198)	761,060	—	—	—	(2,753,138)	—	—
Total Level 3 assets	$(3,511,599)	$ 761,147	$ —	$ 147	$ —	$(2,750,305)	$ —	$ —
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	$ (207,904)	$ (37,742)	$ —	$ 10,908	$ —	$ (234,738)	$ —	$ —
Financial Instruments held at fair value	36,608	(424,480)		(905)	—	(388,777)	—	—
Liability for investment contracts held at fair value	(989,756)	(414,185)	—	(190,118)	—	(1,594,059)	—	—
Total Level 3 liabilities	$(1,161,052)	$ (876,407)	$ —	$ (180,115)	$ —	$(2,217,574)	$ —	$ —

[1] *Related to instruments held at end of period.*

	Year ended December 31, 2022							
		Total realized and unrealized gains (losses)						
(In thousands)	January 1, 2022	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets								
AFS securities								
Corporate	—	—	—	(28,287)	28,287	—	—	—
ABS	$ 31,220	$ —	$ —	$ (31,220)	$ —	$ —	$ —	$ —
Mortgage loans	—	(264)	—	710	2,153	2,599	—	
Investments in related parties								
AFS securities								
CLO	50,500	(7)	—	(50,493)	—	—	—	—
ABS	16,770	(1,580)	—	(15,190)	—	—	—	
Trading securities	—	(1,363)	—	1,363	—	—	—	
Mortgages loans - Related Party	—	—	—	(154,717)	154,717	—	—	
Funds withheld at interest – embedded derivative	(12,837)	(3,501,361)	—	—	—	(3,514,198)	—	—
Short-term investments	—	—	—	28,287	(28,287)	—	—	
Financial Instruments held at fair value	127,082	(85,003)	—	(5,471)	—	36,608		
Total Level 3 assets	$ 212,735	$(3,589,578)	$ —	$ (255,018)	$ 156,870	$(3,474,991)	$ —	$ —
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	$ —	$ 18,560	$ —	$ (226,464)	$ —	$ (207,904)	$ —	$ —
Liability for investment contracts held at fair value	(111,051)	(627,537)	—	(251,168)	—	(989,756)	—	—
Total Level 3 liabilities	$ (111,051)	$ (608,977)	$ —	$ (477,632)	$ —	$(1,197,660)	$ —	$ —

[1] *Related to instruments held at end of period.*

The following represents the gross components of purchases, issuances, sales and settlements, net, and net transfers in (out) shown above:

	Year ended December 31, 2023							
(In thousands)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
Mortgage loans	319	—	—	—	319	—	—	—
Investments in related parties								
AFS securities								
CLO	46,289	—	(46,289)	—	—	—	—	—
ABS	58,659	—	(58,831)	—	(172)	—	—	—
Total Level 3 assets	$ 105,267	$ —	$ (105,120)	$ —	$ 147	$ —	$ —	$ —
Liabilities								
terest sensitive contract liabilities – embedded derivative	$ —	$ —	$ —	$ 10,908	$ 10,908	$ —	$ —	$ —
Financial Instruments held at fair value	—	—	—	(905)	(905)	—	—	—
Liability for investment contracts held at fair value	—	—	—	(190,118)	(190,118)	—	—	—
Total Level 3 liabilities	$ —	$ —	$ —	$ (180,115)	$ (180,115)	$ —	$ —	$ —

	Year ended December 31, 2022							
(In thousands)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
ABS	$ 1,076	$ —	$ (32,296)	$ —	$ (31,220)	$ —	$ —	$ —
Mortgage loans	710	—	—	—	$ 710	2,153	—	2,153
Investments in related parties								—
AFS securities								—
Corporate	4,226	—	(26,471)	(6,042)	(28,287)	28,287	—	28,287
CLO	32,560	—	(83,053)	—	(50,493)	—	—	—
ABS	226,019	—	(224,381)	(16,828)	(15,190)	—	—	—
Trading securities	274,195	—	(272,832)	—	1,363	—	—	—
Mortgage Loans	—	—	(154,717)	—	(154,717)	154,717	—	154,717
Short-term investments	28,287	—	—	—	28,287	—	(28,287)	(28,287)
Financial Instruments held at fair value	—	—	—	(5,471)	(5,471)	—	—	—
Total Level 3 assets	$ 567,073	$ —	$ (793,750)	$ (28,341)	$ (255,018)	$ 185,157	$ (28,287)	$ 156,870
Liabilities								
Interest sensitive contract liabilities – embedded derivative	$ —	$ (228,394)	$ —	$ 1,930	$ (226,464)	$ —	$ —	$ —
Liability for investment contracts held at fair value	$ —	$ —	$ —	$ (251,167)	$ (251,167)	—	—	—
Total Level 3 liabilities	$ —	$ (228,394)	$ —	$ (249,237)	$ (477,631)	$ —	$ —	$ —

Significant Unobservable Inputs - Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities, equity securities, mortgage loans and certain derivatives, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

AFS and trading securities – We use discounted cash flow models to calculate the fair value for certain fixed maturity securities. The discount rate is a significant unobservable input because the credit spread includes adjustments made to the base rate. The base rate represents a market comparable rate for securities with similar characteristics. This excludes assets for which fair value is provided by independent broker quotes, but includes assets for which fair value is provided by affiliated quotes.

Mortgage loans - We use discounted cash flow models from independent commercial pricing services to calculate the fair value of our mortgage loan portfolio. The discount rate is a significant unobservable input. This approach uses market transaction information and client portfolio-oriented information, such as prepayments or defaults, to support the valuations.

Interest sensitive contract liabilities - embedded derivative - Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk - For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (Treasury) curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget - We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior - We regularly review the lapse assumptions. These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

Liability for Investment Contracts Held at Fair Value - For liabilities for investment contracts, we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. An actuarial appraisal method is based on the value of projected profits (net of required capital) using market-based assumptions. The significant unobservable inputs used in the actuarial appraisal method are the valuation rate, cost of capital rate, required capital percentage and return on net invested assets.

Financial Instruments Held at Fair Value **-** We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The significant unobservable inputs used in the fair value measurement of the financial instrument are the liability crediting rate to the funding agreement reserve, the asset book yield on the funding agreement portfolio, and the discount rate used to discount the projected cashflows.

The following summarizes the unobservable inputs for mortgage loans, the liability for investment contracts, embedded derivatives of fixed indexed annuities and financial instruments held at fair value:

	December 31, 2023						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Mortgage Loans	$ 2,833	Discounted cash flow	Discount rate	6.1 %	6.1 %	6.1 % [1]	Decrease
Liability for investment contracts held at fair value	1,594,059	Actuarial Appraisal Method	Discount Rate	3.6 %	5.7 %	4.2 %	Decrease
			Return on Net Invested Assets	4.0 %	5.9 %	4.6 %	Increase
			Required Capital	7.1 %	7.7 %	7.6 %	Decrease
			Hurdle Rate	12.0 %	12.0 %	12.0 %	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	234,738	Option budget method	Nonperformance risk	0.4 %	1.4 %	0.9 % [2]	Decrease
			Option budget	1.3 %	6.0 %	2.6 % [3]	Increase
			Surrender rate	1.4 %	21.5 %	7.3 % [3]	Decrease
Financial Instrument Held at Fair Value	388,777	Discounted cash flows	Discount rate	1.8 %	7.0 %	3.4 % [1]	Increase
			Liability Crediting Rate	1.0 %	11.0 %	5.6 %	Decrease
			Asset Book Yield	3.5 %	5.1 %	4.3 %	Decrease

	December 31, 2022						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Mortgage Loans	$ 2,599	Discounted cash flow	Discount rate	5.9 %	5.9 %	5.9 % [1]	Decrease
Liability for investment contracts held at fair value	989,756	Actuarial Appraisal Method	Discount Rate	1.8 %	3.6 %	3.1 %	Decrease
			Return on Net Invested Assets	4.1 %	6.0 %	4.8 %	Increase
			Required Capital	7.2 %	7.5 %	7.4 %	Decrease
			Hurdle Rate	12.0 %	12.0 %	12.0 %	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	207,904	Option budget method	Nonperformance risk	0.3 %	1.9 %	1.3 % [2]	Decrease
			Option budget	1.3 %	5.3 %	2.6 % [3]	Increase
			Surrender rate	0.9 %	20.4 %	6.5 % [3]	Decrease
Financial Instrument Held at Fair Value	36,608	Discounted cash flows	Discount rate	3.8 %	5.2 %	4.5 % [1]	Decrease
			Liability Crediting Rate	1.8 %	7.1 %	3.2 %	Increase
			Asset Book Yield	1.0 %	10.0 %	3.8 %	Decrease

[1] *The discount rate weighted average is calculated based on the relative fair values of the securities or loans.*

[2] *The nonperformance risk weighted average is calculated based on the projected cash flows attributable to the embedded derivative.*

[3] *The option budget and surrender rate weighted average is calculated based on the projected account values.*

7. Reinsurance

The following summarizes the effect of reinsurance on premiums and future policy and other policy benefits on the statements of income (loss):

	Years ended December 31,	
(In thousands)	2023	2022
Premiums		
Reinsurance assumed	$ 5,924,470	$ 8,661,632
Total premiums	$ 5,924,470	$ 8,661,632
Future policy and other policy benefits		
Reinsurance assumed	$ 6,851,849	$ 9,204,767
Total future policy and other policy benefits	$ 6,851,849	$ 9,204,767

Reinsurance transactions

In 2019, we entered into a modified coinsurance agreement with Athene Annuity Re. Ltd to assume a block of US PGAs. For year ended December 31, 2023, additional policies were added to the existing modco agreement with AARe.

In June 2021, we entered into a modified coinsurance agreement with Athene Annuity Re. Ltd to reinsure funding agreements (FA). As of December 31,2023 and 2022, we reinsured additional FAs with principals of $300 million and $1,816 million, respectively.

As of January 1, 2022, we started to reinsure retail business from AARe on a modified coinsurance agreement. Total retail inflows received during the year ended December 31, 2023 and 2022 were $9 million and $2,923 million respectively.

8. Deferred Acquisition Costs & Deferred Sales inducements

The following represents a rollforward of DAC and DSI. See *Note 9 – Long-duration Contracts f*or more information on our products.

	DAC			DSI	
(In thousands)	Traditional deferred annuities	Indexed annuities	Funding agreements	Indexed annuities	Total DAC and DSI
Balance at January 1, 2022	$ —	$ —	$ —	$ —	$ —
Additions	34,009	110,456	5,883	61,968	212,316
Amortization	(1,633)	(3,795)	(896)	(2,019)	(8,343)
Balance at December 31, 2022	32,376	106,661	4,987	59,949	203,973
Additions	(189)	(42)	212	97	78
Amortization	(6,570)	(9,651)	(1,087)	(5,602)	(22,910)
Balance at December 31, 2023	$ 25,617	$ 96,968	$ 4,112	$ 54,444	$ 181,141

Deferred costs related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds, including traditional deferred annuities and indexed annuities, are amortized on a constant-level basis for a cohort of contracts using initial premium or deposit. Significant inputs and assumptions are required for determining the expected duration of the cohort and involves using accepted actuarial methods to determine decrement rates related to policyholder behavior for lapses, withdrawals (surrenders) and mortality. The assumptions used to determine the amortization of DAC and DSI are consistent with those used to estimate the related liability balance.

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of policyholder funds are amortized using the effective interest method, which primarily includes funding agreements. The effective interest method requires inputs to project future cash flows, which for funding agreements includes contractual terms of notional value, periodic interest payments based on either fixed or floating interest rates, and duration.

9. Long-duration Contracts

Interest sensitive contract liabilities – Interest sensitive contract liabilities primarily include:

- traditional deferred annuities,
- indexed annuities consisting of fixed indexed annuities,
- funding agreements, and
- other investment-type contracts comprising of immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies).

The following represents a rollforward of the policyholder account balance by product within interest sensitive contract liabilities. Where explicit policyholder account balances do not exist, the disaggregated rollforward represents the recorded reserve.

	December 31, 2023				
(In thousands, except percentages)	**Traditional deferred annuities**	**Indexed annuities**	**Funding agreements**	**Other investment - type**	**Total**
Balance at December 31, 2022	$ 1,415,478	$ 1,555,326	$ 6,312,918	$ 8,707	$ 9,292,429
Deposits	8,242	1,992	300,000	—	310,234
Policy charges	—	(12,283)	—	—	(12,283)
Surrenders and withdrawals	(38,831)	(68,352)	(40,213)	—	(147,396)
Benefit payments	(13,449)	(10,493)	(165,414)	(1,848)	(191,204)
Interest credited	60,367	31,220	150,787	264	242,638
Foreign exchange	—	—	41,886	—	41,886
Other	—	—	115,727	(72)	115,655
Balance at December 31, 2023	$ 1,431,807	$ 1,497,410	$ 6,715,691	$ 7,051	$ 9,651,959
Weighted average crediting rate	4.4 %	3.1 %	2.4 %	3.9 %	
Net amount at risk	$ 4	$ 127,595	$ —	$ —	
Cash surrender value	1,332,983	1,317,589	—	—	

	December 31, 2022				
(In thousands, except percentages)	**Traditional deferred annuities**	**Indexed annuities**	**Funding agreements**	**Other investment - type**	**Total**
Balance at January 1, 2022	$ —	$ —	$ 5,271,091	$ 10,202	$ 5,281,293
Deposits	1,409,795	1,574,840	1,816,303	1,877	4,802,815
Policy charges	—	(5,284)	—	—	(5,284)
Surrenders and withdrawals	(8,411)	(12,452)	(345,939)	—	(366,802)
Benefit payments	(1,417)	(2,272)	(106,019)	(2,858)	(112,566)
Interest credited	15,511	494	125,227	228	141,460
Foreign exchange	—	—	(111,744)	—	(111,744)
Other	—	—	(336,001)	(742)	(336,743)
Balance at December 31, 2022	$ 1,415,478	$ 1,555,326	$ 6,312,918	$ 8,707	$ 9,292,429
Weighted average crediting rate	4.3 %	3.2 %	2.1 %	3.5 %	
Net amount at risk	$ 2	$ 111,047	$ —	$ —	
Cash surrender value	1,315,019	1,357,518	—	—	

The following is a reconciliation of interest sensitive contract liabilities to the balance sheets:

	December 31,	
(In thousands)	2023	2022
Traditional deferred annuities	$ 1,431,807	$ 1,415,478
Indexed annuities	1,497,410	1,555,326
Funding agreements	6,715,691	6,312,918
Other investment-type	7,051	8,707
Reconciling items [1]	49,181	(5,560)
Interest sensitive contract liabilities	$ 9,701,140	$ 9,286,869

[1] *Reconciling items primarily include embedded derivatives in indexed annuities, unaccreted host contract adjustments on indexed annuities and negative VOBA.*

The following represents policyholder account balances by range of guaranteed minimum crediting rates, as well as the related range of the difference between rates being credited to policyholders and the respective guaranteed minimums:

	December 31, 2023			
(In thousands)	At guaranteed minimum	1 basis point - 100 basis points above	Greater than 100 basis points above	Total
< 2.0%	$ 3,301,371	$ 26,138	$ 2,865,306	$ 6,192,815
2.0% - < 4.0%	2,827,997	23,317	38	2,851,352
4.0% - < 6.0%	2,228	463	—	2,691
6% and greater	605,101	—	—	605,101
Total	$ 6,736,697	$ 49,918	$ 2,865,344	$ 9,651,959

	December 31, 2022			
(In thousands)	At guaranteed minimum	1 basis point - 100 basis points above	Greater than 100 basis points above	Total
< 2.0%	$ 3,191,110	$ 27,583	$ 2,935,048	$ 6,153,741
2.0% - < 4.0%	2,828,868	923	—	2,829,791
4.0% - < 6.0%	1,233	—	—	1,233
6% and greater	307,664	—	—	307,664
Total	$ 6,328,875	$ 28,506	$ 2,935,048	$ 9,292,429

Future policy benefits – Future policy benefits consist solely of pension group annuities with life contingencies.

The following is a rollforward of the expected value of future policy benefits:

	Payout annuities with life contingencies	
	December 31,	
(In thousands)	2023	2022
Present value of expected future policy benefits		
Beginning balance	$ 18,916,954	$ 14,586,513
Effect of changes in discount rate assumptions	3,475,017	—
Beginning balance at original discount rate	22,391,971	14,586,513
Effect of changes in cash flow assumptions	(183,154)	—
Effect of actual experience compared to expected experience	17,623	4,469
Adjusted balance	22,226,440	14,590,982
Issuances	5,965,700	8,585,194
Interest accrual	931,016	560,415
Benefit payments	(2,062,218)	(1,344,620)
Ending balance at original discount rate	27,060,938	22,391,971
Effect of changes in discount rate assumptions	(2,606,678)	(3,475,017)
Ending balance	$ 24,454,260	$ 18,916,954
Weighted-average liability duration (*in years*)	8.5	9.2
Weighted-average interest accretion rate	3.8 %	3.4 %
Weighted-average current discount rate	5.1 %	5.5 %
Expected future benefit payments, undiscounted	$ 38,591,994	$ 31,832,327

The following is a reconciliation of future policy benefits to the balance sheets:

	December 31,	
(In thousands)	2023	2022
Payout annuities with life contingencies	$ 24,454,260	$ 18,916,954
Reconciling items[1]	986,953	866,501
Future policy benefits	$ 25,441,213	$ 19,783,455

[1] *Reconciling items primarily include the deferred profit liability and negative VOBA associated with our liability for future policy benefits.*

The following is a reconciliation of premiums and interest expense relating to future policy benefits to the statements of income (loss):

	Premiums		**Interest expense**	
	Years ended December 31,		Years ended December 31,	
(In thousands)	2023	2022	2023	2022
Payout annuities with life contingencies	5,924,470	8,661,632	931,016	560,415
Total	$ 5,924,470	$ 8,661,632	$ 931,016	$ 560,415

Significant assumptions and inputs to the calculation of future policy benefits for payout annuities with life contingencies include policyholder demographic data, assumptions for policyholder longevity and policyholder utilization for contracts with deferred lives, and discount rates. We base certain key assumptions related to policyholder behavior on industry standard data adjusted to align with actual company experience, if necessary. At least annually, we review all significant cash flow assumptions and update as necessary, unless emerging experience indicates a more frequent review is necessary. The discount rate reflects market observable inputs from upper-medium grade fixed income instrument yields and is interpolated, where necessary, to conform to the duration of our liabilities.

During the year ended December 31, 2023, future policy benefits for payout annuities with life contingencies increased by $5,537 million, which was driven by $5,966 million of issuances, primarily pension group annuities, $931 million of interest accrual and $868 million change in discount rate assumptions related to a decrease in rates, this was partially offset by $2,062 million of benefit payments, and $183 million resulting from favorable unlocking of assumptions, primarily related to higher interest rates and favorable mortality experience lowering future benefit payments.

During the year ended December 31, 2022, future policy benefits for payout annuities with life contingencies increased by $4,330 million, which was driven by $8,585 million of issuances, primarily pension group annuities, and $560 million of interest accrual, partially offset by a $3,475 million change in discount rate assumptions related to an increase in rates and $1,345 million of benefit payments.

The following is a summary of remeasurement gains (losses) included within future policy and other policy benefits on the statements of income (loss):

	December 31,	
(In thousands)	2023	2022
Reserves	$ 165,531	$ (4,469)
Deferred profit liability	(122,535)	(11,305)
Negative VOBA	(31,771)	15,207
Total remeasurement gains (losses)	$ 11,225	$ (567)

During the years ended December 31, 2023 and 2022, we recorded reserve increases of $118 million and $50 million, respectively, to the statements of income (loss) as a result of the present value of benefits and expenses exceeding the present value of gross premiums.

Market risk benefits – We issue and reinsure indexed annuity products that contain GLWB and GMDB riders that meet the criteria to be classified as market risk benefits.

The following is a rollforward of net market risk benefit liabilities by product:

	Indexed annuities	
	December 31,	
(In thousands)	2023	2022
Balance at December 31, 2022	$ 8,072	$ —
Effect of changes in instrument-specific credit risk	(465)	—
Balance, beginning of period, before changes in instrument-specific credit risk	7,607	—
Issuances	21	9,098
Interest accrual	552	79
Attributed fees collected	2,696	1,240
Benefit payments	36	(53)
Effect of changes in interest rates	(1,366)	(3,245)
Effect of changes in equity	(949)	441
Effect of actual behavior compared to expected behavior	997	136
Effect of changes in future expected policyholder behavior	3,944	—
Effect of changes in other future expected assumptions	(146)	(89)
Balance, end of period, before changes in instrument-specific credit risk	13,392	7,607
Effect of changes in instrument-specific credit risk	4,409	465
Balance at December 31, 2023	$ 17,801	$ 8,072
Net amount at risk	$ 127,595	$ 111,047
Weighted-average attained age of contract holders (*in years*)	66	65

The following is a reconciliation of market risk benefits to the balance sheets. Market risk benefit assets are included in other assets on the balance sheets.

	December 31, 2023			December 31, 2022		
(In thousands)	Asset	Liability	Net liability	Asset	Liability	Net liability
Indexed annuities	$ 261	$ 18,062	$ 17,801	$ 1,119	$ 9,191	$ 8,072
Total	$ 261	$ 18,062	$ 17,801	$ 1,119	$ 9,191	$ 8,072

During the year ended December 31, 2023, net market risk benefit liabilities increased by $10 million, which was primarily driven by $3 million in fees collected from policyholders, $4 million in effect of changes in future expected policyholder behavior due to an unlocking of the income rider utilization assumption and a $4 million change in instrument-specific credit risk related to tightening of credit spreads.

During the year ended December 31, 2022, net market risk benefit liabilities increased by $8 million, which was primarily driven by $9 million of new issuances, partially offset by a decrease of $3 million related to changes in the risk-free discount rate across the curve.

The determination of the fair value of market risk benefits requires the use of inputs related to fees and assessments and assumptions in determining the projected benefits in excess of the projected account balance. Judgment is required for both economic and actuarial assumptions, which can be either observable or unobservable, that impact future policyholder account growth.

Economic assumptions include interest rates and implied volatilities throughout the duration of the liability. For indexed annuities, assumptions also include projected equity returns which impact cash flows attributable to indexed strategies, implied equity volatilities, expected index credits on the next policy anniversary date and future equity option costs. Assumptions related to the level of option budgets used for determining the future equity option costs and the impact on future policyholder account value growth are considered unobservable inputs.

Policyholder behavior assumptions are unobservable inputs and are established using accepted actuarial valuation methods to estimate withdrawals (surrender rate) and income rider utilization. Assumptions are generally based on industry data and pricing assumptions which are updated for actual experience, if necessary. Actual experience may be limited for recently issued products.

All inputs are used to project excess benefits and fees over a range of risk-neutral, stochastic interest rate scenarios. For indexed annuities, stochastic equity return scenarios are also included within the range. A risk margin is incorporated within the discount rate to reflect uncertainty in the projected cash flows such as variations in policyholder behavior, as well as a credit spread to reflect our nonperformance risk, which is considered an unobservable input. We use the credit spread, relative to the US Treasury curve based on our public credit rating as of the valuation date, as the credit spread to reflect our nonperformance risk in the estimate of the fair value of market risk benefits.

The following summarizes the unobservable inputs for market risk benefits:

	December 31, 2023						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Market risk benefits, net	$ 17,801	Discounted cash flow	Non-performance risk	0.4 %	1.4 %	1.2 % [1]	Decrease
			Option budget	1.3 %	6.0 %	2.2 % [2]	Decrease
			Surrender rate	1.1 %	12.4 %	3.6 % [2]	Decrease
			Utilization rate	90.0 %	90.0 %	90.0 % [3]	Increase

	December 31, 2022						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Market risk benefits, net	$ 8,072	Discounted cash flow	Non-performance risk	0.3 %	1.9 %	1.7 % [1]	Decrease
			Option budget	1.3 %	5.3 %	2.2 % [2]	Decrease
			Surrender rate	0.7 %	13.6 %	3.5 % [2]	Decrease
			Utilization rate	90.0 %	90.0 %	90.0 % [3]	Increase

[1] The nonperformance risk weighted average is based on the cash flows underlying the market risk benefit reserve.

[2] The option budget and surrender rate weighted averages are calculated based on projected account values.

[3] The utilization of GLWB withdrawals represents the estimated percentage of policyholders that are expected to use their income rider over the duration of the contract, with the weighted average based on current account values.

10. Equity

Common Stock - ACRA 1B has one class of common shares. As of December 31, 2023 and December 31, 2022, the Company had 250,000 common shares authorized, of which 250,000 were issued and outstanding at a par value of $1.00 each.

Accumulated Other Comprehensive Income (Loss) - The following provides the details and changes in AOCI:

	December 31, 2022					
(In thousands)	Unrealized investment gains (losses) on AFS securities without a credit allowance	Remeasurement gains (losses) on future policy benefits related to discount rate	Remeasurement losses on market risk benefits related to credit risk	Unrealized gains (losses) on hedging instruments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
Balance at January 1, 2022	$ —	$ —	$ —	$ —	$ —	$ —
Other comprehensive income (loss)	(59,675)	3,475,017	(466)	1,580	—	3,416,456
Less: Income tax expense	—	—	—	—	717,456	717,456
Balance at December 31, 2022	(59,675)	3,475,017	(466)	1,580	(717,456)	2,699,000
Other comprehensive income (loss)	27,086	(868,339)	(3,944)	(1,343)	—	(846,540)
Less: Income tax benefit	—	—	—	—	(177,773)	(177,773)
Balance at December 31, 2023	$ (32,589)	$ 2,606,678	$ (4,410)	$ 237	$ (539,683)	$ 2,030,233

11. Income Taxes

Income tax benefit consists of the following:

	Years ended December 31,	
(In thousands)	2023	2022
Current	$ (13)	$ 1,616
Deferred	(89,488)	(807,092)
Income tax benefit	$ (89,501)	$ (805,476)

Income tax benefit was calculated based on the following income (loss) before income taxes by jurisdiction:

	Years ended December 31,	
(In thousands)	2023	2022
US	$ 154,670	$ (3,843,294)
Income (loss) before income taxes	$ 154,670	$ (3,843,294)

A reconciliation of the difference between the expected tax provision at the US statutory tax rate and income tax expense (benefit) is as follows:

	Years ended December 31,	
(In thousands, except for percentages)	2023	2022
Expected tax provision computed on pre-tax income (loss)	$ 32,481	$ (807,092)
Increase (decrease) in income taxes resulting from:		
Prior year true-up	—	1,616
Bermuda Tax	(121,969)	—
Other	(13)	—
Income tax expense (benefit)	$ (89,501)	$ (805,476)
Effective tax rate	(58)%	21 %

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023 (Bermuda CIT). Commencing on January 1, 2025, the Bermuda CIT generally will impose a 15% corporate income tax on in-scope entities that are resident in Bermuda or have a Bermuda permanent establishment, without regard to any assurances that have been given pursuant to the Exempted Undertakings Tax Protection Act 1966. We recorded material deferred tax assets as a result of the passage of the Bermuda CIT and recognized a material impact (decrease) to our consolidated effective tax rate upon recording the deferred tax assets.

Total income taxes were as follows:

	Years ended December 31,	
(In thousands)	2023	2022
Income tax benefit	$ (89,501)	$ (805,476)
Income tax expense (benefit) from OCI	(177,773)	717,456
Total income tax expense (benefit)	$ (267,274)	$ (88,020)

Current income tax recoverable and deferred tax assets are included in other assets on the balance sheets, and current income tax payable and deferred tax liabilities are included in other liabilities on the balance sheets. Current and deferred income tax assets and liabilities were as follows:

	December 31,	
(In thousands)	2023	2022
Current income tax recoverable	$ 3,000	$ 4,720
Net current income tax recoverable	$ 3,000	$ 4,720
Deferred tax assets	$ 471,612	$ 204,350
Net deferred tax assets	$ 471,612	$ 204,350

Deferred income tax assets and liabilities consisted of the following:

	December 31,	
(In thousands)	2023	2022
Deferred tax assets		
Insurance liabilities	$ 161,004	$ 175,018
Investments, including derivatives and unrealized losses in AFS	5,515	5,062
Net operating and capital loss carryforwards	222,204	67,877
Bermuda tax	121,969	—
Total deferred tax assets	510,692	247,957
Deferred tax assets, net of valuation allowance	510,692	247,957
Deferred tax liabilities		
DAC and DSI	38,040	42,834
Other	1,040	773
Total deferred tax liabilities	39,080	43,607
Net deferred tax assets (liabilities)	$ 471,612	$ 204,350

As of December 31, 2023, we have US federal net operating losses of $1,046 million that will begin to expire by 2041.

The UK enacted legislation in July 2023 implementing certain provisions of the Organisation for Economic Cooperation and Development's "Pillar Two" global minimum tax initiative (Pillar Two) that will apply to multinational enterprises for accounting periods beginning on or after December 31, 2023. On November 29, 2023, a bill was introduced to UK Parliament which proposes certain amendments to the previously enacted Pillar Two legislation and which would include new Pillar Two provisions for accounting periods beginning on or after December 31, 2024. We are continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries, as such legislative changes could result in changes to our effective tax rate.

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations (CAMT) as well as an excise tax on stock repurchases. Based on interpretations and assumptions we have made regarding the CAMT provisions of the IRA, which may change once further regulatory guidance is issued, CAMT as well as the excise tax on stock repurchases had no impact on our financial statement.

ACRA 1B files a standalone US federal tax return. ACRA 1B is not subject to US federal and state examinations by tax authorities for years prior to 2020.

12. Statutory Requirements

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

Bermuda statutory requirements - ACRA 1B is licensed by the Bermuda Monetary Authority (BMA) as a Class C long-term insurer and is subject to the Insurance Act. The BMA implemented the Economic Balance Sheet framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II). Under this framework a Class C insurer must produce three sets of financial statements:

1. ***GAAP Financial Statements*** - Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which ACRA 1B has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and Economic Balance Sheet.

2. ***Statutory Financial Statements (SFS)***- Equal to the GAAP financial statements adjusted for:

   a. Prudential filters that include a) adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes, and b) adjustments to include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.

   b. Directions known as permitted practices as issued by the BMA.

3. ***Economic Balance Sheet (EBS)*** - A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario based approach. Under the standard approach the discount rates for insurance reserves are rates prescribed by the BMA. Under the scenario based approach the discount rates for insurance reserves are based on the yields on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed scenarios.

Under the Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C insurers, MMS is equal to the greater of $500,000, 1.5% of the total statutory assets or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. ACRA 1B has a permitted practice from the BMA to remove the MMS floor when calculating the ECR. As of December 31, 2023, ACRA 1B was in excess of the minimum levels required. For ACRA 1B, the ECR is the binding regulatory constraint.

The following tables present the Company's actual and required GAAP, SFS and EBS capital and surplus and net income (loss) as of and for the year ended December 31, 2023 and December 31, 2022:

	Year ended December 31, 2023		
(In thousands)	GAAP	SFS	EBS[3,4]
Actual Capital and Surplus	$ (1,170,729)	$ 78,221	$ 286,079
Required Capital[1]	N/A	N/A	114,753
BSCR Ratio[2]	N/A	N/A	249 %
Net Income (Loss)[3]	244,171	(168,118)	N/A

	Year ended December 31, 2022		
(In thousands)	GAAP	SFS	EBS[3]
Actual Capital and Surplus	$ (746,133)	$ 247,837	$ 307,570
Required Capital[1]	N/A	N/A	99,870
BSCR Ratio[2]	N/A	N/A	308 %
Net Loss[3]	(3,037,818)	(160,433)	N/A

[1] Represents the MMS for the SFS and the ECR for EBS. There is not a required capital and surplus amount for the GAAP financial statements.
[2]BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.
[3] EBS comprises of only a balance sheet.
[4]Required Capital and the BSCR ratio represent best estimates as at the time of reporting and exclude the impact of any deferred taxes that may be recorded on a statutory basis as a result of the enactment of the Bermuda CIT. Changes are expected between disclosed figures and final BSCR as filed.

Under the Bermuda statutory framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. ACRA 1B has permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ACRA 1B uses US statutory reserving principles for the calculation of

insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

(In thousands)	December 31, 2023
Change in capital and surplus due to permitted practices	$ 1,370,952
Change in statutory net income due to permitted practices	(534,291)

Under the Insurance Act, ACRA 1B is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, ACRA 1B would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, ACRA 1B is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The following represents the maximum distribution ACRA 1B would be permitted to remit to its parent without the need for prior approval:

	December 31,	
(In thousands)	2023	2022
Maximum distribution	$ 51,436	$ 43,936

13. Related Parties

See *Note 7 – Reinsurance* for a description of our reinsurance transactions with related parties.

Apollo

Fee structure – Substantially all of our investments are managed by Apollo. Apollo provides us a full suite of services that includes: direct investment management; asset sourcing and allocation; mergers and acquisition sourcing, execution and asset diligence; and strategic support and advice. Apollo also provides certain operational support services for our investment portfolio including investment compliance, tax, legal and risk management support.

Apollo has extensive experience managing our investment portfolio and its knowledge of our liability profile enables it to tailor an asset management strategy to fit our specific needs. This strategy has proven responsive to changing market conditions and focuses on earning incremental yield by taking liquidity risk and complexity risk, rather than assuming solely credit risk. Our partnership has enabled us to take advantage of investment opportunities that would likely not otherwise have been available to us.

Under our fee agreement with Apollo, we pay Apollo a base management fee of 0.15% per year of the aggregate market value of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts), other than any Excluded Assets, as of the end of each month. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the market value, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities.

For the years ended December 31, 2023 and 2022, we incurred management fees of $42 million and $22 million, respectively. Management fees are included within net investment income on the statements of income (loss). As of December 31, 2023 and 2022, management fees payable were $3 million and payable of $3 million, respectively, and are included in other liabilities on the balance sheets.

Other related party transactions

MidCap - We hold ABS securities issued by MidCap affiliates of $37 million and $35 million as of December 31, 2023 and 2022, respectively, which are included in related party AFS securities on the balance sheets.

Unsecured Revolving Notes Receivable - ACRA 1B has an unsecured revolving note agreement with ACRA 1A.

The unsecured revolving note receivable from ACRA 1A has a borrowing capacity of $2.5 billion with a maturity date of December 15, 2026, or earlier at ACRA 1B's request. Interest accrues at U.S. mid-term applicable federal rate per year. As of December 31, 2023 and 2022, the revolving note receivable had no outstanding balance.

Unsecured Revolving Note Payable — In addition to the unsecured revolving note receivable described above, ACRA 1B has an unsecured revolving notes payable with ACRA 1A.

The unsecured revolving note payable to ACRA 1A permits ACRA 1B to borrow up to $2.5 billion with US mid-term applicable federal rate per year and has a maturity date of December 15, 2026, or earlier at ACRA 1A's request. As of December 31, 2023 and 2022, the revolving note payable had an outstanding balance of $684 million and $81 million, respectively.

Additionally, ACRA 1B has four separate unsecured surplus notes payable to ACRA 1A, comprised of $200 million and $50 million where interest accrues at a fixed 2.163% per year and matures on December 31, 2031 and 2032 respectively, $50 million where interest accrues at a fixed 3.400% per year and matures on December 31, 2032, $8 million with interest accruing at the U.S. long-term applicable federal rate per year and matures on December 31, 2030. As of December 31, 2023 and 2022, the unsecured surplus notes payable had an outstanding balance of $308 million.

ACRA 1B has a Subordinated Loan Commitment with ACRA 1A which is a line of credit for up to $8 million. Interest accrues at U.S. mid-term applicable federal rate per year, and a commitment fee at 0.225% of the undrawn line of credit and has a maturity date of December 31, 2025. The line of credit remains undrawn as of December 31, 2023 and 2022.

14. Commitments and Contingencies

Contingent Commitments - We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously, of $50 million as of December 31, 2023. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

Litigation, Claims and Assessments

ACRA 1B has no litigation, claims or assessments outstanding as at the reporting date.

15. Subsequent Events

The Company has evaluated the impact of subsequent events through April 19, 2024, the date at which the financial statements were available to be issued.

Supplemental Information (Unaudited) Schedule 1

In addition to our audited results presented in accordance with accounting principles generally accepted in the United States of America (US GAAP), we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant US GAAP measures, provides information that may enhance an investor's understanding of our business. These non-GAAP measures are intended to remove the impact of market volatility on ACRA 1B's common shareholder equity.

Adjusted Common Shareholder's Equity Non-GAAP Reconciliation

i. **Market Value Adjustments:**
Adjusted ACRA 1B common shareholder's equity is calculated as the ending ACRA 1B shareholder's equity excluding AOCI, cumulative changes in fair value of funds withheld and Modified Coinsurance (modco) reinsurance assets, investment contracts held at fair value, financial instruments held at fair value and mortgage loan assets. The adjustments include offsets to tax and reserves. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with Available for Sale (AFS) securities, investment and financial instruments held at fair value and reinsurance assets. Except with respect to reinvestment activity relating to acquired blocks of business, we typically buy and hold AFS securities and reinsurance assets to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance.

ii. **Surplus Notes Adjustment**
ACRA 1B maintains surplus notes with its parent company, ACRA 1A, which is treated as equity for regulatory purposes. This treatment is different from U.S. generally accepted accounting principles (GAAP) where these instruments are treated as debt and reported as a liability on the balance sheet.

We believe the adjustments to shareholder's equity are significant to gaining an understanding of our capitalization.

The reconciliation of total ACRA 1B shareholder's equity to total adjusted ACRA 1B common shareholder's equity is as follows:

	Year ended December 31,	
(In thousands)	2023	2022
Total ACRA 1B common shareholder's equity	$ (1,170,729)	$ (746,133)
Less: Accumulated other comprehensive income/(loss)	2,030,233	2,699,000
Less: Accumulated change in fair value of reinsurance assets	(1,956,248)	(2,691,733)
Less: Accumulated change in fair value of mortgage loan assets	(74)	(17)
Less: Accumulated change in fair value of investment contracts held at fair value	(651,235)	(571,961)
Less: Accumulated change in financial instruments held at fair value	(406,269)	(70,931)
Add: Surplus notes	308,000	308,000
Total adjusted ACRA 1B common shareholder's equity	$ 120,864	$ 197,509